



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

**QUARTER THREE REPORT**

**01 OCTOBER 2016 – 31 DECEMBER 2016**



## COMPANY INFORMATION

|                                 |   |
|---------------------------------|---|
| <b>Chairperson of the Board</b> | Mawethu Cawe  |
| <b>Chief Executive Officer</b>  | Lumko Mtimde  |
| <b>Registered</b>               | Building 1 Thornhill Office Park<br>94 Bekker Road<br>Vorna Valley<br>Midrand<br>1630 |
| <b>Postal Address</b>           | Po Box 12601<br>Midrand<br>1630   |
| <b>Telephone numbers</b>        | +27 11 564 1600   |
| <b>Fax numbers</b>              | +27 11 564 1630   |
| <b>Website Address</b>          | <a href="http://www.usaasa.org.za">www.usaasa.org.za</a>                              |
| <b>Bankers</b>                  | Nedbank South Africa  |
| <b>Auditors</b>                 | Auditor General South Africa  |

## Contents

|   |    |
|---|----|
| CHAIRPERSON'S FOREWORD .....                        | 4  |
| 1. CORPORATE SERVICES REPORT .....                  | 7  |
| 2. INFORMATION TECHNOLOGY REPORT .....              | 14 |
| 3. LEGAL SERVICES REPORT .....                      | 20 |
| 4. FINANCIAL MANAGEMENT SERVICES REPORT .....       | 22 |
| 5. GOVERNANCE REPORT .....                          | 28 |
| 6. PERFORMANCE MONITORING & EVALUATION REPORT ..... | 31 |
| 7. INTERNAL AUDIT REPORT .....                      | 33 |
| 8. RISK MANAGEMENT REPORT .....                     | 37 |
| 9. RESEARCH, POLICY AND REGULATORY REPORT .....     | 39 |
| 10. STAKEHOLDER ENGAGEMENT REPORT .....             | 41 |
| QUARTER 3 PERFORMANCE REPORT FOR 2016/2017 .....    | 44 |

## CHAIRPERSON'S FOREWORD

Honourable Minister Cwele,

I am honoured to present to the Honourable Minister the improved the USAASA performance report for the 3<sup>rd</sup> Quarter of 2016/2017 financial year.

The Board of Directors noted the concerns raised by Portfolio Committee on Telecommunications and Postal Services and the Minister of Telecommunications and Postal Services on poor performance for the previous two quarters. The Enterprise Resource Planning (ERP) project timelines were revised resulting in a technical go-live date at the end of the Third Quarter paving the way to the implementation of the ERP system. This will escalate into the achievement of the KPI target by the close of the Fourth Quarter as planned. The human resource component will be aligned to the current Draft USAASA and USAF Strategic Plans and Annual Performance Plans for 2017/2018, which will be tabled to the Minister for approval by 31 January 2017.

As per our commitment to yourself in Second Quarter, the Third Quarter has shown a marked improvement in the Agency's performance on targets and we are pleased to present a 70% achievement for Quarter 3. Consequence management has been gradually implemented in order to manage poor performance in the prior quarters and as such, management has been put on terms in order to provide assurance that there is accountability in terms of performance outcomes.

The Board has also convened a strategic management session whereby the Department of Telecommunications and Postal Services, Department of Communications, Sentech and Broadband Infraco participated in the development of the strategic path. The intent is to maximise the government investment in State Owned Entities by ensuring integrated planning in order to eliminate possible duplications with a view of attaining universal access to electronic communications network. The Auditor-General's finding on Annual Performance Plans that are not conforming to smart principles was one of the Board key focus areas during the Strategic Planning Session in order to ensure management accountability.

On behalf of the Board, I take this opportunity to applaud the Minister on filling the vacancies by capacitating the Board which will elicit better oversight of the operational activities of the Agency and the Fund including enhanced governance.

The Board remain resolute to provide support to the Ministry and Department in delivering the South Africa Connect Policy objectives thereby collaborating with all the State Owned Entities under the auspices of the Honourable Minister.

In conclusion, I hereby would like to acknowledge the sterling oversight role by the Parliamentary Portfolio Committee on Telecommunications and Postal Services, the Minister of Telecommunications and Postal Services and the Minister of Communications.

A handwritten signature in black ink, featuring a large, stylized 'M' and a horizontal line extending to the right.

**Mawethu Cawe**

**Chairperson**

## OFFICIAL SIGN - OFF

It is hereby certified that this Performance Report:

- Was developed by the management of USAASA under the guidance of the Universal Service and Access Agency of South Africa (USAASA) Board of Directors.
- Accurately reflects the targets and performance outcomes achieved by USAASA in the quarter under review given the resources and capabilities at its disposal.

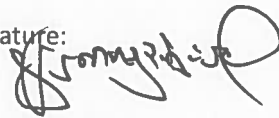
**Mahomed Chowan**  
Chief Financial Officer

Signature:



**Sipho Mngqibisa**  
Acting Executive: Performance Management

Signature:



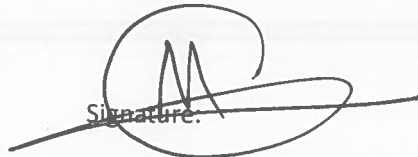
**Lumko Mtimde**  
Chief Executive Officer

Signature:



**Mawethu Cawe**  
Chairperson

Signature:



# 1.CORPORATE SERVICES REPORT

## EXECUTIVE SUMMARY EXECUTIVE SUMMARY

Providing a skilled and competent personnel and the provision of a conducive safe working environment remained the main focus of the Corporate Services division during the quarter under review. Subsequent to filling all critical and key positions, the focus was on attaining the APP targets.

### 1.1 Organisational Development (OD)

The USAASA Board reached some critical resolutions in the OD subject, such as, that letters that had been issued to staff to implement the matching and migration to new positions, be retracted and that a proper consultation in terms of the Labour Relations Act, be undertaken.

It is worth mentioning that the Minister of Telecommunications and Postal Services has published an Integrated ICT National Policy which deals amongst other matters the dissolution of USAASA and replace it with a new Digital Development Fund (DDF), which will support the ICT developmental agenda in country. Inevitably the Integrated National Policy is directly impacting on the operational activities of the Agency of which the OD process is one them. Clarity on the DDF timelines, will assist in shaping the resolve on the matter.

### 1.2 USAASA Head Office Relocation

During the quarter under review, the Department of Public Works (DPW) had reached the Bid Adjudication stage whereupon a building in Brooklyn, Pretoria, was identified as suitable accommodation for the USAASA Head Office. The tender to procure a building in the Midrand identified three possible suitable buildings for viewing. On 1 December 2016, the Johannesburg DPW informed USAASA that tender is on hold. To-date no feedback has been furnished despite numerous written enquiries on a way forward.

The South African Post Office (SAPO) initiated a discussion for shared accommodation. The proposal for sub-lease that has been sent by SAPO is not favourable to USAASA and an internal discussion has been scheduled to formulate a position in order to negotiate with SAPO.

### 1.3 Employee Assistance Programme (EAP)

7% of the USAASA's total employee population of 56, were provided with counselling and advisory services during the quarter under review. The current utilisation 7% for counselling and advisory services by the Agency's employees is above the international benchmark of 3-5%. All employees had access to the E-care (Electronic Health Portal) during the quarter.

38 Employee Assistance Programme (EAP) posters aligned to the National Health Observance Calendar were distributed to employees during the quarter. The posters addressed various health topics, i.e. Breast cancer awareness, 16 Days of Activism of No Violence against Women and Children, HIV/AIDS awareness and World AIDS Day.

#### **1.4 Filling of Key Positions**

- Chief Financial Officer – The position was filled during Quarter 3;
- Senior Manager: Finance – The advertisement closed on 21 September 2017. Interviews were conducted with external and internal candidates and the process is anticipated to be concluded in the 4<sup>th</sup> quarter of the 2016/17 financial year.
- Temporary Records Management Officer – At the end of Quarter 3 vetting process was to be finalized in order to appoint the identified candidate. Subsequently, the appointment has been made in January 2017.
- Temporary Internal Auditor – At the end of Quarter 3 the submission was approved and the recruitment process was to be initiated;
- Executive Manager: Performance Management – Resigned and the advertisement was placed on 18 December 2016; and
- Senior Manager: USAF and Broadcasting – Resigned and the advertisement was placed on 18 December 2016.

#### **1.5 Consequence Management**

##### **1.5.1 Non Performance**

- Written warning on poor performance with regards to the implementation of the annual 2016/2017 quarterly targets against the Annual Performance Plan (APP) were issued to the divisional and unit heads of Corporate Services, Information Technology, Stakeholder Engagement, Operations and Research.

##### **1.5.2 Insubordination and Implementation of the AG Action Plan**

- One Senior Manager has been placed on Special Leave with a notice for precautionary suspension pending the finalization of a full investigation on insubordination, SCM related matters and findings raised by the Auditor – General in management letter.



### 1.5.3 Breach of internal controls

- One Executive Manager is placed on Special Leave with a notice for precautionary suspension pending the finalization of a full investigation to breach of internal controls, including gross negligence, gross misconduct and gross dereliction of duty. The referred Executive Manager resigned with immediate effect and USAASA indicated that the Disciplinary procedure will go ahead and related criminal processes. This is based on Root Cause Analysis and preliminary investigation report conducted with respect of double payment of one of the service providers.
- The Manager reporting to this Executive Manager will also be put on Special Leave with a notice for precautionary suspension pending the finalization of a full investigation to breach of internal controls, including gross negligence, gross misconduct and gross dereliction of duty. This is based on Root Cause Analysis and preliminary investigation report conducted with respect of double payment of one of the service providers.

### 1.5.4 HIGHLIGHTS

- The appointment of the Chief Financial Officer was a key milestone during Q3, and such will ensure that critical gaps within the Finance division are closed.
- The emphasis on implementing the WSP continued, with key training gaps being filled. Two bursaries were issued in the following:
  - Supply Chain Management Procurement; and
  - Risk Management.
- The unfair labour dispute at the CCMA concerning the payment of salary increments was withdrawn.

### 1.5.5 LOWLIGHTS

| Matter   | Mitigation  |
|--|---|
| Organisational Development process not finalised | The Integrated National ICT White Paper provides for a dissolution of USAASA and an establishment of Digital Development Fund (DDF) and the Organisational Development performance target will be treated in this context and further consultations with Communications Workers Union will be undertaken in Q4. |

## Human Resource Oversight Statistics

### Personnel Cost by Programme

| Programme | Total Expenditure for the entity (R'000) | Personnel Expenditure (R'000) | Personnel exp. as a % of total expenditure | *No. of employees | Average personnel cost per employee (R'000) |
|-----------|--|-------------------------------|--|-------------------|---|
| USAASA    | 46 601                                   | 10 190                        | 21.87                                      | 56                | 181.96                                      |

#### Training Costs - Quarter 3 of 2016/17

| Programme          | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Training Expenditure as a % of Personnel Cost. | No. of employees trained | Avg. training cost per employee (R'000) |
|--------------------|-------------------------------|------------------------------|--|--------------------------|---|
| Corporate Services | 10 190                        | 115.75                       | 1.14   | 40                       | 2.89                                    |

#### Employment and Vacancies

| Programme | 2014/2015 No. of Employees | 2015/2016 Approved / Funded Posts | **Quarter 3 / No. of Employees | Quarter 3 Vacancies |
|-----------|----------------------------|-----------------------------------|--------------------------------|---------------------|
| USAASA    | 55                         | *62                               | 53                             | 9                   |

Q3 Vacancies: Executive Manager: Performance Management, Assistant Accountant, Manager: Legal Services, Senior Manager: Finance, Provincial Programme Manager: Western Cape, Payroll Administration Officer, Travel Officer: SCM, Senior Manager: USAF and Broadcasting and Manager: Administration.

| Programme                      | 2015/2016 No. of Employees | 2016/2017 Approved / Funded Posts | Quarter 3 No. of Employees | Quarter 3 Vacancies | % of vacancies |
|--------------------------------|----------------------------|-----------------------------------|----------------------------|---------------------|----------------|
| Top Management(14-16)          | 3                          | 5                                 | 4                          | 1                   | 20             |
| Senior Management (13)         | 11                         | 14                                | 13                         | 1                   | 7.1            |
| Professional qualified (11-12) | 18                         | 16                                | 14                         | 2                   | 12.5           |
| Skilled (8-10)                 | 24                         | 25                                | 23                         | 2                   | 8              |
| Semi-skilled (2)               | 0                          | 2                                 | 2                          | 0                   | 0              |
| Unskilled                      | 2                          | 0                                 | 0                          | 0                   | 0              |
| TOTAL                          | 58                         | *62                               | 56                         | 6                   | 9.7            |

