

ANNUAL REPORT 2017 | 2018



Leading inclusive
connectivity towards the fourth
industrial revolution



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USAASA Annual Report 2017/2018

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LIST OF ACRONYMS/ABBREVIATIONS

ADSL	Asymmetric Digital Subscriber Line
AGSA	Auditor General of South Africa
APP	Annual Performance Plan
BARC	Board Audit and Risk Committee
BBBEE	Broad Based Black Economic Empowerment
BDM	Broadcasting Digital Migration
CAE	Chief Audit Executive
CEO	Chief Executive Officer
COBIT	Control Objectives for Information and Related Technologies
DSLAMs	Digital Subscriber Line Access Multiplexer
DTPS	Department of Telecommunications and Postal Services
DTH	Direct To Home
ECA	Electronic Communications Act, 2005 (Act No. 36 of 2005)
ERP	Enterprise Resource Planning
EXCO	Executive Management Committee
GITO	Government Information Technology Officers
GRAP	Generally Recognised Accounting Practice
GRC	Governance, Risk and Control
ICASA	Independent Communications Authority of South Africa
ICT	Information Communications Technology
IPC	Institute for Printed Circuits
ISP	Internet Service Provider
ITU	International Telecommunication Union
ITIL	Information Technology Infrastructure Library
MEC	Member of the Executive Council
MIOS	Minimum Inter-Operability Standards
MISS	Minimum Information Security Standards
MSAN	Multiservice Access Node
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NC	Northern Cape
NGP	New Growth Plan
NRI	Network Readiness Sub-Index
NW	North West
OD	Organisational Development
PFMA	Public Finance Management Act
PoPI	Protection of Personal Information
PPPFA	Preferential Procurement Policy Framework Act
PWD	People with Disability
RDP	Reconstruction and Development Plan
RSA	Republic of South Africa
SA Connect	South Africa Connect: Creating Opportunities, Ensuring Inclusion South Africa Broadband Policy (2013)
SANS	South African National Standards
SAP	Systems, Applications & Products
SCM	Supply Chain Management
USAASA	Universal Service and Access Agency of South Africa
USAF	Universal Service and Access Fund
VDSL	Very-high-bit-rate Digital Subscriber Line
VIP	Variable Information Processing



A

GENERAL INFORMATION

USAASA's GENERAL INFORMATION

Chairperson of the Board	Mr Mawethu Cawe
Acting Chief Executive Officer	Mr Sipho Mangqibisa
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Website Address	www.usaasa.org.za
Bankers	Nedbank South Africa
Auditors	Auditor-General South Africa



FOREWORD BY **CHAIRPERSON OF THE BOARD**

MAWETHU CAWE

It is a great honour to present the annual report for the 2017/18 financial year outlining performance outcomes against the predetermined strategic objectives of the Universal Service and Access Agency of South Africa (USAASA).

The world we live in today is one where the information that we use to make decisions moves at the speed of light. Incredibly, in the time it takes one to take a single decision in one's head, a bit of data has travelled around the world...twice.

When I reflect upon the increasing interconnectivity of our world, I can only marvel at how this interconnectivity has revealed how incredibly interdependent we – as human beings – are on each other.

The way we work, the way we relax, the way we connect to our fellow human beings (not to mention to an increasing array of electronic devices that now power our world) has forever been changed by digital communications and mobile computing technologies.

This interconnectivity drives the world forward at a mind-blowing pace. Whether we realise it or not, it affects the lives of every single one of us. Even the people who do not have access to this interconnected world are being affected.

In fact, people who do not yet have access to the internet are being prevented from participating in the fast-moving world that the rest of us are privileged to be able to access from our fingertips.

Universal access to digital telecommunications is so important that it has been deemed a universal right by the United Nations. We, as South Africans, have a moral duty to make sure that we leave no man behind in the unfolding discord of the global technological revolution.

The so-called mobile miracle that is unfolding across the continent hinges upon the rollout of backbone infrastructure that can sustainably meet the exponentially growing demand for digital communications.

Therefore, USAASA was established by the Electronic Communications Act of 2005 (ECA) mainly to ensure that all South Africans, irrespective of geographic boundaries and economic status, have access to broadband infrastructure and services. For USAASA to achieve this, the ECA also established the Universal Service and Access Fund (USAF) to be managed by the Agency. The Fund is financed by the contributions from electronic communications service, electronic communications network service and broadcasting service licensees.

Knowing all of this has been fuelling my sense of urgency as I continued to fulfil my duties as the chairperson. As head of the statutory body playing an integral part in South Africa's fourth industrial revolution, I am conscious of the mammoth task entrusted to me and the Board by the Republic of South Africa Government, to transform and impact lives in a sustainable manner. The Board has to account for the rollout of broadband and digital set-top boxes (STBs) to the people in our society who cannot afford to carry the financial burden. It is a responsibility that we, as the Board, do not take lightly.

USAASA has made great strides in assisting the country to meet international conventions, commitments and policies that affect universal service and access by facilitating the connection of villages with information and communications technologies (ICTs) and establishing community access points, connecting primary healthcare facilities with ICTs, and connecting local government departments, and these will continue to be our focus areas during the 2018/19 performance cycle and into the future. To achieve this, USAASA will continue to collaborate closely with all stakeholders for purposes of ensuring the best possible outcome for all parties.

The Board, in cooperation with members of USAASA senior management, put considerable effort into developing, assessing and approving USAASA's 2018/19 annual performance plan (APP), while carefully monitoring performance against strategic outcome-oriented goals and working to improve audit outcomes.

The year under review was a particularly challenging one, as the Board had to actively address issues of governance and risk that had materially impacted on the rollout of STBs and broadband infrastructure as well as the performance of the Fund and the Agency as a whole.

The rollout of the digital migration project in South Africa has been fraught with obstacles. However, the Board is proud to announce that it has managed to successfully conclude the intense litigation battles that faced USAASA, in relation to, firstly, the encryption debacle, which was settled by the Constitution Court in May 2017,

and secondly, the irregular and questionable procurement processes that were put in place in the 2015/16 financial year, which were set aside by the court ruling in the year under review, amid the alleged anti-competitive conduct that is still under investigation by the Competition Commission. As a result, USAASA was forced to apply from National Treasury for the retention of surplus funds, to the tune of just over R19 million for legal fees incurred during the year under review. There is still an ongoing dispute under review in the arbitration matter between the Agency and one STBs manufacturer on a rand/dollar exchange rate variance and, hopefully, the matter will be finalised in the new financial year.

Furthermore, the Board also spent most of the financial year dealing with internal investigations into misconduct and the legal fallout that originated from several interdependent incidents that took place in the previous reporting years and originated in the 2015/16 financial year. More legal action is anticipated in the new financial year since the Board had suspended the CEO, Mr Lumko Mtimde, in the face of serious allegations of misconduct during the year under review.

Irrespective of difficult circumstances during the financial year, the Board still managed to uphold its mandate. This had to be done in the face of public scrutiny and widespread criticism over the lack of cohesive leadership in this crucial space, where ICT meets humanity.

I am extremely proud to be serving as Chairperson of such a cohesive Board with such exuberant members. Despite all odds, the Board was able to provide strategic leadership and also ensure that the Agency achieved an unqualified audit opinion. This performance bears testament to the Board's excellent teamwork, unquestionable integrity and dedication.

I would be remiss if I did not highlight the immense contribution that Mr Sipho Mngqibisa has made in providing stable leadership, having been asked to step in as acting CEO in the last month of the year under review. He has continued to provide the requisite leadership in the new financial year. Mr Mngqibisa, thank you for all the time and effort you have put in – at great personal cost – to ensure a stable transition in leadership at USAASA. Your unwavering dedication and the vast experience you bring to the table are instrumental in turning the misfortunes of USAASA into positive anecdotes.

As some of us are approaching the end of the three-year term, I want to express my gratitude to my fellow Board members. It has been a privilege to have led this wonderful Board and an honour to serve with you.

I thank the Minister of Telecommunications and Postal Services, Honourable Dr Siyabonga Cwele, Deputy Minister, Honourable Stella T Ndabeni-Abrams, and the Portfolio Committee of Telecommunications and Postal Services for their support and leadership as the Board navigated a challenging service delivery environment. Their confidence in me and their willingness to grant me the opportunity to serve the Agency as Chairperson are greatly appreciated. My three years at USAASA have been most fulfilling and have given me the opportunity to gain valuable experience in the sector.

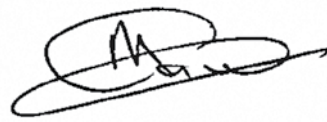
My thanks also go to the previous ministers of communications, the Honourable Ayanda Dlodlo and Honourable Mmamoloko Kubayi-Ngubane for their contribution and support, notwithstanding their short stint with us. Finally, I acknowledge the Honourable Nomvula Mokonyane for her steadfast leadership since she took over, which has brought the broadcasting digital migration (BDM) project back on track.

Many changes are going to affect the digital economy and infrastructure landscape in the short term, with South Africa switching off analogue signal distribution during 2019 as the

BDM project comes to a close, and the finalisation of the National Integrated ICT Policy White Paper on the horizon.

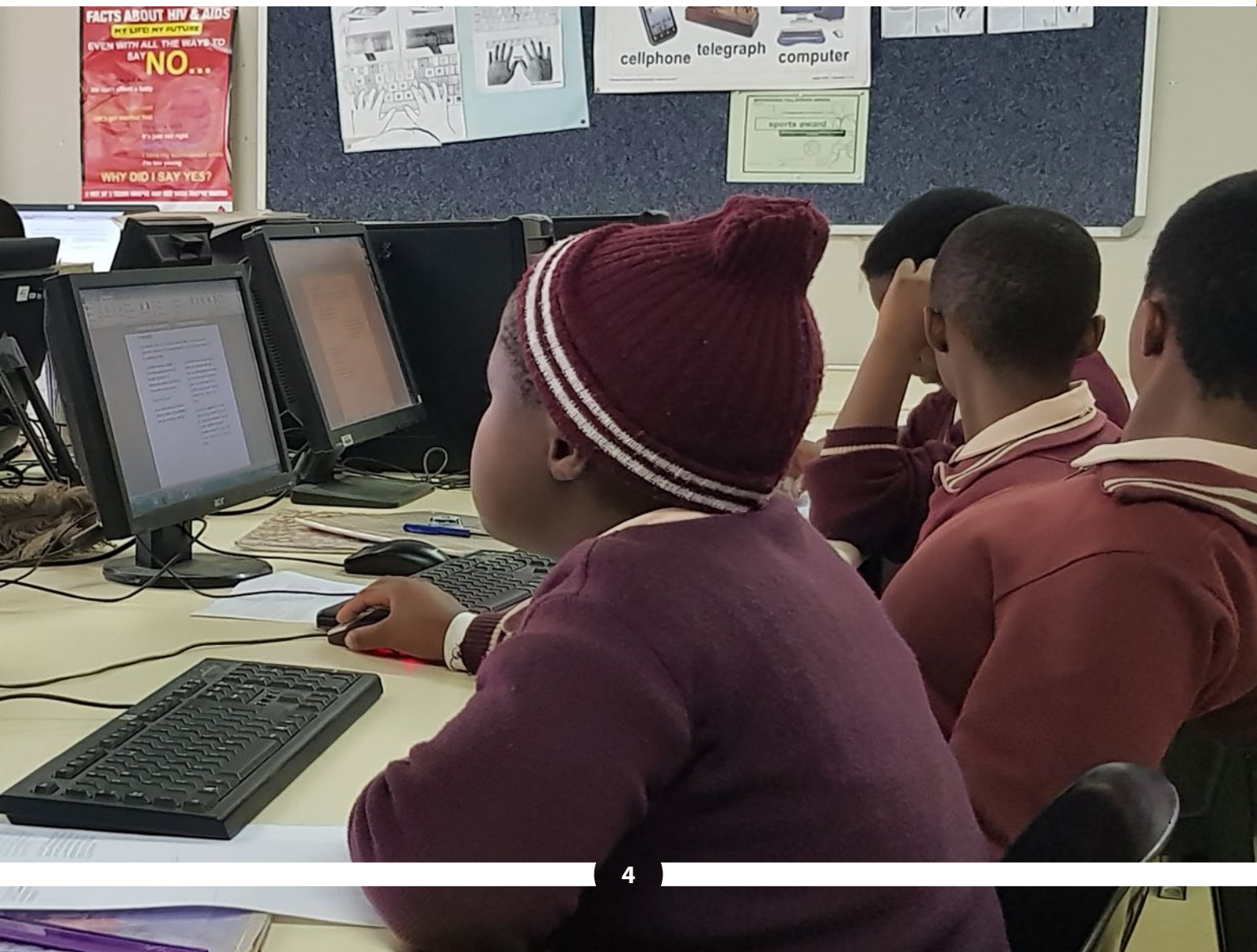
As head of the oversight body of USAASA and USAF, I am monitoring developments with cautious optimism. The Board remains vigilant in ensuring that it delivers the functional capacity outputs that will assist the Government in its budgetary commitments in connecting South Africa.

In conclusion, I convey my gratitude to USAASA management and the entire staff for their commitment to supporting the Board, even in the face of seriously challenging situations. It is our values, integrity and service delivery orientation that keep the organisation on track as we drive inclusive participation in ICT through USAF.



Mr Mawethu Cawe

Chairperson of the Board of Directors





FOREWORD BY **ACTING CHIEF EXECUTIVE OFFICER**

SIPHO MNGQIBISA

I have been standing in as acting Chief Executive Officer (CEO) since the CEO was placed on suspension in March this year. Although I took up the position in the latter part of the financial year under review, I have been the senior executive having acted on two occasions as Executive Manager Performance Management and serviced at the Executive Committee (EXCO) for the past three years.

Thus, I hereby present the annual performance results that reflect the predetermined objectives, key performance indicators and targets for USAASA for the 2017/18 financial year.

USAASA's performance worsened from 67% in the previous financial year to 42% this year. This is attributable largely to the annual performance plan (APP) not being aligned to the operating environment and the SMART principle (specific, measurable, actionable, realistic and time-bound). We put measures in place and developed a new APP in the year under review to achieve this goal.

USAASA received an unqualified audit opinion with findings, which as management, we will address as we strive for a clean audit. As operational activities are within our control, we will apply prudence

to ensure that we achieve full compliance, which is anticipated to result in clean audit outcomes in future. The EXCO is working closely with chief risk officer to develop a clear action plan to ensure that the Fund is on track for the mid-term review by the Auditor-General in September 2018. We will also ensure that all progress is reported to the Board Audit and Risk Committee (BARC) timeously.

USAF 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 2005 (ECA) as amended – that enables USAASA to collect all the licensed operator levies due to the Fund from the Independent Communications Authority of South Africa (ICASA). The predetermined objectives, key performance indicators and targets for the 2017/18 financial year as outlined in this APP have been prepared in accordance with the Agency's mandate.

Management continued to focus on reviewing the organisation's development during the 2017/18 financial year, ensuring that USAASA's human capital and processes are fit-for-purpose in delivering value-for-money support in the achievement of its

objectives. Management dutifully administers USAF, to ensure that the Agency is adequately resourced in terms of technical and other requisite skills, with experienced and motivated human capital that is supported by cost-effective and efficient processes. USAASA management is developing a risk mitigation plan that is aimed at assisting both the Fund and the Agency to meet their strategic goals and, consequently, their mandate.

Another key focus area was the implementation of an enterprise resource planning (ERP) system that would provide an integrated approach to all business processes. Our hope that the new system would have a significantly positive impact on our performance in administering USAF, were dashed by a particularly traumatic implementation. Acceptance of the system throughout the organisation proved to be a challenge.

This caused substantial consequences for our business processes and staff. Most significantly, the challenges of implementing the ERP system meant that USAASA's performance and risks could not be measured in real time, as expected. The finance department had a particularly difficult time in maintaining a parallel recording-keeping system while kinks were being ironed out of the ERP system.

During the financial year, USAASA and the STB systems of the South African Post Office (SAPO) were not interfaced. As a result, USAASA could not monitor the distribution of STBs and antennae real time. This resulted in several thousands of items of equipment dispatched to SAPO warehouses being unaccounted for. In effect, the shortcomings of the implementation interface of the systems of both entities are a root cause for the qualified audit opinion on USAF.

The momentum that has been building on the broadcasting digital migration (BDM) project is now in full swing, thanks to several developments that took place in the financial year under review. We welcome the re-establishment of the Digital Advisory Council and commit to working with the Council to come up with an integrated installation strategy to accelerate rollout in a well-coordinated manner.

The National Development Plan (NDP) 2030, which underpins the development of a dynamic and connected information society and a vibrant knowledge economy that is more inclusive and prosperous,

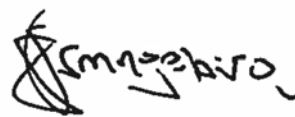
requires South Africa to sharpen its innovative edge and continue contributing to global scientific and technological advancement. This is also emphasised by the New Growth Path and Nine-Point Plan priorities of Government, which seek to promote rapid deployment of ICT infrastructure and broadband rollout aimed at igniting economic growth and a vibrant knowledge society.

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

The National Integrated Information and Communication Technologies Policy White Paper approved by Cabinet on 28 September 2016 makes recommendations on new or amended legislation arising from the White Paper. The most significant proposal for universal service and access relates to the creation of the Digital Development Fund (DDF), which would replace USAASA and USAF. This will change the policymaking and regulation-making powers that currently lie with the Agency (USAASA), and the Fund (DDF) will be responsible in the main for identifying, awarding and managing projects.

