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2009/10 ANNUAL REPORT

Accelerating Universal Service and Access in South Africa



OUR VISION

By 2020 USAASA, with its partners, will have created an environment where every man, woman and child whether living in the remote areas of the Kalahari or in urban areas of Gauteng will be able to connect, speak, explore and study using ICT.

OUR MISSION

To facilitate and maintain universal service and access to ICT services to all South Africans in partnership with stakeholders to achieve an inclusive information society.

OUR VALUES

- Batho Pele - We believe in the provision of excellent service to all our customers and stakeholders.
- Ubuntu - We promote an environment of humanness, caring and support.
- Integrity - We uphold high standards of trust, honesty and respect in our interaction with all stakeholders.
- Innovation - We support employee creativity in delivering all our services.
- Transparency - We encourage openness in all our activities.
- Accountability - We foster employee ownership and responsibility in ensuring quality service.
- Teamwork - We endeavour to create a harmonious work environment where all employee views and contributions are respected.

OUR STRATEGIC OBJECTIVES

- To make ICTs available, accessible and affordable to all South Africans through the provision of funding from USAF, in collaboration with the ICT stakeholders.
- To undertake continuous research to promote, encourage, facilitate and offer guidance regarding Universal Service and Access, with a view to inform policy and regulatory processes.
- To monitor and evaluate the extent to which Universal Service and Access have been achieved in order to assess the impact of the ECA in this regard.
- To ensure the optimal functioning of the Agency by strengthening its current strategic and operational capabilities in order to deliver on its mandate.

GLOSSARY OF TERMS



Agency	USAASA
BPR	Business Process Re-Engineering
CTO	Commonwealth Telecommunication Organisation
DBSA	Development Bank of Southern Africa
DoC	Department of Communications
DoE	Department of Education
ECA	Electronic Communications Act
EXCO	Executive Committee
FET	Further Education and Training
GCIS	Government Communication Information System
GAAP	Generally Accepted Accounting Principles
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technology
IDC	Industrial Development Corporation
ISSET SETA	Information Systems, Electronic and Telecommunications Technology Sector
MDDA	Media Diversity and Development Agency
MoU	Memorandum of Understanding
MPCC	Multi-Purpose Community Centre
NCRF	National Community Radio Forum
PFMA	Public Finance Management Act
PIT	Public Information Terminal
PUSANO	Provincial Under-Serviced Area Network Operator
SABC	South African Broadcasting Corporation
SCM	Supply Chain Management
SKA	Square Kilometre Array
SLA	Service Level Agreement
SMME	Small, Micro And Medium Enterprises
SOE	State Owned Entities
ToR	Terms of Reference
USAF	Universal Service and Access Fund
USAL	Under Serviced Area Licenses
USAASA	Universal Service and Access Agency of South Africa

TABLE OF CONTENTS

CHAIRPERSON'S STATEMENT	1
A MESSAGE FROM THE CEO	3
THE BOARD PROFILE	6
UNIVERSAL SERVICE AND ACCESS FUND REPORT	11
1. USAF PROJECTS DIVISION	14
1.1. Implementation of Handover Strategy for Community ICT Access Centres and E-School Cyberlabs USAF Report	14
1.2. Internet Connectivity	15
2. RESEARCH AND STRATEGY DIVISION	16
2.1 Research, Policy and Regulatory Advice	17
2.2 Monitoring & Evaluation and the Development of ICT Indicators	18
3. REPORT AGAINST PRE-DETERMINED OBJECTIVES	19
UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA (USAASA)	24
4. NON-FINANCIAL NON-CORE PERFORMANCE REPORT	25
4.1 Legal and Regulatory Division	25
4.2 Human Resources Division	26
4.3 Internal Audit Division	28
4.4 Corporate Affairs Division	28
4.5 Finance and Supply Chain Management	28
5. ACCOUNTING AUTHORITY'S REPORT	
BOARD OF DIRECTORS' CORPORATE GOVERNANCE REPORT	29
5.1 USAF Projects Sub-Committee	33
5.2 Human Resources and Remuneration Sub-Committee	33
5.3 Research and Policy Sub-Committee	33
5.4 Audit and Risk Management Sub Committee	35
UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA ANNUAL FINANCIAL STATEMENTS	36
UNIVERSAL SERVICE AND ACCESS FUND OF SOUTH AFRICA ANNUAL FINANCIAL STATEMENTS	60



CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors of the Universal Service and Access Agency of South Africa, I am greatly honoured to present the audited financial statements of the Universal Service and Access Fund and Universal Service and Access Agency of South Africa for the financial year ending 31 March 2010.

Indeed this has been a year filled with challenges and excitement especially considering the fact that there was a transition within the Board at the end of November 2009. The challenges that we have encountered when we took over the reins have made us more determined to create an Agency that continues to strive to deliver a better life for communities in under serviced areas. Communities throughout South Africa are relying on better government services to improve their socio-economic situations and Information and Communication Technologies are critical in this regard. The challenge is that ICTs are the gateway and more work is, therefore, required in the public awareness and stakeholder relations space in order to achieve the maximum impact of such services.

Mr Louis L Moahlodi

During the year under review the Board working closely with Management to ensure that it reviewed and fast tracked the development of the Agency's five (5) year Corporate Strategy which was approved in November 2009. The purpose of this Corporate Strategy, critically its 2020 Vision, placed the Agency in the centre of service delivery. By aligning the strategy to government's Medium Term Strategic Framework (2009-2014) and the country's Millennium Development Goals, the Agency is sending a clear message that it has definitely turned the corner. The onus is now on Management to develop projects and programmes that will ensure that every woman, man and child, irrespective of geographical location, would have the ability to utilise ICTs for their development. The strategy also provides the Agency with the opportunity to pursue proper deployment of broadband infrastructure and services in under-serviced areas. The country can no longer afford to neglect these communities or the benefits associated with broadband availability.

We had to be honest with ourselves that the speed of our interventions has not been on a par with the speed of the industry. We also took note of the fact that the Agency is capable of driving the course for Universal Service and Access in the country and based on this belief and commitment we created and approved a corporate strategy that focused on how to take this country forward. Through this strategy and in ensuring that we improve service delivery the Agency undertook various key projects during the financial year and these included:

- Rapid deployment of new Access Centres
- Development of the Universal Service and Access strategy
- Development of the Universal Service and Access Fund manual
- Upgrading of the IT network and equipment for USAASA

USAASA relied heavily on the sourcing of service providers to assist in meeting the required targets. A tendering process was undertaken in October 2009 with recommendations submitted to the Board for approval in November 2009. However, due to the expiry of the term of most members of the board, there was not sufficient time for the new board members to acquaint themselves with the tender processes. The tenders

therefore had to be re-advertised and are now due for adjudication.

Indeed the Board did recognise the serious impact of such delays, particularly in view of the fact that this resulted in underspending during the financial year under review. In mitigating this challenge the Board resolved to re-prioritise the budget and the projects for the 2010/11 financial year. This means, therefore, that there would be serious pressure on the internal resources to compress two years of work into one financial year and with the internal changes to balance our human resources, I am confident that we will deliver as expected.

Despite the above challenges, as the Board we are excited and pleased with the progress and achievements during this financial year. The Agency has continued to play its critical role of policy advisory to both Ministry (Department of Communications) and to the Authority (Independent Communications Authority of South Africa). In maintaining our high standards, we officially presented to the Minister the document on Definitions of Universal Access, Universal Service, Under-Serviced Areas and Needy Persons. Although the process took longer than expected, I am proud to announce that the Minister adopted the final recommendations on Universal Service and Universal Access by publishing the determinations in Government Gazette No. 32939 on 08 February 2010. The work, however, still remains since the determination of Under-Serviced Area has not been issued by ICASA.

The Agency continued to play a critical role in various discussions especially in the African Universal Service and Access Fund Association in which the Agency holds the seat of Second Vice-Chairperson. My hope is that USAASA's participation in this forum will continue to bear fruit and that the Agency will be able to learn from other international best practises that could assist in the South African environment and improve the lives of our people.

I also take cognisance of the fact that USAASA's role in the Broadcasting Digital Migration has so far been limited to the usage of the Universal Service and Access Fund to subsidise needy households. I also appreciate the work done by Management to ensure that the Agency continues to remain abreast of all

developments on this project. I believe that the Agency's request to the Minister for a permanent seat in the Dzonga will showcase its desire to assist government in rolling out this massive project successfully. In preparation for this project, the Agency ensured that it utilises the capacity building budget provided for project management and other critical skills required to manage a project of such magnitude.

As part of improving the Agency's effectiveness for service delivery, we need to recognise the fact that the challenges of Universal Access and Universal Service are not for the Agency alone. It is, therefore, critical that in our quest to shape the future, we should also attract relevant partners and improve our working relationships with them. The Corporate Strategy is achievable but it can also become a nightmare to implement if USAASA does not invite relevant partners. Both private and public sector institutions are critical in the quest to provide better services to communities.

USAASA thanks the Minister of Communications for the injection of vigour and purpose in its mandate. This Agency is at the coal face of delivery and has no choice but to do exactly that. I would also like to take this opportunity to thank my fellow board members for the support provided so far during the past few months. I recognise your dedication, professionalism and enthusiasm in leading USAASA to greater heights and based on the commitment shown so far, though the road ahead looks challenging I am confident that we will meet all expectations. I also acknowledge the work of the previous Board Chairperson, Ms. Cassandra Gabriel and other Board members whose terms ended during the financial year. Through your hard work we have adopted an organisation that has made great strides in the course for Universal Service and Access provision.

To the management and staff of the Agency, we extend our appreciation of the work done; the results reflected in this Annual Report are an indication of your hard work especially during the challenging times that we experienced this year. South Africa has taken great strides so far and it is now upon our shoulders to take it further in order to realise the Gauteng to Kalahari dream we have committed to.



Louis L Moahlodi

Chairperson: Board of Directors

A photograph of Mr Phineas Moleele, the Chief Executive Officer, sitting on a dark leather armchair. He is a middle-aged man with a beard, wearing a grey suit, a blue shirt, and a blue tie. He is smiling and looking towards the camera. His hands are clasped in his lap. He is wearing a watch on his left wrist and a ring on his left hand. The background is a large, curved window with a dark wooden frame, looking out onto a residential area with houses and a white car. The floor is made of light-colored square tiles.