#### Vacancies as at 31 December 2016

| Position / vacancy | Appropriate internal candidates | Period the position was vacant | Reasons for posts being vacant for the period                                   | Measures taken to successfully attract and retain staff |
|--------------------|---------------------------------|--------------------------------|---|---|
| Executive Manager: | Limited                         | 1 month, since December 2016   | Position advertised on 15 December 2016 with a closing date for 03 January 2017 | Position advertised on 15 December 2016 with a          |

|   |              |   |  |   |
|---|--------------|---|--|---|
| <b>Performance Management</b>                     |              |   |  | closing date for 03 January 2017  |
| <b>Senior Manager: USAF and Broadcasting</b>      | Limited      | 1 month, since December 2016                            | Position advertised on 15 December 2016 with a closing date for 03 January 2017  | Position advertised on 15 December 2016 with a closing date for 03 January 2017           |
| <b>Senior Manager: Finance</b>                    | To be probed | 10 months, since March 2016                             | Position had to await the appointment of the CFO , which took place in October 2016  | Interviews conducted in November 2016 and the candidate will resume duty on 1 March 2017. |
| <b>Manager: Legal Services</b>                    | To be probed | 18 months, since July 2015                              | Position was previously advertised. There were no suitable candidates during the selection process   | Finality will be reached with the finalisation of organisational structures               |
| <b>Provincial Programme Manager: Western Cape</b> | To be probed | 16 months, since September 2015                         | This position was put on hold  | Finality will be reached with the finalisation of organisational structures               |
| <b>Payroll Administration Officer</b>             | To be probed | 22 months, since March 2015                             | A temporary employee was engaged and not replaced when she resigned. Payroll duties have been carried out by an internal employee, however, the present arrangement creates inadequate segregation of duties and places salary administration function at risk | Submission made but no funds available at December 2016                                   |
| <b>Assistant Accountant</b>                       | To be probed | 5 months, since August 2016                             | Acting Senior Manager: Finance to short-list   | Short-list to be submitted to HR to finalise selection process                            |
| <b>Travel Officer</b>                             | To be probed | Incumbent went on retirement as at end of December 2016 | Interviews were held on 12 December 2016   | Submission pending  |
| <b>Manager: Administration</b>                    | To be probed | Incumbent was moved to Supply Chain Management Unit     | This position was put on hold  | Finality will be reached with the finalisation of organisational structures               |

#### Employment Changes

| Salary Band                    | Employment at beginning of Period (Q3) | Appointments | Terminations | Employment at end of the Period (Q3) |
|--------------------------------|--|--------------|--------------|--------------------------------------|
| Top Management (14-16)         | 4                                      | 1            | 1            | 4                                    |
| Senior Management (13)         | 12                                     | 0            | 1            | 11                                   |
| Professional qualified (11-12) | 13                                     | 0            | 0            | 13                                   |
| Skilled (8-10)                 | 24                                     | 0            | 1            | 23                                   |
| Semi-skilled (2)               | 2                                      | 0            | 0            | 2                                    |
| Unskilled                      | 0                                      | 0            | 0            | 0                                    |
| <b>Total</b>                   | <b>55</b>                              | <b>1</b>     | <b>3</b>     | <b>53</b>                            |

#### Reasons for Staff Leaving

| Reason             | Number   | % of total no. of staff leaving | Attempts made to replace staff |
|--------------------|----------|---------------------------------|--------------------------------|
| Death              | 0        | 0                               | 0                              |
| Resignation        | 2        | 3.77                            | Recruitment underway           |
| Dismissal          | 0        | 0                               | 0                              |
| Retirement         | 1        | 1.88                            | Recruitment underway           |
| Ill health         | 0        | 0                               | 0                              |
| Expiry of contract | 0        | 0                               | 0                              |
| Other              | 0        | 0                               | 0                              |
| <b>Total</b>       | <b>3</b> | <b>5.66</b>                     | <b>0</b>                       |

#### Labour Relations: Misconduct and Disciplinary Action

| Nature of disciplinary Action | Number  |
|-------------------------------|---|
| Verbal Warning                | 0   |
| Written Warning               | 5   |
| Final Written warning         | 0   |
| Dismissal                     | 0   |
| Suspension                    | 0 but 1 put on Special Leave in Jan, the second one resigned prior to getting her Special Leave letter. A third person is being considered for a Special Leave. |

#### Equity Target and Employment Equity Status

| LEVELS         | MALE    |         |          |         |         |         |         |         |
|----------------|---------|---------|----------|---------|---------|---------|---------|---------|
|                | African |         | Coloured |         | Indian  |         | White   |         |
|                | Current | Target* | Current  | Target* | Current | Target* | Current | Target* |
| Top Management | 2       | 0       | 0        | 0       | 1       | 0       | 0       | 0       |



|                        |    |   |   |   |   |   |   |   |
|------------------------|----|---|---|---|---|---|---|---|
| Senior Management      | 8  | 0 | 1 | 0 | 0 | 0 | 1 | 0 |
| Professional qualified | 7  | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| Skilled                | 4  | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled           | 0  | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled              | 0  | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL                  | 21 | 0 | 1 | 0 | 1 | 0 | 2 | 0 |

\*No Employment Equity Plan

#### Female employees per employment levels and target groups

| LEVELS                 | FEMALE  |         |          |         |         |         |         |         |
|------------------------|---------|---------|----------|---------|---------|---------|---------|---------|
|                        | AFRICAN |         | COLOURED |         | INDIAN  |         | WHITE   |         |
|                        | Current | Target* | Current  | Target* | Current | Target* | Current | Target* |
| Top Management         | 1       | 0       | 0        | 0       | 0       | 0       | 0       | 0       |
| Senior Management      | 0       | 0       | 1        | 0       | 0       | 0       | 0       | 0       |
| Professional qualified | 5       | 0       | 0        | 0       | 0       | 0       | 0       | 0       |
| Skilled                | 19      | 0       | 0        | 0       | 0       | 0       | 0       | 0       |
| Semi-skilled           | 2       | 0       | 0        | 0       | 0       | 0       | 0       | 0       |
| Unskilled              | 0       | 0       | 0        | 0       | 0       | 0       | 0       | 0       |
| TOTAL                  | 27      | 0       | 1        | 0       | 0       | 0       | 0       | 0       |

#### Disabled employees per employment levels and target groups

| 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      |

## 2. INFORMATION TECHNOLOGY REPORT

### EXECUTIVE SUMMARY

According to Principle 12 of King IV, the purpose of IT Governance is “to support the organisation to set and achieve its objectives.” Information Technology is integral to doing business today, as it is fundamental to the support, sustainability and growth of organisations. IT cuts across all aspects, components and processes in businesses and is therefore not only an operational enabler for a company, but an important strategic asset which can be leveraged to create opportunities and to gain competitive advantage. King IV stipulates that in exercising their duty of care, the Board of Directors should ensure that prudent and reasonable steps have been taken with respect to IT governance.

In the quarter under review the Agency continued to closely monitor the performance of IT Services with the aim of ensuring all IT decisions and investments are taken in line with its business strategy, the Annual Performance Plan (APP), IT Strategy, IT Governance Charter, and other guidelines such as the Public Service Cooperative Governance of Information and Communication Technology Policy Framework.

In order to exercise this responsibility, the USAASA Board has an IT Steering Committee in place providing management oversight functions and makes recommendations for all IT Governance matters to the Board Audit and Risk Committee (BARC), which in turn provides external oversight functions to the Governance of IT and make recommendations to the Board for noting and / or approvals.

### 2.1 IT PERFORMANCE AGAINST PREDETERMINED OBJECTIVES (Q3)

During Quarter 3 of the 2016 / 2017 Financial Year, the IT Unit was expected to deliver on the following targets:

| 2016/17 Annual Targets  | Quarter 3 Targets   | Status   |
|---|---|----------|
| ERP system rollout and SAP capacity building  | A report on ERP System maintenance and support of the implemented modules | Achieved |
|   | IT reports on ERP system usage and training                               | Achieved |
| 98.5% availability of business systems in line with the approved IT Service Level Agreement (SLA) | Monitor and report on percentage availability of business systems         | Achieved |

## 2.2 ERP system rollout and SAP capacity building

As previously reported that the ERP project was suspended and the CEO made interventions to ensure that the deadlocks were removed, the ERP project was resuscitated during Q3. The contract was reviewed and signed by both parties during this quarter. The project plan was revised to make provision for Technical Go-Live and Functional Go-Live scheduled for 31 December 2016 and 24 March 2017 respectively. The Functional Go-Live was completed on 22 December 2016.

As a result of the indicated interventions, the Project Realisation Phase was concluded in December 2016 with the Corporate Performance Module already completed in Production to enable the Technical Go-Live. This module is currently being used.

Training commenced in November 2016 until 16 December 2016. Training will commence again during the third week of January 2017.

The table below outlines the project phases followed with an indication of the status highlighted for each Phase with comments for the way forward:

| Project Phase   | Status    | Comments                           |
|---|-----------|------------------------------------|
| Pre-Preparation Phase                                 | Complete  | Not Applicable                     |
| Project Preparation                                   | Complete  | Not Applicable                     |
| Blueprint Phase                                       | Complete  | Not Applicable                     |
| Realisation Phase (Prototyping, Development, Testing) | Completed | Completed in December 2016.        |
| Final Preparation                                     | Pending   | Training currently happening.      |
| Go-Live and Handholding                               | Pending   | Go – Live scheduled for March 2017 |

| Project Phase                           | Status  | Comments   |
|---|---------|--|
| 36-months support of the SAP ERP system | Pending | Dependent on Go-Live and Handholding Phase, and the Finalisation of the 36-months support and maintenance of the SAP ERP Service Level Agreement |

The new project Functional Go-Live date has been revised to 31 March 2017. The time period between 01 January 2017 and the committed Go-Live will be dedicated to Final Preparation and training for a smooth transition when going live.

### 2.3 Availability of Business Systems

The USAASA APP makes provision of USAASA business systems to be monitored in line with the approved SLA. The SLA was drafted in Q1 and approved in Q2. The focus for the Quarter under review is on supporting and maintaining systems with the target set for 98.5%.

## 3. GOVERNANCE OF ICT

### 3.1 IT Steering Committee

The IT Steering Committee convened during Quarter 3 to process the and make recommendations for the Quarter 2 IT Governance report, Risk Registers, and USAASA ICT policy matters as referred to in Section 3.2.1 of this report, to the Board Audit and Risk Committee (BARC).

### 3.2 IT Policy Review

#### 3.2.1 Approved IT Policies and Strategies

In addition to the 4 IT Policies (IT Strategy, Mobile Policy, ICT Equipment Allocation Policy, and ICT Service Level Agreement (SLA)) which were reviewed in Quarter 2, three (3) IT Policies were reviewed during Quarter 3. The 3 policies below were approved by the IT Steering Committee / EXCO, the BARC and the USAASA Board:

- Disaster Recovery (DR) Plan
- Backup Procedures
- Access Control Procedures

This makes the number of IT Policies that were reviewed and approved during this the 2016/7 financial year seven (7).

### 3.3 RISK MANAGEMENT



The IT Services Unit Risk Profile continues to be reviewed, updated, and monitored on an ongoing basis in line with the risk demands of the organisation based on the adopted risk methodology and the Agency's projects. The following IT Risk sessions were conducted during Quarter 3:

### **3.3.1 IT Risk Management**

A comprehensive IT risk profile assessment that covers the entire USAASA IT risk universe was conducted. The risk assessment report is attached to this report.

### **3.3.2 ERP Project Risk Management**

To ensure that project risks are mitigated in relation to both Technical and Functional Go-Live, the ERP project risk profile review was conducted weekly during Quarter 3. These reviews were presented and in separate Project risk meetings, Project Team meetings and presented to the Project Steering Committee. The 2 key risks that were identified and report during Quarter 2 were mitigated as follows:

- Delays in the finalisation of the OD process which impacted negatively on ERP system implementation.
  - o The Agency has mitigated this risk by de-linking the ERP dependency on the OD project completion. As a result of this, the Technical Go-Live of December 2016 was successful with the Functional Go-Live scheduled for March 2017.
- Inadequacy of the current hardware to host the ERP system.
  - o To mitigate this risk, the requisite additional server hardware was procured and the server upgraded during Quarter 3.

### **3.4 Board Audit & Risk Committee (BARC)**

The Quarter 2 IT Governance Report, the IT policies were presented to the BARC for consideration and recommendation to the Board during Quarter 3.

The BARC considered and recommended the Governance report and ICT policies to the Board for final approval.

### **3.5 The Board of Directors**

The USAASA Board of Directors, as recommended and presented by the CEO and Chairperson of the BARC, approved the IT Governance report and all ICT policies referred to in Section 3.2.1.