A special word of thanks to my USAASA colleagues. We have endured a difficult year of drastic changes. Thank you for your commitment and dedication to providing access to ICTs for all through your diligent and tireless work.

In conclusion, I convey my sincerest thanks to the USAASA Board for its commitment and dedication in continuously guiding and supporting the management team of USAASA as it fulfils its duties in responsibly administering USAF.



Mr Sipho Mngqibisa

Acting Chief Executive Officer



Strategic Overview

Vision

Universal Access and Service to ICT for All.

Mission

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

Values

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

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

Legislative and other Mandates

Constitutional Mandates

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

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 to receive or impart information or ideas;
 - c. freedom of artistic creativity; and
 - d. academic freedom and freedom of scientific research.

Figure 1: Section 16 of the Bill of Rights

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

Legislative Mandates

The Agency is a 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 to 91 of the Electronic Communications Act 36 of 2005 (ECA), which came into operation on 19 July 2006. The new amendments to ECA, which have a direct bearing on governance of the Agency, came into operation on 21 May 2014.

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

The ECA 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

and the CEO, appointed 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 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 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, underserved areas and schools.

In terms of the ECA, the Agency must:

- strive to promote the goal of universal access and universal service;
- encourage, facilitate and offer guidance in respect of any scheme to provide universal and access, universal services or telecommunication services in terms of the Reconstruction and Development Plan (RDP);
- foster the adoption and use of new methods of attaining universal access and universal service;
- make recommendations to enable the Minister to determine what constitutes universal access, universal service and underserved areas;
- conduct research into and keep abreast of developments in the Republic and elsewhere on information communication technology, electronic communications services and electronic communications facilities; continually survey and evaluate the extent to which universal access and service have been achieved;
- make recommendations to the Minister in relation to policy on any matter relating to universal access and universal service;
- advise the Independent Communications Authority of South Africa (ICASA) on any matter relating to universal access and universal service;
- continually evaluate the effectiveness of this Act and actions in terms of it 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 on 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 underserved 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 subject to the Public Finance Management Act (PFMA) to improve its governance. The amendments also seek to ensure consistency 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 for money held in the USAF.

The ICT Policy Review Panel, which was established by the Minister of Telecommunications and Postal Services to conduct a holistic review of national ICT policies and legislation, made recommendations that impacts 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 its replacement by the Digital Development Fund, which would be responsible in the main for identifying, awarding and managing projects.

Policy Mandate

Medium-Term Strategic Framework

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

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

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

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

- Invest in a comprehensive plan to expand broadband access throughout the country and substantially reduce the cost of communication;
- Connect all schools, public health and other government facilities through broadband by 2020, and provide at least 90% of communities with substantial and superfast broadband capacity by 2020;
- Support and develop free Wi-Fi areas in cities, towns and rural areas.

National Development Plan (NDP)

The NDP aims to eradicate poverty, increase employment and reduce inequality by 2030. It encompasses the following critical policy instruments, which are also driving Government's policy agenda:

- The New Growth Path, 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.

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 100000 new jobs by 2020 in the knowledge-intensive sectors of ICT, higher education, healthcare, mining-related technologies, pharmaceuticals and biotechnology.

SIP-15: Expanding Access to Communication Technology

Aim: 100% access to digital ICTs for 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, **USAASA** and the private sector.

South Africa's Broadband Policy: South Africa Connect

In terms of the ECA, 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.

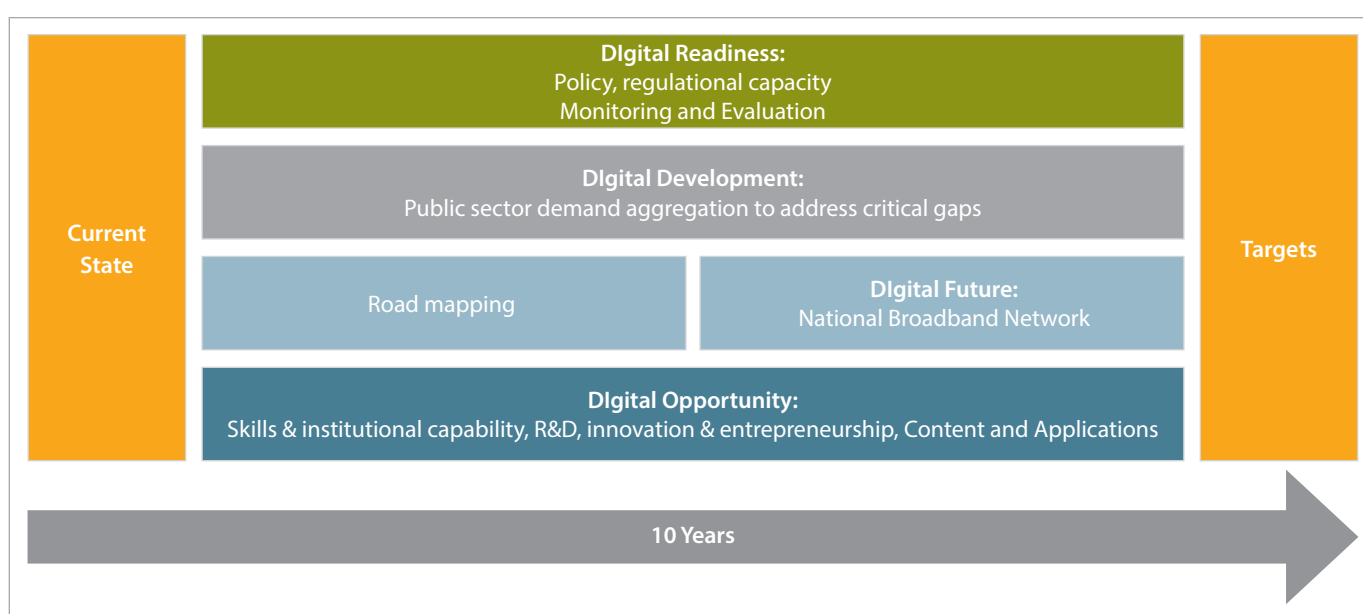
Table 1: Summary of the Four SA Connect pillars and their implications

Target	Penetration measure	Baseline (2013)	By 2016	By 2020	By 2030
Broadband access in Mbps user experience	% of population	33.7% Internet access	50% at 5Mbps	90% at 5Mbps 50% at 100Mbps	100% at 10Mbps 80% at 100Mbps
Schools	% of schools	25% connected	50% at 10Mbps	100% at 10Mbps 80% at 100Mbps	100% at 1Gbps
Health facilities	% of health facilities	13% connected	50% at 10Mbps	100% at 10Mbps 80% at 100Mbps	100% at 1Gbps
Public sector facilities	% of government offices		50% at 5Mbps	100% at 10Mbps	100% at 100Mbps

SA Connect is a four-pronged strategy, consisting of four sub-strategies that will move the country from the current state to achieving its targets over the next 10 years. The four sub-strategies of SA Connect are:

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

Each of the strategies is depicted in the diagram below.

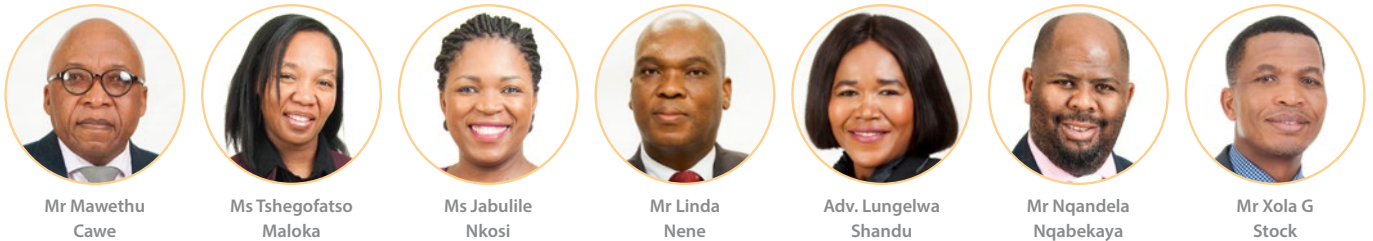
**Figure 2: SA Connect strategies**

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

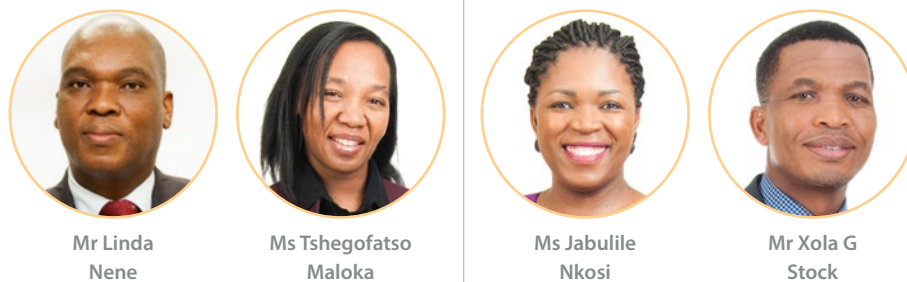
Organisational Structure

The Fund does not have personnel. All personnel managing projects financed by the Fund are resident in USAASA, as the administrator of the Fund.

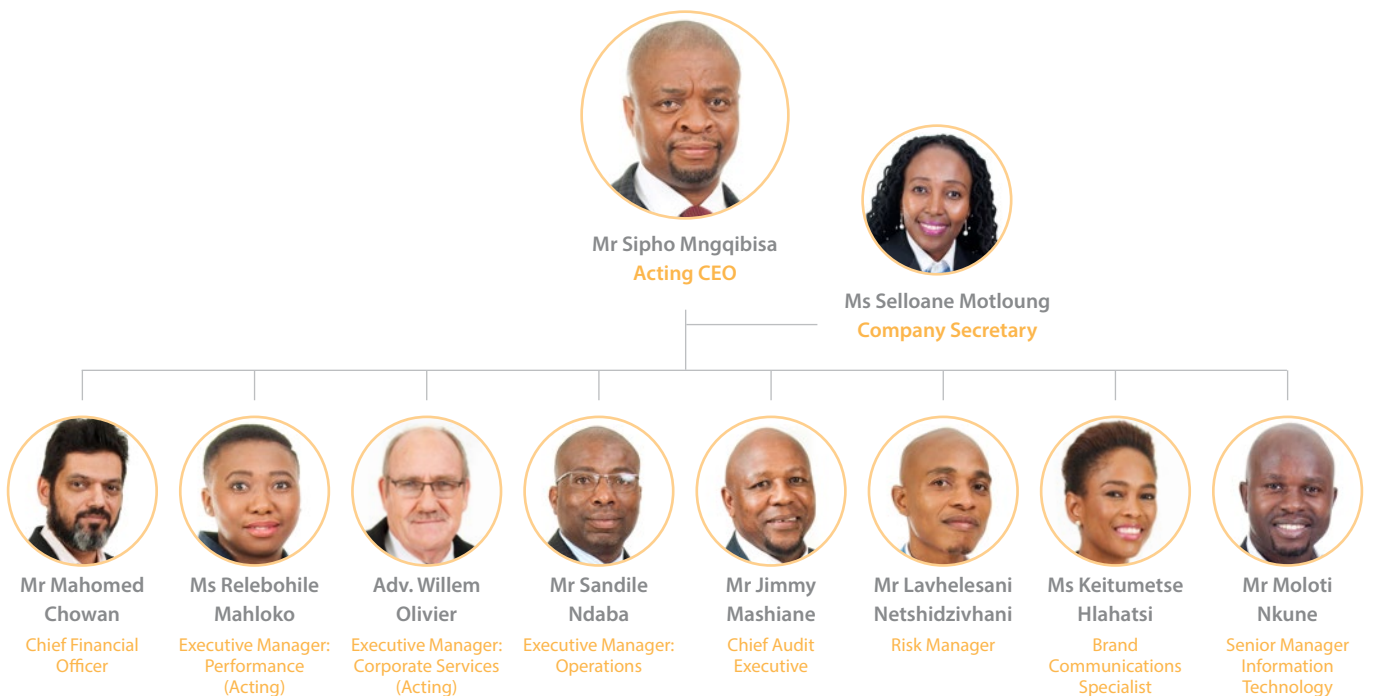
USAASA Board of Directors



Board Audit and Risk Committee (BARC)



Executive Leadership



Board of Directors Profiles

Mr Mawethu Cawe

Current position(s)

- Chairperson of the Board of USAASA since 1 September 2015 (3 year term)
- Owner and Managing Director of Amawethu Farming and Investments since April 2013

Qualifications

- University of Fort Hare: Bachelor of Arts (BA) in Communications,
- University of The Witwatersrand: Certificate in Industrial Relations (CPIR),
- University of South Africa (UNISA): Advanced Diploma in Labour Law
- University of the Witwatersrand: Postgraduate Diploma (Human Resources)
- University of the Witwatersrand: Master in Management
- University of the Witwatersrand: Certificate in Executive Coaching and Mentoring

Work history

Mr Mawela was HR practitioner at Anglo American from 1985 to 1991, before moving to Nestle as Head of HR Gauteng, Vodacom as Group HR Senior

Consultant, Technikon SA as Senior HR Manager and Times Media as Group Executive: HR and Transformation. He founded Amawethu Farming and Investments in 2013. Throughout his career, Mr Cawe has participated in rural developments projects to help improve the lives of rural communities.



Ms Tshogafatso Maloka

Current position(s)

- Board member of USAASA since 1 September 2015 (3 year term)
- BARC member of USAASA since 1 September 2015
- Member of Human Resources and Remuneration Committee of USAASA
- Director and Founder of Ponagatso ya Bothale, Bothale Services and Tshoganyetso

Qualifications

- University of Witwatersrand: B Com Accounting
- University of Natal: B Com Honours
- Chartered Accountant (CA) (SA)

Work history

Ms Maloka joined KPMG in 2004 as an Accountant, before moving to MTN as Assistant Manager in Business Finance in 2007 and then Standard Bank in 2010 as Financial Manager in personal and business banking. Before starting her own ventures in 2015, she was Senior Finance Manager at RMB Corporate Banking.



Mr Linda Nene**Current position(s):**

- Board member of USAASA since 12 December 2016 (3 year term)
- Chairperson of the USAASA Board Audit and Risk Committee since 12 December 2016
- Member of USAASA Operations Committee
- Member of USAASA Social and Ethics Committee
- Group Compliance Manager at PetroSA Parow since 1 September 2007
- Non-executive Director: PetroSA Equatorial Guinea SOC Limited since May 2016
- Non-executive Director: Work Dynamics since April 2016

Qualifications

- University of Cape Town: B Commerce (Accounting)]
- Monash University: Post Graduate Diploma in Management (specialising in corporate governance)
- The Institute of Internal Auditors:
- CCSA (Certification in Control Self-Assessment)
- GIA (SA) (General Internal Auditor-SA)
- 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)
- CPrac (SA) - (Compliance Practitioner)
- Southern Business School: Risk Management Strategies in the Public Sector



- Institute for International Research: Management Development Programme

Work history

Mr Nene joined BoE Group in 1999 as Acting Audit Manager and then moved to Engen Petroleum where he served in various auditing roles. He held positions at Chevron Oil SA and Provincial Treasury Western Cape before returning to PetroSA.

He has also served on various audit committees and is a member of the Institute of Internal Auditors, Institute of Risk Management SA and Compliance Institute of South Africa.

Adv. Lungelwa Shandu**Current position(s):**

- Board member of USAASA since 1 September 2015 (3 year term)
- Chairperson of Operations Committee at USAASA
- Member of USAASA Human Resources and Remuneration Committee
- Member of USAASA Social and Ethics Committee
- Member of Firearms Appeal Board – Ministry of Police
- Part-time arbitrator and panellist for Tokiso Dispute Settlement and Metal and Engineering Bargaining Council

Qualifications

- University of Durban Westville – Post Graduate Qualification – LLB.
- University of Durban Westville – Graduate Qualification – B Proc.
- University of Witwatersrand – Masters in Public Policy Management (Incomplete)
- Kettering Foundation, Dyton, Ohio USA – Certificate – Deliberative Democracy
- Certificate – Voice training for public speaking – Voice Clinic
- Certificate Substantive Law, Conciliation, Jurisdictional Rulings, Managing Dismissals and Arbitration – CCMA
- Certificate (Conduct Outcomes based Assessment) – PALAMA
- Certificate (Training Facilitator) – Siyanqoba.

Work history

Adv. Shandu was admitted to practice law in 2000 and was a member of the Durban Bar of Advocates. Since 2006 she has worked as a part time



commissioner, mediator and arbitrator for various labour dispute resolution agencies, which include the CCMA and various bargaining councils. As a lawyer her area of expertise is labour law, gun law and communications law. She has consulted on ICT policy for various institutions including the Department of Communications and Media Institute of Southern Africa.