A MESSAGE FROM THE CEO

Mr Phineas Moleele - Chief Executive Officer

Leadership and clarity of purpose are the cornerstones of progress, whether it is within the confines of a company or a country as a whole. We have seen this in action with the success South Africa achieved in hosting the 2010 FIFA Soccer World Cup. As each deadline was met we came a step closer to fulfilling our obligations to the world. Moreover, the Soccer World Cup was an example of what could be achieved when the public and private sectors work together towards a common goal.

As the Agency's new CEO, I gratefully acknowledge the great work done by my predecessor. I take this opportunity to present this review of USAASA's activities for the Financial Year ending 31 March 2010.

The Universal Service and Access Agency of South Africa consists of five supporting business units - Finance (including Supply Chain Management), Corporate Affairs (including IT), Legal and Regulatory, Human Resources and Internal Audit. For the purposes of this report the two core divisions, Research and Strategy and USAF Projects have their performance discussed under USAF Performance Report.

Our previous financial year saw us dealing with legacy projects which impacted on the way in which we have been perceived by our stakeholders. These changes were not unique to USAASA as the impact of a change of administration was felt across every sphere of government. Instead of simply abandoning them, key projects that could not be completed were moved forward to this financial year as we realigned ourselves to new targets. Additionally, the Universal Access strategy which is used to map out coverage to under-served and rural areas needed to be defined. What is Universal Access? Which areas require it? What will it cost? These questions needed to be answered within the terms of the framework in which we operate.

Historically, we have been seen as a telecentre Agency and only involved in small initiatives such as our 154 Telecentre and 362 Cyberlab projects and the funding of Under-Served Area licensees, which did not achieve the levels we expected. We seemed to lack the roadmaps that would enable us to determine what was needed to meet the demand for universal access.

At the end of 2009 we drafted a Corporate

Strategy which recognised the fresh thinking of the current administration's developmental agenda. This Corporate Strategy assisted us in the development of the necessary frameworks that would allow for a more collaborative approach to providing solutions. Importantly it positions us in a more facilitative role within the ambit of our mandate, as compared to our previous approach as an implementation agency. In the event that an intervention is required, it would aid us in identifying the relevant stakeholders with a view to co-opting their input in crafting solutions based on recommendations from USAASA. At the same time it would allow the Department of Communication, as the executive authority, to make its pronouncements on the types of policies and types of financial assistance through National Treasury that would enable USAASA to deliver on the solution in an environment of collaboration and engagement that was not previously achievable.

The Corporate Strategy has been crafted to look into our Vision 2020 which seeks to ensure that by the year 2020, every man, woman and child from Gauteng to the Kalahari will be able to engage ICTs to participate in the knowledge economy whether it is to study, work or simply play. To achieve this, USAASA has to play a key role in the areas of broadband infrastructure, connectivity and in digital broadcast migration.

USAASA now has three clearly defined roles – to deliver infrastructure to under-served and rural communities which have been clearly identified, mapped and matched to a timeline; to identify and

incentivise partners to build the connection to the last mile and any other initiatives that may be carried through partnerships with municipalities and national government. The biggest value drivers are for the content providers and USAASA is set to play an active role in fostering relationships designed to deliver systems, software and content that would benefit users.

Looking ahead, 2010 to 2011 will be the amalgamation of two years of work and our Rapid Deployment Project is a proof of concept of how our new targets can be achieved successfully. The project saw USAASA assist communal Access Centres in creating partnerships with service providers in order to accelerate a single roll out as opposed to attempting it piecemeal. We also opted for solutions that worked best according to each situation instead of applying a single one-size-fits-all approach. For example, what works in a rural area may not be suited to an urban environment. The Rapid Deployment Project would see 100 Access Centres deployed in a short space of ten to eleven months. This shows us that, with proper leadership and a defined vision, we can complete two years work in a single year.

Our new approach to projects ensures that key areas are clearly defined. For example, broadband had, until recently, remained vague, leaving us with the question of what exactly is the ideal minimum to qualify for the term broadband. Government's proclamation that 256 kbps be the minimum level for broadband provides us with a base line to work from for existing and future projects.

With these definitions in hand we need to galvanise the private and public sectors to join us and work from a single blueprint. We call on critical institutions such as government funded financial organisations, SOEs, national departments and youth and disabled organisations to assist in the co-subsidisation of projects. We need to consolidate our efforts to create a single, universal network instead of layers and silos of ICT that serve only the needs of a few entities. Our goal is to operate USAASA in an advisory capacity to provincial governments which have, up to now, relied on their own strategies which tended to duplicate national priorities.

The Minister has made it known that he expects broadband penetration to grow from 2% to 15% during his period of office and his vision identifies USAASA as the

key platform for delivering connectivity. We could double this target if we are able to shed greater light for our partners on government's ICT plans. To this end we have engaged in initiatives designed to increase our visibility in provinces and to make ourselves the advisor of choice for the ICT plans of all provinces. We are addressing issues relating to funding and taking decisive steps in ensuring that our input is realised in achieving greater value for money for all ICT projects.

The challenges truly begin now as the roadmap has been drawn and we are prepared to move to the next level in areas of digital broadcast migration and addressing the ICT needs of the youth and the disabled. The paradigm shift in our thinking has redefined our role as a platform builder for creativity and participation in the knowledge economy.

USAASA must be judged according to where it is going and not from where it has come. The improvements made in our systems and processes; our clear vision and road map for the future of ICT; the renewed vigour and trusted partnerships we have developed will stand us in good stead where the prize is to see a child who lives in a rural village as a part of a global community instead of isolated from the rest of the world. I believe we are well on the way to achieving that dream.

I would again like to take this opportunity to acknowledge the efforts and hard work of former Acting CEO, Winile Lamani, and all staff of USAASA in contributing to building the Agency into what it is today and what it aims to achieve.



Phineas Moleele

Chief Executive Officer

THE BOARD PROFILE



Mr Louis L Moahlodi

Chairman: Board of Directors (Current)
 Board Term: 1 December 2009 – 30 November 2012
 Qualifications: BA Degree (Economics & Development Sociology), MBA, Ph.D (In Progress).

Mr Moahlodi is the founder and sole Director of Tradeworx 26 (Pty) Ltd, trading as Endet Resources Consulting and the Managing Director of Moahlodi Global Investments. His area of expertise includes, amongst others, strategic planning and management, integrated development planning, institutional development, organisational design, information communication technology, change and

performance management. Mr Moahlodi has been involved in assisting a number of sectors as a professional service provider with specialised services on policy formulation, alignment of provincial and national government programmes with the focus on strategic goals.

Mr Moahlodi has also been involved in

different community structures such as community-based organisations, non-governmental organisations and he was an ANC Councillor for the former Welkom Municipality (Matjhabeng) where he actively participated in a number of Standing Committees.



Cassandra Gabriel

Chairman: Board of Directors (Former)
 Board Term: 1 December 2006 – 30 November 2009 (term expired)
 Qualifications: Degree in Fine Art, an Honours Degree in Gender Studies and has completed numerous courses on literacy facilitation, adult education, management, telecommunications and mobile and satellite technology in South Africa, Mauritius, London, Bath and Cyprus. She is currently completing her Masters thesis in Business Leadership at the University of South Africa.

Ms Gabriel has strategic management experience at an executive level in Government, the telecommunications and defence industries. She founded Gabriel & Associates, a strategy and communications consulting company, in 2005.

Previously, she worked for Denel as the Chief of Staff (Executive) in the Office of the CEO. She was a Director on the Board of South Africa's Aerospace, Maritime and Defence Industry Body (AMD). While at Denel, Ms Gabriel represented the company in national defence delegations to Brazil, the United Arab Emirates, India and during the Presidential State Visit to France.

In 1993 she worked as the Media Officer for

the African National Congress (ANC) in the Natal Midlands Region, KwaZulu Natal Province. She worked for the NGO, Culture & Working Life Project, at the University of Natal Durban before heading up the KwaZulu Natal Education Programme of the Constitutional Assembly in Parliament, in 1995 during the drafting of the country's new constitution. Ms Gabriel became spokesperson for Minister Pallo Jordan, then Minister of Environmental Affairs and Tourism, as his Media Liaison Officer in 1996, before joining Telkom's Government Relations and later Regulatory and Public Policy divisions in 1998.

During Ms Gabriel's six years at Telkom, she managed Telkom's Parliamentary Liaison Office in Cape Town as a Senior Manager;

was promoted to Executive to form a new unit, e-Society Initiatives; and was responsible for cabinet liaison and later managed the team of Telkom's regulatory lawyers in the Regulatory & Public Policy division. She was also seconded twice to the Ministry and Department of Communications, firstly during Africa Telecom 98 and secondly to assist with the policy preparations for the Initial Public Offering (IPO) of Telkom and the appointment of policy advisors for the introduction of the Second Network Operators.



Dr Gabriele Celli

Member: Research & Policy and USAF Projects Sub-Committee
 Board Term: 1 November 2008 – 31 October 2011
 Qualifications: Dr of Electronic Engineering, University of Rome; BCom (Economics) Unisa; Advanced Executive Program, Unisa Business School.

Dr Celli is currently an Executive in the Regulatory and Public Policy division of Telkom SA. Dr Celli joined the Department of Posts and Telecommunications as an engineer in 1967 and worked in the technical division until 1991. In 1989 he joined the newly formed Corporate Strategy division and subsequently was responsible for establishing the strategic planning function in Telkom.

Dr Celli participated in establishing the National Telecommunications Forum (NTF), a body representative of all stakeholders in the Telecommunications sector, whose main objective was to develop policy options for the restructuring of the sector in South Africa.

In 1994 Dr Celli was appointed by the then Minister of Communications, Dr. Pallo

Jordan, to the technical task team responsible for developing the consultative Green Paper on Telecommunications Policy and subsequently to the technical task team that developed the White Paper on Telecommunications Policy which formed the basis for the Telecommunications Act, 103 of 1996.



Ms Berenice Francis

Member: Audit & Risk Management and USAF Projects Sub-Committee
 Board Term: 1 August 2007 – 31 July 2010
 Qualifications: BCompt (Hons); Certified Internal Auditor.

Berenice Francis is currently the Executive - Risk, Transformation and People Development at Imperial Holdings. She started her career as an articled clerk at Andersen and later moved to its Risk

Consulting division. Prior to joining Imperial Holdings she headed the risk functions of the State IT Agency and the City of Johannesburg where she also acted as the Head of Internal Audit. She is a past

Board member and Regional Governor of the Institute of Internal Auditors and is the current Vice President of IRMSA (Institute of Risk Managers of South Africa).



Mr Vusi Ngcobo

Chairperson: Human Resources & Remuneration Sub-Committee
 Board Term: 1 March 2010 – 29 February 2013
 Qualifications: BCom (Marketing); MBA (In Progress).