### **3.6 USAF PROJECT DELIVERY SUPPORT**

During Quarter 3, the ICT Services as part of its support for the core business of the Agency, assisted with BDM stock count which information will be used by the Auditor General of South Africa. The ICT official who was part of the project was deployed with the Free State Team.

### 3.7 HIGHLIGHTS

The following highlights of Q3 are worth mentioning:

- Procurement of additional server hardware was concluded. The hardware was further installed on the server over the weekend without any disruptions to the business.
- The SAP ERP system Technical Go-Live as was successful planned according to the revised Project Plan and achieved. The project remains on course for Functional Go-Live on 24 March 2016.
- The IT policies were approved by the Board, thus making it a total of 7 ICT policies that were reviewed this financial year.

### 3.8 LOWLIGHTS

| Matter   | Challenges / Mitigations  |
|--|---|
| Lack of a backup line for Head Office resulted in 2 days of the Agency being inaccessible. The fibre link from Internet Solutions to USAASA Head Office was broken | Implementation of second backup Microwave link for redundancy in line with the approved IT Strategy   |
| The delayed finalisation of the ERP project  | <p>The Agency has:</p> <ul style="list-style-type: none"> <li>- Delinked the dependency of the ERP project implementation on the OD structure; and</li> <li>- Revised the ERP project plan to ensure Go-live by the closing of the current financial year.</li> <li>- To this effect, the Technical Go-Live was successful in December 2016 with the Functional Go-Live scheduled for March 2017</li> </ul> |

|  |   |
|--|---|
| Project costs overruns. This risk was caused by the delays experienced with the finalisation of the ERP project and the previous dependency on the OD project amongst other challenges | To mitigate this risk, the CEO engaged EOH and agreed on a way forward to ensure project conclusion by year-end. The revised project plan is being implemented. |
|--|---|

### 3. LEGAL SERVICES REPORT

#### EXECUTIVE SUMMARY

The Legal Services unit is mainly responsible for the following areas inter alia:

- The provision of sound legal services to the Board, the CEO and the Agency's Executive Management team with the aim of promoting legal compliance by the Agency;
- Managing litigations for and against the Agency; and
- Drafting of contracts as and when required by the Agency.

During the quarter under review, the unit attended to a number of legal matters which included the following:

- The Labour Court matter of Morudu/Mashilela v USAASA for alleged automatic unfair dismissal: Morudu and Mashilela were two former executive managers whose probation appointment was not confirmed in 2013. The matter is set down for a hearing in the Johannesburg Labour Court on the 27<sup>th</sup> of February 2017;
- The matter of Mzumbe- Ekhaya v USAASA: Mzumbe-Ekhaya issued summons on 27 May 2014 against USAASA for breach of contract. The State Attorneys acted on behalf of USAASA in defending the matter. The Agency is awaiting a court date for an interlocutory application brought by Mzumbe-Ekhaya for condonation for not complying with Section 3 (a) of Act 40 of 2002, the Institution of Legal Proceedings Against Certain Organs of State. Mzumbe-Ekhaya failed to inform USAASA about the institution of legal proceedings as required by the Act; and
- e.tv Court Case: The Supreme Court of Appeal issued a judgement on the legal appeal by e.tv in May 2016 which presented a further setback for the implementation of the Broadcasting Digital Migration (BDM) project which has already encountered numerous delays due to legal challenges. The court ruling has a direct impact on the delivery of digital terrestrial television (DTT) set-top-boxes to needy households by USAASA, and in view of this, the Board solicited a legal opinion on the matter. The Agency suspended the production of DTT set-top-boxes by manufacturers in June 2016 and engagements on this matter continue between the USAASA, the Department of Telecommunications (DTPS) and the Department of Communications. The matter is set down to be argued in the Constitutional Court for 21 February 2017.
- The Board of Directors of the Agency resolved on 23 November 2016 to refer all disputes with CZ Electronics and Leratadima relating to the BDM project and more specific the payment in the variation in exchange rate and the continued manufacturing and supply of DTT set top boxes for arbitration. We are awaiting the applicants to deliver and submit their statement of case to the Secretariat of the Arbitration Foundation of South Africa upon which a date for the actual arbitration hearing will be issued.

- The USAASA Board of Directors resolved on 23 November 2016 to refer all disputes with BUA Africa relating to the BDM project and more specific the payment in the variation in exchange rate and who the responsible party will be to supply smartcards for the DTH set top boxes for arbitration. We are awaiting the applicants to deliver and submit their statement of case to the Secretariat of the Arbitration Foundation of South Africa upon which a date for the actual arbitration hearing will be issued.

### 3.1 HIGHLIGHTS

The Legal Services Unit continued to ensure its APP targets are met regardless of capacity constraints.

### 3.2 LOWLIGHTS

| Matter   | Mitigation  |
|--|---|
| Capacity constraints remain a challenge as there is only one resource in the Legal Services Unit (i.e. Senior Manager: Legal Services) | The vacant Manager: Legal Services position is to be considered as part of the OD Organisational Development (OD) processes envisaged to be concluded in Quarter 4  |
| High cost of litigation  | Legal services continue to play an informative role to ensure that the Agency continues to take the necessary steps to ensure compliance with legal and regulatory prescriptions and engage relevant stakeholders with the aim of minimising its impact |

## 4. FINANCIAL MANAGEMENT SERVICES REPORT

### EXECUTIVE SUMMARY

The 2015/16 USAASA Audited Annual Financial Statements (AFS) were presented to Parliament on 18 October 2016. The capacity of the unit was increased by the appointment of the Chief Financial Officer (CFO) in October 2016. Interviews were also conducted for other vacant positions in the unit during the quarter and the aim is to finalise the appointment during the fourth quarter.

### 4.1 POLICIES AND FRAMEWORKS

The following policies and frameworks were under review during the quarter with the aim of seeking approvals in the third quarter of 2016/17 financial year:

- Significance and Materiality Framework

### 4.2 HIGHLIGHTS

- Presentation of 2015/16 USAASA Audited Annual Financial Statements to Parliament on 18<sup>th</sup> October 2016
- The Chief Financial Officer assumed duty in October 2016
- Internal controls are being tightened.

### 4.3 LOWLIGHTS

| Matter   | Mitigation  |
|--|---|
| The Senior Manager: Finance position remained unfilled as at 31 December 2016 following the resignation of the incumbent in March 2016                                       | Interviews were conducted with external and internal candidates and the process is anticipated to be concluded in the 4 <sup>th</sup> quarter of the 2016/17 financial year |
| The position of the Assistant Accountant became vacant during the second quarter, following the resignation of the incumbent and it remained unfilled as at 31 December 2016 | Recruitment processes for the position is anticipated to be concluded in the 4 <sup>th</sup> quarter of the 2016/17 financial year  |

## ABRIDGED USAASA FINANCIAL STATEMENTS

### Universal Service and Access Agency of South Africa

Financial Statements for the 09 Months ended 31 December 2016

#### Statement of Financial Performance

|  |         | 09 Months<br>31 December<br>2016 | 09 Months<br>31 December |
|--|---------|----------------------------------|--------------------------|
|  | Note(s) | 2016<br>'000                     | 2016<br>'000             |
| <b>Revenue</b>                             |         |                                  |                          |
| Other income                               |         | 27                               | 155                      |
| Interest received - investment             |         | 8 620                            | 5 556                    |
| Government grants & subsidies              | 16      | 51 783                           | 246 401                  |
| <b>Total revenue</b>                       |         | <b>60 430</b>                    | <b>252 112</b>           |
| <b>Expenditure</b>                         |         |                                  |                          |
| Employee related costs                     | 10      | (30 014)                         | (38 735)                 |
| Depreciation and amortisation              |         | (2 160)                          | (2 507)                  |
| Lease rentals on operating lease           |         | (3 496)                          | (3 672)                  |
| Repairs and maintenance                    |         | (154)                            | (175)                    |
| General Expenses                           | 11      | (61 758)                         | (32 754)                 |
| <b>Total expenditure</b>                   |         | <b>(97 582)</b>                  | <b>(77 843)</b>          |
| Gain on disposal of assets and liabilities |         | -                                | 9                        |
| <b>(Deficit) surplus for the 09 Months</b> |         | <b>(37 152)</b>                  | <b>174 278</b>           |

## Statement of Financial Position as at 31 December 2016

|                                | Note(s) | 2016<br>'000   | 2016<br>'000   |
|--------------------------------|---------|----------------|----------------|
| <b>Assets</b>                  |         |                |                |
| <b>Non-Current Assets</b>      |         |                |                |
| Property, plant and equipment  | 1       | 5 943          | 4 389          |
| Intangible assets              | 2       | 25 061         | 13 364         |
|                                |         | <b>31 004</b>  | <b>17 753</b>  |
| <b>Current Assets</b>          |         |                |                |
| Inventories                    | 3       | 28             | 153            |
| Loans and receivables          | 4       | 1 230          | 1 245          |
| Cash and cash equivalents      | 5       | 138 929        | 201 982        |
|                                |         | <b>140 187</b> | <b>203 380</b> |
| <b>Total Assets</b>            |         | <b>171 191</b> | <b>221 133</b> |
| <b>Liabilities</b>             |         |                |                |
| <b>Non-Current Liabilities</b> |         |                |                |
| Finance lease obligation       | 6       | 13             | -              |
| <b>Current Liabilities</b>     |         |                |                |
| Finance lease obligation       | 6       | 243            | -              |
| Trade and other payables       | 7       | 3 002          | 2 005          |
| Provisions                     | 8       | 1 434          | 4 241          |
|                                |         | <b>4 679</b>   | <b>6 246</b>   |
| <b>Total Liabilities</b>       |         | <b>4 692</b>   | <b>6 246</b>   |
| <b>Net Assets</b>              |         | <b>166 499</b> | <b>214 887</b> |
| <b>Net Assets</b>              |         |                |                |
| Accumulated surplus            |         | 166 499        | 214 887        |

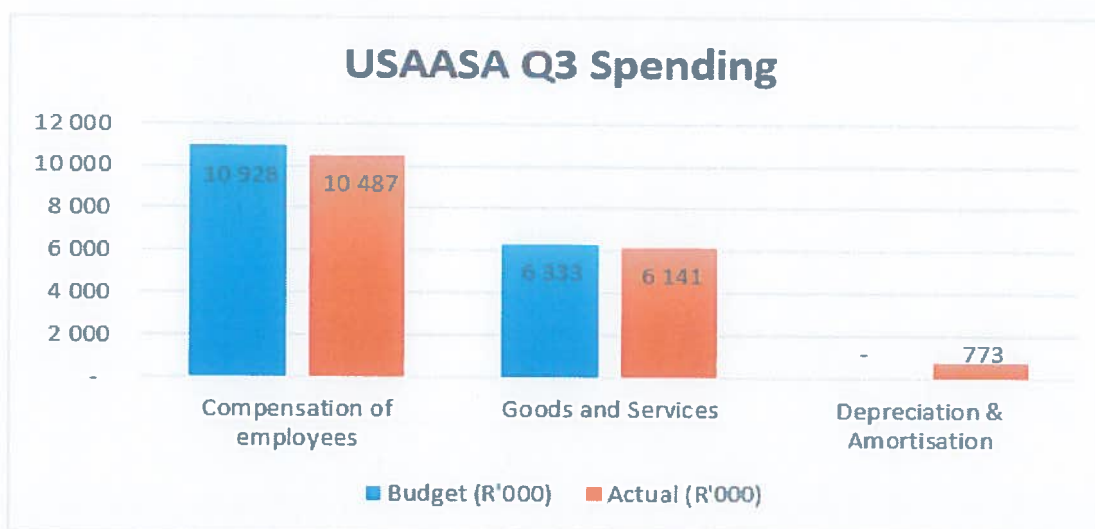


## Cash Flow Statement

|   |         | 09 Months<br>31 December<br>2016 | 09 Months<br>31 December |
|---|---------|----------------------------------|--------------------------|
|   | Note(s) | 2016<br>R '000                   | 2016<br>R '000           |
| <b>Cash flows from operating activities</b>             |         |                                  |                          |
| Cash receipts from government                           |         | 51 783                           | 246 401                  |
| Cash paid to suppliers and employees                    |         | (126 226)                        | (49 319)                 |
| Cash generated from operations (excl. interest)         | 13      | (74 443)                         | 197 082                  |
| Interest income   |         | 8 620                            | 5 556                    |
| <b>Net cash from operating activities</b>               |         | <b>(65 823)</b>                  | <b>202 638</b>           |
| <b>Cash flows from investing activities</b>             |         |                                  |                          |
| Acquisition of property, plant and equipment            | 1       | (3 632)                          | (407)                    |
| Loss on scrapping of property, plant and equipment      | 1       | -                                | 9                        |
| Purchase of other intangible assets                     | 2       | -                                | (12 905)                 |
| <b>Net cash from investing activities</b>               |         | <b>(3 632)</b>                   | <b>(13 303)</b>          |
| <b>Cash flows from financing activities</b>             |         |                                  |                          |
| Finance lease payments                                  |         | (99)                             | (131)                    |
| <b>Net cash from financing activities</b>               |         | <b>(99)</b>                      | <b>(131)</b>             |
| <b>Total cash movement for the 09 Months</b>            |         | <b>(69 554)</b>                  | <b>189 204</b>           |
| Cash and cash equivalents at the beginning of the year  |         | 208 483                          | 12 778                   |
| <b>Cash and cash equivalents at the end of the year</b> | 5       | <b>138 929</b>                   | <b>201 982</b>           |