Mr Ngandela Ngabekaya**Current position(s):**

- Board member of USAASA since 1 September 2015 (3 year term)
- Member of USAASA Human Resources and Remuneration Committee
- Member of USAASA Operations Committee
- Member of USAASA Social & Ethics Committee
- Executive Chairman – Amazotsho Investment Holdings
- Council Member of Engineering Council of South Africa
- Director of Schloss Consulting

Qualifications

- Milpark Business School: Master in Business Administration
- Cape Peninsula University of Technology: National Diploma in Electrical Engineering
- University of the Witwatersrand: Certificate in Convergence and New Media in the information Society
- University of the Witwatersrand: Certificate in Telecommunication Policy, Regulation and Management
- University of Pretoria: Programme in Project Management

Work history

Having started his career as a technician at Orbicom in 2003, Mr Ngabekaya served that company in various capacities, including Regulatory Affairs, until Jan 2006. In the ensuing years, he held positions at various organisations, both in the public and private sectors, including Director: Planning and



Foresight at the Presidential National Commission on Information Society and Development; Senior Manager: Business Development at Electronic Communications Security. More recently, he was the Administrator at Local Government Sector Education and Training Authority (LGSETA), after working as Chief of Staff in the Ministry of Higher Education and Training. Subsequent to that, and following a short stint of running Schloss Consulting on a full-time basis, he was recalled to go and serve as Special Advisor to the Minister of Higher Education and Training. He now serves as the Special Advisor to the Minister of Transport.

Mr Xola G Stock**Current position(s):**

- Board member of USAASA since 12 December 2016 (3 year term)
- Member of USAASA Board Audit and Risk Committee
- Member of USAASA Human Resources and Remuneration Committee
- Member of USAASA Social & Ethics Committee
- Board member of South African Institute of Chartered Accountants
- Board member of Makhulong A Matala NPC
- Chief Financial Officer: Avon Peaking Power (Pty) Ltd and Dedisa Peaking Power (Pty) Ltd, and affiliated entities

Qualifications

- University of Cape Town: B Com in Accounting and Economics Majors
- University of Cape Town: Postgraduate Diploma in Accounting
- University of Johannesburg: Masters in Commerce in International Accounting
- CA(SA)

Work history

Having completed his articles at PwC, Mr Stock held auditing and financial management positions at Barloworld, Johnnic Communications and UTI before being appointed Executive: Management Accounting at SARS in 2008,



which seconded him to National Treasury's Chief Procurement Office for a year to October 2013.

He also served as President of SAICA's Northern Region Council from 2015 to 2017 and on the Institute of Directors in Southern Africa and the Board of ABASA.

Ms Jabulile Nkosi**Current position(s):**

- Board member of USAASA since 12 December 2016 (3 year term)
- Member of USAASA Board Audit and Risk Committee
- Member of USAASA Operations Committee

Qualifications

- Potchefstroom University: BCompt (Accountancy),
- University of the Witwatersrand: Higher Diploma in Computer Auditing
- Institute of Internal Auditors: Certified Internal Auditor
- Information Systems Association: Certified Information Systems Auditor
- Institute of Internal Auditors: Certificate in International Internal Audit Quality Assessment

Work history

Ms Nkosi has held Assurance and Consulting positions at several organisations including Presiding officer (IEC), Internal Audit divisional head (SSA), Senior IT Auditor (Netcare), Business Executive Information Systems Auditor (Auditor General), Head of Advisory (SikelaXabiso), until she was appointed as Business Optimisation Specialist as SID Advisory and management consulting.



She also served on the Policy Committee, the Performance Audit Advisory Committee and the Tender Committee of the Auditor General of SA, the Working Committee on Municipal Systems and the INTOSAI Working Group on IT. She is a member of the Institute of Internal Auditors, Institute of Risk Management, Information System Association and Institute of Directors of South Africa.

EXCO members



Sipho Mngqibisa

Acting Chief Executive Officer

Qualifications

- Bachelors Degree Law
- Certificate in Legislative Drafting
- Certificate in Programme Project Management
- Certificate in Telecommunications Policy
- Certificate in Satellite Communication Fundamentals
- Certificate in Alternative Regulatory Strategies for Telecommunications



Mahomed Chowan

Chief Financial Officer

Qualifications

- Bachelor of Accountancy
- Postgraduate Diploma in Accounting
- CA(SA)



Selloane Motloun

Company Secretary

Qualifications

- Baccalaurius Procuratoris Degree
- Certificate in Legislative Drafting
- Certificate in Management of Mining and Minerals Policy
- Internet aspects of Copyright and Trademarks – in progress
- Legal aspects of Electronic Commerce – in progress



Relebohile Mahloko

Acting Executive Manager Performance

Qualifications

- BCom Accounting
- Certificate in Project Management
- Certificate in New Managers Programme
- Postgraduate Diploma in Management (M&E)
- Masters in Management (M&E) – in progress



Adv. Willem Olivier

Acting Executive Manager Corporate Services

Qualifications

- B Juris LLB
- Certificate in Bid Committees in the Public Sector
- Admitted Advocate



Sandile Ndaba

Executive Manager Operations

Qualifications

- Bachelor of Science
- National Diploma in Datametrics
- Postgraduate Diploma in Business Management
- Masters of Business Leadership
- Certificate in Information and Technology Management



Jimmy Mashiane

Chief Audit Executive

Qualifications

- National Diploma in Internal Audit
- Certificate in Management Advanced Programme
- Certificate in Fraud Examination



Lavhelesani Netshidzivhani

Risk Manager

Qualifications

- BCom Accounting Science
- Certificate in Certified Enterprise Risk Management



Keitumetse Hlahatsi

Brand Communications Specialist

Qualifications

- Diploma in Information Technology
- Certificate in Public Relations Campaign Planning
- National Diploma in Public Relations Management - in progress



Moloti Nkune

Senior Manager ICT

Qualifications

- Bachelors Degree in Information Technology
- National Diploma in Information Technology
- Cert ITIL Version 3 Intermediate Examination
- Cert ITIL Version 3 Foundation
- Certificate in Practical Project Management
- Certificate in Insight Transformation Leadership
- Certificate in Conducting Disciplinary Hearing
- Certificate in IT Governance
- Cert in Diversity Management



B

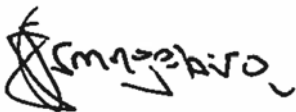
PERFORMANCE
INFORMATION

Statement of Responsibility for Performance Information

The Chief Executive Officer (CEO) is responsible for establishing and implementing systems of internal control designed to provide reasonable assurance of 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 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 plan and APP of the public entity for the financial year ended 31 March 2018.

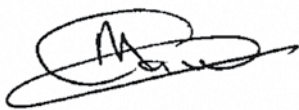


Mr Siphon Mngqibisa

Acting Chief Executive Officer

The performance information of the entity set out on pages 29 to 42 was reviewed by the Board Audit and Risk Committee (BARC) and approved by the Board.

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 2018 has also been examined by AGSA as the external auditors of the Agency and the Fund and its report is represented on pages 61 to 65.



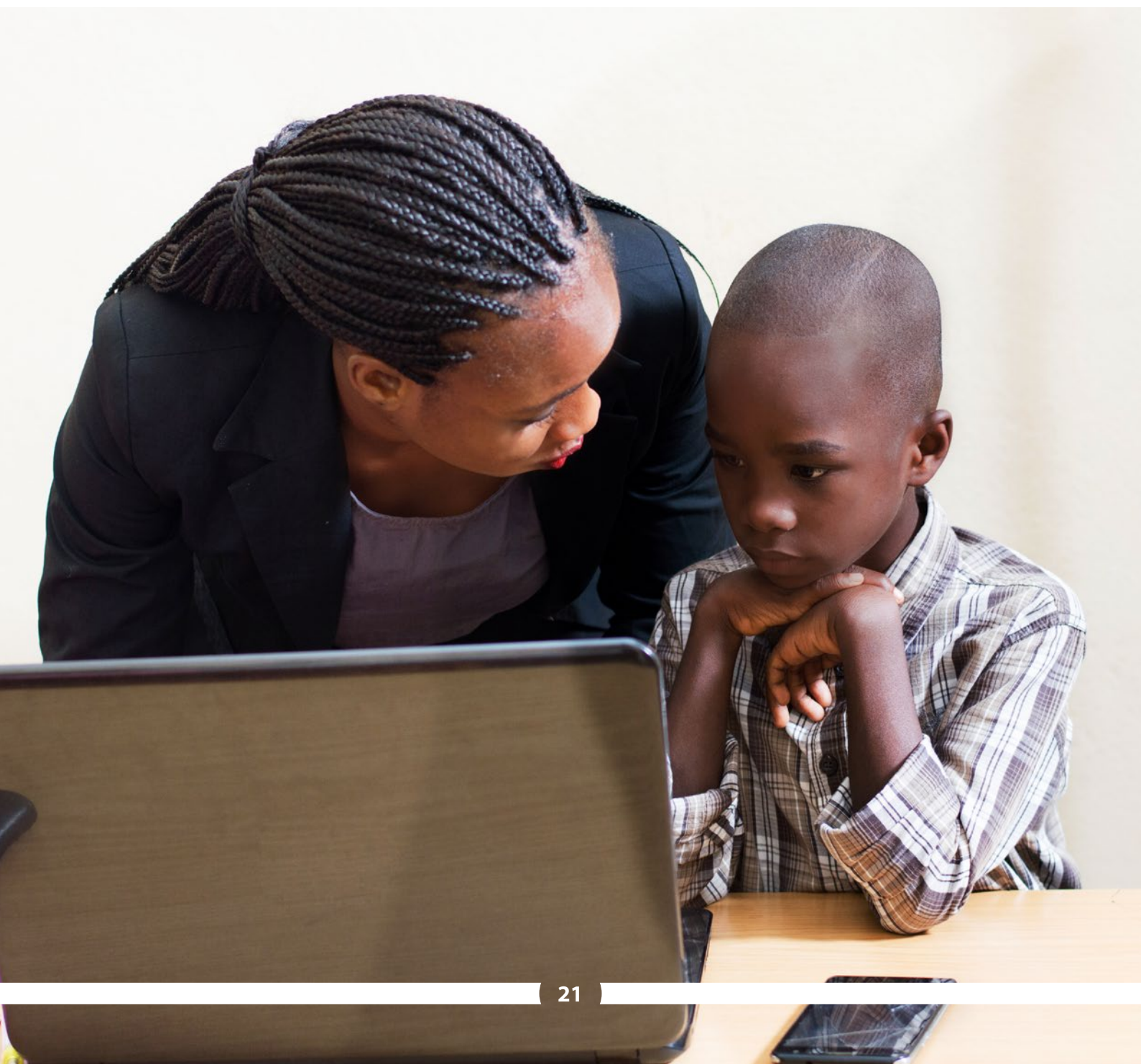
Mr Mawethu Cawe

Chairperson of the USAASA Board of Directors

Auditor-General's Report: Predetermined Objectives

AGSA performs the necessary audit procedures on the performance information to provide limited assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the report on other legal and regulatory requirements section of the auditor's report.

Refer to page 57 of the Auditors Report, published as Part E: Financial Information.



Situational analysis

Service Delivery Environment

South Africa is a middle income country with a population, as of the mid-year report by Statistics South Africa, had an estimated population of 57.7 million¹ people. Out of the number indicated above, the unemployment rate as of second quarter of 2018 stood at 27.2 percent. The number of people with access to social grants has more than doubled from 12.7 percent in 2003 to 30.8 percent in 2017. Over the same period, the number of households receiving some form of a social grant also continued to grow, ranging from 29.9 percent in 2003 to 43.8² percent in 2017, and as of February 2018, the grant beneficiaries stood at 17,453,451³ and representing more than one third of the current population. The Eastern Cape has the highest numbers of social grant beneficiaries at 41.8%, followed by Limpopo at 40.1%, Northern Cape at 37.5%, KZN at 36.4% and 22.5% in the Western Cape, with the Gauteng Province having the least number at 18.7%.

The General Household Survey results released by Statistics South Africa in 2017 found that there was high access to telecommunications for households nationally, as only 3.5% of households did not have access to either landlines or cellular phones. Nationally, 88.2% of households had access to at least one cellular phone, whilst 8.2% of households had access to both a landline and a cellular phone. The report indicated that only 0.1% of households had only a landline. Households in historically rural provinces such as Mpumalanga (95.0%) and Limpopo (94.4%) were very reliant on the more accessible

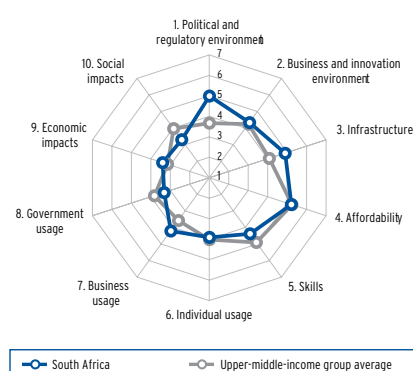
cellular telephones than landlines. By contrast, a combination of both cellular phones and landlines in households were most prevalent in the more affluent provinces, namely Western Cape (19.6%) and Gauteng (10.2%).

The 2017 GHS Report indicated that over six-tenth of South African households (61.8%) had at least one member who used the Internet either at home, workplace, place of study, or Internet cafés. Moreover, access at home was most high in the Western Cape (25.7%) and Gauteng (16.5%), whilst Internet access was lowest in Limpopo (2.2%) and Eastern Cape (3.5%). In the midst of the low levels of Internet access reported above, USAASA through the Universal Service and Access Fund has facilitated for the deployment of broadband networks in the O R Tambo District Municipality in line with the Broadband Implementation Plan driven by the Department of Telecommunications and Postal Services, through its State-Owned Entities.

The World Economic Forum Network Readiness Index (NRI) of 2015 measures the country's overall potential to exploit the opportunities presented by the ICT sector, and the impact of the sector on the competitiveness of the country against others. In terms of the NRI rankings South Africa has been on a gliding scale from position 70 (out of 144 countries) in 2013 gliding to position 75 (out of 148 countries) in the 2015 NRI report and 65 out of 139 countries in the 2016 report. The Readiness Sub-Index measuring skills, government usage and social impacts values for South Africa fall below the group average of other similar jurisdictions.

Source: Global Information Technology Report 2016

R	Rank (out of 139)	Value (1-7)
Networked Readiness Index	65	4.2
Networked Readiness Index 2015 (out of 143)	75	4.0
Networked Readiness Index 2014 (out of 148)	70	4.0
Networked Readiness Index 2013 (out of 144)	70	3.9
A. Environment subindex	33	4.7
1st pillar: Political and regulatory environment	26	5.0
2nd pillar: Business and innovation environment	65	4.3
B. Readiness subindex	69	4.8
3rd pillar: Infrastructure	44	4.9
4th pillar: Affordability	74	5.2
5th pillar: Skills	95	4.4
C. Usage subindex	75	3.8
6th pillar: Individual usage	77	3.9
7th pillar: Business usage	32	4.2
8th pillar: Government usage	105	3.3
D. Impact subindex	93	3.4
9th pillar: Economic impacts	57	3.4
10th pillar: Social impacts	112	3.3



¹ www.statssa.gov.za (accessed on 08 August 2018)

² Statistics South Africa website

³ Fact Sheet: Issue No.2 of 2018 – 28 February 2018 from www.sassa.gov.za

The report indicates that government investment on ICT deployment of infrastructure is high compared to similar jurisdictions but below par in ICT skills, usage and social impacts. This means that government needs to invest more funds in the promotion of uptake and usage of ICT service offerings by providing beneficiaries with relevant ICT skills and thus promoting uptake and usage which ultimately lead to positive social impacts.





Stakeholder Engagements

The Stakeholder Engagement business unit is a key component of the implementation of USAF projects. The core undertaking of the unit is to perform a support function in influencing a variety of outcomes through consultation, communication and relationship building aimed at producing high impact projects. Stakeholder engagement is, therefore, a vital requirement for professional project management.

During the financial year under review, the unit endeavoured to ensure that the Agency engaged its stakeholders to determine issues that are important and have an impact on the performance of projects. The unit engaged in various activities aimed at increasing the Agency's brand awareness and stakeholder satisfaction. The successful implementation of this relied on conducting a digital summit and an ICT colloquium.

Focus during the year was on managing the relationship with various stakeholders with a focus on those that benefit from the Agency's broadband service offering. Campaigns were conducted with the aim of bridging the digital divide. The unit had to reprioritise and refocus on ICT knowledge and skills thereby ensuring digital literacy.

The unit ensured that the Agency remained relevant in a challenging ICT business environment by conducting regular interaction with stakeholders throughout the year using different channels and platforms.

Stakeholder Engagement Activities

Stakeholder engagement activities during the 2017/18 financial year included the following:

- The Agency focused on conducting a digital summit in the Eastern Cape after the successful launch of the OR Tambo broadband rollout project, with the objective of stimulating end-user demand, promoting usage of the ICT services provided to the communities and stimulating digital awareness.
- The Agency also participated in various digital migration registration drives/campaigns aimed at increasing uptake of the DTT and DTH STBs in KwaZulu-Natal, North West and Free State. The primary purpose of the Agency's involvement was the delivery of STBs to beneficiaries in line with the BDM policy. The registration drives afforded the Agency an opportunity through speaking opportunities, exhibitions and media interviews to sensitise the communities about the roles of the USAF in the project.
- In the third quarter, the unit successfully hosted the ICT SMME Symposium aimed at unlocking the potential economic opportunities for ICT SMMEs, innovators, entrepreneurs and start-ups in the country. The symposium helped SMMEs to understand the SMME support strategy approved by Cabinet, and highlighted their contribution to the growth and development of the sector.
- The unit used social media to track stakeholder engagement levels, as it is a good platform to understand real-time stakeholder perception. The baseline for USAASA followers on Facebook was 834, which increased to 1092 by year-end, while the Twitter baseline was 144, which increased to 461 by year-end. This was an increase of 228 on Facebook and 317 on Twitter year on year, 131% and 320% respectively.
- The unit successfully conducted brand awareness assessments throughout the year using various communications platforms. Social media analytics were used to calculate the baseline and improvements. At year-end, Twitter showed a baseline of 1300 calculated impressions and Twitter analytics recorded 34600 impressions (people who engage with USAASA information). This is an increase of 33 300 impressions recorded year on year, leading to a considerable increase in awareness.