Mr Ngcobo is currently the Business Development Manager for the Yum International Group. His role includes the management and development of existing and new Kentucky Fried Chicken (KFC) outlets in Southern Africa. Mr Ngcobo also assists with the development of a rolling market plan for the region including optimal trade zone designation amongst franchisees and to provide them

with market related information to plan their development.

Mr Ngcobo is required to interact with franchisees to identify and recommend new sites for expansion and/or relocation of the store network and targeting specific priority areas for the company. He provides economic input for development proposals using the Business Economic

Model and assists franchisees in their understanding and use of the concept. He also develops and maintains strategic relationships with real estate owners, brokers and developers to ensure that KFC is a first choice tenant in prime locations.



Mr Bheki Maduna

Member: Audit & Risk Management and HR & Remuneration Sub-Committees
 Board Term: 1 November 2008 – 31 October 2011
 Qualifications: Hons B Compt; CTA; Member of SAICA and Institute of Internal Auditors.

Mr Maduna is currently the Deputy Director General responsible for Corporate Services at the Department of Labour. He left Gobodo Inc in September 1997 and Cross-Border Road Transport Agency as a Financial Manager. Mr Maduna joined Gobodo Corporate Finance in January 1999 as Manager Corporate Finance and has been part of the team that undertook the Under-Spending Project by DPSA on behalf of FOSAD; drafted proposals to

DWAF and DPE for transaction advisors on disposal of state owned forests; performed due diligence of MKTV and defined the roles and responsibilities of the Contract Management Unit (CMU) for Johannesburg Metro with regard to Utilities, Agencies and Corporitised entities (UACs).

He joined Ngubane & Company in June 2002 as an Audit Manager where he

managed supervisors, internal auditors and trainee accountants reporting to the partners. He also successfully completed internal and external audit assignments and was seconded to CIPRO as Chief Financial Officer.

He rejoined AloeCap in August 2003 as a Senior Consultant responsible for the monitoring of all the municipalities in Mpumalanga reporting to the DPLG.



Professor Maredi Mphahlele

Chairperson: USAF Projects Sub-Committee and Member of Research & Policy Sub-Committee
 Board Term: 1 August 2007 – 31 July 2010
 Qualifications: SSTC; BSc (UNISA); MSc (UNIN).

Prof Mphahlele is currently the Acting Deputy Dean at the Tshwane University of Technology. He has been a Director in the Center of Excellence (UNIN) Network Research Unit and a senior lecturer at the University of Pretoria in the Department of Computer Science.

Prof Mphahlele was also a lecturer at the University of the North in the Department of Computer Science where he was

appointed as a Chief Education Specialist responsible for ICT in the province.

Prof Mphahlele has published an M.Sc paper in an International Journal and was involved in writing and presenting several papers to various conference proceedings. He has also presented two papers to the Tshwane University of Technology to students in paralegal studies on the origin of labour as well as the role of metaphors

in organisation theory.

Currently he is involved in the formulation of a mathematical model to estimate and predict ICT practitioner skills (e-skills deficiencies) needs of the future, through the use of cross-impact analysis techniques and goal programming.



Professor Shaun Pather

Chairperson: Research & Policy Sub-Committee and Member of USAF Projects Sub-Committee
 Member: Audit & Risk Management and USAF Projects Sub-Committee
 Board Term: 1 November 2008 – 31 October 2011
 Qualifications: Doctor of Technology (IT); MPA; PGDPA; AUDPA; FDE.

Prof Pather is currently Associate Professor in the Faculty of Informatics & Design at the Cape Peninsula University of

Technology, having been previously based at UKZN. He has over twenty years of experience in the ICT education and

training environment, and has rich history of community activism and involvement with labour and civic organizations.

As an academic he has two key research foci in the ICT domain - the uptake and usage of ICTs for socio-economic benefit and related policy development; and the evaluation of ICT effectiveness in both e-Commerce and public access contexts. In terms of the former he is committed to leveraging his research for societal transformation and has led several projects with government and the private sector.

Prof Pather's professional experience includes project management, human resource management, financial planning and marketing management.

He has authored a number of research publications in refereed journals and has presented seminars and papers at several international conferences. He serves on a number of editorial boards including as

associate editor of the international Journal of Community Informatics. Prof Pather is the recipient of a Fulbright Visiting Scholar Award and collaborated with The Global Impact Study of Public Access to ICTs and the Public Access ICT Landscape Study at the University of Washington between September 2009 and May 2010.



Zingisa Mzaidume

Chairperson: HR & Remuneration Sub-Committee
 Board Term: 1 March 2007 – 28 February 2010 (term expired)
 Qualifications: BA (UWC); PDM (WBS)

Ms Mzaidume has been the driving force in the establishment of her consulting company, Hapiloe & Associates which has been in operation since 2005. In the past five years Hapiloe & Associates has been the Project Lead in the various change management consulting assignments her company has executed either singly or in

partnership with both small and big multinational consulting firms such as Price Waterhouse Coopers, Ernst and Young and Adam Smith International (ASI).

She has over 18 years experience made up of over 10 years working experience

and eight years management consulting experience gained in both public and private sector institutions in manufacturing, banking, energy and technology industries in Africa including the Federal Inland Revenue Service in Nigeria.



GROUP EXECUTIVE MEMBERS OF THE UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

FROM LEFT TO RIGHT

Ms. Saré Grobler (Board Secretary), Ms. Linda Ngcwembe (Acting Chief Financial Officer and Financial Manager), Mr. Trevor Nivi (Senior Manager - Research and Strategy), Mr. Winile Lamini (Former Acting Chief Executive Officer and Head of USAF Projects), Ms. Makhotsa Moiloa (Head of Corporate Affairs), Mr. Phineas Moleele (Former Head of Legal & Regulatory Affairs and current Chief Executive Officer), Mr. Jimmy Mashiane (Chief Audit Executive).





UNIVERSAL SERVICE AND ACCESS FUND REPORT

Winile Lamani

It has been a year that has seen considerable changes both from outside and within the Agency, ultimately impacting on the overall completion of the projects. Delays became inevitable as a change in government as well as board leadership forced the Agency into realigning its framework and goals.

As a result of this realignment and the finalisation of its Corporate Strategy, the Agency is better positioned to plan for future projects as well as ensure the sustainability of legacy projects. Projects delayed in the previous financial year have been moved forward to the year under review; new partnerships have been developed to ensure a quicker and more efficient roll out of projects; and a view to providing “best fit” solutions based on individual needs as opposed to a one-size-fits-all approach has been adopted.

The key USAF projects are as follows:

- The handover of community ICT Access Centres and school Cyberlabs
- Facilitation of Internet connectivity to schools and Access Centres
- The rapid deployment of new Access Centres
- The development of the Universal Service and Access Fund Manual
- The subsidisation of Internet connectivity at Further Education and Training (FET) colleges

The strategy for the handover of community ICT Access Centres and school Cyberlabs was finalised during this financial year with the aim of rehabilitating legacy Access Centres and ensuring their sustainability as well as handing over Cyberlabs to the Department of Education. The tender for a service provider went out in September 2009 and XON was appointed. It was, however, found that far more work was required than originally anticipated and therefore the project was divided into phases.

The first phase called for an audit of 154 Access Centres countrywide in order to compile a report on what resources each centre had and what they required. The second phase identified priority projects – in this case 100 schools and 38 Access

Centres – with the aim of completing this phase by the end of September 2010. The third phase covered the rehabilitation of the centres including the procurement of new equipment, installation of infrastructure and systems, testing, commissioning and final handover to the relevant groups and Department of Education. The handover was delayed as procurement took longer than anticipated. However, all priority projects were completed and we are poised to continue roll outs.

USAF utilised its existing contracts with service providers to facilitate the provision of Internet connectivity to school Cyberlabs and community Access Centres. Internet access subsidies were disbursed and a review of the project executed to consider new technologies that could better achieve the goals of connectivity.

The rapid deployment of new community Access Centres in rural and under-served areas was based on a target of 100 centres. USAF relied heavily on the sourcing of service providers to assist the Fund in meeting its target and to this end a tendering process was undertaken in October 2009 with recommendations submitted to the Board for approval in November 2009. Government administration and leadership changes at Board level, however, resulted in all tenders being placed on hold while new leadership was put in place. The tender was re-advertised and results re-submitted to the board for evaluation. As a result of the delay, an application for roll-over has been made to the Department of Communications and National Treasury and USAASA is currently awaiting a response in order to finalise the projects in the 2010/11 financial year.

The Fund also undertook a project to develop a Universal Service and Access

Fund Manual with the purpose of operationalising the application of the fund, provide guidelines to beneficiaries on how to access the Fund and set down procedures that USAF and its stakeholders would be required to follow in the future.

Subsidies via USAF were provided to 18 FETs throughout South Africa over the last two years in relation to connectivity. The Agency continues to review the existing relationship with the FETs in order to correctly reflect the individual needs of each institution.

The subsidy agreements were renegotiated and new agreements signed per college to ensure a more efficient subsidisation mode.



The Universal Service and Access Fund (the Fund), was established in accordance with the provisions of Chapter 14 of the Electronic Communications Act (ECA), No 36 of 2005. The mandate of the Fund is to subsidise projects and programmes that strive to achieve Universal Service and Access to Information and Communication Technologies (ICT) by all South Africans. Section 88 of the ECA stipulates that the Fund should be used exclusively for payment of subsidies in the following manner:

- To assist needy persons towards the cost of provision to, or the use by, them of broadcasting and electronic communications services;
- To public schools and public Further Education and Training (FET) Institutions for the procurement of broadcasting and electronic communication services and access to electronic communication networks;
- For the establishment and operation of broadcasting services and for the establishment and operation, including training of and the payment of allowances to personnel of centres where access to electronic communication networks can be obtained;
- To any broadcasting service licensee and electronic communications network service licensee for the purpose of financing the construction or extension of electronic communications networks in under-served areas.

During the year under review, the USAF was allocated an amount of R36, 427, 000. The following projects were earmarked for funding from this allocation:

- Implementation of handover strategy for Community ICT Access Centres and E-School Cyberlabs;
- Facilitation of internet connectivity to schools and Access Centres;
- Implementation of Rapid Deployment of new Access Centres strategy;
- Development of a Universal Service and Access Fund Manual.
- Subsidise internet connectivity at the FET colleges.