## USAASA Spending

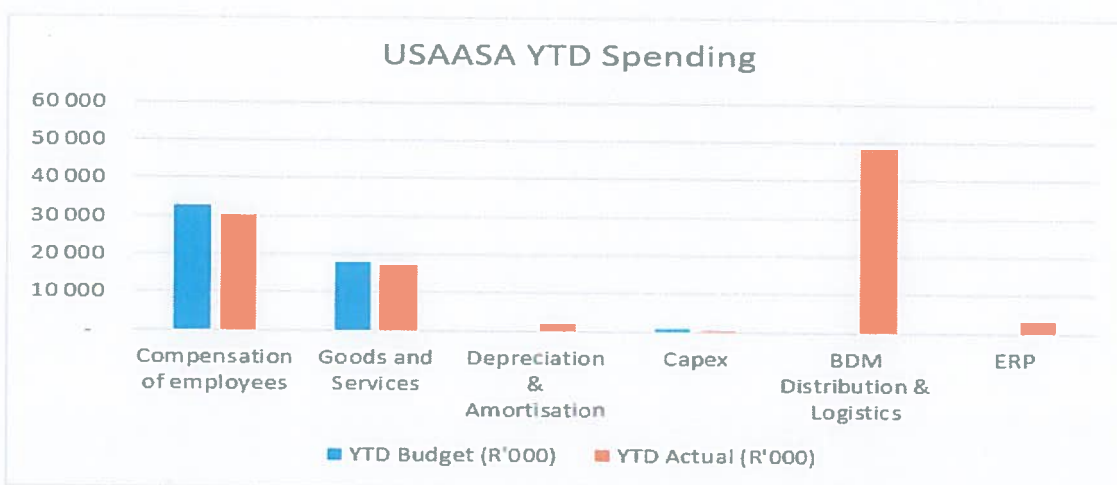
| 2016/17 Third Quarter       | Quarter 3      |                |
|-----------------------------|----------------|----------------|
| Spending Item               | Budget (R'000) | Actual (R'000) |
| Compensation of employees   | 10 928         | 10 487         |
| Goods and Services          | 6 333          | 6 141          |
| Depreciation & Amortisation | -              | 773            |
| Capex                       | -              | -              |
|                             | <b>17 261</b>  | <b>17 401</b>  |



| 2015/16 - Outstanding Projects |                   |
|--------------------------------|-------------------|
| Spending Item                  | Q3 Actual (R'000) |
| BDM Distribution & Logistics   | 19 989            |
| ERP                            | 2 975             |
|                                | <b>22 964</b>     |

## 2016/17 Year to Date (YTD) Spending

| Spending Item                | YTD Budget (R'000) | YTD Actual (R'000) |
|------------------------------|--------------------|--------------------|
| Compensation of employees    | 32 784             | 30 014             |
| Goods and Services           | 18 103             | 17 178             |
| Depreciation & Amortisation  | -                  | 2 160              |
| Capex                        | 896                | 657                |
| BDM Distribution & Logistics | -                  | 48 230             |
| ERP                          | -                  | 2 975              |
|                              | <b>51 783</b>      | <b>101 214</b>     |



## 5. GOVERNANCE REPORT

### EXECUTIVE SUMMARY

The Board and Board Committees held a number of meetings during the quarter under review to consider various strategic and governance matters.

#### 5. Board Meetings

During the third quarter, the Board met twice to amongst others deal with the Agency's strategic and governance matters as follows, the Board at its first meeting being on the 26th October 2016 dealt with the following matters:

- approve the USAASA 2016/17 Quarter 2 Performance Reports;
- approve the USAASA 2017/2021 Strategic Plan and 2017/18 Annual Performance Plan;
- consider USAASA Quarter 2 financial statements;
- approve the internal and external Audit Action Plans;
- consider the Internal Audit Performance Report for Quarter 2;
- approve the Internal Audit Three Year Strategic Rolling Plan for 1 April 2016 to 31 March 2019 and Annual Operational Audit Plan for the period 1 April 2016 to 31 March 2017;
- consider the following quarter 2 reports: Risk Management, ERP, IT Governance and Litigation;
- approve the Disaster Recovery Plan, Access and Control Procedures and the Back-up procedures;
- approve the Integrated Communication Policy; and
- noted the Directors and Officers Liability Insurance.

The Board at its second meeting being a special meeting of the 23<sup>rd</sup> November 2016 dealt with the following matters:

- BUA Africa contract;

- Disputed variation and exchange rate by the awarded manufacturers of the Set -Top – Boxes (STB)s;
- Legal opinion on the continued suspension of production and the implications of the Supreme Court of Appeal (SCA) judgement of the 31<sup>st</sup> May 2016 which declared some key provisions in the Broadcasting Digital Migration Policy of 2015 relating to the encryption of STBs as invalid;
- Amicus Curiae Application to join the Constitutional Court proceedings as the Friend of the Court in terms of Rule 10 of the Constitutional Court Rules, in the application for leave to appeal by the Minister of Communications and others against the judgement of the Supreme Court of Appeal (SCA) dated 31 May 2016; and
- Response Letter on Remarks by Honourable Minister Muthambi in the Joint Committee's BDM State of the Readiness meeting held on 15 September 2016.

The Board by way of a round robin passed between the 22<sup>nd</sup> December 2016 and the 29<sup>th</sup> December 2016 approved the following:

- Human Resources Strategy;
- Human Resources Service Level Agreement; and
- Resource and Deployment Policy

### **5.1 Board Audit and Risk Committee (BARC)**

BARC met once during the quarter to consider the following among others:

- review and recommend the USAASA 2016/17 Quarter 2 Performance Reports to the Board;
- review and recommend the USAASA 2017/2021 Strategic Plan and 2017/18 Annual Performance Plan to the Board;
- consider USAASA Quarter 2 financial statements;
- review and recommend the internal and external Audit Action Plans to the Board;
- review the Internal Audit Performance Report for Quarter 2;

- recommend the Internal Audit Three Year Strategic Rolling Plan for 1 April 2016 to 31 March 2019 and Annual Operational Audit Plan for the period 1 April 2016 to 31 March 2017, to the Board;
- consider the following quarter 2 reports: Risk Management, ERP, IT Governance and Litigation;
- recommend the Disaster Recovery Plan, Access and Control Procedures and the Back-up procedures; and
- recommend the Integrated Communication Policy to the Board.

## **5.2 Operations Committee**

The Operations Committee did not meet during the quarter.

## **5.3 Human Resources and Remuneration Committee (REMCO)**

REMCO did not meet during the quarter but resolved on its matters by way of roundrobin.

## **5.4 STAKEHOLDER ENGAGEMENTS**

Stakeholder engagements conducted during the quarter under review included a briefing on the USAASA Quarter 2 Performance Report to the Portfolio Committee on Telecommunications and Postal Services on the following matters:

- 18 October 2016 – Briefing to Parliament on Annual Report 2015/16;
- 19 October 2016 – Meeting with Minister Muthambi/DOC;
- 8 December 2016 – meeting with DTPS DDG – finalise composition of BARC; and
- 13 December 2016 – Meeting with Minister Cwele/ DTPS.

## 6. PERFORMANCE MONITORING & EVALUATION REPORT

### EXECUTIVE SUMMARY

The Performance Monitoring and Evaluation Unit is a business unit within the CEO's office responsible for the following activities amongst others:

- Ensuring USAASA compliance with policy and legislative requirements on strategic planning, performance management, monitoring, evaluation and reporting;
- Ensuring accurate reporting on performance outcomes against strategic objectives; and
- Promoting accountability to the Board, Department of Telecommunications and Postal Services (DTPS), Parliament and the public.

In line with the requirements of Treasury Regulation (TR) 29.3.1 this unit has established procedures for quarterly reporting to the Executive Authority in order to facilitate effective performance monitoring, evaluation and corrective action.

The Unit's focus in the quarter under review were as follows:

- Submission of the Agency's 2<sup>nd</sup> draft USAASA and USAF Strategic Plans and Annual Performance Plans to DTPS within the legislated due date of 30<sup>th</sup> November 2016;
- Effective implementation of procedures for quarterly reporting to the Executive Authority to ensure the 2016/17 Quarter 2 performance reports of the Agency were submitted to DTPS within the legislated timeframes;
- Continuous tracking of organisational performance through monthly divisional progress performance reports against the Agency's Operational Plan.

### 6.1 HIGHLIGHTS

All required planning and reporting submissions were made to the Department within legislated timeframes thus ensuring compliance by the Agency.

An improvement in performance has been noted from 40% in the second quarter of 2016/17 to 70% in the quarter under review, as a result of the CEO's drive for high performance and change management.

Furthermore, the Agency's cumulative performance has improved to 75%.

## 6.2 LOWLIGHTS

| Matter  | Mitigation  |
|---|---|
| USAASA organisational performance regression: non – achievement of Operational and APP targets by divisions continues to be a challenge | <p>The Performance Monitoring and Evaluation Unit continues to track performance against set monthly and quarterly performance targets as outlined in the USAASA and USAF Operational Plans and APPs to track progress on the achievement of the set targets</p> <p>Mitigation actions plans are developed for all unmet performance targets and tracked in accordance with the specified timeframes for implementing remedial actions and this will continue to be monitored on a monthly and quarterly basis</p> <p>Quarterly performance management sessions with USAASA employees were initiated in Quarter 1 of 2016/17 for purposes of ensuring uniform commitment to the achievement of organisational performance targets and strategic objectives. The 2<sup>nd</sup> quarter performance management session was conducted on the 14<sup>th</sup> November 2016.</p> <p>Strict management of performance including weekly and monthly reporting is yielding results.</p> |

Employee engagements and an organisational climate survey conducted in September 2016 identified areas requiring intervention and action plans were developed to address these.

There remains a challenge regarding the non-compliance of the APP targets to the SMART (Specific, Measurable, Achievable, Relevant and Time bound) principle as required by National Treasury's Frameworks for Strategic and APPs and for Managing Programme Performance Information.



The conclusion of the ERP project by year-end will result in automated and integrated business systems and processes, which will positively contribute towards improving performance outcomes. The improvement of the Agency's performance remains a priority focus area for the CEO.

## 7. INTERNAL AUDIT REPORT

### EXECUTIVE SUMMARY

Internal Audit is one of the support functions within the Agency and falls within the CEO's office. Internal Audit unit reports functionally to the Board Audit and Risk Management Committee and administratively to the CEO. Its activities are in line with strategic objective for support functions of the promotion of legal and regulatory compliance by 2021 to support the project delivery of the Universal Service and Access Fund.

It should however be noted that the Internal Audit activity does not perform management functions, but its contribution to the strategic objectives and annual performance indicators of the CEO's office is that of assurance. It should further be noted that the assurance provided by Internal Audit is a reasonable assurance and not absolute assurance.

The 2016/17 quarter three report, like all other quarterly reports is based on the audits conducted in the period under review.