Organisational Performance

There were 24 planned targets for the Agency in the 2017/18 financial period, 10 of which were achieved. This translates into a 42% overall achievement against target, a 25% year-on-year performance regression compared to the 67% of the 2016/17 financial year. This regression can be attributed mainly to inclusion of ambiguous targets that were difficult to measure during the reporting process. These targets have been removed from the 2018/19 APP.

IT Internal Processes

The 4th Industrial Revolution; characterised by digitisation, the Internet of Things (IoT), big data, and the ever-increasing global use of social media are some of the technological advances that have taken the world by storm to cause disruption into modern-day business. These disruptors force a change in mindset and the acceptance that technology shapes how things are done. For an organisation such as USAASA, adoption of technology is expected to be second nature, as the Agency's mandate is universal access and service to ICTs for all, focusing specifically on rural areas. The risks inherent in this progress demands that an organisation be technology smart.

During recent months, many institutions (private and government) have experienced cyber-attacks called ransomware (systems are hacked, data is encrypted and a ransom is demanded by the hackers). USAASA, fortunately, has not been affected.

Full implementation of the Disaster Recovery Plan approved by the Board needs to be prioritised and the USAASA IT team capacitated to build robust systems and support the SAP ERP system, a process involving external parties.

As in previous financial years, the Agency's support for other DTPS entities was reflected in its participation through delegations and sponsorship in the GovTech annual ICT conference organisation by the State Information Technology Agency (SITA). The 2017/18

GovTech, focusing on building a functional society, with digitisation taking centre stage, was attended by the Board, CEO, management and officials.

USAASA opened the year under review with the 'go-live' of the SAP ERP system. This was the culmination of a process that started in April 2015 and was dogged by delays, suspension of the project at one stage and lack of support (resistance), among others.

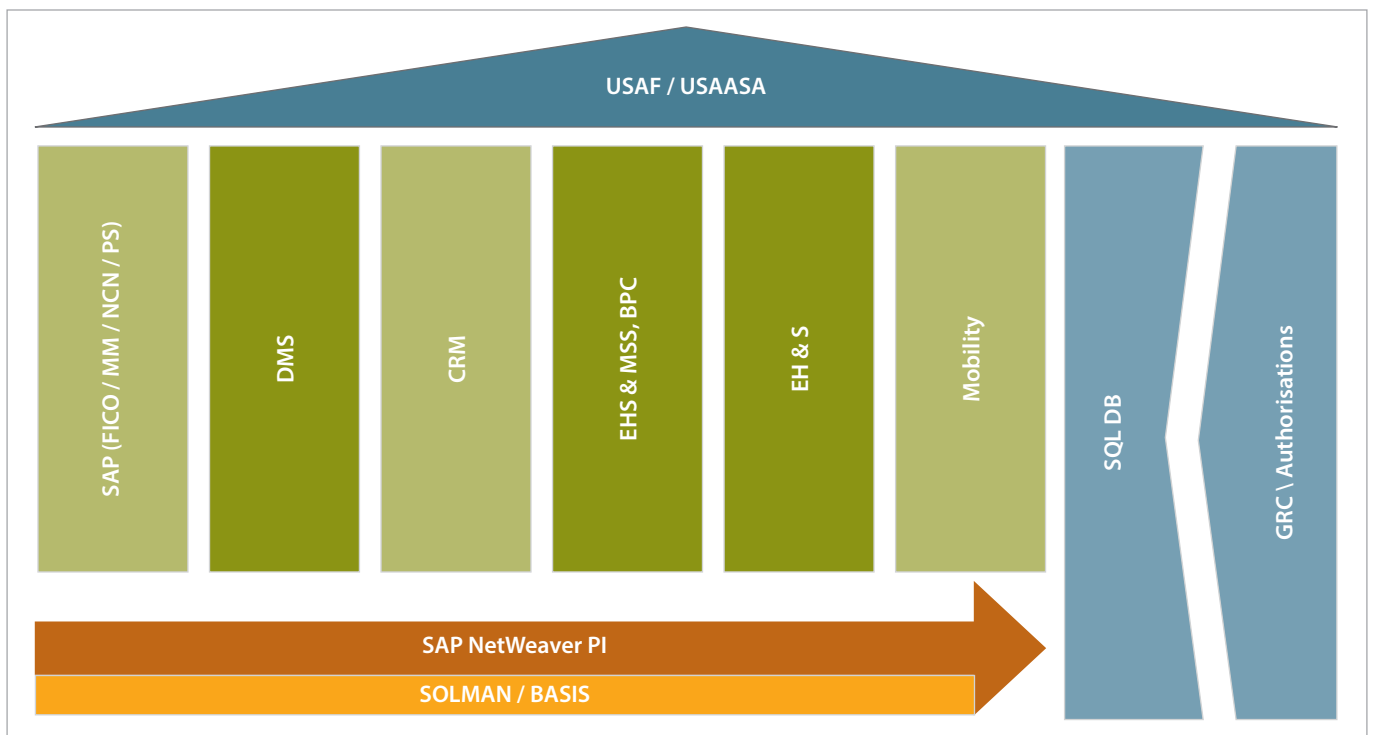
The picture below depicts the SAP ERP system implementation lifecycle in line with the widely used ASAP methodology of SAP, which is aligned to the popular methodology in all systems development, the systems development lifecycle.



This methodology was adapted during the USAASA project implementation. Most delays were experienced during stages 3 and 4.

including human resources, projects, finance and performance. The SAP system landscape is presented below:

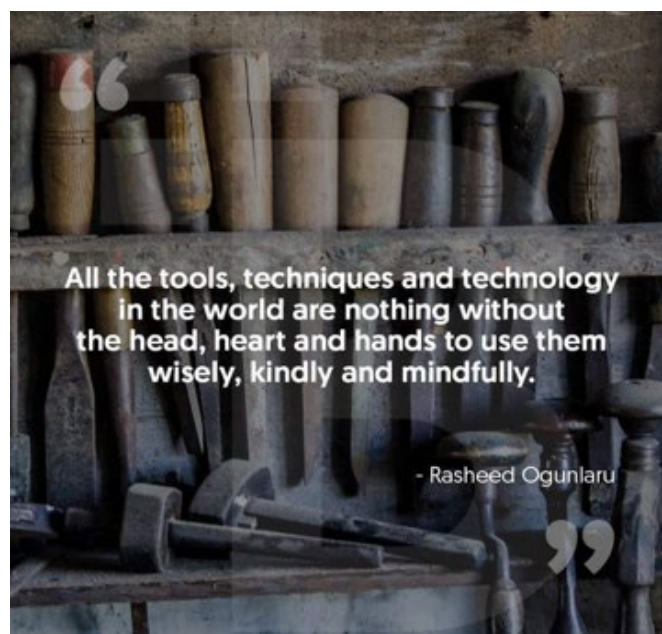
The SAP ERP system is an integrated value chain with built-in segregation of duties that automates key processes of the Agency,



One major challenge –remains -resistance to the system by intended users. This manifested in the Agency's failure to produce financials as expected throughout the financial year. It cuts across the entire organisation, as inputs and information in the system must be acquired from all business units. Interventions had to be introduced to improve adoption of the system throughout the organisation and mitigate the risk of project failure. In spite of the interventions, staff remain resistant to using the system, with the organisation unable to convince them of its importance.

Even the best systems are of little worth without people using them. Furthermore, understanding the performance or strengths of a system will be difficult or impossible if the system is not being used.

In spite of activation, SAP ERP system did not have any support or maintenance for the first two quarters of the financial year. Management engaged the Board of Directors as an oversight structure responsible for Technology and Information Governance of USAASA as guided by the King IV report and the USAASA IT Governance Charter. These interventions were necessary to ensure that support and maintenance structures of the system are established. After consultation with the Board – the oversight structure responsible for technology and information governance in terms of King IV,



approved management recommendations and established the necessary structures. As a result, the 2017/18 strategic objective of 98.5% availability of the SAP ERP system was achieved during quarters 3 and 4, and for the financial year.

Strategic Outcome-Oriented Goals

The strategic goals pursued by USAASA and USAF during the 2017/18 financial year for the benefit of the organisation's beneficiaries and key stakeholders are outlined below:

STRATEGIC GOAL	Optimised organisational functioning towards the achievement of a clean audit
Strategic Objective	Improved audit outcomes
Key Performance Indicators	Percentage compliance with the PFMA and Treasury Regulations Percentage implementation of the Auditor General audit action plan Number of repeat Auditor General findings detailed in the audit action plan

STRATEGIC GOAL	Optimised organisational functioning towards the achievement of a clean audit
Strategic Objective	Improved risk maturity profile
Key Performance Indicators	Percentage completion of quarterly risk management activities as per the approved risk management plan

STRATEGIC GOAL	Optimised organisational functioning towards the achievement of a clean audit
Strategic Objective	Improved organisational efficacy through integrated business processes and automated systems
Key Performance Indicators	Percentage availability of SAP/ERP system to support USAASA/ USAF business processes and operations

STRATEGIC GOAL	Optimised organisational functioning towards the achievement of a clean audit
Strategic Objective	Improved employee performance
Key Performance Indicators	Percentage implementation of the Annual Training Plan to enhance individual and organisational performance through training interventions
	Percentage of signed Performance Agreements (PAs) calibrated to support the organisational goals and objectives and APP, and Employee Performance Assessments (EPAs) moderated within the stipulated timeframes in accordance with the Performance Management Policy
	Percentage implementation of climate survey action plans

STRATEGIC GOAL	Optimised organisational functioning towards the achievement of a clean audit
Strategic Objective	Increased efficacy (efficiency and effectiveness) of legal services
Key Performance Indicators	Percentage of legal services (contracts and legal opinions) in compliance with the approved quality metrics

STRATEGIC GOAL	Optimised organisational functioning towards the achievement of a clean audit
Strategic Objective	Improved brand and reputation of USAASA
Key Performance Indicators	Number of annual industry review symposiums conducted by target date
	Beneficiary brand awareness level
	Stakeholder satisfaction level
	Number of digital summits held in established smart communities, allowing stakeholders to practically showcase value adding systems and deliverables

STRATEGIC GOAL	Optimised organisational functioning towards the achievement of a clean audit
Strategic Objective	Increased support to SMME and BBBEE development
Key Performance Indicators	Number of SMME engagement sessions held to develop and educate suppliers
	Percentage of budget spent on SMMEs and BBBEE in support of USAF project delivery
	Percentage utilisation of local skills and service providers by awarded bidder

The USAASA 2017/2018 Annual Performance Report

FINANCIAL MANAGEMENT SERVICES

PART B: PERFORMANCE INFORMATION

Strategic objectives, performance indicators, planned targets and actual achievements					
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improved audit outcomes	Percentage compliance with Public Finance Management Act, 1999 and Treasury Regulations.	100 percentage compliance with the PFMA and Treasury Regulations.	The planned target was not fully achieved. 80%	The target is subjected to internal audit review on quarterly basis and the reports of the Internal Auditor concluded that the Supply Chain Management processes were not effective resulting on the target not fully achieved	Under performance is attributed to poor execution of procurement plans and effective contract management of the appointed service provider executing services on behalf of the Agency
Increased support to SMME and BBBEE development	Number of SMME engagement sessions held to develop and educate suppliers.	2 SMME open days concluded	The planned target was fully achieved. 2 SMME engagement sessions were held to develop and educate suppliers.	None	None
Increased support to SMME and BBBEE development	Percentage of budget spent on SMMEs and BBBEE in support of USAF project delivery.	80 percentage of the budget spent on SMMEs.	The planned target was fully achieved resulting in 148% budget spent of the total budget allocated towards SMMEs.	None	None
Increased support to SMME and BBBEE development	Percentage utilisation of local skills and service providers by awarded bidder	50 percentage utilisation of local skills and service providers by awarded bidder	The planned target was not fully achieved. 29%	Failure by the awarded bidder to provide complete information on utilisation of local skills resulted in the planned target not achievable	Under performance is attributed to poor contract management of appointed service providers and this resulted on the service providers failing to produce the required evidence on utilisation of local skills by awarded bidder.

INTERNAL AUDIT

Strategic objectives, performance indicators, planned targets and actual achievements					
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improved audit outcomes	Percentage implementation of the AG audit action plan	100 percentage implementation of the AG audit action plan.	<p>The target was not fully achieved</p> <p>The planned target was not fully achieved as the total number of 8 audit plans out of 14 were still in progress resulting in a total achievement of 43% against the planned target</p>	<p>Management failure to monitor the AG audit action plan on quarterly basis resulted on the target not achieved as planned.</p>	<p>The underperformance is attributed to poor planning and lack of monitoring of the audit action plan by affected responsible programme managers.</p> <p>The Risk Manager has been assigned to coordinate the monitoring the audit action plan and the Chief Audit Executive will conduct an independent review that will be reported to Board on quarterly basis.</p>
Improved audit outcomes	Number of repeat AG findings detailed in the audit action plan	Zero repeat AG findings detailed in the audit action plan	<p>The planned target was not fully achieved.</p> <p>6</p>	<p>Management failure to monitor the AG audit action plan on quarterly basis resulted on the target not achieved as planned.</p>	<p>The underperformance is attributed to poor planning and lack of monitoring of the audit action plan by affected responsible programme managers.</p> <p>The Risk Manager has been assigned to coordinate the monitoring the audit action plan and the Chief Audit Executive will conduct an independent review that will be reported to Board on quarterly basis.</p>

RISK MANAGEMENT

Strategic objectives, performance indicators, planned targets and actual achievements				
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018
Improved risk maturity profile	Percentage completion of quarterly risk management activities as per the approved risk management plan.	100 percentage completion of quarterly risk management activities as the approved risk management plan.	<p>The planned target was fully achieved.</p> <p>100%</p> <p>Risk management activities were conducted as per the approved Risk Management Plan.</p> <p>Risk maturity assessment was conducted using the National Treasury risk maturity assessment questionnaire, and USAASA is rated level 5</p>	None

INFORMATION TECHNOLOGY

Strategic objectives, performance indicators, planned targets and actual achievements				
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018
Improved organisational efficacy through integrated business processes and automated systems	Percentage availability of SAP/ERP system to support USAASA/ USAF business processes and operations	98 percentage systems uptime in line with the approved IT Service Level Agreement	The planned target was fully achieved resulting in 99.79 percentage availability of SAP/ERP system to support USAASA/USAF business process and operations	None

CORPORATE SERVICES

Strategic objectives, performance indicators, planned targets and actual achievements					
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improved employee performance	Percentage implementation of the Annual Training Plan, to enhance individual and organisational performance through training interventions	90 percentage implementation of the Annual Training Plan, to enhance individual and organisational performance through training interventions	The planned target was not fully achieved resulting in 24% implementation of the Annual Training Plan	Poor planning and lack of monitoring the Individual Development Plans of employee resulted in 66 percentage shortfall of the implementation of the Annual Training Plan	Under performance is attributed to poor management of human capital by respective supervisors and failure to implement the Individual Training Plan as part of performance contracting
Improved employee performance	Percentage of signed Performance Agreements (PA's) calibrated to support the organisational goals and objectives and APP and Employee Performance Assessments (EPA's) moderated within the stipulated timeframes in accordance with the Performance Management Policy	100 percentage of signed Performance Agreements (PA's) calibrated to support the organisational goals and objectives and annual performance plan	The planned target was not fully achieved resulting in 100% of employees including the Chief Executive Officer submitted signed Performance Agreements by 31st May 2018	None	None
Improved employee performance	Percentage implementation of climate survey action plans	100 percentage implementation of climate survey action plans	The planned target was not fully achieved resulting in 89% implementation of climate survey action plans	A shortfall of 11 percent is attributed to various heads of division of failing to implement some of the activities detailed in the climate survey	Under performance is attributed to various heads of divisions and respective supervisor of failing to implement some of the activities detailed in the climate survey

LEGAL SERVICES

Strategic objectives, performance indicators, planned targets and actual achievements					
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Increased efficacy (efficiency and effectiveness) of legal services	Percentage of legal services (contracts and legal opinions) in compliance with the approved quality metrics	100 percentage of legal services (contract and legal opinions) in compliance with the approved quality metrics.	The planned target was fully achieved resulting in 100% adherence to the approved quality metrics, written legal opinion and/or advice was provided within 7 working days and drafting contracts within 21 working days	None	None

STAKEHOLDER ENGAGEMENT

Strategic objectives, performance indicators, planned targets and actual achievements					
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improved brand and reputation of USAASA	Number of annual industry review symposiums conducted by target date	1 annual industry review symposiums conducted by target date.	The planned target was fully achieved resulting in ICT Small Medium Macro Enterprises (SMME) Review symposium hosted – USAASA was set to conduct an annual industry review symposium to unlocking potential digital economy targeting youth, women and persons with disability within the SMMEs in the ICT sector. The event was a hosted on the 07 December 2017 in Centurion, Gauteng	None	None

Strategic objectives, performance indicators, planned targets and actual achievements					
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improved brand and reputation of USAASA	Beneficiary brand awareness level	40 percentage beneficiary brand awareness	The planned target was not achieved. 0%	The non-conclusion of the brand awareness report and absence of the approved methodology to determine the score achieved on USAASA's brand resulted in the non achievement of the planned target	Under performance is attributed to management failure to develop a methodology to be approved by the Board in order to determine the score achieved on USAASA's brand awareness Consequence management will be applied accordingly to ratify under performance
Improved brand and reputation of USAASA	Stakeholder satisfaction level	50 percentage stakeholder satisfaction level.	The planned target was not achieved. 0%	The non-conclusion of the stakeholder satisfaction report and absence of the approved methodology to determine stakeholder satisfaction level resulted on the planned target not fully achieved.	Under performance is attributed to management failure to develop a methodology to be approved by the Board to determine stakeholder satisfaction level in terms of the stakeholder satisfaction report developed. Consequence management will be applied accordingly to ratify under performance.
Improved brand and reputation of USAASA	Number of digital summits held in established Smart Communities bringing stakeholders to practically showcase value adding systems and deliverables.	1 digital summit held in established Smart Communities bringing stakeholders to practically showcase value adding systems and deliverables.	The planned target was fully achieved resulting in USAASA partnered with Imbizo events through the Eastern Cape ICT summit held from 23rd – 24th November 2017. The CEO also presented the Digital summit concept document to the Head of Department of Education 1	None	None

PERFORMANCE MONITORING AND EVALUATION

Strategic objectives, performance indicators, planned targets and actual achievements					
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Increased evidence-based planning	Board Approved Strategic and Annual Performance Plans submitted by target date	Final 2018/19 plans submitted on January 2018	The planned target was fully achieved resulting in Board Strategic Plans and Annual Performance Plans submitted by the end of January 2018 as per the National Treasury Framework on Strategy Plans and Annual Performance Plans	None	None
Improved quality, reliability and integrity of performance information	Percentage compliance with performance information standards: Compliance Accuracy Usefulness Evidence based	100 percentage compliance with performance information standards	The planned target was not fully achieved. 97%	The target is subjected to internal audit review on quarterly basis and the reports of the Internal Auditor concluded that there is insufficient evidence to support the reported performance for USAF performance targets.	Under performance is attributed to lack of monitoring systems for broadband usage in deployed sites and also failure to produce connectivity monitoring reports.
Improved quality, reliability and integrity of performance information	Number of material AG audit findings and significant Internal Audit findings on the reliability and usefulness of the reported performance	Zero significant internal audit findings on the reliability and usefulness of the reported performance	The planned target was not fully achieved. 3	The reports of the Internal Auditor found material misstatements on number of the existing sites with connectivity maintained and this resulted the target not fully achieved.	Under performance is attributed to failure by Operations Division on not providing a complete list of connected sites and usage reports in order to validate the reported performance based on submitted portfolio of evidence.