1. USAF PROJECTS DIVISION

1.1. IMPLEMENTATION OF HANDOVER STRATEGY FOR COMMUNITY ICT ACCESS CENTRES AND E-SCHOOL CYBERLABS

During the 2009/2010 financial year, a handover strategy was finalised with the aim of ensuring that the existing legacy Access Centres are revitalised and made sustainable through the promotion of empowerment of SMMEs and encouraging partnerships with various stakeholders. The target was to hand over a total of 38 community Access Centres and 100 Cyberlabs to different owners and relevant government departments. A service provider was appointed and briefed to deal with the following phases of the project:

Phase 1: Conduct an audit and needs assessment of all Access Centres that had been deployed by the Agency throughout the country. This process required the service provider to visit each Access

Centre, focusing on assessing the Access Centre's current technical situation, its management and governance structures, the level of skills of personnel employed by the centre and its level of sustainability. During the year under review, the service provider was appointed and a two month long audit and needs assessment process was then undertaken which resulted in findings on key issues related to the "as-is" situation at over 390 Access Centres countrywide. The methodology used in this process was that of questionnaires completed by Access Centre managers and school principals and technical assessments of hardware equipment and software systems.

Phase 2: Following the results of the audit and needs assessment, it was required that

the service provider procure equipment for and rehabilitate all Access Centres where rehabilitation was required. The target for the year under review was a total of 38 community Access Centres and 100 school Cyberlabs. Equipment was procured for all targeted Access Centres and installed by the service provider. Further to the target of rehabilitating the centres, handover agreements would have been signed with all relevant governance structures. However, the process of needs assessment took longer than expected. USAASA is currently in a consultations process with key stakeholders.



1.2. INTERNET CONNECTIVITY

1.2.1. Further Education and Training Institutions

Over the past two financial years the Agency has, through the USAF, been subsidising internet connectivity to 18 FETs around the country. The main focus was the review of existing relationships with the FETs and strengthening the reporting mechanisms between USAASA and these institutions. It has been noted that each college had its own dynamics and connectivity requirements which required the Agency to look at each college individually based on its own unique needs.

Further to this review, subsidy agreements were renegotiated with each college and new agreements were signed, with unique subsidy allocations per FET college. This was seen as a more effective and efficient mode of subsidising connectivity for higher learning purposes.

Based on the compliance reports received from all stakeholders involved in the project including the Department of Communications, Department of Education and FETs, the Agency continued to fund connectivity to these institutions.

1.2.2. Facilitating Internet Connectivity to Community Access Centres and School Cyberlabs

USAASA has existing contracts with service providers to provide Internet access to schools and Cyberlabs. The Agency disbursed subsidies for the payment of Internet access as per the contracts. However, the process of handing over these centres required that this project also be reviewed considering the latest and more effective technologies that could better achieve the goal of connecting the centres to Internet.

1.2.3. Deployment of Access Centres In Under-Serviced Areas

The Agency had a target of 100 Access Centres to be deployed as part of its business plan. The process of deploying these Access Centres relied heavily on the sourcing of service providers to assist the Agency in meeting the target. A process of inviting interested service providers through a tendering process was undertaken by the Agency in the second quarter of the financial year under review with recommendations submitted to the Board for approval.

However, the changes in the governmental administration and the Board of USAASA necessitated a delay in completion of the tendering process subject to the new leadership acquainting itself with all internal processes. An application for the roll-over of the funds has been submitted via the Department of Communications to the National Treasury.

1.2.4 Development of a Universal Service and Access Fund Manual

The development of this manual with the relevant procedures and processes of accessing the fund required that USAASA follow a tendering process to source a service provider to assist in its development. The tendering process was completed within the third quarter of the 2009/10 financial year. However, the changes in the governmental administration and the Board necessitated that all the tenders be reviewed, resulting in the re-advertising of this tender. The process of advertising and evaluation was subsequently completed pending the necessary approval from the Board. An application for the roll-over of the funds has been submitted via the Department of Communications to the National Treasury.



2. RESEARCH AND STRATEGY DIVISION

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The Research and Strategy Division plays a pivotal role in managing knowledge that enhances the mandate of the Agency. The Division is comprised of a number of functions for which it provides research support such as research, policy and regulatory advice, monitoring and evaluation and provides information on the latest developments of ICTs from time to time. These functions were integrated more fully in the past years to enable the division to expand its role in public policy and to support the Agency's internal operations.

The Division has influenced the Agency in its move away from an operational role where it is seen as an implementer of universal access projects through direct deployment of telecentres and school cyberlabs, and thus perceived as competing with operators, to a role as a facilitator. As a facilitator, the Agency is able to focus on all of its mandatory areas of research and development; policy and regulatory advice; ICT infrastructure; ICT

awareness; and monitoring and evaluation. The programmes and projects that the Agency has identified going forward seek to address all the aspects of the mandate as outlined above. This facilitating role is gradually changing the perception of the Agency by stakeholders to that of a thought leader on issues of Universal Service and Universal Access in the country. This exercise enabled the Agency to clearly identify its key stakeholders and,

in particular, its beneficiaries.

During the year under review, the Research and Strategy Division successfully completed a number of on-going and new initiatives. The Division also engaged vigorously with external stakeholders, allowing it to influence public policy discourse more effectively. Key achievements in the period under review are outlined below.

2.1 RESEARCH, POLICY AND REGULATORY ADVICE

The Research & Strategy Division has identified a number of research projects that will inform the policy and regulatory framework on Universal Service and Universal Access. One of these projects was the Definitions of Universal Access, Universal Service, Needy Persons and Under-Served Areas. The main objective of the policy review of these key ICT concepts was to determine the parameters upon which the provision of Universal Service and Universal Access will be provided and to which areas and households/individuals in the country. Targets that will be used to monitor progress in realising the set goals of universality paralleled the definitions of Universal Service and Universal Access. This process took longer than planned as the Agency was required to consult widely and extensively, since it was the first time that such a process had been conducted since its establishment. In addition, a Steering Committee comprised of high-level officials from the Department of Communications, the Independent Communications Authority of South Africa, Media Development and Diversity and the Agency was established to provide

strategic direction to the process and inform the process in terms of their organisational mandates.

Three publications were published in order to invite interested parties and affected organisations to provide their input. One of these publications was the Government Gazette (No.31333, Notice 987 of 15 August 2008), which gave the public a period of 60 days to submit their written inputs. Sixteen written inputs were submitted in response to the gazette from various stakeholders ranging from tertiary institutions, service providers and Disabled People in South Africa to research institutions and individuals.

A synthesis of the written inputs was executed, the findings document of which was called the Draft Position Paper, containing a summary of responses and draft recommendations to the Minister of Communications and ICASA published in the Government Gazette No.32048 (Notice 319 of 30 March 2009). A national workshop was organised by the Agency and held from 2nd to 3rd April 2009 where interested parties and affected

organisations including those who did not make submissions to the first publication were invited to make oral representations. The national workshop was well attended by various groups ranging from academia, research institutions and service providers to unemployed youth organisations, Disabled People in South Africa and other public bodies representing various stakeholders such as the NGO sector.

Led by the Steering Committee, further synthesis was completed from which the final recommendations and a Position Paper were submitted to the Minister of Communications on the Definition of Universal Access, Universal Service and Needy Persons; while the definition of an Under-Served Area was submitted to the Independent Communications Authority of South Africa. The Minister adopted the final recommendations on Universal Service and Universal Access and published a determination in the Government Gazette No.32939 of 08 February 2010. The sector is still awaiting the determination of an "Under-Served Area" by ICASA.

Another functional area in which the Research and Strategy Division assists the Agency is that of influencing policy by the Department of Communications and regulations by ICASA through submissions.

The Department of Communications invited stakeholders to submit written input into the consultative process on the development of a national broadband policy. The Research and Strategy Division

assisted the Agency by conducting research on broadband and in the submission into the process to influence the final national policy on broadband.

2.2 MONITORING & EVALUATION AND THE DEVELOPMENT OF ICT INDICATORS

One of the mandates of the Agency is to monitor and evaluate the extent to which the goals of Universal Service and Universal Access have been achieved. This means that the Agency must develop a framework which will be utilised for such assessment. The first tools to be developed were the ICT Indicators that will be used to collect statistics on access, usage and impact.

A baseline document was developed by the Research and Strategy Division and approved internally. This discussion document was used to start engaging identified external key stakeholders, one of which was Statistics South Africa. A Memorandum of Understanding was signed between the Agency and Statistics South Africa for collaboration on the development of measurable ICT Indicators as well as in the collection of data using nationally and internationally agreed upon, reliable and credible methods of data collection.

By collaborating with Statistics South Africa, our information will form part of the Compendium of National Development Indicators used by government to measure the performance of government in service delivery. This information will also be employed to measure the country's performance against other countries according to Statistics South Africa's global standards methods. There will now be official statistics on ICTs unlike

current data that do not meet the standards of official statistics but are regarded as national statistics. This ultimately means that USAASA will now be able to produce reports that have official status as per the Statistics Act of South Africa.

Also for the first time in South Africa since the advent of the democratic dispensation, a report on the development of the ICT sector and its socio-economic impact will be included in the five-year reviews. These ICT statistics will also be used to report on the country's progress towards the realisation of the Millennium Development Goals and World Summit on Information Society Goals in 2015.