#### 7.1.1 Assurance Services

The following assurance audit reviews were planned and achieved in quarter three (3):

| Planned Audit                               | Audit Status                 | Comments   |
|---|------------------------------|--|
| SCM Q2<br>Expenditure<br>Below<br>Threshold | The audit has been completed | There were no significant audit findings. However, the audit team raised the following housekeeping matter - <ul style="list-style-type: none"><li>The service provider for the procurement of Laptops was allowed to submit more than one quotation</li></ul> |

| Planned Audit                       | Audit Status                 | Comments   |
|-------------------------------------|------------------------------|--|
|                                     |                              | whereas others submitted only one. The same service provider was requested to re-submit another quote because the first one was not in accordance to the specifications  |
| SCM Q2 Expenditure Above Threshold  | The audit has been completed | <p>The following significant audit finding was raised:</p> <ul style="list-style-type: none"> <li>An amount of R2 139 004.08 was paid to Sentech in July 2016 for the procurement of smart cards which was not in line with SCM prescripts e.g. the procurement process of requesting 3 quotations for procurement of goods and services less than R500 000 or to advertise a tender for amounts above R500 000.00 was not followed. Management comments were accepted by Internal Audit team, however the approved submission was not prepared for the procurement of such Smart Cards</li> </ul> |
| Q2 Performance Information          | The audit has been completed | There were no significant audit findings   |
| Q2 Expenditure Financial Management | The audit has been completed | <p>The following significant audit finding was raised:</p> <ul style="list-style-type: none"> <li>Payments for internet connectivity were made without supporting documentation</li> </ul> <p>The following housekeeping matter was raised-</p> <ul style="list-style-type: none"> <li>Invoices from service providers are not date stamped and where payments are effected on invoices, no "PAID" stamps are used</li> </ul>  |
| Q2 Interim Financial Statements     | The audit has been completed | There were no significant audit findings   |

| Planned Audit             | Audit Status                 | Comments   |
|---------------------------|------------------------------|--|
| Q2 BDM<br>Inventory Count | The audit has been completed | <p>The following significant audit findings were raised:</p> <ul style="list-style-type: none"> <li>• Discrepancies between inventory on the floor and inventory listing (SAP vs physical)</li> <li>• Internal Control deficiencies in the Inventory count procedures</li> <li>• Duplicate serial numbers</li> </ul> |

### 7.1.2 Progress on delayed 2016/17 quarter three (3) targets

The following assurance audit reviews were planned and not achieved in quarter three (3):

| Planned Audit  | Audit Status   | Comments  |
|--|--|---|
| Q2 Corporate<br>Services (Human<br>Resource<br>Management and<br>Administration) | The draft audit report has been issued to management and is awaiting management comments | The delay in the audit was as a result of insufficient human resources in Internal Audit and the shortened quarter three e.g. closure of office from 22 December 2016                 |
| Broadband<br>Operations -  | The audit on Broadband has not yet been started  | The delay in the audit was as a result of non-completion of the project by Operations. The commitment was made to Internal Audit that the project will be completed by Mid-March 2017 |

### 7.1.3 Consulting Services

In the period under review, there was one formal Consulting Service on the review of the SAP/ERP prior to technical "Go-Live". The Consulting service was conducted and completed on the 23 December 2016 and the report was issued to that effect

## 7.2 Internal Audit Human Resources

In the period under review, the Internal Audit Unit has been operating with only two human resources, the Internal Auditor and the Chief Audit Executive, following the internal transfer of one Internal Auditor to the Financial Management Services Unit as of 01 October 2015. Internal audit is in the process of acquiring the services of the contract resource to assist in the completion of the approved annual internal audit plan. The submission for the acquisition of such a resource has already been approved and is awaiting HR processes for execution.

### 7.3 HIGHLIGHTS

The following highlights were noticed in the period under review:

- Internal Audit, with its limited human resources managed to complete 6 out of the 7 planned audits for the third quarter of 2016/17. The 8<sup>th</sup> audit project (Broadband) could not be conducted because the Operations division has not yet completed the project ready to be audited;
- The submission for the acquisition of an Internal Audit resource was finally approved and is awaiting HR processes for execution; and
- Internal Audit, even under tremendous challenges of insufficient human resource, is able to assist the Agency with formal and informal ad hoc assignments from time-to-time.

### 7.4 LOWLIGHTS

| Matter  | Mitigation   |
|---|--|
| <p>Inadequate human resource capacity continued to be a challenge for the Unit in the period under review. However, it is worth reporting that the submission for such acquisition was finally approved and is awaiting HR processes for execution</p> <p>The delays in finalisation of the new structure also has a negative impact in capacitation of the internal audit unit</p> | <p>Acquisition of a contract resource will be completed by the January 2017</p> <p>The meeting between the CAE and the BARC Chairperson on the 02 December 2016, resolved that finance divisions needs to return the budget for the human resource that was deployed to Finance from Internal Audit.</p> |

## **8. RISK MANAGEMENT REPORT**

### **EXECUTIVE SUMMARY**

Enterprise Risk Management (ERM) provides a comprehensive view of risk both from operational and strategic perspectives and is a process that supports the reduction of uncertainty and promotes the exploration of opportunity. USAASA manages strategic risks by identifying, quantifying and managing those risks that arise from and/or are created by the strategic objectives. Similarly, USAASA manages operational risks by way of conducting risk and control assessments in order to identify process, people, systems and external events risks.

### **8.1 RISK MANAGEMENT ACTIVITIES**

#### **8.2.1 Strategic Risk Management**

During the period under review, a strategic risk sessions was held on the 12 December 2016 in order to ensure effective management of risks that would have an effect on the achievement of strategic objectives. Effective strategic risk management aims to provide insights into existing and emerging risks and affords management an opportunity to manage the drivers of volatility which could impact performance and strategic goals.

#### **8.2.2 Operational Risk Management**

Divisional risk sessions were undertaken during the quarter under review with a view of ensuring effective risk management in line with the risk management framework.

#### **8.2.3 Project Risk Management**

The following project risk sessions were undertaken during the quarter under review.

- Broadband project;
- Broadcasting Digital Migration (BDM) project; and
- Enterprise Resource Solution (ERP) project.

These sessions were undertaken with a view to ensuring that both the risks of the project and risks in the project are effectively managed.

### **8.3 HIGHLIGHTS**

The Risk Manager together with the Chief Audit Executive (CAE) managed to secure a meeting with the external Auditors, the Auditor General South Africa (AGSA) with a view to ensure conclusion of the combined assurance Map. The session occurred on the 14 December 2016. Furthermore, the AGSA has agreed to contribute to the combined assurance processes on a quarterly basis.

#### 8.4 LOWLIGHTS

| Matter   | Mitigation   |
|--|--|
| <p>Lack of ownership of risk management by management</p> <ul style="list-style-type: none"> <li>- Regular postponement of risk management activities</li> </ul> | <p>Management is prioritising risk management in order to improve the risk culture within USAASA</p> <ul style="list-style-type: none"> <li>- Ensuring that all performance contracts for all personnel in management include risk management</li> <li>- A resolution was taken that all performance contracts of Executive managers would include responsibility for risk management</li> </ul> |

## 9. RESEARCH, POLICY AND REGULATORY REPORT

### EXECUTIVE SUMMARY

One of the pillars of the Agency mandate is to monitor and evaluate the extent of universal access and universal service in the country. USAASA recognised the importance of monitoring the implementation of the universal access and service programmes in the country and evaluating the extent to which these programmes are making a change in the lives of ordinary citizens and acknowledges that this requires a more focused and holistic approach. The Agency has therefore planned to conduct ICT impact assessments in the six under-serviced areas where broadband infrastructure has been deployed through USAF projects in the current financial year.

Despite the project delayed in the first two quarters of the financial year due to capacity constraints which necessitated a change in approach from commissioning a service provider to using internal resources, fieldwork started on a full force in the third quarter in all the six identified provinces as per the annual performance plan and in line with the revised project plan. A team of fieldworkers were deployed across all six identified Under-Serviced Areas to conduct interviews on programme beneficiaries in the local municipalities during November 2016.

The total number of sites targeted for the survey was one hundred and five (105) - eighty-five (85) clinics and twenty (20) schools. In schools the target was sub-divided further into teachers and learners so that we could get an overall experience of the ICT Impact in schools, both from a teacher and a learner point of views. Questionnaires were sent in advance in order to reduce the turnaround time when fieldworkers are visiting the sites and doing interviews.

One hundred and sixty responses (160) were received from the site visits which is a number higher than the selected sample by fifty-five (55). The reason for the increase in the response rate was due to the fact that in a number of schools, both teachers and learners responded to the questionnaire, though in other sites one category responded and the other non-responsive. A typical example is the Mutale Local Municipality where there was one school targeted, in which only the teacher was interviewed and learners were already out of school. Another factor that contributed to the increase in number of expected responses is the fact that fieldworkers went an extra mile and interviewed other sites which were not part of the selected sample, but were relevant to the study and part of the programme beneficiaries.

## 9.1 RESEARCH, POLICY AND REGULATORY QUARTER 1, 2 AND 3 ACTIVITIES

The project conceptualisation, approval and procurement processes for the impact assessments were initiated internally in the first quarter of the 2016/17 financial year. The Research, Policy and Regulatory unit focused on the development of Terms of Reference (T.O.R) for conducting the planned impact assessments. A submission for sourcing external resources was pending approval as at the end of the first quarter.

In the second quarter there was a change of the research strategy from sourcing external service provider to conduct the impact assessment to using internal resources. Following consultations with the Operations Unit to utilise the provincial personnel as fieldworkers, a research project training workshop was conducted with the provincial personnel. Questionnaires were developed, reviewed, workshopped to fieldworkers and finalised. All project related logistics were approved for the project to fully resume in the third quarter of the financial year, including making project beneficiaries who will be visited and interviewed aware of the visits to follow.

The third quarter and specifically in the first week of November saw the commencement of the fieldwork by the project teams deployed across the local municipalities targeted. Below is a table that provides a snapshot of the local municipalities visited vis-a-vis the number of planned visits:

| Province      | Local Municipality   | Total Number of Planned Site Visits | No. of Planned Visits |           | No. of School Responses per site |           | Number of Clinic Responses per site | TOTAL No. Responses |
|---------------|----------------------|-------------------------------------|-----------------------|-----------|----------------------------------|-----------|-------------------------------------|---------------------|
|               |                      |                                     | Schools               | Clinics   | Teacher                          | Learner   |                                     |                     |
| North West    | Ratlou               | 14                                  | 5                     | 9         | 5                                | 15        | 11                                  | 31                  |
| Northern Cape | Joe Morolong         | 24                                  | 6                     | 18        | 12                               | 10        | 21                                  | 43                  |
| Eastern Cape  | Emalahleni           | 19                                  | 3                     | 16        | 6                                | 13        | 15                                  | 34                  |
| KZN           | Msinga               | 20                                  | 4                     | 16        | 7                                | 8         | 7                                   | 22                  |
| Mpumalanga    | Chief Albert Luthuli | 15                                  | 1                     | 14        | 1                                | 1         | 11                                  | 13                  |
| Limpopo       | Mutale               | 13                                  | 1                     | 12        | 1                                | 0         | 16                                  | 17                  |
| <b>TOTAL</b>  |                      | <b>105</b>                          | <b>20</b>             | <b>85</b> | <b>32</b>                        | <b>47</b> | <b>81</b>                           | <b>160</b>          |



Each number of responses represents different sites visited and interviewed per local municipality. For instance, in Ratlou, five schools were visited for interviews, and five teachers from different schools were interviewed, including five classes of learners from those schools. The other ten schools were identified because they are part of the overall Fund Programme, and were relevant to the study.

## 9.2 HIGHLIGHTS

- Fieldwork was conducted on all sampled sites visited.

## 9.3 LOWLIGHTS

| Matter   | Mitigation   |
|--|--|
| Inadequate research capacity to do data analysis and reporting | <ul style="list-style-type: none"> <li>• Agency has an annual subscription with BMI-T that has research experience in ICT's across the spectrum</li> <li>• Using the subscription service, BMI-T will be engaged using SCM process to assist the Agency in data analysis and report writing in order to fast track the process and meet the planned performance deadlines</li> </ul> |

# 10. STAKEHOLDER ENGAGEMENT REPORT

## EXECUTIVE SUMMARY

The Stakeholder Engagement Unit is responsible for ensuring the relationship management of various stakeholders that affect and/or could be affected by the Agency's activities, services and performance. Stakeholder Engagement is a key part of corporate social responsibility and an integral part of achieving positive reputation management through effective communication.

In the third quarter, the unit focused on brand positioning through exhibitions and marketing activities at conferences, events and various ICT forums. The focus was also on the improvement of stakeholder relations through project based stakeholder engagements in the Eastern Cape.