RESEARCH, POLICY AND REGULATORY

Strategic objectives, performance indicators, planned targets and actual achievements					
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improved quality of research and evaluation outputs	Number of research papers produced on national and global ICT trends approved by board	1 baseline developed on economic activities in the established smart communities to measure impact of digitisation	The planned target was not achieved 0	The non-conclusion of the baseline study on economic activities in the established smart communities to measure the impact of digitisation as planned resulted on the target not achieved	Under performance is attributed to poor performance and consequence management will be applied accordingly to ratify under performance
Improved quality of research and evaluation outputs	Conceptual Framework and Business Case developed on Digital Development Fund Bill by target date	1 Conceptual Framework and 1 Business Case approved	The planned target was not achieved. 0	The planned target is dependent on the process of the finalisation of the Draft Digital Development Fund Bill by the Department of Telecommunications and Postal Service as part of the implementation of National ICT Integrated White Paper	Under performance is attributed to delays in finalising the tabling of the Draft Bill on Digital Development Fund which are outside the control of the Agency
Improved quality of research and evaluation outputs	Number of impact evaluation studies conducted	1 impact evaluation studies conducted.	The planned target was not achieved. 0	Failure to conclude the impact evaluation studies resulted on the target not achieved as planned	Under performance is attributed to poor performance and consequence management will be applied accordingly to ratify under performance
Improved quality of research and evaluation outputs	Smart Communities Masterplan developed on smart communities developed by target date	1 Concept Document by 31 March 2018	The planned target was not achieved. 0	Failure to conclude one concept document on smart communities on the targeted date resulted on the planned target not achieved	Under performance is attributed to poor performance and consequence management will be applied accordingly to ratify under performance

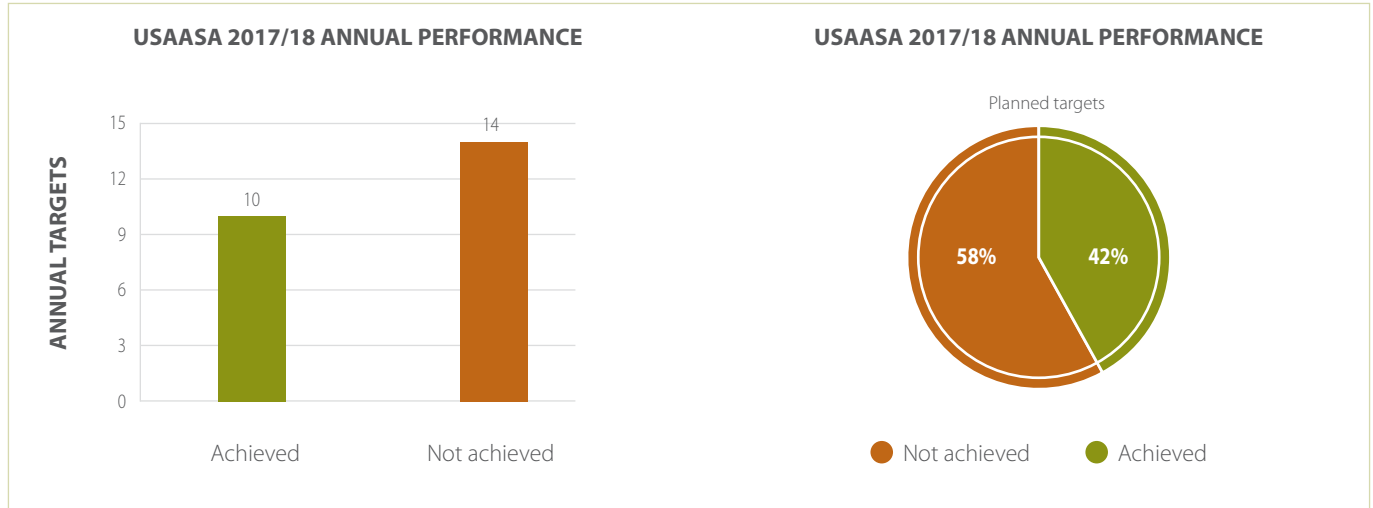
Strategic objectives, performance indicators, planned targets and actual achievements					
Strategic objectives	Performance Indicator	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improved quality of research and evaluation outputs	Baseline of economic activities in the established smart communities to measure impact of digitisation	1 baseline developed	The planned target was fully achieved resulting baseline study of economic activities in the established smart communities was developed as planned for purposes of measuring impact of digitisation	None	None
			1		



SUMMARY OF USAASA PERFORMANCE

The below graphs depict the Agency's achieved annual targets against the planned annual targets in the 2017/18 approved Annual

Performance Plan. Ten (10) of the twenty-four (24) planned targets were achieved, being 42% of the total planned targets, and fourteen (14) of the twenty-four (24) planned targets were not achieved, being 58% of the total annual planned targets.



STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE (INDICATORS AND ACTION PLANS)

PERCENTAGE COMPLIANCE WITH THE PFMA AND TREASURY REGULATIONS		
INDICATOR	DEVIATION	ACTION PLAN
Improved audit outcomes		
Percentage compliance with Public Finance Management Act, 1999 and Treasury Regulations.	Under performance is attributed to poor execution of procurement plans and effective contract management of the appointed service provider executing services on behalf of the Agency.	<p>A compliance checklist of PFMA related matters to procurement will be developed and strict compliance to procurement plan will be adhered too.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

PERCENTAGE UTILISATION OF LOCAL SKILLS AND SERVICE PROVIDERS BY AWARDED BIDDER		
INDICATOR	DEVIATION	ACTION PLAN
Increased support to SMME and BBBEE development		
Percentage utilisation of local skills and service providers by awarded bidder	Under performance is attributed to poor contract management of appointed service providers and this resulted on the service providers failing to produce the required evidence on utilisation of local skills by awarded bidder.	<p>The contract management capacity will be enhanced and also all the contract with service provider will be captured on SAP ERP system and be monitored on monthly basis. The target will form part of the monthly SCM reporting to National Treasury.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

PERCENTAGE IMPLEMENTATION OF THE AG AUDIT ACTION PLAN		
INDICATOR	DEVIATION	ACTION PLAN
Improved audit outcomes		
Percentage implementation of the AG audit action plan	The underperformance is attributed to poor planning and lack of monitoring of the audit action plan by affected responsible programme managers.	<p>The Risk Manager has been assigned to coordinate the monitoring the audit action plan and the Chief Audit Executive will conduct an independent review that will be reported to Board on quarterly basis.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

NUMBER OF REPEAT AG FINDINGS DETAILED IN THE AUDIT ACTION PLAN		
INDICATOR	DEVIATION	ACTION PLAN
Improved audit outcomes		
Number of repeat AG findings detailed in the audit action plan	The underperformance is attributed to poor planning and lack of monitoring of the audit action plan by affected responsible programme managers.	<p>The Risk Manager has been assigned to coordinate the monitoring the audit action plan and the Chief Audit Executive will conduct an independent review that will be reported to Board on quarterly basis.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

PERCENTAGE IMPLEMENTATION OF THE ANNUAL TRAINING PLAN TO ENHANCE INDIVIDUAL AND ORGANISATIONAL PERFORMANCE THROUGH TRAINING INTERVENTIONS		
INDICATOR	DEVIATION	ACTION PLAN
Improved employee performance		
Percentage implementation of the Annual Training Plan, to enhance individual and organisational performance through training interventions.	Under performance is attributed to poor management of human capital by respective supervisors and failure to implement the Individual Training Plan as part of performance contracting.	<p>Management Committee will be reconstituted and will be directed to deal with implementation of the Annual Training Plan amongst other things.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

PERCENTAGE IMPLEMENTATION OF THE CLIMATE SURVEY		
INDICATOR	DEVIATION	ACTION PLAN
Improved employee performance		
Percentage implementation of climate survey action plans	Under performance is attributed to various heads of divisions and respective supervisor of failing to implement some of the activities detailed in the climate survey.	<p>Management Committee will be reconstituted to deal the overall implementation of the climate survey. The Labour forum will convene meetings on monthly basis to deal with matters affecting employee and employer relations. The change manager champions will also be nominated to drive culture change in the organisation and EXCO will devise innovative means of keeping the staff motivated.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

BENEFICIARY BRAND AWARENESS LEVEL		
INDICATOR	DEVIATION	ACTION PLAN
Improved brand and reputation of USAASA		
Percentage implementation of climate survey action plans	<p>Under performance is attributed to management failure to develop a methodology to be approved by the Board in order to determine the score achieved on USAASA's brand in terms of the brand awareness report developed.</p> <p>Consequence management will be applied accordingly to ratify under performance.</p>	<p>The methodology to measure brand awareness amongst the targeted recipients will be developed in Q1 of 2018/19 financial year and be sent for approval to Board.</p> <p>The Brand awareness report will be developed and measured against the approved methodology by the Board and a brand awareness report will be sent to Board for approval in Q2 of 2018/19 financial year.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

STAKEHOLDER SATISFACTION LEVEL		
INDICATOR	DEVIATION	ACTION PLAN
Improved brand and reputation of USAASA		
Stakeholder satisfaction level	<p>Under performance is attributed to management failure to develop a methodology to be approved by the Board to determine stakeholder satisfaction level in terms of the stakeholder satisfaction report developed.</p> <p>Consequence management will be applied accordingly to ratify under performance.</p>	<p>The methodology to measure the satisfaction levels of the services provided to USAASA stakeholders will be developed in Q1 of 2018/19 financial year and sent to Board for approval.</p> <p>The stakeholder satisfaction report will be delivered and measured against the approved methodology by Board and a stakeholder satisfaction report will be sent to Board for approval in Q2 of 2018/19 financial year.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

PERCENTAGE COMPLIANCE WITH PERFORMANCE INFORMATION STANDARDS		
INDICATOR	DEVIATION	ACTION PLAN
Improved quality, reliability and integrity of performance information		
<p>Percentage compliance with performance information standards:</p> <ul style="list-style-type: none"> • Compliance • Accuracy • Usefulness • Evidence based 	<p>Under performance is attributed to lack of monitoring systems for broadband usage in deployed sites and also failure to produce connectivity monitoring reports.</p>	<p>The evidence protocol reference sheet will be developed and all the programme managers will be required to sign off evidence according to the evidence protocol reference sheet. The Agency is going to collaborate with Broadband Infracore on development of the network monitoring systems in order to monitor the availability of services provided to communities. The Agency will also work closely with the Regulator (ICASA) in order to ensure service provision is provided as per the quality standards agreed upon.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

NUMBER OF SIGNIFICANT INTERNAL AUDIT FINDINGS ON THE RELIABILITY AND USEFULNESS OF THE REPORTED PERFORMANCE

INDICATOR	DEVIATION	ACTION PLAN
Improved quality, reliability and integrity of performance information		
Number of material AG audit findings and significant Internal Audit findings on the reliability and usefulness of the reported performance	Under performance is attributed to failure by Operations Division on not providing a complete list of connected sites and usage reports in order to validate the reported performance based on submitted portfolio of evidence.	<p>The evidence protocol reference sheet will be developed and all the programme managers will be required to sign off evidence according to the evidence protocol reference sheet.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

NUMBER OF RESEARCH PAPERS PRODUCED ON NATIONAL AND GLOBAL ICT TRENDS APPROVED BY BOARD

INDICATOR	DEVIATION	ACTION PLAN
Improved quality of research and evaluation outputs		
Number of research papers produced on national and global ICT trends approved by board	Under performance is attributed to poor performance and consequence management will be applied accordingly to ratify under performance.	<p>the baseline study on economic activities in the established smart communities to measure the impact of digitisation will be developed and work closely with research institutions and will be presented to Board during Q2 of the 2018/17 financial year.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

1 CONCEPTUAL FRAMEWORK INPUT TO DTPS AND 1 BUSINESS CASE INPUT TO DTPS DEVELOPED ON DIGITAL DEVELOPMENT FUND BILL

INDICATOR	DEVIATION	ACTION PLAN
Improved quality of research and evaluation outputs		
Conceptual Framework and Business Case developed on Digital Development Fund Bill by target date	Under performance is attributed to delays in finalising the tabling of the Draft Bill on Digital Development Fund which are outside the control of the Agency.	<p>The Agency will work closely with DTPS and ensure the business case is developed and the USAASA APP 2018/19 has been restructured to reflect this area of work and a comprehensive business case will be developed as part of the key performance indicators for USAASA 2018/19 APP</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

NUMBER OF IMPACT EVALUATION STUDIES CONDUCTED		
INDICATOR	DEVIATION	ACTION PLAN
Improved quality of research and evaluation outputs		
Number of impact evaluation studies conducted	Under performance is attributed to poor performance and consequence management will be applied accordingly to ratify under performance.	<p>The impact evaluation studies to evaluate whether the interventions implemented are making a difference to underserved communities will be developed and work closely with research institutions and will be presented to Board during Q2 of the 2018/17 financial year.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>

SMART COMMUNITIES MASTERPLAN DEVELOPED BY DTPS IN COLLABORATION WITH USAASA ON SMART COMMUNITIES DEVELOPED BY TARGET DATE		
INDICATOR	DEVIATION	ACTION PLAN
Improved quality of research and evaluation outputs		
Smart Communities Masterplan developed on smart communities developed by target date	Under performance is attributed to poor performance and consequence management will be applied accordingly to ratify under performance.	<p>The concept document on smart communities will be developed and work closely with research institutions and will be presented to Board during Q2 of the 2018/17 financial year.</p> <p>Amendments to USAASA APP 2018/19 have been effected and the indicator has been removed to operational plan for monitoring on quarterly basis.</p>



GOVERNANCE

Board of Directors

The Board of USAASA is regarded as the Accounting Authority in terms of Section 49 of the Public Finance Management Act (PFMA) and it 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 USAF;
- Act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the Fund;
- 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 that is fair, equitable, transparent, competitive and cost effective;
- Maintain a system for properly evaluating all major capital projects prior to a final decision on the project;
- Take effective steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the Agency; and
- Manage available working capital efficiently and economically.

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

All Board committees and the Board are guided by the principles of the King VI 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 Parliamentary Portfolio Committee on Telecommunications and Postal Services and from time to time, the Board is required to provide updates on the state of the Agency's financial and non-financial performance and financial to this committee. The Agency, however, has a dual-reporting responsibility to the Portfolio Committee on Communications, which plays an oversight role on the rollout of STBs by the Agency.

The nature of USAF 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 USAF projects.