THE YEAR AHEAD

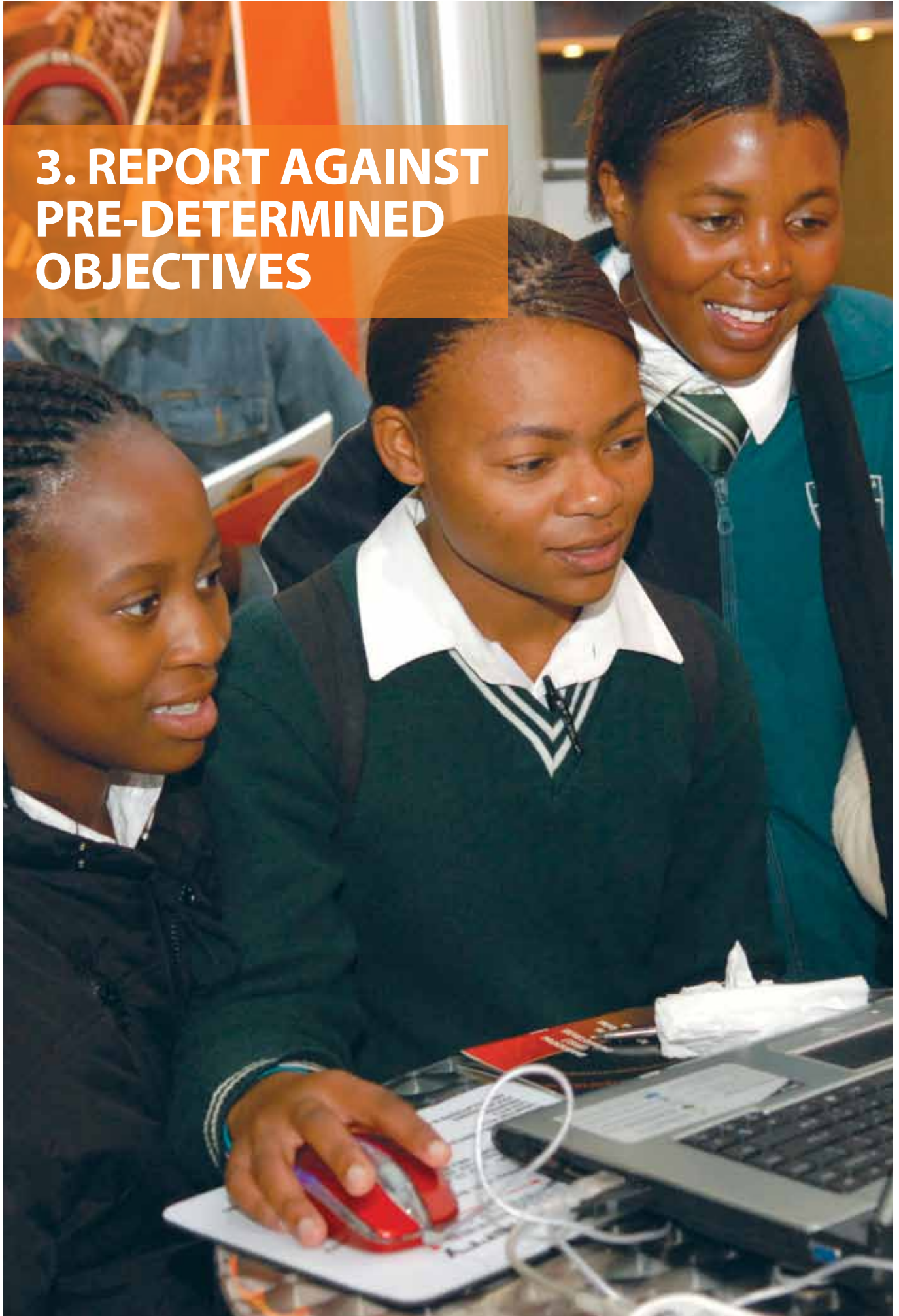
In the year ahead, the Division's priority will be to develop the Universal Service and Access Strategy to be used as a blueprint for the promotion of Universal Service and Access goals. This project will ensure that the Agency's deployment going forward responds to the needs of communities and that appropriate public access and financing models are identified and implemented to provide affordable universal access to both basic and advanced communications services, especially broadband. In this process, the Agency will further strengthen relationships with major stakeholders, in

particular its beneficiaries.

The second project is the development of the Fund Manual for the application of the monies in the Universal Service and Access Fund. This process will enhance transparency and accountability by the Agency and will clearly prescribe means by how beneficiaries can apply to the Universal Service and Access Fund.

The last project is the finalisation of the Monitoring and Evaluation Framework which will be used as an instrument to monitor progress on the realisation of the targets set up for 2015. We will continue influencing policy, regulations and the government's agenda to take issues of Universal Service and Universal Access seriously.

3. REPORT AGAINST PRE-DETERMINED OBJECTIVES



STRATEGIC OBJECTIVE: Make ICTs available, accessible and affordable to all South Africans through the provision of funding from USAF in collaboration with the ICT stakeholders.

2009/10 TARGET: 38 Community Access Centres handed over and sustainable over long term.

KEY OUTCOME: Improved quality of life through access to information and services.

KEY OUTPUT: Fully functional and sustainable community ICT Access Centres.

KEY PI: Number of community ICT Access Centres fully functional and connected to Internet.

UNIT SUB-OBJECTIVES (IN LINE WITH TARGET)	ACTUAL PERFORMANCE AGAINST BUSINESS PLAN	RESPONSIBILITY	ACHIEVED/ NOT ACHIEVED
Implementation of handover strategy	All centres were reviewed and determined to be functional but could not be handed over during period under review due to ongoing consultations with various key stakeholders.	Head: USAF Projects - R6,080,800 USAF	Not Achieved

STRATEGIC OBJECTIVE: Make ICTs available, accessible and affordable to all South Africans through the provision of funding from USAF in collaboration with the ICT stakeholders.

2009/10 TARGET: 100 Cyberlabs handed over and sustainable over long term.

KEY OUTCOME: Improved quality of education through access to information and services.

KEY OUTPUT: Fully functional school Cyberlabs.

KEY PI: Number of school Cyberlabs fully functional.

UNIT SUB-OBJECTIVES (IN LINE WITH TARGET)	ACTUAL PERFORMANCE AGAINST BUSINESS PLAN	RESPONSIBILITY	ACHIEVED/ NOT ACHIEVED
Implementation of handover strategy	All Cyberlabs were reviewed and determined to be functional but could not be handed over during period under review due to ongoing consultations with various key stakeholders.	Head: USAF Projects	Not Achieved

STRATEGIC OBJECTIVE: Make ICTs available, accessible and affordable to all South Africans through the provision of funding from USAF in collaboration with the ICT stakeholders.

2009/10 TARGET: Connectivity to 18 FET Colleges facilitated.

KEY OUTCOME: Increased ICT Skills base in the country.

KEY OUTPUT: FET Colleges connected.

KEY PI: Number of FET Colleges connected.

UNIT SUB-OBJECTIVES (IN LINE WITH TARGET)	ACTUAL PERFORMANCE AGAINST BUSINESS PLAN	RESPONSIBILITY	ACHIEVED/ NOT ACHIEVED
Monitor and evaluate the implementation of the connectivity condition of the 18 FET Colleges	FETs were connected, usage and impact of connectivity reviewed and subsidies disbursed.	Head: USAF Projects – R 2,700,000 USAF	Achieved

STRATEGIC OBJECTIVE: Make ICTs available, accessible and affordable to all South Africans through the provision of funding from USAF in collaboration with the ICT stakeholders.

2009/10 TARGET: Internet connectivity for community Access Centres and Cyberlabs in schools.

KEY OUTCOME: Improved quality of life and education through access to information and services.

KEY OUTPUT: Centres and Cyberlabs in schools with internet connectivity.

KEY PI: Number of centres with internet connectivity.

UNIT SUB-OBJECTIVES (IN LINE WITH TARGET)	ACTUAL PERFORMANCE AGAINST BUSINESS PLAN	RESPONSIBILITY	ACHIEVED/ NOT ACHIEVED
Facilitate internet connectivity	Access Centres and Cyberlabs were connected and subsidies disbursed after a review of the project.	Head: USAF Projects R 4,000,000	Achieved

STRATEGIC OBJECTIVE: Make ICTs available, accessible and affordable to all South Africans through the provision of funding from USAF in collaboration with the ICT stakeholders.

2009/10 TARGET: 100 access technologies deployed in under-served areas.

KEY OUTCOME: Improved quality of life and education through access to information and services.

KEY OUTPUT: New access technologies deployed.

KEY PI: Number of new Access Centres deployed in partnership with ICT stakeholders.

UNIT SUB-OBJECTIVES (IN LINE WITH TARGET)	ACTUAL PERFORMANCE AGAINST BUSINESS PLAN	RESPONSIBILITY	ACHIEVED/ NOT ACHIEVED
Implementation of access strategy	Due to the need to re-advertise the Rapid Deployment Tender (USAF/HO/04/2009), new Access Centres could not be deployed. The tender was re-advertised.	Head: USAF Projects R13,080,000	Not Achieved

STRATEGIC OBJECTIVE: Undertake continuous research to promote, encourage, facilitate and offer guidance regarding Universal Service and Access.

2009/10 TARGET: Implementation of Universal Service and Access policy recommendations monitored.

KEY OUTCOME: Greater inclusion into the South African information society.

KEY OUTPUT: Policy Recommendations that will facilitate the promotion of Universal Service and Access to Electronic communications services and broadcasting services to under-served areas.

KEY PI: Consultative Document on three areas of responsibility by USAASA as required by ECA.

UNIT SUB-OBJECTIVES (IN LINE WITH TARGET)	ACTUAL PERFORMANCE AGAINST BUSINESS PLAN	RESPONSIBILITY	ACHIEVED/ NOT ACHIEVED
Monitor the implementation of Universal Service and Access policies	<p>The Research & Strategy Division has made a submission to the Minister of Communications on the Recommendations of Universal Access, Universal Service, and Needy Persons. These recommendations were accompanied by targets which are to be revised bi-annually. The recommendations were accompanied by a Position Paper on Universal Service and Universal Access.</p> <p>The Minister of Communications adopted the Recommendations submitted and published the definitions of Universal Service and Universal Access in Government Gazette No.32939 of 08 February 2010.</p> <p>Using the International Telecommunications Union generic ICT Indicators whilst we are still in the process of developing the country's national ICT Indicators, the Agency is continuously collecting data on the implementation of the approved definitions of Universal Access and Universal Service.</p> <p>The Agency also made a submission on the recommendation of Under-Served Area to ICASA. ICASA is in the process of adopting the recommendation made by the Agency on the definition of an Under-Served Area and will realise a determination and a list of those Under-served Areas in the 2010-11 financial year.</p> <p>In implementing the definitions of Universal Access and Universal Service as determined by the Minister in the February 2010 publication, the Agency has aligned its programmes and projects to achieve the goals set in the publication.</p>	SM: Research and Strategy R100,000	Achieved

2009/10 TARGET: Continuous research conducted on best practices on Universal Service and Universal Access.

KEY OUTCOME: Greater participation in the South African information society.

KEY OUTPUT: Research reports produced on Universal Service and Access based on best practices in order to encourage the adoption of ICTs.

KEY PI: Number of research reports on universal service and access.