## 10.1 STAKEHOLDER ENGAGEMENT QUARTER ACTIVITIES

The stakeholder engagements in quarter 3 were conducted as follows:

- Implementation of the Stakeholder Engagement Strategy through participation in ICT related forums and conferences as well as the publishing of positive messages thereof on the USAASA communications platforms as indicated below:
  - The Agency participated in the following ICT Conference and Summits:
    - GovTech conference through a panel discussion, whereby the CEO did a presentation on ICT connectivity;
    - Africa Coms Conference through discussion sessions on various global issues in the ICT sector;
    - Presentation at the Eastern Cape ICT summit on the funding models for ICT entrepreneur; and
    - Participated in the Inaugural ICT Achievers Awards 2016 through Branding / sponsorship.
  - The following events were attended during the quarter under review:
    - The Agency participated in the BDM milestone event of the Official Analogue signal switch off which took place in Carnarvon (SKA area), Northern Cape;
    - The BDM project hosted DTT awareness campaign / Imbizos' in promoting uptake of the registration process for subsidised Set Top Boxes (STBs) in various provinces; and
    - The Agency also participated in the Deputy President's Youth development and career expo hosted in Limpopo with the aim of showcasing the work of USAASA and encouraging e-Literacy and e-skills in the sector.
  - Stakeholder engagements took place throughout November and December for the Broadband project roll out in OR District municipality, with USAASA and the appointed services provider presenting the project plan for the King Sabata Dalindyebo (KSD) and Mhlontlo Municipalities at various provincial government forums with various stakeholder such as the Premier, MEC's, Mayors, Municipal Managers and SMMEs

## 10.2 LOWLIGHTS

| Matter   | Mitigation  |
|--|---|
| Budget and human capacity constraints remained a challenge in the quarter under review | Implementation of the OD project in 2016/17 will address identified human capacity constraints and ensure that the Agency is able to deliver on its 2016/17 targets |



## QUARTER 3 PERFORMANCE REPORT FOR 2016/2017

## PROGRESS ON DELAYED TARGETS FROM 2015/2016 FINANCIAL YEAR

### HUMAN RESOURCES UNIT

| Strategic Objective   | USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support |  |  |   |                      |                    |
|---|--|--|--|---|----------------------|--------------------|
| Performance Indicator   | Implementation of the organisational development   |  |  |   |                      |                    |
| Annual Target   | Evidence Criteria  | Actual Achievement   | Actual achievement   |   | Budgeted expenditure | Actual expenditure |
| Alignment of USAASA according to approved Organisational Development organisation structure | A report on alignment of USAASA to approved Organisational Development organisation structure  | <p><b>Not Achieved.</b></p> <p>USAASA was not yet aligned to the approved Organisational Development organisation structure at the end of the quarter under review. Labour Relations Act Section 189 letter signed by the CEO. Consultation meeting with CWU planning underway</p> | Deviation from the planned target  | Action plan for delayed target  | New delivery date    | Nil                |
|   |  |  | USAASA not aligned to the approved Organisational Development organisation structure | A number of staff will be displaced in terms of the proposed organogram, as such requires consultation with organised labour and affected staff, which are anticipated to be conducted in the 4 <sup>th</sup> quarter | 31 March 2017        | Nil                |

## INTERNAL AUDIT UNIT

| Strategic Objective  | USAASA supports the project delivery of the Universal Service Fund through the provision of world class project management, supply chain management, human resources, and administrative support |  |  |  |                   |                      |                    |
|--|--|--|--|--|-------------------|----------------------|--------------------|
| Performance Indicator  | Number of audits completed   |  |  |  |                   |                      |                    |
| Annual Target  | Evidence Criteria  | Actual Achievement   | Deviation from the planned target            | Action plan for delayed target   | New delivery date | Budgeted expenditure | Actual expenditure |
| 25 audits conducted as per approved annual audit plan in order to assist the Agency to achieve a clean audit | Final Human Resources audit report   | <b>Not Achieved.</b><br>Corporate Governance audit was not yet conducted during the quarter under review | Corporate Governance audit not yet conducted | This audit on Corporate Governance is anticipated to be conducted in quarter four, depending on the availability of funds. Discussions to secure funding are under way between Internal Audit and the Acting CFO | 31 March 2017     | Staff Cost           | Staff Cost         |

## PROGRESS ON DELAYED Q1 2016/2017 FINANCIAL YEAR TARGETS

### HUMAN RESOURCES UNIT

| Strategic Objective   | Optimise organisational efficiency by 2021 to support the project delivery of the Universal Service Fund |  |                                   |                                |                      |                    |
|---|--|--|-----------------------------------|--------------------------------|----------------------|--------------------|
| Performance Indicator   | Optimally functional Human Resources policies and systems aligned to organisational strategy             |  |                                   |                                |                      |                    |
| Annual Target   | Develop and Implement an HR Service Level Agreement (SLA)  |  |                                   |                                |                      |                    |
| Quarterly Target  | Evidence Criteria  | Actual achievement   |                                   |                                | Budgeted expenditure | Actual expenditure |
|   |  | Actual Achievement   | Deviation from the planned target | Action plan for delayed target |                      |                    |
| Develop and approve an SLA for HR services: Recruitment, Training, Industrial Relations, Change Management, Employment Equity and Employee Wellness | Approved HR SLA  | Achieved in Q3.<br>The Human Resources (HR) SLA was approved by the Board on way of a round robin passed between the 22 <sup>nd</sup> December 2016 and the 29 <sup>th</sup> December 2016 | Not Applicable                    | Not Applicable                 | Staff Cost           | Staff Cost         |

| <b>Strategic Objective</b>                               |                                       | Optimise organisational efficiency by 2021 to support the project delivery of the Universal Service Fund |  |  |                               |                             |                           |
|--|---------------------------------------|--|--|--|-------------------------------|-----------------------------|---------------------------|
| <b>Performance Indicator</b>                             |                                       | Optimally functional Human Resources policies and systems aligned to organisational strategy             |  |  |                               |                             |                           |
| <b>Annual Target</b>                                     | <b>Quarterly Target</b>               | <b>Evidence Criteria</b>   | <b>Actual achievement</b>  |  | <b>Comments on shortfalls</b> | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
|  |                                       |  | <b>Actual Achievement</b>  | <b>Shortfall from the planned target</b> |                               |                             |                           |
| Review and implement functional human resources policies | Review Resourcing & Deployment policy | Board - approved Resourcing & Deployment policy  | Achieved in Q3.<br>The Human Resources (HR) SLA was approved by the Board on way of a round robin passed between the 22 <sup>nd</sup> December 2016 and the 29 <sup>th</sup> December 2016 | Not applicable                           | Not applicable                | Staff Costs                 | Staff Costs               |



## INFORMATION TECHNOLOGY UNIT

|  |  |  |                                   |                                |                          |                             |                           |
|--|--|--|-----------------------------------|--------------------------------|--------------------------|-----------------------------|---------------------------|
| <b>Strategic Objective</b>   | Ensure availability of automated and integrated business processes by 2021 to support the project delivery of the Universal Service Fund |  |                                   |                                |                          |                             |                           |
| <b>Performance Indicator</b>   | Automated and integrated business processes  |  |                                   |                                |                          |                             |                           |
| <b>Annual Target</b>   | ERP system rollout and SAP capacity building   |  |                                   |                                |                          |                             |                           |
| <b>Quarterly Target</b>  | <b>Evidence Criteria</b>   | <b>Actual Achievement</b>  | <b>Actual achievement</b>         |                                | <b>New delivery date</b> | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
| ERP system go-live for the following functional areas:<br>Financial Management; Supply Chain Management; Human Capital Management; Operations Management; Legal Services; Stakeholder Relations and Performance management | IT reports on ERP system usage and training  | <b>Achieved in Q3.</b><br>USAASA SAP Technical Go-Live (according to the approved Revised Project Plan / Decision Document) was achieved in Quarter 3<br><br>Service Desk report on SAP ERP system maintenance and support | Deviation from the planned target | Action plan for delayed target | 31 March 2017            | R50 000 000                 | R 24 937 159              |

| <b>Strategic Objective</b>   |   | Ensure availability of automated and integrated business processes by 2021 to support the project delivery of the Universal Service Fund  |  |   |                             |                           |
|--|---|---|--|---|-----------------------------|---------------------------|
| <b>Performance Indicator</b>   |   | Automated and integrated business processes   |  |   |                             |                           |
| <b>Annual Target</b>   |   | ERP system rollout and SAP capacity building  |  |   |                             |                           |
| <b>Quarterly Target</b>  | <b>Evidence Criteria</b>                    | <b>Actual achievement</b>   |  |   | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
|  |   | <b>Actual Achievement</b>   | <b>Deviation from the planned target</b>   | <b>Action plan for delayed target</b>   |                             |                           |
| Capacitation of IT Resources through recruitment and Training of SAP Critical skills | IT reports on ERP system usage and training | <p><b>Not Achieved.</b></p> <p>Recruitment process for SAP Technical Resources not initiated in Quarter 3</p> <p>Training on SAP critical skills conducted during the quarter</p> | <p>Capacitation of IT Human Resources through recruitment was not conducted during the quarter under review</p> <p>Submission for recruitment will be done during January 2017</p> | <p>Capacitation of IT Human Resources is to be considered as part of the OD processes</p> | Staff Cost                  | Staff Cost                |

## RESEARCH, POLICY AND REGULATORY UNIT

| <b>Strategic Objective</b>   | USAASA established as a centre of excellence for universal access and universal service market information, knowledge and expertise by 2021 |   |   |   |                                       |                          |                             |
|--|---|---|---|---|---------------------------------------|--------------------------|-----------------------------|
| <b>Performance Indicator</b>   | Information on impact of the provision of universal access and universal service  |   |   |   |                                       |                          |                             |
| <b>Annual Target</b>   | Monitor and evaluate the impact of universal access and universal service provision on access gaps and disseminate the findings             |   |   |   |                                       |                          |                             |
| <b>Quarterly Target</b>  | <b>Evidence Criteria</b>  | <b>Actual achievement</b>                                       |   |   | <b>Action plan for delayed target</b> | <b>New delivery date</b> | <b>Budgeted expenditure</b> |
|  |   | <b>Actual Achievement</b>                                       | <b>Deviation from the planned target</b>  | <b>Actual Achievement</b>   |                                       |                          |                             |
| Impact assessments in three (3) identified USAF subsidised local municipal areas | Impact Assessment Reports for 3 identified USAASA subsidised local municipal areas  | <b>Not Achieved.</b>  |   |   |                                       |                          |                             |
|  |   | Approval of internal resources to conduct fieldwork was granted | The Impact Assessments questionnaire was developed and information was solicited from the three municipalities as follows: Ratlou in North West; Joe Morolong in Northern Cape; and Emalahleni in Eastern Cape using the provincial managers, however there was no impact assessment report presented | SCM process has been started to source expert assistance for data analysis and report writing | February 2017                         | R542 000                 | NIL                         |
|  |   | Questionnaires finalised  |   |   |                                       |                          |                             |
|  |   | Project teams workshopped on project documentation              |   |   |                                       |                          |                             |
|  |   | Approval of all logistical arrangements                         |   |   |                                       |                          |                             |
|  |   | Site visits done and questionnaires completed                   |   |   |                                       |                          |                             |

## STAKEHOLDER ENGAGEMENTS UNIT

| <b>Strategic Objective</b>  | Promotion of good stakeholder relations for purposes of enhancing the USAASA & USAF brands by 2021 |  |                                   |                                |                   |                      |                    |
|---|--|--|-----------------------------------|--------------------------------|-------------------|----------------------|--------------------|
| <b>Performance Indicator</b>  | Positive messages about the Agency on media and social platforms                                   |  |                                   |                                |                   |                      |                    |
| <b>Annual Target</b>  | Implementation of the Stakeholder Engagement Strategy and Integrated Communications Policy         |  |                                   |                                |                   |                      |                    |
| Quarterly Target  | Evidence Criteria  | Actual achievement   |                                   |                                | New delivery date | Budgeted expenditure | Actual expenditure |
|   |  | Actual Achievement   | Deviation from the planned target | Action plan for delayed target |                   |                      |                    |
| Develop an Integrated Communications Policy for approval by the Board | Board approved Integrated Communications Policy  | Achieved in Q3.<br>The Integrated Communications Policy was approved by the Board on 26 <sup>th</sup> October 2016 | Not Applicable                    | Not Applicable                 | Not Applicable    | Staff Cost           | Staff Cost         |