Portfolio Committee engagements for the 2017/18 financial year are outlined below:

DATE	MEETING /ACTIVITY
9 May 2017	Portfolio Committee Briefing on USAASA and USAF Strategic Plan and APP
24 May 2017	DTPS Budget Vote Speech
26 May 2017	DoC Budget Vote Speech
23 June 2017	Youth Day commemoration at the South Region Durban Business Fair
6 July 2017	BDM Project – stakeholder meeting led by Minister of Communications
7 July 2017	OR Tambo broadband rollout launch
17 – 21 July 2017	CTO's Commonwealth ICT Roundtable
11 – 13 Sept 2017	2017 CTO ICT Forum in Mozambique
14 – 15 Sept 2017	CTO Council Meeting in Mozambique
3 Oct 2017	Presentation of USAASA and USAF Annual Reports to Parliament
29 Oct – 01 Nov 2017	GovTech Conference in Durban
28 Nov 2017	Portfolio Committee briefing on progress report on PC oversight visit to Mpumalanga
20 Feb 2018	Portfolio Committee briefing first and second quarter performance
6 Mar 2018	Portfolio Committee briefing by USAASA – (concerns raised by the Portfolio Committee)

Executive Authority

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

The Executive Authority conducted bilaterals with the Board to deliberate on the following key issues:

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

The Board as the Accounting Authority

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

The Board subscribes to the principles contained in the Code of Good Practice and Code of Good Conduct contained in the King Code on Corporate Governance Report (King VI) and is committed to applying the principles of the PFMA and related regulation. The Board places strong emphasis on achieving the highest standards of reporting.

In responding to the above-listed requirements of the PFMA, the board has organised itself into the following subcommittees, which meet every quarter:

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

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

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

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

The role of the Board requires the members to maintain the highest standards of ethics, integrity and values, and represent the interests of the Agency and the country. These responsibilities are set out in the approved Board Charter, 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.

It outlines the following:

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

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.

USAASA Committees

Committee	No of meetings held	No of members	Name of members
Board Audit and Risk Committee (BARC)	8	4	Mr Linda Nene – Chairperson Ms Tshagofatso Maloka Ms Jabulile Nkosi Mr Xola Stock
Human Resources and Remuneration Committee (REMCO)	4	4	Mr Nqabekaya Nqandela Adv. Lungelwa Shandu Ms Tshagofatso Maloka Mr Xola Stock
Social and Ethics Committee	0*	4	Mr Xola Stock Mr Nqabekaya Nqandela Adv. Lungelwa Shandu Mr Linda Nene

*Social and Ethics Committee held no meetings as the terms of most of its members ended in July 2016. The committee was re-established with effect from April 2018, the new financial year.

Remuneration of Board members

Name	Position	Comments	Total Remuneration R'000
Mr Mawethu Cawe	Chairperson: Board of Directors	Appointed 1 September 2015	291
Mr Nqabekaya Nqandela	Member: Board of Directors	Appointed 01 September 2015	167
Adv. Lungelwa Shandu	Member: Board of Directors	Appointed 1 September 2015	247
Ms Tshogofatso Maloka	Member: Board of Directors	Appointed 1 September 2015	117
Mr Linda Nene	Member: Board of Directors	Appointed 12 December 2016	185
Mr Xola Stock	Member: Board of Directors	Appointed 12 December 2016	173
Ms Jabulile Nkosi	Member: Board of Directors	Appointed 12 December 2016	221

Board attendance

COMMITTEE MEMBERS	DATE											
	25/04/ 2017	27/05/ 2017	30/06/ 2017	31/07/ 2017	18/08/ 2017	29/09/ 2017	27/10/ 2017	31/10/ 2017	30/01/ 2018	03/02/ 2018	23/02/ 2018	01/03/ 2018
Mr Mawethu Cawe	P	P	P	P	P	P	P	P	P	P	P	P
Mr Nqabekaya Nqandela	A	P	A	A	P	P	P	P	P	P	A	P
Adv. Lungelwa Shandu	P	P	P	A	P	P	A	P	P	P	P	P
Ms Tshogofatso Maloka	P	P	P	P	A	P	A	A	A	A	A	P
Mr Linda Nene	A	P	P	P	P	P	P	P	P	P	P	P
Mr Xola Stock	P	P	P	P	A	P	A	P	P	P	P	P
Ms Jabulile Nkosi	P	P	P	P	P	P	P	A	P	P	P	P
Mr Lumko Mtimde	P	P	A	P	P	P	P	P	P	P	P	P

A = Apology

P = Present

Risk Management

Risk management, briefly, is the coordination of activities to direct and control an organisation on risk. 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 (BARC).

USAASA has, pursuant to the achievement of organisational objectives, conducted strategic, operational and project risk assessments. The process entails the assessment of risks and opportunities (including new and emerging risks and opportunities), analysis and evaluation of risks and opportunities, and design and implementation of appropriate risk responses. Furthermore, a risk appetite and tolerance limits framework was developed and approved to ensure that risks are taken within the approved parameters.

A Risk Management Committee was established whose purpose includes ongoing oversight of risk management and ensuring effective risk management. Furthermore, the committee ensures accountability and appropriate risk ownership, thereby mitigating unacceptable risks.

The Board Audit and Risk Committee (BARC) oversees risk management on an ongoing basis to ensure management of risk in a way that supports the organisation in setting and achieving its strategic objectives, operational goals and project objectives. The BARC has set the direction for how risk should be approached and addressed by USAASA. Risk profile reports covering strategic risks, operational risks, project risks, fraud and emerging risks are reviewed by the BARC and advice provided to ensure effective and efficient risk management.

A self-assessment risk maturity exercise was conducted using National Treasury's questionnaire and a level five score was achieved. It should be noted that the questionnaire focuses more on risk management governance issues than the operational side of risk management. For the 2018/19 financial year, the BARC has nominated an independent

director to chair the Risk Management Committee with a view to ensure a higher level of accountability and ownership.

Internal Audit and Audit Committee

Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives through a systematic, disciplined approach to evaluating and improving the overall effectiveness of risk management, control and governance processes.

The internal audit activity (IAA) for USAASA functions in terms of the Standard for Professional Practices of Internal Audit (SPPIA), code of ethics and any other relevant legislation passed by professional auditing bodies. The IAA determines whether the organisation's risks management, control and governance processes are adequate and function effectively and efficiently.

The key activities of Internal Audit are guided by the risk exposures, as determined during the risk assessment processes. The results of these risk assessments are contained in the risk registers of USAASA. Internal Audit activities are also guided by the emerging risks from project risk assessment and ad hoc management and Board requests.

Summary of audit work done

The following internal audit work was completed during the year 2017/18:

- SCM Q4 (2016/17) expenditure, Q1, Q2 and Q3 expenditure below threshold for 2017/18;
- SCM Q4 (2016/17) expenditure, Q1, Q2 and Q3 expenditure above threshold for 2017/18;
- Interim financial statements for Q1, Q2 and Q3 for 2017/18;
- Performance information for Q1, Q2 and Q3 for 2017/18;
- Corporate services Q4 (2016/17) activities, Q1, Q2 and Q3 activities for 2017/18; and
- Financial management Q4 (2016/17) expenditure, Q1, Q2 and Q3 Expenditure for 2017/18.

As a result of the emerging risks and control breakdown during the third quarter of the financial year, the BARC requested Internal Audit to conduct the following reviews:

- The review of payments on the Broadband project undertaken at the OR Tambo Local Municipality; and
- The SAP/ERP post implementation review

The following significant audit findings were noted during 2017/18:

- Lack of approved submission to support Board resolution of scope extension;
- Lack of purchase orders for extended scope;
- Outdated asset register;
- Advances not reconciled within five days as per policy;
- Segregation of duties within the human resources department;
- Non-alignment of workplace skills plan with personal development plans;
- Non-existence of a moderation committee in terms of the performance management policy;
- Variances in the BDM inventories at SAPO branches and warehouses;
- Discrepancies in SAPO system, in inventory returns and warehouse inventory acknowledgement;
- Lack of evidence to support achieved targets;
- Over-statement of quarterly targets achieved without sufficient supporting documentation. These risks were somewhat dealt with in the quarter four performance reporting.
- Non-use of SAP modules by intended users;
- Lack of variance reports for human resources reconciliations e.g. third-party payments and salary-related payment;
- Invoices not paid within 30 days;
- Lack of leave report for audit purpose;
- Non alignment of IT governance strategy and organisational strategy;
- Lack of IT structure;
- Insufficient budget for IT infrastructure;
- Filling of posts not on the structure (two different structures submitted for audit purposes and proof for structure approval by the Board not provided);
- Payments of broadband in OR Tambo district municipalities (King Sabata Dalindyebo and Mhlololocal municipalities) not in line with the subsidy agreements between the Agency and the service provider.

The IAA as stipulated in the Internal Audit Charter, approved by the BARC, requires 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 from the Board Audit and Risk Committee; and

- must report administratively to the CEO and functionally to the Board Audit and Risk Committee.

Board Audit and Risk Committee (BARC)

BARC, which is chaired by Mr Linda Nene, comprises four independent non-executive members.

The Chairperson and members of BARC were appointed on contract for three years and are remunerated in accordance with the daily tariffs approved by the Minister of DTPS and the Board.

BARC reviewed and evaluated the manner in which the Agency carried out its responsibilities in:

- Financial management and reporting practices;
- Internal Audit activity;
- External Audit processes; Internal financial controls;
- Management of risks; and
- Compliance with laws, regulations and ethics.

Approval of Policies/Strategies

In the financial year under review, the BARC did not recommend new policies to the Board since the ones it approved in the previous financial year were still applicable.

Performance Management

The BARC reviewed reports from Internal Audit and AGSA on performance management and made recommendations to management and the Board. The committee's activities in 2017/18 included:

- Reviewing Internal Audit quarterly reports; and
- Reviewing USAASA's performance management systems, focusing on economy, efficiency, effectiveness and impact against key performance indicators and performance targets set by the Board.

Fraud and Corruption

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

Human Resources and Remuneration Committee (REMCO)

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

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

Social and Ethics Committee

The Social and Ethics Committee, which is chaired by Mr Xola Stock, comprises four independent non-executive members. The overall responsibility of the committee is to strategically provide oversight and direction on good corporate ethics matters, including:

- Monitoring the Agency's activities against relevant legislation, other legal requirements or prevailing codes of best practice, on matters relating to social and economic development, including the Agency's standing in terms of:
 - good corporate citizenship, including the Agency's promotion of equality;
 - contribution to development of the communities in which the Agency's activities are predominantly conducted.

Meeting attendance by the BARC

COMMITTEE MEMBERS	DATE							
	21/04/17	22/05/17	28/07/17	30/07/17	27/09/17	20/10/17	16/11/17	27/01/18
Mr Linda Nene	Present	Present	Present	Present	Present	Present	Present	Present
Ms Tshegofatso Maloka	Apology	Present	Present	Present	Apology	Apology	Apology	Present
Mr Xola Stock	Present	Present	Present	Apology	Present	Present	Present	Present
Ms Jabulile Nkosi	Present	Present	Present	Present	Present	Present	Present	Present

The remuneration of BARC members in the 2017/18 financial year is reflected below:

Name	Position	Total Remuneration R'000	Comments
Mr Linda Nene	Chairperson	45	Appointed in December 2012
Ms Jabulile Nkosi	Member	36	Appointed in January 2017
Ms Tshegofatso Maloka	Member	13	Appointed in September 2015
Mr Xola Stock	Member	31	Appointed in January 2017

Company Secretary

The Company Secretary is responsible for ensuring that the Board and its committees are functioning optimally in terms of the relevant legislation and corporate governance principles. Board members have unrestricted access to the advice/guidance and services of the Company Secretary on issues of governance, legislative and regulatory requirements.

The Company Secretary provides support to the Board in compilation of the APP, agendas and meetings packs for Board and Board committees.

The Company Secretary also ensures that the Board's policies and instructions are communicated to the relevant persons in the Agency and that pertinent issues from management are referred back to the Board where appropriate. The Company Secretary plays a key role in the induction process of new directors, encompassing both directors' duties and responsibilities in general and specific matters pertaining to the Agency and the sector in which it operates. The Company Secretary also coordinates Board performance evaluation and identifies training requirements and ongoing programmes for directors to keep them well informed of developments in the Agency and on matters relevant to their responsibilities generally.

Role of Executive Committee (EXCO)

The USAASA Executive Committee (EXCO), under the leadership of the CEO, is responsible for leading the divisions and business units of the Agency in accordance with organisational strategic objectives.

Members of this committee support the Board by driving the following key activities, inter alia:

- Demonstrating leadership in driving strategy implementation and in being accountable and transparent in coordinating and maintaining clear directives in terms of USAASA's strategic objectives, guidelines, policies and procedures;
- Ensuring commitment across the organisation to the attainment of USAASA and USAF quarterly and annual performance targets as outlined in the approved APP, 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, the Board Audit and Risk Committee, the Auditor General, as well as the Board and its committees in each of their 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.



LINDA NENE

REPORT OF THE CHAIRPERSON OF BARC

Report of BARC

We are pleased to present USAASA's Board Audit and Risk Committee report for the financial year ended 31 March 2018.

Audit Committee Responsibility

BARC 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 BARC discharged all the responsibilities contained therein.

The committee monitored the USAASA Annual Financial Statements and performance information included in this annual report, reviewing significant financial and non-financial reporting issues contained herein.

The Effectiveness of Internal Control

In the financial period under review, BARC reviewed and evaluated the manner in which the Agency carried out the following responsibilities:

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

Management of Risks

Risk management is the coordination of activities to direct and control an organisation's risk. 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 BARC.

The USAASA has, pursuant to the achievement of organisational objectives, conducted strategic, operational and project risk assessments. The process entails the assessment of risks and opportunities (including new and emerging risks and opportunities), analysis and evaluation of risks and opportunities, and design and implementation of appropriate risk responses. Furthermore, a risk appetite and tolerance limits framework was developed and approved to ensure that risks are within the approved parameters.

A Risk Management Committee was established whose purpose is, among others, to provide ongoing oversight of risk management and ensure execution of effective risk management. Furthermore, the Risk Management Committee ensures accountability and appropriate risk ownership, thereby ensuring mitigation of unacceptable risks.

BARC oversees risk management on an ongoing basis to ensure management of risk in a way that supports the organisation in setting and achieving its strategic objectives, operational goals and project objectives. BARC has assumed responsibility for risk management by setting the direction for how risk should be approached and addressed by the USAASA. Risk profile reports covering strategic risks, operational risks, project risks, fraud and emerging risks are reviewed by BARC and advice provided to ensure effective and efficient risk management.

A self-assessment risk maturity exercise was conducted, making use of National Treasury's questionnaire, and a level five score was achieved. Areas of improvement included the strengthening of the

Risk Management Committee and ownership of risk management by line functions. During the 2018/19 financial year, BARC has resolved to ensure that the Risk Management Committee will be chaired by an independent member of BARC to ensure a higher level of risk accountability and ownership.

Internal Audit

We have reviewed the work of Internal Audit to ensure that it is in line with the Internal Audit Charter.

As stipulated in the Internal Audit Charter, approved by BARC, Internal Audit should:

- have unlimited access to the information, records, property and personnel of the Agency;
- have full and free access to BARC and the Chairperson of the USAASA Board;
- obtain cooperation of personnel from all divisions of the organisation and other specialised services from within or outside the organisation;
- have adequate financial, human and technological resources and the support of BARC; and
- report administratively to the CEO and functionally to BARC.

We have taken note of the key significant audit findings raised by Internal Audit in the period under review. BARC noted with concern emerging risks and control breakdowns, into which Internal Audit was requested to conduct extensive reviews. The two main key emerging risks and control breakdown activities were:

- Payments made to the service provider for broadband rolled out in OR Tambo Municipality (King Sabata Dalindyebo Local Municipality and Mhlontlo Local Municipality); and
- SAP/ERP post-implementation review.

Financial Reporting

BARC monitored the integrity of the financial statements of the organisation, including its Annual Report and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments included in them. BARC also reviewed summary financial statements, significant financial returns to regulators and any financial information contained in such documents.

Compliance with Laws, Regulations and Ethics

BARC ensured that the management of the USAASA has the necessary checks and balances in place to ensure that there is compliance with 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 Internal Audit's written reports on 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 that 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.

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

In-Year Management and Monthly/Quarterly Reports

BARC has consistently reviewed USAASA financial and non-financial management and reporting practices in the financial year under review and ensured that monthly and quarterly reporting was in accordance with the PFMA.

Evaluation of Financial Statements

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

Auditor's Report

BARC concurs with and accepts the conclusions of AGSA on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of AGSA.



Mr Linda Nene

Chairperson: Board Audit and Risk Committee



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HUMAN RESOURCES MANAGEMENT

Human Capital and Structure

The Human Resource function is entrusted with the role of attracting and retaining the best talent in the industry, whilst ensuring that current USAASA employees are adequately skilled to roll out the Agency's mandate of universal service and access to ICT services to bridge the digital divide between rural and urban areas.

The Minister of Telecommunications and Postal Services appoints the Board to oversee the delivery of the USAASA mandate. The Board, in turn, appoints the CEO who administers the day-to-day operations of the organisation through its executive management team. The BARC and Internal Audit function form part of the governance structures and ensure that the Agency retains adequate levels of internal control. At the end of the 2017/18 financial year, USAASA had a staff complement

of 63 employees, which comprised 55 permanent employees and six interns. 7 positions were vacant.

Filling of key positions

The following key positions were filled during the financial year under review:

- Executive Manager Performance Management – vacant since December 2016 and filled October 2017
- Executive Manager Operations - vacant since February 2017 and filled January 2018

- Company Secretary - vacant since February 2017 and filled in December 2017.

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

Key deliverables for the year

During the financial year under review, the Human Resources division had three main deliverables:

- Implementation of the Annual Training Plan
USAASA developed and implemented an Annual Training Plan to enhance individual and organisational performance. Training interventions were successfully implemented through the following training programmes:
 - Project management;
 - Conflict management;
 - Management of stakeholders;
 - Audit of corporate governance;
 - Financial and non-financial managers;
 - Monitoring and evaluation; and
 - Clean audit.