UNIT SUB-OBJECTIVES (IN LINE WITH TARGET)	ACTUAL PERFORMANCE AGAINST BUSINESS PLAN	RESPONSIBILITY	ACHIEVED/ NOT ACHIEVED
Provide ongoing research support on Universal Service and Access practices	<p>The Research & Strategy Division assisted the Agency in making a submission to the Department of Communications process to develop a national broadband policy. The Division conducted investigations benchmarking South Africa against other national jurisdictions and to determine the impact of the broadband policy to the achievement of Universal Access and Universal Service.</p> <p>After the research, the Division developed a draft document for submission to the Department of Communications as the Agency's response to the invitation by the Department of Communications.</p>	SM: Research and Strategy	Achieved
Provide ongoing research support on Universal Service and Access practices to internal and external stakeholders	<p>The Research and Strategy Division started a process of developing a baseline document on Universal Access indicators and used that base document to identify key stakeholders to collaborate with in developing those indicators.</p> <p>In identifying the stakeholders, the division identified Statistics South Africa as a major stakeholder in this process. A Memorandum of Understanding (MOU) was signed between the Agency and Statistics SA on the 06 November 2009.</p> <p>The objective of the MOU is for Statistics SA to assist the Agency in developing measurable ICT Indicators as well as assist the Agency in the collection of ICT statistics for the country.</p>	SM: Research and Strategy	Achieved



STRATEGIC OBJECTIVE: Make ICTs available, accessible and affordable to all South Africans through the provision of funding from USAF in collaboration with the ICT stakeholders.

2009/10 TARGET: Make recommendations to the Minister on the Framework for Universal Service and Universal Access Strategy for the Republic.

KEY OUTCOME: Digital inclusion and participation in the information society by all citizens.

KEY OUTPUT: Universal Service and Access Strategy.

KEY PI: Strategy document.

UNIT SUB-OBJECTIVES (IN LINE WITH TARGET)	ACTUAL PERFORMANCE AGAINST BUSINESS PLAN	RESPONSIBILITY	ACHIEVED/ NOT ACHIEVED
Quantification of access gaps in line with the definitions of Universal Service and Access	A decision was taken to incorporate this objective into the national strategy which, itself, was not achieved.	Research and Strategy	Not Achieved
Implementation of Universal Service and Access policy recommendations monitored	The activities of this sub-objective are covered in page 20. Research sub-objective 1 since the activities are similar.	Research and Strategy	Not Achieved
Formulate the Universal Service and Access strategy for South Africa in order to support the definitions i.e. Consultative Document on three areas of responsibility by USAASA as required by ECA	<p>The Research & Strategy Division conducted preliminary investigations on the development of Universal Service and Access strategies in other countries. This research informed the development of the Terms of Reference in the first quarter of the financial year.</p> <p>In the second quarter, bid documents were finalised and published to invite suitable service providers to submit their proposals.</p> <p>This tender was readvertised</p>	Research and Strategy	Not Achieved

STRATEGIC OBJECTIVE: Ensure the optimal functioning of the Agency by strengthening its current strategic and operational capabilities in order to deliver on its mandate.

2009/10 TARGET: USAF optimally administered and managed.

KEY OUTCOME: Increased Universal Service and Access through appropriate use of the USAF money.

KEY OUTPUT: USAF operational manual.

KEY PI: Improved management of the USAF.

UNIT SUB-OBJECTIVES (IN LINE WITH TARGET)	ACTUAL PERFORMANCE AGAINST BUSINESS PLAN	RESPONSIBILITY	ACHIEVED/ NOT ACHIEVED
Establish a Universal Service and Access IT system to support the USAF manual	<p>The Research & Strategy Division conducted preliminary investigations on the development of Universal Service and Access strategies in other countries. This research informed the development of the Terms of Reference in the first quarter of the financial year.</p> <p>In the second quarter, bid documents were finalised and published to invite suitable service providers to submit their proposals.</p> <p>This tender was readvertised</p>	SM: Research and Strategy – R2,000,000	Not Achieved

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA (USAASA) REPORT



4. NON-FINANCIAL NON-CORE PERFORMANCE REPORT

The Universal Service and Access Agency of South Africa consists of five supporting business units.

4.1 LEGAL AND REGULATORY DIVISION

The division provides the following services:

- Legal and Regulatory advisory support to internal and external stakeholders;
- Contract Management which encompasses vetting, drafting, reviewing and filing;
- Ensuring Agency operation's compliance to legislations and policies.

THE DIVISION SUPPORTS TWO KEY STRATEGIC OBJECTIVES:

1. Regulatory aspect supporting the strategic objective:

To undertake continuous research to promote, encourage, facilitate and offer guidance regarding Universal Service and Access. The division achieved the following key areas under this strategic objective:

- Actively participated in regulatory matters on ICT by attending colloquiums and provided comments on proposed legislation and regulations.

Key submissions made were on Broadband and Spectrum Policies, Digital Migration Colloquium on Set Top Boxes; and advised on the project of Under-Serviced Area Licences. Further submissions were made to ICASA on the framework on universal service obligations and attended e-rate forums.

- In terms of the CTO participation, the division ensured that USAASA is recognised and, based on the discussions, the Agency was appointed as the second vice-chairperson of the new African Universal Service and Access Fund Association. The main objective of the organisation is to provide a platform for knowledge sharing on best practices relating to Universal Service and Access strategies and utilisation of funds.

2. Legal advice supporting the strategic objective:

To ensure the optimal functioning of the Agency by strengthening the current strategic and operational capabilities in order to deliver on its mandate.

The division has achieved the following

under this strategic objective:

- To negotiate, draft and file the following contracts and MOUs in record time and filed them accordingly:
 - 18 Memoranda of Understanding
 - 34 Service Level Agreements
 - 20 Bursary Agreements
 - 4 Lease Agreements
 - 2 labour relations matters
 - 1 civil matter
 - 3 legal opinions

Compliance to Policies and Legislations

The division has assisted in the enhancement of its governance and has drafted and made recommendations on various policies and legislations that have a direct impact on the work of the Agency. The following are some of the policies on which the division had oversight and were revised accordingly to minimise risk and ensure compliance:

- Cell phone policy
- Overtime policy
- Supply Chain Management policy
- Delegation of authority

4.2 HUMAN RESOURCES DIVISION

TRAINING AND DEVELOPMENT

The development of the new five-year corporate strategy necessitated a change in the Agency, especially in terms of skills required to support the new strategy and business plan. Key to this strategy was to ensure that proper skills are provided to internal stakeholders either through bursaries or through short-term courses as a means to capacitating the organization.

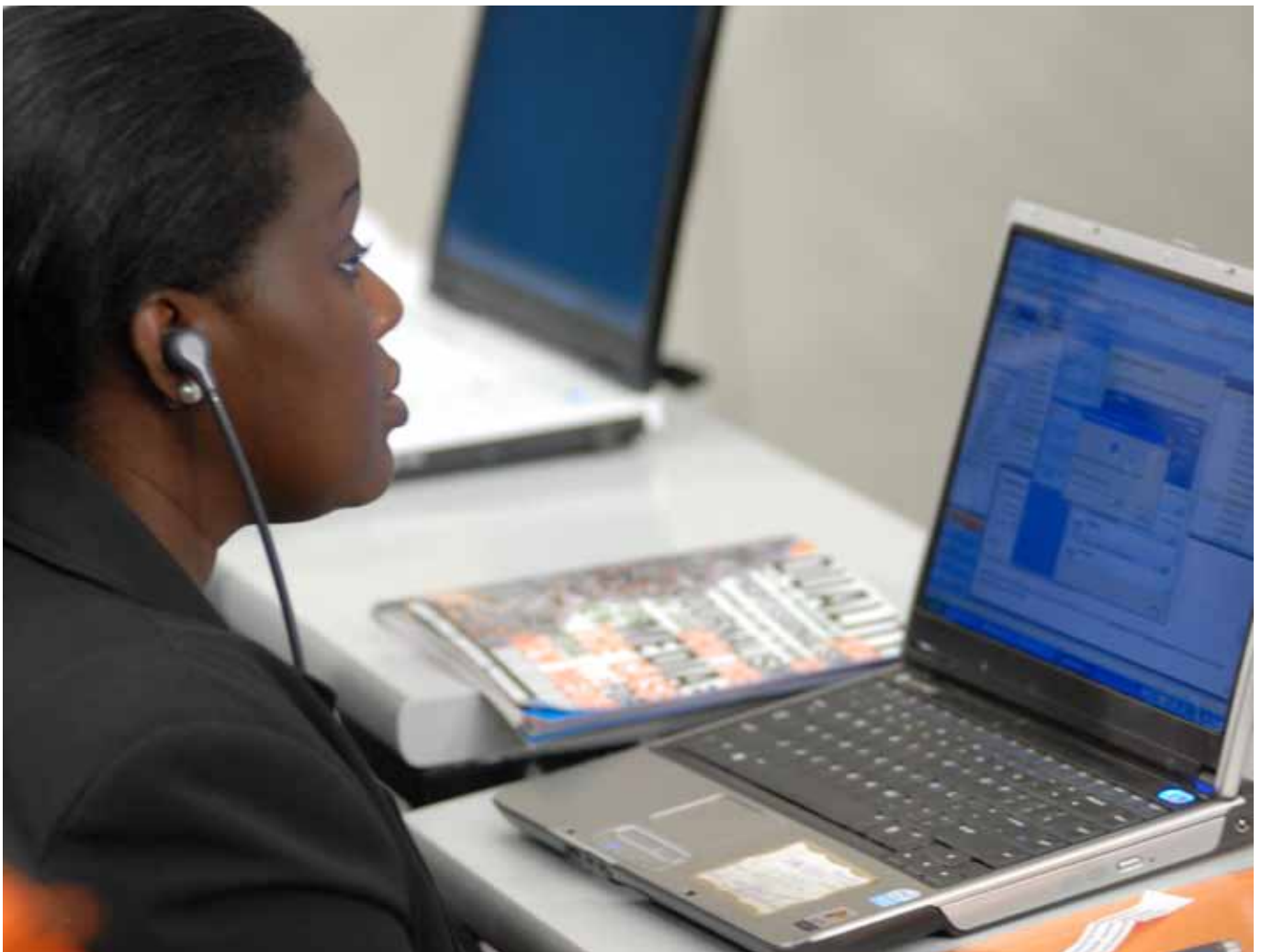
As part of this critical project, the division developed an annual training calendar that was approved and is currently being implemented by all internal stakeholders. Considering that the Agency is gearing towards becoming a project-based organisation, various project management training courses have been initiated for staff. In addition, short courses on management development such as New Managers Programme and Management

Advanced Programme and Advanced Computer Literacy were also implemented.

The Agency during the year under review took a decision to empower its key resource, its employees, with the relevant skills that will ensure that USAASA competes and delivers on its mandate effectively.