## PROGRESS ON Q2: 2016/2017 FINANCIAL YEAR TARGETS

### HUMAN RESOURCES UNIT

| Strategic Objective                  | Centre of Excellence on Universal Service and Access in South Africa                         |   |  |   |  |                   |                      |                    |
|--------------------------------------|--|---|--|---|--|-------------------|----------------------|--------------------|
| Performance Indicator                | Optimally functional Human Resources policies and systems aligned to organisational strategy |   |  |   |  |                   |                      |                    |
| Annual Target                        | Review and implement functional human resources policies                                     |   |  |   |  |                   |                      |                    |
| Quarterly Target                     | Evidence Criteria  | Actual achievement  |  |   |  | New delivery date | Budgeted expenditure | Actual expenditure |
|                                      |  | Actual Achievement  | Deviation from the planned target  | Action plan for delayed target  |  |                   |                      |                    |
| Review Learning & Development policy | Board approved Learning & Development policy)  | Not achieved.<br>2 <sup>nd</sup> draft Learning & Development Policy was presented to EXCO and approved by REMCO<br><br>The Policy was submitted for Board approval on the 26 <sup>th</sup> October | Draft 2 of the policy was not approved by the Board at the end of the quarter under review | Policy has been submitted to Board for approval and anticipated to be approved in the 4 <sup>th</sup> quarter |  | 31 March 2017     | Staff Cost           | Staff Cost         |



| <b>Strategic Objective</b>               | Centre of Excellence on Universal Service and Access in South Africa                         |   |   |   |                          |                             |                           |
|--|--|---|---|---|--------------------------|-----------------------------|---------------------------|
| <b>Performance Indicator</b>             | Optimally functional Human Resources policies and systems aligned to organisational strategy |   |   |   |                          |                             |                           |
| <b>Annual Target</b>                     | Develop and Implement an HR Service Level Agreement (SLA)                                    |   |   |   |                          |                             |                           |
| <b>Quarterly Target</b>                  | <b>Evidence Criteria</b>   | <b>Actual achievement</b>   |   |   | <b>New delivery date</b> | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
|  |  | <b>Actual Achievement</b>   | <b>Deviation from the planned target</b>  | <b>Action plan for delayed target</b>                         |                          |                             |                           |
| Monitor and report on SLA implementation | Report on implementation of the HR SLA   | <b>Not achieved.</b><br>The Human Resources (HR) SLA was approved by the Board on way of a round robin passed between the 22 <sup>nd</sup> and December 2016 and the 29 <sup>th</sup> December 2016, implementation thereof will commence in the last quarter of the financial year | HR SLA was not implemented during the 3 <sup>rd</sup> quarter as it was only approved at the end of the quarter | The HR SLA will be implemented in the 4 <sup>th</sup> quarter | 31 March 2017            | Staff Cost                  | Staff Cost                |

## INFORMATION TECHNOLOGY UNIT

|   |   |   |  |                                       |                          |                                  |
|---|---|---|--|---------------------------------------|--------------------------|----------------------------------|
| <b>Strategic Objective</b>                                    | Centre of Excellence on Universal Service and Access in South Africa      |   |  |                                       |                          |                                  |
| <b>Performance Indicator</b>                                  | Automated and integrated business processes                               |   |  |                                       |                          |                                  |
| <b>Annual Target</b>  | ERP system rollout and SAP capacity building                              |   |  |                                       |                          |                                  |
| <b>Quarterly Target</b>                                       | <b>Evidence Criteria</b>  | <b>Actual Achievement</b>   | <b>Actual achievement</b>                |                                       |                          | <b>Budgeted expenditure</b>      |
|   |   |   | <b>Deviation from the planned target</b> | <b>Action plan for delayed target</b> | <b>New delivery date</b> | <b>Actual expenditure</b>        |
| ERP System maintenance and support of the implemented modules | A report on ERP System maintenance and support of the implemented modules | Achieved in Q3.<br>USAASA SAP Technical Go-Live (according to the approved Revised Project Plan / Decision Document) was achieved in Quarter 3<br><br>Service Desk report on SAP ERP system maintenance and support | Not applicable                           | Not applicable                        | 30 March 2017            | R 50 million<br><br>R 24 937 159 |

| <b>Strategic Objective</b>   | Centre of Excellence on Universal Service and Access in South Africa |  |  |                                       |                          |                             |                           |
|--|--|--|--|---------------------------------------|--------------------------|-----------------------------|---------------------------|
| <b>Performance Indicator</b>   | Automated and integrated business processes                          |  |  |                                       |                          |                             |                           |
| <b>Annual Target</b>   | ERP system rollout and SAP capacity building                         |  |  |                                       |                          |                             |                           |
| <b>Quarterly Target</b>  | <b>Evidence Criteria</b>   | <b>Actual Achievement</b>  | <b>Actual achievement</b>                |                                       |                          | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
|  |  |  | <b>Deviation from the planned target</b> | <b>Action plan for delayed target</b> | <b>New delivery date</b> |                             |                           |
| Capacitation of IT human resources through training on SAP Critical skills | IT reports on ERP system usage and training                          | <b>Achieved.</b><br>IT Human Resources capacitated through SAP Technical Training during Quarter 3 | Not applicable                           | Not applicable                        | Not applicable           | Staff Cost                  | Staff Cost                |



## RESEARCH, POLICY AND REGULATORY UNIT

| <b>Strategic Objective</b>   | USAASA established as a centre of excellence for universal access and universal service market information, knowledge and expertise by 2021 |  |   |   |                             |                           |
|--|---|--|---|---|-----------------------------|---------------------------|
| <b>Performance Indicator</b>   | Information on impact of the provision of universal access and universal service  |  |   |   |                             |                           |
| <b>Annual Target</b>   | Monitor and evaluate the impact of universal access and universal service provision on access gaps and disseminate the findings             |  |   |   |                             |                           |
| <b>Quarterly Target</b>  | <b>Evidence Criteria</b>  | <b>Actual achievement</b>  |   |   | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
|  |   | <b>Actual Achievement</b>  | <b>Deviation from the planned target</b>  | <b>Action plan for delayed target</b>   |                             |                           |
| Impact assessments in three (3) identified USAF subsidised local municipal areas | Impact Assessment Reports for 3 identified USAASA subsidised local municipal areas  | <p><b>Not Achieved.</b></p> <p>Approval of internal resources to conduct fieldwork was granted. Questionnaires finalised. Project teams workshopped on project documentation. Approval of all logistical arrangements. Site visits done and questionnaires completed</p> | <p>The Assessments questionnaire was developed and information was solicited from the three municipalities are Albert Luthuli in Mpumalanga; Masinga in KZN; and Mutale in Limpopo using the provincial managers, however there was no impact assessment report presented</p> | SCM process has been started to source expert assistance for data analysis and report writing | R542 000.00                 | NIL                       |

## STAKEHOLDER ENGAGEMENTS UNIT

| Strategic Objective  | Promotion of good stakeholder relations for purposes of enhancing the USAASA & USAF brands by 2021   |  |                                   |                                |                      |                    |  |
|--|--|--|-----------------------------------|--------------------------------|----------------------|--------------------|--|
| Performance Indicator  | Positive messages about the Agency on media and social platforms   |  |                                   |                                |                      |                    |  |
| Annual Target  | Implementation of the Stakeholder Engagement Strategy and Integrated Communications Policy   |  |                                   |                                |                      |                    |  |
| Quarterly Target   | Evidence Criteria  | Actual achievement   |                                   |                                | Budgeted expenditure | Actual expenditure |  |
|  |  | Actual Achievement   | Deviation from the planned target | Action plan for delayed target |                      |                    |  |
| Implementation of the Stakeholder Engagement Strategy and Integrated Communications Policy | Report on the implementation of the Stakeholder Engagement Strategy and Integrated Communications Policy were implemented through the Agency's participation in ICT Forums and conferences and published positive messages USAASA Communications Platforms | *Achieved in Q3.<br>The Stakeholder Engagement Strategy and Integrated Communications Policy were implemented through the Agency's participation in ICT Forums and conferences and published positive messages USAASA Communications Platforms | Not applicable                    | Not applicable                 | Staff Cost           | Staff Cost         |  |

\*Even though the Integrated Communications Policy was approved in the beginning of the 3<sup>rd</sup> quarter, implementation thereof occurred parallel to the approval process, hence the reported achievement as per the operational plan.

## PROGRESS ON Q3: 2016/2017 FINANCIAL YEAR TARGETS

### CORPORATE SERVICES

| <b>Strategic Objective</b>   |  | Centre of Excellence on Universal Service and Access in South Africa  |  |                             |                             |                           |
|--|--|---|--|-----------------------------|-----------------------------|---------------------------|
| <b>Performance Indicator</b>   |  | Human capital training and development programmes aligned to organisational strategy  |  |                             |                             |                           |
| <b>Annual Target</b>   |  | Implement the organisational Work Skills Plan (WSP)   |  |                             |                             |                           |
| <b>Quarterly Target</b>  | <b>Evidence Criteria</b>                               | <b>Actual achievement</b>   |  |                             | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
|  |  | <b>Actual Achievement</b>   | <b>Deviation from the planned target</b> | <b>Reason for deviation</b> |                             |                           |
| Implement the Work Skills Plan (WSP) interventions to address identified skills gaps | Report on implementation of the Work Skills Plan (WSP) | <b>Achieved.</b><br>The following training in terms of the WSP was implemented: <ul style="list-style-type: none"> <li>Round Table Clean Audit</li> </ul> | Not applicable                           | Not applicable              | R478 000                    | R9 119                    |

|   |  |   |   |  |   |                      |                    |
|---|--|---|---|--|---|----------------------|--------------------|
| Strategic Objective                     | Optimise organisational efficiency by 2021 to support the project delivery of the Universal Service Fund |   |   |  |   |                      |                    |
| Performance Indicator                   | Optimally functional Human Resources policies and systems aligned to organisational strategy             |   |   |  |   |                      |                    |
| Annual Target                           | Review and implement functional human resources policies   |   |   |  |   |                      |                    |
| Quarterly Target                        | Evidence Criteria  | Actual achievement  |   |  | Action plan for delayed target  | Budgeted expenditure | Actual expenditure |
|   |  | Actual Achievement  | Deviation from the planned target   | Reason for deviation   |   |                      |                    |
| Review Performance & Progression policy | Board approved Performance & Progression policy  | Not Achieved. The Performance & Progression policy was still in a draft format at the end of the quarter under review | Performance & Progression policy had not yet been approved by the Board as planned in the 3 <sup>rd</sup> quarter | The Performance & Progression policy was drafted and yet to be submitted to EXCO for inputs and to BARC and Board for recommendation and approval respectively at the end of the quarter | Draft policy to be circulated to EXCO and Organised Labour Forum for inputs, and to BARC for review and recommendation for approval by the Board during the last quarter for the financial year | Staff Cost           | Staff Cost         |
|   |  |   |   |  | New delivery date   | 31 March 2017        |                    |

|  |  |  |   |   |   |                             |                           |
|--|--|--|---|---|---|-----------------------------|---------------------------|
| <b>Strategic Objective</b>               | Optimise organisational efficiency by 2021 to support the project delivery of the Universal Service Fund |  |   |   |   |                             |                           |
| <b>Performance Indicator</b>             | Optimally functional Human Resources policies and systems aligned to organisational strategy             |  |   |   |   |                             |                           |
| <b>Annual Target</b>                     | Develop and Implement an HR Service Level Agreement (SLA)  |  |   |   |   |                             |                           |
| <b>Quarterly Target</b>                  | <b>Evidence Criteria</b>   | <b>Actual Achievement</b>  | <b>Deviation from the planned target</b>                          | <b>Reason for deviation</b>   | <b>Action plan for delayed target</b>   | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
| Monitor and report on SLA implementation | Report on implementation of the HR SLA   | <p><b>Not achieved.</b></p> <p>The Human Resources (HR) SLA was approved by the Board on way of a round robin passed between the 22<sup>nd</sup> December 2016 and the 29<sup>th</sup> December 2016, implementation thereof will commence in the last quarter of the financial year</p> | <p>HR SLA was not implemented during the quarter under review</p> | <p>HR SLA was not implemented during the 3<sup>rd</sup> quarter as it was only approved at the end of the quarter</p> | <p>The HR SLA will be implemented in the 4<sup>th</sup> quarter</p> <p><b>New delivery date</b><br/>31 March 2017</p> | Staff Cost                  | Staff Cost                |