- Implementation of climate survey action plans
During the 2017/18 planning process, USAASA conducted a climate survey to gauge how employees perceive the organisation. The outcome was not positive and reflected low staff morale. In response, developed action plans were developed to address the issues and create a work environment conducive to staff satisfaction and productivity. By the end of the financial year, 89% of the action plans had been successfully implemented, with the remaining action plans to be implementing during 2018/19 to make USAASA an employer of choice.

- Employee contracting
In support of implementing the 2017/18 APP deliverables, all employees had submitted their performance agreements by 31 May 2017 as required by legislation.

The period under review highlighted the need for a succession planning framework that contributes to seamless placement of internal personnel to contribute to achievement of key strategies in the Agency and retention of such personnel. Education, training and development of personnel remain essential.

Human Resources Oversight Statistics

Personnel cost by programme

Divisions	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure	*Number of employees	Average personnel cost per employee (R'000)
All USAASA divisions	82 087	40 827	49.74%	55	742.3

Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	Number of employees	Ave personnel cost per employee
Top management	7 918	18.32	5	1 583
Senior management	10 501	24.29	13	807
Professional qualified	12 215	28.26	14	763
Skilled	19 224	44.52	23	835
Semi-skilled	234	0.005	2	117
Unskilled	-	-	-	-
Total	50 092		57	863

Performance rewards

Employment levels	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top management	-	-	-
Senior management	-	-	-
Professional qualified	-	-	-
Skilled	-	-	-
Semi-skilled	-	-	-
Unskilled	-	-	-
TOTAL	-	-	-

Training costs

Divisions	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee (R'000)
All USAASA divisions	*44 409	325	0.74	18	19

*Includes the Training expenditure

Employment and vacancies

Employment levels	2016/17 number of employees	2017/18 funded posts	Number of employees 2017/18	Vacancies 2017/18	% of vacancies 2017/18
Top management(14-16)	3	5	5	0	0
Senior management (13)	11	14	*13	1	7,14%
Professional qualified (11-12)	18	16	**14	3	18,75%
Skilled (8-10)	24	25	**23	3	12%
Semi-skilled (2)	0	2	2	0	0
Unskilled	0	0	0	0	0
TOTAL	58	62	57	7	

*One employee on Level 13 is on Personal Notch

**The Risk Manager (level 11) and Performance Management Officer (level 10) posts are not funded

Employment changes

Employment levels	Employment at beginning of period	2017/18 appointments	2017/18 terminations	Employment at end of the period
Top management (14-16)	4	1	0	5
Senior management (13)	14	0	1	13
Professional qualified (11-12)	14	0	0	14
Skilled (8-10)	23	0	0	23
Semi-skilled (2)	2	0	0	2
Unskilled	0	0	0	0
Total	57	1	1	57

Reasons for employees leaving

Reason	Number of employees	% of total number of employees leaving
Death	0	0
Resignation	0	0
Dismissal	1	0
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	1	1.75

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Dismissals	1
Suspension	3

Equity target and employment equity status

Employee levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	4	0	0	0	1	0	0	0
Senior management	8	0	0	0	0	0	1	0
Professional qualified	9	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	25	0	0	0	1	0	2	0

*No employment equity plan in place

Employee 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	1	0	1	0	0	0	0	0
Professional qualified	6	0	0	0	0	0	0	0
Skilled	18	0	1	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	27	0	2	0	0	0	0	0

Employee levels	Disabled staff			
	Male	Female		
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	0	0	0	0



E

FINANCIAL
INFORMATION



MAHOMED
CHOWAN

REPORT OF THE CHIEF FINANCIAL OFFICER

The Agency is pleased with the continued commitment from the Department of Telecommunications and Postal Services in ensuring USAASA received the total budget allocations of R75,7 million for the 2017/18 financial year. In addition, the National Treasury approved the rollover of R27.4m of surplus funds from the previous financial year.

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 was mainly driven by warehousing, logistics and distribution expenses relating to the Broadcast Digital Migration (BDM) project and legal costs.

The funding for the BDM project logistics and distribution costs of R146m was received during 2015/16 financial year and the costs commenced in the 2016/17 financial year and services continued to be rendered during the year under review. The funding which USAASA received is now utilised and in subsequent years the South African Post Office (SAPO) has received the funding directly for this expense.

The legal fees incurred were mainly related to defending claims against the Agency relating to the BDM project made by some suppliers and employee related matters. The rollover funds were approved to be utilised towards legal fees as well as support and maintenance for the SAP ERP system.

This has been a challenging year for the Agency with the migration to SAP and the attendant challenges relating to this. The biggest amongst these was that a long term support and maintenance contract was not negotiated parallel with the handover of the system and this resulted in the Agency not having any SAP support services for approximately 6 months.

Implementation and support services consultants left USAASA in early May 2017, two months after the implementation of the SAP system at the end of March 2017.

The finance team encountered several technical obstacles which could only be resolved by experienced SAP implementation and support service consultants.

After a six-month gap, an interim implementation and support services contract was entered into in October 2017 as an emergency measure. It was only at this point, when implementation and support services again became available, that the processing of financial information could start in earnest.

Bulk processing of the Q1, Q2 and Q3 reports commenced at the end of October 2017 and was concluded at the end of January 2018. This meant that USAASA's financial reporting for the 2017/18 financial year was up to date by the beginning of February 2018.

I would like to voice my concern of the budget allocation made by National Treasury in July 2017 for the 2018/19 financial year. The National Treasury has not approved the budget request for support and maintenance services for the SAP system for subsequent years. Hence the USAASA utilises shorter term contracts funded from the rollover to obtain the required support and maintenance.

The inadequate funding allocated to SAP support in the budget poses a major risk for the organisation in continuing to fulfil its constitutional mandate. The rollover funds approved by National Treasury are not sufficient to fund the Agency in entering into a medium term (± 3 years) support and maintenance services contract for SAP ERP. The Agency only has sufficient funds to enter into a short term (less than 2 years) contract for support and maintenance services.

In conclusion, a word of thanks goes to the USAASA Board of Directors, the Board Audit and Risk Committee (BARC) and the CEO and ACEO

for their sterling leadership, encouragement and dedication to the success of the Agency as well as my very dedicated Financial Management Services team for their determination in preparing the financial statements under very onerous conditions.

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



Mr Mahomed Chowan
Chief Financial Officer

Statement of Responsibility:

Annual Financial Statements

The directors are legally bound to ensure that full and proper records of the USAASA's financial affairs are kept and for the preparation and integrity of the Annual Financial Statements. The external auditors are engaged to conduct an audit and express an independent opinion on the financial statements.

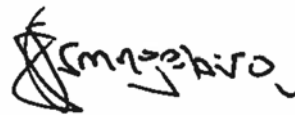
The USAASA Annual Financial Statements have been prepared in terms of Generally Recognised Accounting Practice and are in line with the USAASA's accounting policies and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the systems of internal financial control and that they place reliance on BARC to oversee management's implementation of sound internal control systems, procedures, policies, and approval frameworks to maintain a strong control environment. The directors are not aware of any material breakdown in the functioning of these controls, procedures and systems during the year under review.

The directors are of the opinion, based on the information and explanations given by management and Internal Audit activity, that the system of the internal control provides reasonable assurance and that the financial records may be relied upon in preparing for the Annual Financial Statements.

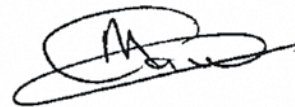
The directors have every reason to believe that the Annual Financial Statements, which were prepared on a going concern basis, fairly present the financial results of the Agency and its position at the end of the financial year and that the Agency will be a going concern for the year ahead.

The Annual Financial Statements of the USAASA for the year ended 31 March 2018, as set out on pages 66 – 100 were approved by the Board of Directors on 31 May 2018 and signed on their behalf by:



Sipho Mngqibisa

Acting Chief Executive Officer



Mawethu Cawe

Chairperson

Report of the Auditor-General to Parliament on The 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 66 to 100 which comprise statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget with actual information 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 as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act.

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 this auditor's report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and 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

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

Restatement of corresponding figures

7. As disclosed in note 20 to the financial statements, the corresponding figures for the year ended 31 March 2017 have been restated as a result of new information becoming available to the public entity in the 2017/18 financial year.

Uncertainty relating to the future outcome of litigation

8. 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.

Responsibilities of accounting authority for the financial statements

9. 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.

10. In preparing the financial statements, the accounting authority is responsible for assessing the Universal Service Access and Access Agency'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 entity or to cease operations, or has no realistic alternative but to do so.

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

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

14. 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 included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. 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 strategic objectives presented in the annual performance report of the public entity for the year ended 31 March 2018:

Strategic objectives	Pages in the annual performance report
Strategic Objective no: 1.3 - Improved organisational efficacy (Efficiency and effectiveness) through integrated business processes and automated systems	31
Strategic Objective no: 1.6 - Improved brand and reputation of USAASA	33 - 34
Strategic Objective no: 1.7 - Increased support to SMME and BBBEE development	29

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

16. I performed procedures to determine whether the reported 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 complete.

17. The material findings in respect of the usefulness and reliability of the selected strategic objectives are as follows:

Strategic objective 1.6 – Improved brand and reputation of USAASA.

Indicator 12 – Stakeholder satisfaction level

18. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement against the planned

target of a 50% stakeholder satisfaction level. This was due to inadequate technical indicator descriptions, formal standard operating procedures and a proper performance management system and process that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 0% as reported in the annual performance report.

19. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following strategic objectives:
- Strategic Objective no: 1.3 - Improved organisational efficacy (Efficiency and effectiveness) through integrated business processes and automated systems
 - Strategic Objective no: 1.7 - Increased support to SMME and BBBEE development

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages 29 to 42 for information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 18 of this report.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic objective 1.6 – Improve brand and reputation of USAASA and Strategic objective 1.7 – Increased support to SMME and BBBEE development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
24. The material findings on compliance with specific matters in key legislations are as follows:

Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 3 013 000 as disclosed in note 23 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by procurement processes not being followed.

Annual financial statements, performance and annual report

26. 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 related parties and irregular expenditure identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion

Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual

performance report that have been specifically reported in this auditor's report.

28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
29. In connection with my audit, my 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 strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. After I receive and read the annual report, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Financial and performance management

32. 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.
33. The annual financial statements contained material misstatements due to lack of review of supporting schedules submitted to finance for preparation of the financial statements. As a result, material adjustments were made to the annual financial statements submitted for auditing.

34. There is a lack of adequate systems and processes in place to monitor compliance with applicable laws and regulations. This was evidenced by the fact that the entity does not have contract management policies in place and non-compliance SCM related matters were raised during the audit.

Auditor General

Pretoria

31 July 2018



ANNEXURE

Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
 - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the USAASA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or,

if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity's to cease continuing as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Universal Service and Access Agency of South Africa

AUDITED ANNUAL FINANCIAL STATEMENTS

for the Year Ended 31 March 2018

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Universal Service and Access Agency of South Africa

AUDITED ANNUAL FINANCIAL STATEMENTS for the Year Ended 31 March 2018

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2018 R'm	2017 R'm
Assets			
Revenue			
Revenue from exchange transactions			
Recoveries		20	27
Interest received - investment	25	4 399	10 642
Total revenue from exchange transactions		4 419	10 669
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	26	75 684	69 045
Total revenue	11	80 103	79 714
Expenditure			
Employee related costs	12	(44 409)	(42 076)
Legal fees		(19 249)	(9 209)
Depreciation and amortisation		(16 200)	(3 100)
Lease rentals on operating lease		(4 573)	(4 646)
BDM Warehousing and Logistics		(56 790)	(74 398)
Loss on disposal of assets and liabilities		-	(20)
Fair value adjustments		(18)	-
General Expenses	13	(23 024)	(13 544)
Total expenditure		(164 263)	(146 993)
Deficit for the year		(84 160)	(67 279)

Universal Service and Access Agency of South Africa

AUDITED ANNUAL FINANCIAL STATEMENTS for the Year Ended 31 March 2018

STATEMENT OF FINANCIAL POSITION

	Notes	2018 R'm	2017 R'm
Assets			
Current Assets			
Inventories	5	5	5
Loans and receivables	6	2 552	1 496
Cash and cash equivalents	7	32 215	104 543
		34 772	106 044
Non-Current Assets			
Property and equipment	3	2 527	5 112
Intangible assets	4	26 562	39 892
		29 089	45 004
Total Assets		63 861	151 048
Liabilities			
Current Liabilities			
Finance lease obligation	8	141	207
Trade and other payables	9	8 055	11 805
Provisions	10	2 737	1 950
		10 933	13 962
Non-Current Liabilities			
Finance lease obligation	8	51	8
Total Liabilities		10 984	13 970
Net Assets		52 877	137 078
Accumulated surplus		52 877	137 078

Universal Service and Access Agency of South Africa

AUDITED ANNUAL FINANCIAL STATEMENTS for the Year Ended 31 March 2018

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R'000	Total net assets R'000
Balance at 01 April 2016	204 357	204 357
Changes in net assets		
Deficit for the year	(67 279)	(67 279)
Total changes	(67 279)	(67 279)
Opening balance as previously reported	136 815	136 815
Adjustments		
Prior year adjustments	222	222
Balance at 01 April 2017 as restated*	137 037	137 037
Changes in net assets		
Deficit for the year	(84 160)	(84 160)
Total changes	(84 160)	(84 160)
Balance at 31 March 2018	52 877	52 877

Universal Service and Access Agency of South Africa

AUDITED ANNUAL FINANCIAL STATEMENTS for the Year Ended 31 March 2018

STATEMENT OF CASH FLOWS

	Notes	2018 R'm	2017 R'm
Cash flows from operating activities			
Cash receipts from government		75 684	69 045
Cash paid to suppliers and employees		(152 104)	(164 899)
Cash generated from operations (excl. interest)	15	(76 420)	(95 854)
Interest income		4 399	10 642
Net cash from operating activities		(72 021)	(85 212)
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(284)	(3 682)
Purchase of other intangible assets	4	-	(14 906)
Net cash from investing activities		(284)	(18 588)
Cash flows from financing activities			
Finance lease payments		(23)	(140)
Net cash from financing activities		(23)	(140)
Total cash movement for the year		(72 328)	(103 940)
Cash and cash equivalents at the beginning of the year		104 543	208 483
Cash and cash equivalents at the end of the year	7	32 215	104 543

Universal Service and Access Agency of South Africa

AUDITED ANNUAL FINANCIAL STATEMENTS for the Year Ended 31 March 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Recoveries	-	-	-	20	20	Insurance recoveries from lost items
Interest received - investment	-	-	-	4 399	4 399	Interest earned from short term Call Account
Total revenue from exchange transactions	-	-	-	4 419	4 419	
Revenue from non-exchange transactions						
Transfer revenue						
Transfers & subsidies received	75 684	27 400	103 084	103 084	-	Transfers received from DTPS
Total revenue	75 684	27 400	103 084	107 503	4 419	
Expenditure						
Personnel	(47 429)	-	(47 429)	(44 409)	3 020	Saving realised due to vacancies during the year.

Universal Service and Access Agency of South Africa

AUDITED ANNUAL FINANCIAL STATEMENTS for the Year Ended 31 March 2018**Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	
Legal fees	(863)	(19 000)	(19 863)	(19 249)	614	National Treasury approved R27.4 million for retension of previous year's surplus. R19million of it was used to cover legal costs.
Depreciation and amortisation	-	-	-	(16 200)	(16 200)	Non-cash flow item not budgeted for
Lease rentals on operating lease	(4 695)	-	(4 695)	(4 573)	122	Savings realised due to reduction of regional offices rented

Universal Service and Access Agency of South Africa

AUDITED ANNUAL FINANCIAL STATEMENTS for the Year Ended 31 March 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R'000	R'000	R'000	R'000	R'000	
BDM Warehousing and Logistics	-	(56 730)	(56 730)	(56 790)	(60)	The spending relates to the BDM project for warehousing and logistics. The Roll-over funds for the project were depleted in the current financial year.
General Expenses	(22 697)	(8 400)	(31 097)	(23 024)	8 073	National Treasury approved R27.4 million for retension of previous year's surplus. R8.4million of it was approved for SAP support and maintenance services.
Total expenditure	(75 684)	(84 130)	(159 814)	(164 245)	(4 431)	
Operating deficit	-	(56 730)	(56 730)	(56 742)	(12)	
Fair value adjustments	-	-	-	(18)	(18)	Non cashflow item.
Deficit before taxation	-	(56 730)	(56 730)	(56 760)	(30)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(56 730)	(56 730)	(56 760)	(30)	

During the financial year the Agency received approval of R27.4 million from National Treasury for the retension of surplus funds to cover legal costs and procure SAP support and maintenance services.

Universal Service and Access Agency of South Africa

AUDITED ANNUAL FINANCIAL STATEMENTS for the Year Ended 31 March 2018

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.

These accounting policies are consistent with the previous period.

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 recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. 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

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing 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

Loans and receivables

Category

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

Trade and other payables

Category

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:

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

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

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

Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

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 and equipment

Property 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 and equipment is initially measured at cost.

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

Costs include costs incurred initially to acquire or construct an item of property 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 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 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 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 and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

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

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

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

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

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property 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 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 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.

The entity separately discloses expenditure to repair and maintain property and equipment in the notes to the financial statements (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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 transferable or separable from the entity or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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

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

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

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

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 used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 used 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:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non- cash-generating assets, are as follows:

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also 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 over its remaining useful life..