Human Resource division played a critical role in managing and introducing key training programmes to assist in this vision. Training programmes that Staff members have been enrolled in include the following:

- VIP Payroll Programme - VIP Software
- IT Training - Torque IT
- New Managers Programme - Wits Business School
- Management Advanced Programme - Wits Business School
- Imbokodo and Imagination Dialogue Circle - GIBS
- Diploma in Health and Safety - UNISA (Bursary)
- CIMA Diploma - CIMA Institute (Bursary)
- Chief Information Officer (CIO) Programme - Wits Link Centre
- Project Management - DaVinci Institute of Technology



PERFORMANCE MANAGEMENT SYSTEM

Performance management is critical to USAASA as in any organisation as it ensures that high standards of performance are maintained and rewarded accordingly. The performance system is also implemented to monitor non-performance and assist in the implementation of training and other remedial programmes also undertaken

during the year under review. The focal point for Human Resources was the development of an aligned performance management system that is automated and linked to the ERP system for seamless and better accessibility and functionality.

The Division will only be able to implement an automated system in the 2010/2011 financial year having stabilised

the core system. The division managed to facilitate and conclude the following:

- Individual Development Programs (IDP) audit conducted in line with the staff Performance Agreements
- Performance Audits conducted
- Performance Enhancement workshops were continued with staff to promote effective half-yearly reviews to reinforce positive performance culture

CULTURE CHANGE AND EMPLOYEE WELLNESS PROGRAMME

In the quest to change how the Agency conducts its business and how USAASA employees are providing and improving on service delivery matters, the division embarked on a culture change and employee wellness programme in an effort to address morale and partly address retention issues. The two processes achieved the following:

- Change Readiness Assessments with USAASA staff (including management

levels) focusing on the realignment process

- Leadership alignment workshops were conducted, focusing on the USAASA EXCO and Management
- Labour workshops with the Communications Workers Union
- Performance management power workshops
- Evaluated various positions for the new corporate structure

The wellness programme, which is run in partnership with Corporate Affairs, resulted in the creation of a dedicated internet-based platform called USAASA Digital Village. Through this programme

staff members have access to various products such as holiday bookings, travel, online shopping, etc in addition to confidential EAP programming through which staff have access to limited 1:1 paid-for psychological support as well as to unlimited telephonic consultations with qualified staff. The two main stakeholders are maintaining the system and will provide continuous reports on progress regarding usage.

APPROVED POLICIES

No new policies were issued, revised or approved during the financial year under review.

TABLE FIGURES FOR USAASA STAFF COMPLIMENT

CATEGORIES	MALE				FEMALE			
RACE	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE
Chief Executive Officer	1							
Chief Financial Officer	1							
Head Corporate Affairs					1			
Heads of Units	1							
Senior Managers	2					1		
Managers	8				3			2
Middle Management / Asst. Manager					1			
Personal Assistants					1			
Administrators / Clerks	2				9			
Elementary Occupations / Messenger	1							
Provincial Coordinators	4				1			
Internship	1							
Temp	1							
TOTAL NUMBER	22				16	1		2
TOTAL STAFF	41							

Appointments and Resignations

- 1 x Black Male - Resigned (Internal Audit Officer)
- 1 x Black Female - Appointed (Head – Corporate Affairs)
- 1 x Black Male - Appointed (Chief Audit Executive)

4.3 INTERNAL AUDIT DIVISION

While the focus of internal audit division was to finalise the approved audit plans by the end of the 2009/2010 financial year, only 80% was completed at the time. This was due to additional forensic assignments that were assigned to the internal audit division by the then Acting CEO. However, the Audit and Risk Management Sub-Committee granted the Chief Audit Executive permission to complete the remaining 20% by the first month of the 2010/2011 financial year,

which the internal audit division achieved.

Internal audit division reviewed the current risk assessment that led to the development of the three year rolling plan that was approved by the Audit and Risk Management Sub-Committee. Internal audit division has accepted the recommendations by the Auditor-General to provide for an assignment of auditing performance information in its 2010/2011 financial year audit plans. This type of an

audit will not only add value to the Agency as with all other audits conducted previously, but will also ensure that the Agency achieves its mandate as contained in the Electronic Communications Act. The internal audit division will with effect from the current financial year prepare for the Quality Assurance Review to ensure compliance with the Standards for the Professional Practice of Internal Auditing.

4.4 CORPORATE AFFAIRS DIVISION

The Corporate Affairs division's main focus in the year under review was on supporting the core functions and beginning the process of building internal communication platforms to enable the Agency to control and communicate its messages in the future. Furthermore, the division has worked closely with the Human Resources division in implementing an employee friendly and supportive environment. Some of the division's achievements include the following:

- Production of the 2008/2009 Annual Report which was produced in time and subsequently presented to Minister and Parliament
- Increasing content improvement and regular updates in the USAASA intranet and corporate website
- Increasing the level of participation in events and stakeholder and shareholder

activities such as Ministers budget vote, industry workshops and conferences, Imbizo focus weeks, etc

- Improving IT systems and policies developed to effectively support internal and external business processes
- Implementation of IT Service Level Agreements with internal stakeholders for efficient service delivery
- Monitoring and advising on matters relating to connectivity of USAASA centres

While the scope of this division has been limited to a large extent by financial and human resources, the institutionalisation of best practice in public and stakeholder relations has begun to show tangible results. The next few years will require significant investment in this arena as projects gain in size and budget allocations call for a more pointed look at advocacy and awareness as critical to

matters related to uptake and usage.

It is imperative that the understanding of communications technology be brought down to bread and butter levels and perhaps to become an essential right comparable to other amenities. It is critical that sustainable and socially conscious partnerships are struck towards encouragement of home grown businesses and enterprises. It is imperative that matters concerning disability, gender and youth find expression in the Agency's work across the board. It is this division's mandate to ensure positive and effective industry engagement much of which has begun in earnest and is bearing fruit.

4.5 FINANCE AND SUPPLY CHAIN MANAGEMENT

The Finance division's role is to manage all financial, accounting and procurement services within the Agency. During the year under review, finance division managed to deliver on the following as per the business plan:

- Ensured compliance with MTEF and

National Treasury regulations by meeting all submission dates for monthly and quarterly reports

- Assisted internal divisions in the preparation of Terms of Reference for tenders advertised
- Continued to support internal stakeholders in procurement processes

- Finalised the development and collation of financial statements for both USAASA and USAF in the production of the 2008/2009 Annual Report

5. ACCOUNTING AUTHORITY'S REPORT

BOARD OF DIRECTORS' CORPORATE GOVERNANCE REPORT



The Board is the accounting authority of USAASA in terms of the Public Finance Management Act (PFMA). It is the responsibility of the Board to provide strategic direction and leadership to the Agency and to ensure good corporate governance.

USAASA subscribes to the principles contained in the Code of Corporate Practices and Conduct recommended by King II and are committed to applying the principles of the PFMA and related regulation. In addition, the Board of Directors endeavours to ensure that all operations comply with these principles. Likewise, the Board places strong emphasis on achieving the highest standards of reporting, financial and risk management. The Agency has strengthened its efforts to ensure that business is conducted with discipline, integrity, transparency and social responsibility.

Within the powers conferred upon the Board by legislation and in particular as stipulated in the Electronic Communications Act Section 81, the Board has determined its main function and responsibility as adding significant value to USAASA as follows:

1. The Agency's Board must exercise the powers conferred, and perform duties imposed, upon it in accordance with any policy direction issued by the Minister.
2. The Board must –
 - Represent the Agency before the Minister and the Authority;
 - Oversee the functions of the Agency;
 - Prepare and update a strategic plan for the Agency at least once every three years to be used by the Agency in exercising its powers and carrying out its functions;
 - Approve the annual report referred to in section 86 of the Electronic Communications Act prior to submission to the Minister;
 - Approve the statement of estimated income and expenditures and any adjusted statements referred to in section 84 of the ECA prior to submission to the Minister;
 - Approve the Chief Executive Officer's (CEO) recommendations referred to in section 83 (3) (b) of the ECA;
 - Take such other decisions as may be requested by the CEO of the Agency in terms of this Chapter (Chapter 14 of the ECA).

These responsibilities are set out in the approved Board Charter which is reviewed annually. The Board of Directors believes that they have adhered to the Terms of Reference as articulated in the Board Charter for the financial year under review.

The Board retains full and effective control and monitors the executive management and decisions of the Agency.

The Board also meets with management annually over a period of two to three days to debate and agree on the proposed strategy and to consider long-term issues facing the Agency.

BOARD OF DIRECTORS

The USAASA Board of Directors has a total of seven members appointed by the Minister of Communications. All members are appointed for a period of three years. Ms C Gabriel whose term as Chairperson ended on 30 November 2009 and Ms Z Mzaidume completed their terms in the middle of the financial year under review. As a result Mr L Moahlodi was appointed as Chairperson of the Board with effect from 1 December 2009 and Mr V Ngcobo was also appointed to the Board of Directors.

Board meetings were held regularly and scheduled meetings were coordinated with the Agency's reporting calendar to allow for detailed consideration of required reports. The Board and committees conducted an evaluation aimed at, among other things, determining how effectiveness can be improved. All directors and independent non-executive members of the Audit & Risk Management Sub-Committee completed a qualitative-based questionnaire.

The Board Members and employees of USAASA are required to declare their interest by completing the 'Declaration of Interest' forms annually. Declaration of Interest is also completed at all Board and Sub-Committee meetings held by the Agency to ensure that members declare

their interests in terms of the Agenda items discussed at each meeting.

DELEGATION OF AUTHORITY

The ultimate responsibility for the Agency's operations rests with the Board. The Board retains effective control with the assistance of a well-developed governance structure of Board Committees that specialise in specific areas of the business. Certain authorities have been delegated to the Committees of the Board and the CEO.

The Delegation of Authority is reviewed periodically to ensure it remains aligned and relevant in relation to the development within the Agency.

BOARD SECRETARY

The Board Secretary supports the Chairperson and Chief Executive Officer to ensure the effective functioning of the Board and committees. In addition, the Board Secretary ensures that the Board complies with the principles of good corporate governance (King II Code), the provisions of the Electronic Communications Act and the Public Finance Management Act.

The Board members have direct access to the services of the Board Secretary and all records of the Agency. The Board Secretary attends all Board and Committee meetings to take minutes of the proceedings.

WORLD CUP 2010 EXPENDITURE

The Agency's Fund was not used in any expenditure related to the FIFA World Cup 2010.

REMUNERATION OF BOARD MEMBERS

The Minister of Communications reviews and determines remuneration packages annually that are paid to the non-executive members of the Board by taking into account the revenues and asset sizes of the different State Owned Entities (SOEs) under the portfolio of the Department of Communications.