## INFORMATION TECHNOLOGY

| Strategic Objective                |  | Ensure availability of automated and integrated business processes by 2021 to support the project delivery of the Universal Service Fund   |                                   |                      |                      |                                |                      |
|------------------------------------|--|--|-----------------------------------|----------------------|----------------------|--------------------------------|----------------------|
| Performance Indicator              |  | Automated and integrated business processes  |                                   |                      |                      |                                |                      |
| Annual Target                      |  | ERP system rollout an SAP capacity building  |                                   |                      |                      |                                |                      |
| Quarterly Target                   | Evidence Criteria                            | Actual Achievement   | Actual achievement                |                      | Reason for deviation | Action plan for delayed target | Budgeted expenditure |
|                                    |  |  | Deviation from the planned target | Reason for deviation |                      |                                |                      |
| ERP System maintenance and support | Report on ERP System maintenance and support | <p><b>Achieved.</b></p> <p>The delayed targets of Quarter 1 (ERP system Go-Live) were achieved in Quarter 3.</p> <p>Subsequently, the Q2 &amp; Q3 targets for ERP support and maintenance were also achieved. This support and maintenance are for all SAP ERP systems in Dev, QA, &amp; Production.</p> | None                              | None                 | Not applicable       | Not applicable                 | R478 000             |
|                                    |  |  |                                   |                      |                      |                                |                      |

|  |  |   |  |                             |                                       |                             |                           |
|--|--|---|--|-----------------------------|---------------------------------------|-----------------------------|---------------------------|
| <b>Strategic Objective</b>   | Ensure availability of automated and integrated business processes by 2021 to support the project delivery of the Universal Service Fund |   |  |                             |                                       |                             |                           |
| <b>Performance Indicator</b>   | Automated and integrated business processes  |   |  |                             |                                       |                             |                           |
| <b>Annual Target</b>   | ERP system rollout and SAP capacity building   |   |  |                             |                                       |                             |                           |
| <b>Quarterly Target</b>  | <b>Evidence Criteria</b>   | <b>Actual Achievement</b>   | <b>Deviation from the planned target</b> | <b>Reason for deviation</b> | <b>Action plan for delayed target</b> | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
| Capacitation of IT human resources through training on SAP Critical skills | IT reports on ERP system usage and training  | Achieved.<br>IT Human Resources capacitated through SAP Technical Training during Quarter 3 | None                                     | None                        | Not applicable                        | R478 000                    |                           |
|  |  |   |  |                             | New delivery date<br>Not applicable   |                             |                           |

| <b>Strategic Objective</b>  | Centre of Excellence on Universal Service and Access in South Africa                                     |   |  |                             |  |                             |                           |
|---|--|---|--|-----------------------------|--|-----------------------------|---------------------------|
| <b>Performance Indicator</b>                                      | Percentage availability of business systems to support USAASA and USAF business processes and operations |   |  |                             |  |                             |                           |
| <b>Annual Target</b>  | 98.5% availability of business systems in line with the approved IT Service Level Agreement (SLA)        |   |  |                             |  |                             |                           |
| <b>Quarterly Target</b>   | <b>Evidence Criteria</b>   | <b>Actual achievement</b>   |  |                             | <b>Action plan for delayed target</b>                            | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
|   |  | <b>Actual Achievement</b>   | <b>Deviation from the planned target</b> | <b>Reason for deviation</b> |  |                             |                           |
| Monitor and Report on percentage availability of business systems | Report on percentage availability of business systems  | <b>Achieved.</b><br>Actual percentage availability of business systems is 99.5% | None                                     | None                        | Not applicable<br><br><b>New delivery date</b><br>Not applicable | Staff Cost                  | Staff Cost                |



## LEGAL SERVICES UNIT

| Strategic Objective   | * Provide legally sound services to the Agency by 2021 to support the project delivery of the Universal Service and Access Fund                                |   |                                   |                      |   |                      |                    |
|---|--|---|-----------------------------------|----------------------|---|----------------------|--------------------|
| Performance Indicator   | Number of days for providing **legal services in accordance with relevant legislation and policy   |   |                                   |                      |   |                      |                    |
| Annual Target   | Ensure sound legal services are provided to the Agency   |   |                                   |                      |   |                      |                    |
| Quarterly Target  | Evidence Criteria  | Actual Achievement  | Deviation from the planned target | Reason for deviation | Action plan for delayed target                            | Budgeted expenditure | Actual expenditure |
| Promote legal compliance by providing written legal opinions and/or advice within 7 working days and drafting contracts with 21 working days from date of receipt of all relevant information | Copies of written legal opinions / advice and contracts<br><br>Report on turnaround times for providing written legal opinions / advice and drafting contracts | Achieved.<br>Written legal opinions and/or advice within 7 working days and drafting contracts with 21 working days | Not applicable                    | Not applicable       | Not applicable<br><br>New delivery date<br>Not applicable | Staff Cost           | Staff Cost         |

\* Legally sound: within the parameters of the law

\*\* Legal services include the following: providing legal opinions / advice, contracts and litigation.

## RESEARCH, POLICY AND REGULATORY

| Strategic Objective  | USAASA established as a centre of excellence for universal access and universal service market information, knowledge and expertise by 2021 |  |  |   |   |                          |                    |
|--|---|--|--|---|---|--------------------------|--------------------|
| Performance Indicator  | Information on impact of the provision of universal access and universal service  |  |  |   |   |                          |                    |
| Annual Target  | Monitor and evaluate the impact of universal access and universal service provision on access gaps and disseminate the findings             |  |  |   |   |                          |                    |
| Quarterly Target   | Evidence Criteria   | Actual achievement   |  |   | Action plan for delayed target  | Budgeted expenditure     | Actual expenditure |
|  |   | Actual Achievement   | Deviation from the planned target  | Reason for deviation  |   |                          |                    |
| Consolidated impact assessment report developed on the six (6) identified USAF local areas and presented to key stakeholders | Consolidated Impact Assessment Report for the six (6) identified local municipal areas presented to key stakeholders                        | <b>Not Achieved.</b><br>Consolidation of impact assessment report on the six (6) identified USAF local municipal areas was not done by the end of the quarter under review, as such, presentation to the key stakeholders could not be conducted | Consolidation of impact assessment report on the six (6) identified USAF local municipal areas was not done end of the 3 <sup>rd</sup> quarter | The process of data analysis had not started as at the end of the quarter due to inadequate research and data analysis capacity within the agency | Agency has an annual subscription with BMI-T who can assist with data analysis at least cost<br><br>SCM process to source expert assistance has commenced with Internal Requisition | R40 000.00 excluding VAT | NIL                |

## STAKEHOLDER ENGAGEMENT

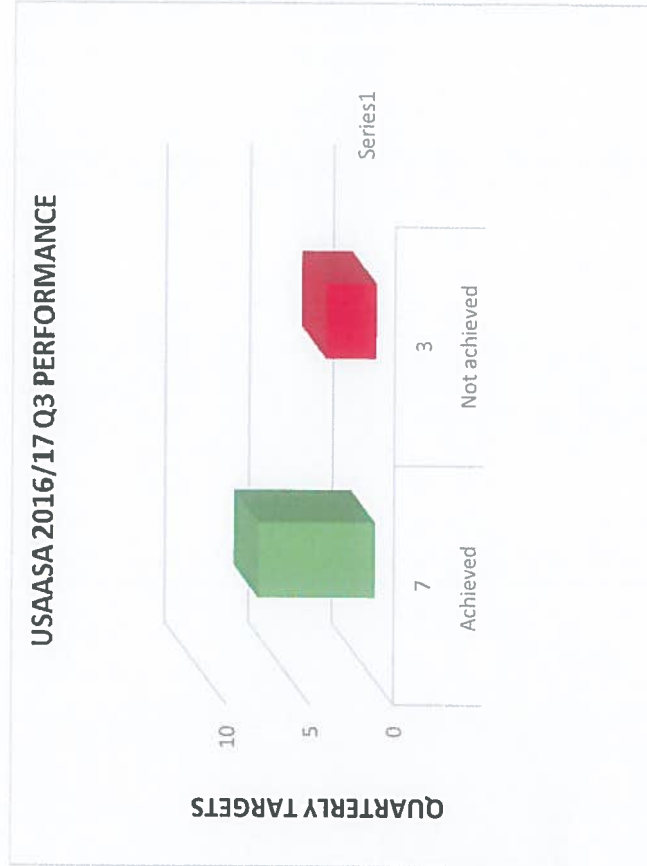
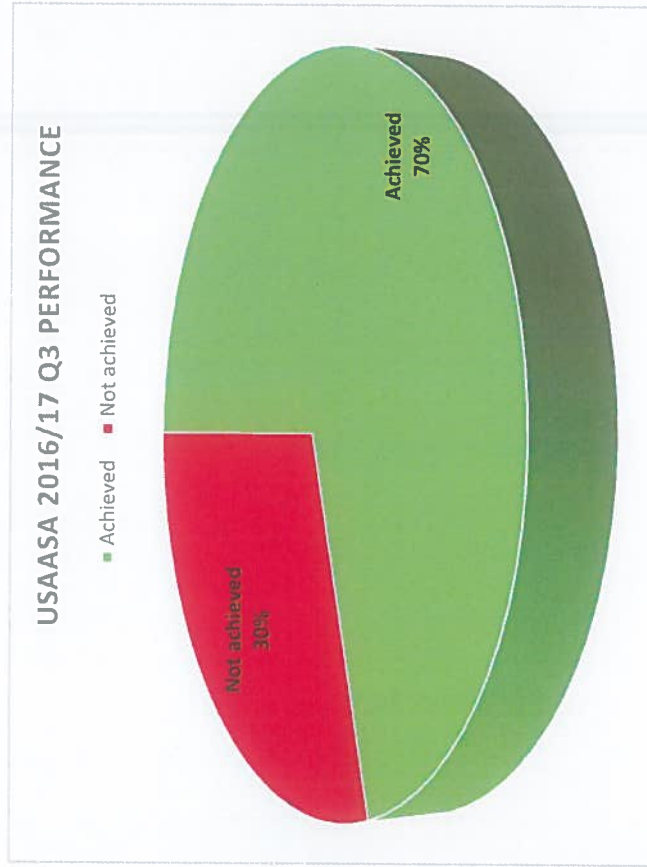
|  |  |   |  |   |                                      |                             |                           |
|--|--|---|--|---|--------------------------------------|-----------------------------|---------------------------|
| <b>Strategic Objective</b>   | Positioning the Agency as a focal point for universal service and access to ICT                      |   |  |   |                                      |                             |                           |
| <b>Performance Indicator</b>   | Positive messages about the Agency on media and social platforms                                     |   |  |   |                                      |                             |                           |
| <b>Annual Target</b>   | Implementation of the Stakeholder Engagement Strategy and Integrated Communications Policy           |   |  |   |                                      |                             |                           |
| <b>Quarterly Target</b>  | <b>Evidence Criteria</b>   | <b>Actual achievement</b>   |  | <b>Action plan for delayed target</b>   |                                      | <b>Budgeted expenditure</b> | <b>Actual expenditure</b> |
| Implementation of the Stakeholder Engagement Strategy and Integrated Communications Policy | Report on implementation of the Stakeholder Engagement Strategy and Integrated Communications Policy | <b>Actual Achievement</b><br><b>Achieved.</b><br>The Agency participated in four BDM Imbizo projects through Interviews, Branding and Exhibition in Limpopo, Free State and KZN. USAASA also participated stakeholder in (buy-in) engagement meetings through the Broadband project that is being rolled out in the OR Tambo District Municipality in the Eastern Cape. Buy-in meetings with Municipal managers for the District, as well as the (School) Principals forum: the Qumbu District were conducted during the quarter under review | Deviation from the planned target<br>Not application | Reason for deviation<br>Not application | Not application                      | R 168 000.00                | R 122 475                 |
|  |  |   |  |   | New delivery date<br>Not application |                             |                           |

## CORPORATE GOVERNANCE UNIT

| <b>Strategic Objective</b>   | Promotion of legal and regulatory compliance by 2021 to support the project delivery of the Universal Service and Access Fund |  |  |                             |   |                              |
|--|---|--|--|-----------------------------|---|------------------------------|
| <b>Performance Indicator</b>   | Clean administration in compliance with applicable legal and regulatory prescripts  |  |  |                             |   |                              |
| <b>Annual Target</b>   | Compliance with the Public Finance Management Act (PFMA) and Treasury Regulations Checklist for Public Entities               |  |  |                             |   |                              |
| <b>Quarterly Target</b>  | <b>Evidence Criteria</b>  | <b>Actual achievement</b>  |  |                             | <b>Action plan for delayed target</b>                     | <b>Budgeted expenditure</b>  |
|  |   | <b>Actual Achievement</b>  | <b>Deviation from the planned target</b> | <b>Reason for deviation</b> |   |                              |
| Monitor and report on organisational compliance with the PFMA and Treasury Regulations Checklist for Public Entities | PFMA and Treasury Regulations Compliance Checklist  | Achieved. PFMA and Treasury Regulations Compliance Checklist updated for Quarter 3 | Not applicable                           | Not applicable              | Not applicable<br><br>New delivery date<br>Not applicable | Staff Cost<br><br>Staff Cost |

## SUMMARY OF USAASA Q3 PERFORMANCE

The below graphs depict the Agency's achieved quarterly targets against the planned quarterly targets in the 2016/17 approved Annual Performance Plan for the third quarter. Seven (7) of the ten (10) planned targets were achieved, being 70% of the total planned targets, and three (3) of the ten (10) planned targets were not achieved, being 30% of the total Q3 planned targets.





## SUMMARY OF CUMULATIVE 2016/17 USAASA PERFORMANCE

The below graphs depict the Agency's achieved cumulative quarterly targets against the planned quarterly targets in the 2016/17 approved Annual Performance Plan at the end of the third quarter. Twenty-four (24) of the thirty-two (32) planned targets were achieved, being 75% of the total planned targets, and eight (8) of the thirty-two (32) planned targets were not achieved, being 25% of the total planned targets.