Reversal of impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Redesignation

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

1.18 Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

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

1.19 Inventories

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

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

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

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

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

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

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

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

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

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

1.20 Share capital / contributed capital

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

1.21 Budget information

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

The approved budget is prepared on an accruals basis and covers the period from 01/04/2017 to 31/03/2018.

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 intermediaries, control, or are controlled by the reporting entity
- Key management personnel, and close members of the family of key management personnel

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

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

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. Related party transaction and outstanding balances or commitments owing between the reporting entity and related parties are disclosed in note 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).

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

There were no new effective Standards and interpretations adopted in the current year.

3. Property and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer Equipment	10 683	(8 766)	1 917	10 683	(6 908)	3 775
Furniture and fixtures	2 901	(2 836)	65	2 901	(2 572)	329
Motor vehicles	898	(835)	63	898	(655)	243
Office equipment	1 766	(1 556)	210	1 746	(1 400)	346
Leasehold improvements	3 546	(3 466)	80	3 546	(3 342)	204
Cellphones	780	(588)	192	515	(300)	215
Total	20 574	(18 047)	2 527	20 289	(15 177)	5 112

Reconciliation of property and equipment -2018	Opening balance	Additions	Depreciation	Total
Computer Equipment	3 775	-	(1 858)	1 917
Furniture and fixtures	329	-	(264)	65
Motor vehicles	243	-	(180)	63
Office equipment	346	19	(155)	210
Leasehold improvements	204	-	(124)	80
Cellphones	215	265	(288)	192
	5 112	284	(2 869)	2 527

Reconciliation of property 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

4. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	41 118	(14 556)	26 562	1 275	(1 226)	49
Intangible assets under development	-	-	-	39 843	-	39 843
Total	41 118	(14 556)	26 562	41 118	(1 226)	39 892

Reconciliation of intangible assets - 2018

	Opening balance	Transfers	Amortisation	Total
Computer software	49	39 843	(13 330)	26 562
Intangible assets under development	39 843	(39 843)	-	-
	39 892	-	(13 330)	26 562

Reconciliation of intangible assets - 2017

Computer software	360	-	(311)	49
Intangible assets under development	24 937	14 906	-	39 843
	25 297	14 906	(311)	39 892

	2018 R'000	2017 R'000
5. Inventories		
Inventories	5	5
Inventories recognised as an expense during the year	-	117
6. Loans and receivables		
Fair value adjustment - Receivables	(25)	(8)
Universal Service and Access Fund	128	27
Prepayments	2 194	1 234
Office rent deposits	255	243
	2 552	1 496
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1	5
Bank balances	211	417
Call Account	32 003	104 121
	32 215	104 543

Cash and cash equivalents are unencumbered

	2018 R'000	2017 R'000
8. Finance lease obligation		
Minimum lease payments due		
- within one year	141	207
- in second to fifth year inclusive	51	8
Present value of minimum lease payments	192	215
Non-current liabilities	51	8
Current liabilities	141	207
	192	215
9. Trade and other payables		
Trade payables	212	560
Operating lease payables	5	4
Accruals	7 839	11 106
Universal Service and Access Fund	(1)	135
	8055	11 805

10. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Annual Bonus	240	324	(240)	-	324
Leave	1 547	2 171	(188)	(1 359)	2 171
Workmen's compensation	163	242	-	(163)	242
	1 950	2 737	(428)	(1 522)	2 737

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Annual Bonus - 13th Cheque	-	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

	2018 R'000	2017 R'000
11. Revenue		
Government grants & subsidies	75 684	69 045
Interest received - investment	4 399	10 642
Recoveries	20	27
	80 103	79 714
The amount included in revenue arising from exchanges of goods or services are as follows:		
Recoveries	20	27
Interest received - investment	4 399	10 642
	4 419	10 669
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Department of Telecommunication and Postal Services	75 684	69 045
12. Staff costs		
Wages and salaries		
- Basic salaries	40 698	37 214
- Performance bonus	-	(32)
- Other non-pensionable allowance	839	1 302
- Workmen's compensation	242	163
- Leave provision adjustment	625	439
- Overtime pay	24	16
Social contributions (Employer's contributions)		
- Medical aid	270	252
- Unemployment insurance fund	97	99
- Provident Fund	1 614	2 623
	44 409	42 076
Number of employees	66	56
13. General expenses		
Advertising	1	49
Auditors remuneration	607	621
Bank charges	38	29
Consulting and professional fees	7 636	283
Insurance	411	376
Conferences and seminars	427	162
Marketing costs	236	885
Postage and courier	25	86
Printing and stationery	565	378
Repairs and maintenance	189	188
Research and development costs	-	219

	2018 R'000	2017 R'000
Licenses	1 428	782
Security	313	322
Catering, refreshments & domestic services	151	231
Subscription fees	288	80
Information and telecommunication costs	3 354	3 472
Travel	5 148	3 118
Electricity and municipal services	809	1 001
Board and committee fees	1 398	1 157
Employee Wellness	-	105
	23 024	13 544

14. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges		
Premises		
Contractual amounts	4 145	4 334
Plant and equipment		
Contractual amounts	417	279
Lease rentals on operating lease		
Contractual amounts	11	33
	4 573	4 646
Loss on sale of property and equipment	-	(20)
Amortisation on intangible assets	13 330	312
Depreciation on property, plant and equipment	2 870	2 788
Employee costs	44 409	42 076
Research and development	-	219

15. Cash used in operations

Deficit	(84 160)	(67 279)
Adjustments for:		
Depreciation and amortisation	16 200	3 100
Loss (gain) on sale of assets	-	20
Fair value adjustments	18	-
Movements in provisions	787	(16 491)
Interest income	(4 399)	(10 642)
Changes in working capital:		
Inventories	-	140
Loans and receivables	(1 056)	(761)
Trade and other payables	(3 810)	(3 940)
	(76 420)	(95 853)

	2018 R'000	2017 R'000
16. Commitments		
Operating lease commitments		
Total future minimum lease payments due		
Operating lease as lessee		
Within one year	1 971	79
In second to fifth year inclusive	899	24
	2 870	103

Total operational commitments

Already contracted for but not provided for

2 870

103

The operating lease commitments relate to the leases of office building for the Head office and regional offices.

Service Contracts

At the reporting date the entity had outstanding commitments due to contracts with suppliers, which fall due as follows:

- within one year

1 104

64 271

The commitment amounts are future payments of operational non-cancellable contracts.

17. Contingencies

Liabilities.

The organization has cases which are currently ongoing with regard to employees who left the organization. No judgment has been made with regard to these cases.

The service provider is claiming payment for alleged services provided. The account is under dispute and the amount to be settled is uncertain.

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 the claim is R168 million. This is being defended by USAASA.

Another service provider has also instigated the arbitration proceedings under the auspices of AFSA for reinstatement of the Purchase Order with a balance of R293 million. The contract was cancelled due to non-performance and inability to comply with the local content clause by the service provider.

Assets.

Litigations are in process against one service providers and a former employee. The amount claimed against the services providers is R33 985 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 parties

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)

Related party balances

Name of Entity

South African Post Office

-

(8 071)

Related party transactions	2018 R'000	2017 R'000
Name of Entity		
Department of Telecommunications and Postal Services	75 684	69 045
South African Post Office	64 861	66 327
South African Post Office - Doc Exch	35	33

There was an error in the reported amount for related party transactions relating to the South African Post Office in 2016/17. The initially reported amount was R74 398 000. The amount has been corrected.

19. Remuneration of key management**Executive management**

	Salary R'000	Acting allowance R'000	Other allowances R'000	Total R'000
2018				
Mr. L. Mtimde - CEO (Appointed 23 May 2016)	1 549	-	62	1 611
Ms. S.J. Motloun - Company Secretary (Appointed 11 December 2017)	405	-	1	406
Mr. Mngqibisa - Executive	1 174	14	62	1 250
Manager: Performance Management (Appointed 01 October 2017)				
Mr. M. Chowan - CFO (Appointed 17 October 2016)	1 290	-	62	1 352
Mr. S. Ndaba - Executive Manager: Operations (Appointed 01 January 2018)	337	-	8	345
Ms. M.P. Rakhatoe - Acting Company Secretary	-	369	-	369
Mr. M.M. Ngidi - Executive Manager: Corporate Services (Appointed 09 September 2015)	985	-	151	1 136
Mr. W. Olivier - Acting Executive Manager: Corporate Services (Appointed 01 June 2017)	-	149	-	149
Mr. M. Nkune - Acting Executive Manager: Operations (Appointed 02 May 2017)	-	61	-	61
	5 740	593	346	6 679

	Salary R'000	Acting allowance R'000	Other allowances R'000	Total R'000
2017				
Mr. L. Mtimde - CEO (Appointed 23 May 2016)	1 310	-	1	1 311
Ms. E. Marx - Company Secretary (Ended 31 January 2017)	587	-	1	588
Mr. Mngqibisa - Acting Performance Management (Appointed 03 December 2016)	-	2	-	2
Mr. M. Chowan - CFO (Appointed 17 October 2016)	586	-	1	587
Ms. M.M.R. Moiloa - Executive Manager: Operations (Acting CEO) (Ended 27 January 2017)	1 057	8	58	1 123
Ms. V. Ntshoko (Ended 02 December 2016)	727	-	57	784
Mr. M.M. Ngidi - Corporate Services (Appointed 09 September 2015)	1 075	-	13	1 088
Mr. S.M. Sephiri - Acting CFO (Appointed 14 April 2016)	-	145	-	145
Mr. W. Lamani - Acting Executive Manager: Operations (Appointed 03 February 2017)	-	5	-	5
	5 342	160	131	5 633

	2018 R'000	2017 R'000
19. Remuneration of key management (continued)		
Non executive directors		
Mr. M. Cawe - Chairperson (Appointed 01 September 2015)	291	449
Mr. N. Nqandela (Appointed 01 September 2015)	167	177
Mr. M. Kekana (Appointed 01 September 2015)	-	52
Adv. L. Shandu (Appointed 01 September 2015)	247	162
Ms. T. Maloka (Appointed 01 September 2015)	117	121
Mr. L.C. Nene (Appointed 12 December 2016)	185	31
Mr. X. Stock (Appointed 12 December 2016)	173	23
Ms. J. Nkosi (Appointed 12 December 2016)	221	30
	1 401	1 045
Board and Audit Risk Committee		
Mr. L.C. Nene - Chairperson	45	54
Ms. J. Nkosi (Appointed 12 December 2016)	36	4
Ms. T. Maloka (Appointed 01 September 2015)	13	12
Mr. X. Stock (Appointed 12 December 2016)	31	4
Ms. N.F. Mdanda	-	18
Mr. T.D. Ntuli	-	18
	125	110

20. Prior period errors

Accrued expenditure for salary progression recognised in 2017 financial year amounting to R313 000 was subsequently reversed. The invoice amounting to R55 000 for services related to 2017 was received and paid subsequent to year-end closure procedures. There was an inventory count error in 2017 resulting in an adjustment of R23 000 which was expensed. These errors have been adjusted for retrospectively in terms of GRAP3: Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 42.

Statement of Financial Position

Decrease in trade and other payables	-	245
Decrease in Inventory	-	(23)
Increase in Accumulated surplus	-	(222)

Statement of Financial Performance

Decrease in staff costs expenses	-	313
Decrease in General expenses	-	91
Decrease on loss of disposal of assets	-	(222)

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

Reconciliation of fruitless and wasteful expenditure

Opening balance	88	86
Fruitless and wasteful expenditure – current year	-	2
	<u>88</u>	<u>88</u>

		2018 R'000	2017 R'000
Analysis of fruitless and wasteful expenditure			
Incident	Disciplinary steps/Comments		
1. 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
23. Irregular expenditure			
Opening balance		2 528	687
Irregular expenditure - current year		3 013	1 841
		5 541	2 528
Analysis of irregular expenditure			
Incident	Disciplinary steps/Comments		
1. Non compliance to National Treasury regulations	Service providers not registered on Central Supplier Database - Flight ticket upgrade on ticket already procured by sponsor. This was unavoidable.	-	239
2. Non compliance with 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
3. Non compliance to National Treasury regulations	Service providers not registered on Central Supplier Database - Payment effected due to Court order. This was unavoidable.	-	73
4. Non compliance with SCM procedures	Services procured without sourcing quotations. This was unavoidable.	-	12
5. 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

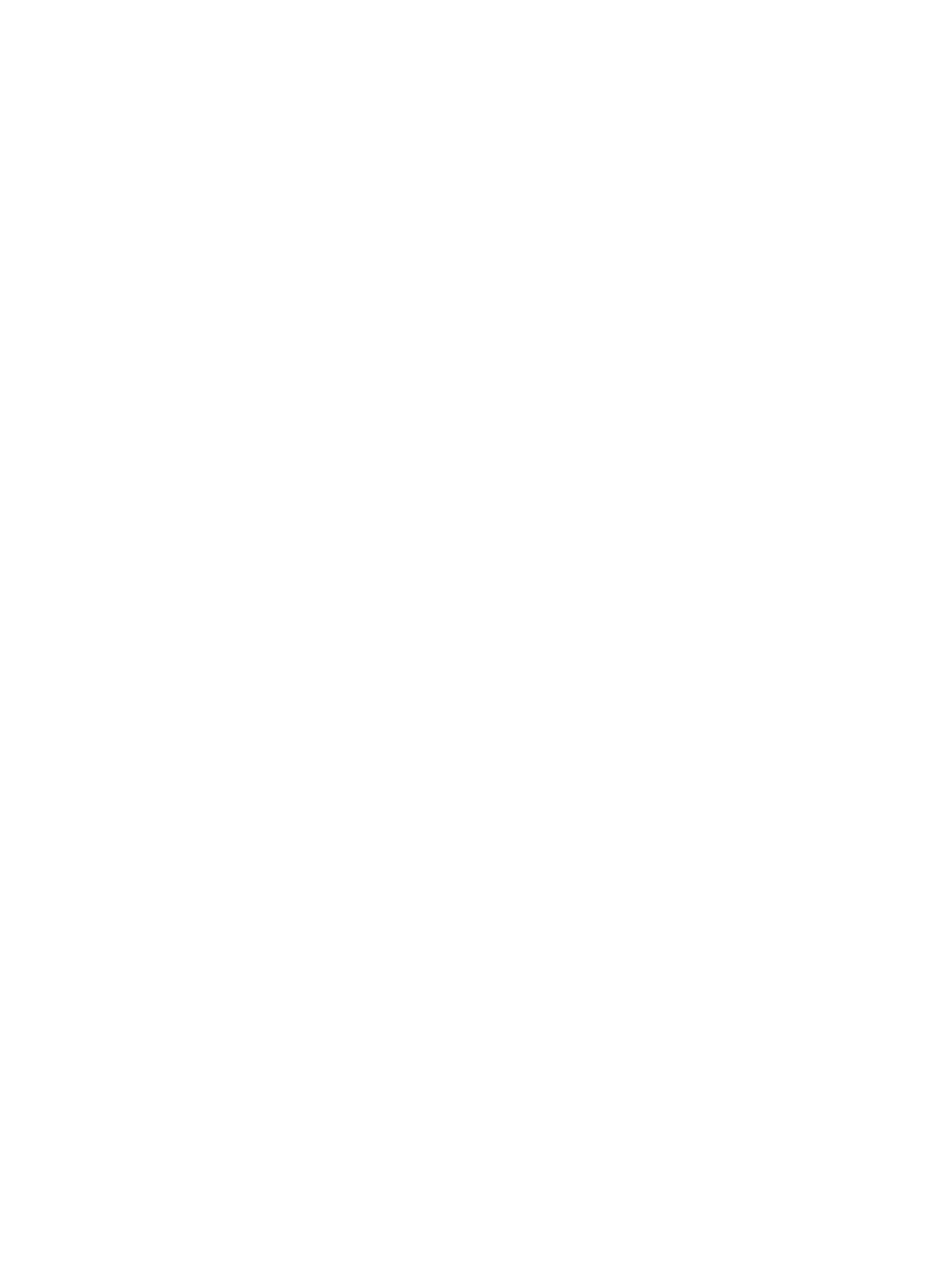
		2018 R'000	2017 R'000
6. Non compliance with PFMA	Payment above contract amount due to service provider effecting inflation escalation clause on the remaining 3 months of the contract.	-	5
7. Non compliance to SCM policy and procedure.	No prior approval for single source supplier.	71	58
8. Non compliance to SCM procedures	Services provided beyond contract value	2 258	98
9. Non compliance to National Treasury regulations	Service provider not registered on Central Supplier Database	195	-
10. Non compliance to National Treasury regulations	Non Tax compliant status	-	71
11. Non compliance with SCM procedures	"No approved deviation submission. Request for quotation was sent to 7 suppliers and none responded"	483	-
12. Non compliance with SCM procedures	No three quotations sourced	6	-
		3 013	1 841
Analysis of expenditure awaiting condonation per age classification			
	Current year	3 013	1 841
	Prior years	2 528	687
		5 541	2 528
24. Other revenue			
	Recoveries	20	27
25. Investment revenue			
	Interest revenue		
	Bank	4 399	10 642
26. Government grants and subsidies			
	Operating grants		
	Government grant	75 684	69 045
	Other financial assets		
	• Fair value adjustments on receivables at 10% rate	(18)	-
28. Auditors' remuneration			
	Fees	607	621

NOTES

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