BOARD GOVERNANCE STRUCTURE

The USAASA Board is assisted in discharging its duties through the

following committees:

- Audit & Risk Management Sub-Committee
- Human Resources and Remuneration Sub-Committee
- USAF Projects Sub-Committee
- Research & Policy Sub-Committee

Each committee's authority and the manner of discharging its responsibilities are directed by Terms of Reference. The roles and responsibilities of the Board Committees are reflected in the Terms of Reference for each committee. The committees function according to these terms of reference and the Board monitors and evaluates the committees based on

these terms.

Board Committees were established in an effort to assist the Board to carry out its duties and responsibilities with minimal limitations and in compliance with the provisions of the Public Finance Management Act, the Electronic Communications Act and other relevant legislation.

BOARD ATTENDANCE REPORT

The table below sets out the number of Board and committee meetings held during the 2009/10 financial year.

BOARD & COMMITTEE MEMBERS	BOARD	AUDIT & RISK	USAF PROJECTS	HR & REMUNERATION	RESEARCH & DEVELOPMENT
Total number of meetings	5	5	4	5	4
NON-EXECUTIVE MEMBERS					
Ms C Gabriel *(Chairperson term ended 30 November 2009)	3	1	2	-	2
Mr L Moahlodi *(Chairperson appointed 1 December 2009)	2	1	1	1	1
Ms B Francis	4	4	4	-	-
Ms Z Mzaidume *(Term ended 28 Feb 2009) **(Chairperson: HR & Remuneration Committee)	4	-	-	4	-
Prof M Mphahlele **(Chairperson: USAF Projects Committee)	5	-	3	4	3
Mr B Maduna	1	3	-	4	-
Prof S Pather **(Chairperson: Research & Policy Committee)	5	-	4	-	4
Dr G Celli	5	-	4	-	4
Mr V Ngcobo *(Appointed 1 March 2010) **(Chairperson: HR & Remuneration Committee)	1	-	1	1	1
INDEPENDENT AUDIT COMMITTEE MEMBERS					
**Mr H Mpungose (Chairperson)		5	-	-	-
Mr G Finger *(Term ended 10 October 2009)		3	-	-	-
Ms R Strydom		2	-	-	-

*The Board terms of members in the 2009/10



USAASA STAFF SHOWING THEIR SUPPORT DURING THE FIFA 2010 SOCCER WORLD CUP

* The Board's terms of members in the 2009/10 Financial Year were as follows:

- Ms C Gabriel's term as Chairperson ended on 30 November 2009
- Mr L Moahlodi was appointed Chairperson on 1 December 2009
- Ms Z Mzaidume's term ended on 28 February 2009
- Mr V Ngcobo was appointed on 1 March 2010
- Mr H Mpungose's term as

Independent Chairperson of the Audit & Risk Management Sub-Committee was renewed for an additional two years.

- Mr G Finger's term as Independent Audit & Risk Management Committee member ended on 10 October 2009.
- ** Chairperson of the Board Committee.

CODE OF CONDUCT

USAASA is committed to promoting the

highest standards of ethical behaviour among its members, management and employees. In accordance with this objective and in the interests of good corporate governance, the code of conduct is reviewed regularly.

5.1 USAF PROJECTS SUB-COMMITTEE

This Committee is responsible for assisting the Board in ensuring the appropriate alignment of operations of the Agency with the legal mandate as enshrined in the Electronic Communications Act and any other delegated functions of the Board.

The Committee considers and recommends for approval by the Board the strategic plan and ensures that the strategic objectives, goals, values, mission

and vision are linked with the mandate in accordance with relevant legislative requirements. During the year under review the Committee also provided strategic leadership in the research studies that the Agency commissioned.

USAASA is mandated to manage and administer the Universal Service and Access Fund in accordance with the Electronic Communications Act. The

Universal Service and Access Fund Committee is instrumental in interrogating the proposals received for the roll-out of ICT infrastructure, services subsidies and grants.

The performance of the Committee is assessed annually and submitted to the Board for notice.

5.2 HUMAN RESOURCES AND REMUNERATION SUB-COMMITTEE

The committee has been constituted to oversee the formulation of a remuneration philosophy and human resources strategy to ensure that the Agency enjoys the best human capital possible relevant to its business needs and to maximise the potential of its employees.

The committee also ensures that the Agency conducts its business in accordance with the relevant labour legislations and other government policies. All the members of the

Committee are independent non-executive members.

The core functions of the Committee are as follows:

- To advise the Board on human resources strategy, employment equity targets, training, and capacity building planning.
- To review and recommend all human resources-related policies of the Agency to the Board for approval.

- To review the Agency's compensation policies and practices and proposals, to amend these and to make recommendations in this regard to the Board.
- To review the quarterly performance of the Chief Executive Officer and to make recommendations to the Board on said performance.
- To assess the performance of the Committee and to make such information available to the Board.

5.3 RESEARCH AND POLICY SUB-COMMITTEE

The Committee is responsible for assisting the Board in fulfilling its oversight responsibilities in respect of all matters pertaining to research and other mandatory policy objectives as implied in Section 82(3) and 82(4) of the ECA. The purpose of this document is, therefore, to act as a guide to the role and functions of the committee and to highlight the lines of

accountability.

This Committee reviews and guides USAASA's research and policy advisory strategies and processes to ensure alignment with its functions and mandate as contemplated in the ECA. The overall responsibility of the committee is to provide oversight and direction

strategically in respect of research and consequential policy which includes, but is not limited to, the following:

- Ensure that the Research and Strategy division supports the Agency's vision, mission and concomitant activities.
- Promote and guide research initiatives of the Agency within a framework of best practices.

- Support the development of research strategy and tactics which provide the Agency with timely and relevant information and intelligence regarding trends and new developments in Universal Service and Access both within South Africa and internationally.
- Undertake the foregoing with a view to influencing policy, legislation and regulation in respect of Universal

Service and Universal Access, both within the Agency and Government.

- Promote sustainable multi-stakeholder partnerships across academic, governmental and non-governmental agencies in the attainment of the Agency's research and policy advisory functions.
- Perform other oversight functions from time to time as required by the Board.

- Evaluate the Committee's own performance on a yearly basis.

The Agency, in particular the Research and Strategy division, will present any submissions or recommendations to the Research and Policy Sub-Committee before any documentation is submitted to the Board for consideration.

MATERIAL UNDER-SPENDING OF THE BUDGET

The Board of Directors recognises as indicated in the report by the Auditor-General that the Fund did under spent on its budget due to changes and re-advertisement of tenders on key projects. The Board has resolved to re-prioritise the budget and all related projects to 2010-2011 financial year



Louis L Moahlodi

Chairperson: Board of Directors



Phineas Moleele

Chief Executive Officer

5.4 AUDIT AND RISK MANAGEMENT SUB-COMMITTEE

The Audit and Risk Management Committee is pleased to present its report for the financial year ended 31 March 2010.

The Audit and Risk Management Committee consists of five members, three of whom are independent non-board members. The majority of persons serving on the Audit and Risk Management Committee are financially literate and their diverse skills in the ICT industry assist in the

effective monitoring of risk, internal controls and governance processes.

The function of the Audit and Risk Management Committee is primarily to assist the Board in discharging its responsibilities relative to the PFMA. In accordance with the requirements of the PFMA and the Treasury Regulations, the Board of USAASA has approved the Audit and Risk Management Committee's written

terms of reference under which it operates.

The Audit and Risk Management Committee confirms that it has complied with its responsibilities stipulated in section 51 (1) (a) of the PFMA and Treasury Regulation 27.1.1 to 27.1.9. The Committee also confirms that it has performed its duties and discharged all its responsibilities in compliance with the Audit and Risk Management Committee Charter.

AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS AND ATTENDANCE

During the financial year ending 31 March 2010, the Audit Committee consisted of the following members:

NAMES	ROLE	MEETINGS HELD	MEETINGS ATTENDED	DATE APPOINTED
*Mr H Mpungose	Chairperson	5	5	February 2010
Ms B Francis	Board Member	5	4	August 2007
Mr B Maduna	Board Member	5	3	November 2008
Ms R Strydom	Member of the Audit Committee	3	2	November 2008
**Mr G Finger	Member of the Audit Committee	3	3	October 2007

* Mr H Mpungose was re-appointed as the member and chairperson for the second term in February 2010.

** Mr G Finger's term ended on 10 October 2009.

EFFECTIVENESS OF INTERNAL CONTROLS

With the exception of matters reported by the internal auditors and the Auditor-General we confirm that the internal controls are appropriate and effective. Management has developed plans to address the deficiencies identified during the year under review.

RISK MANAGEMENT

Management has formulated and adopted a Risk Management Strategy and Risk Mitigation plans to monitor the implementation of these plans. The operational Risk Management Committee was not functional during the period under review due to the resignation of key members of the committee and lack of adequate handover plans. With the exception of the matter reported above and in the external auditors' report, in our opinion the Agency's risk management practices have been effective during the

year under review.

GOVERNANCE

Management and the Board have put in place mechanisms to ensure that governance practices are adequate and effective. The Agency has complied with the requirements of the PFMA wherein quarterly reports were presented to the Shareholder as required by legislation.

We hereby confirm that the governance processes employed by the Agency were in all material respect adequate and effective.


EVALUATION OF FINANCIAL STATEMENTS

The Audit and Risk Management Committee evaluated and reviewed the annual financial statements of USAASA and USAF for the year ended 31 March 2010 and concluded that they comply, in all material respects, with the South African

Standards of Generally Recognised Accounting Practice. The review covered the following:

- Underlying accounting policies and changes thereto;
- Major adjustments and managerial judgements;
- Significant adjustments emanating from the year under review;
- Compliance with Generally Recognised Accounting Practice;
- The appropriateness of the going concern assumption; and
- The reports of the Auditor-General for USAASA and USAF.

The Audit and Risk Management Committee confirms that the adoption of the going concern assumption in preparation of the Annual Financial statements for USAASA and USAF is appropriate.



HGS Mpungose
Independent Chairperson:
Audit and Risk Management Committee

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

CONTENTS

Report of the Auditor-General	37 - 38
Statement of Financial Performance	39
Statement of Financial Position	40
Statement of Changes in Net Assets	41
Cash Flow Statement	42
Accounting Policies	43 - 47
Notes to the Annual Financial Statements	48 - 59



REPORT OF THE AUDITOR-GENERAL

TO THE PROVINCIAL LEGISLATURE OF UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA FOR THE YEAR ENDED 31 MARCH 2010 REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

I have audited the accompanying financial statements of the Universal Service and Access Agency of South Africa, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 59.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR-GENERAL'S RESPONSIBILITY

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position the Universal Service and Access Agency of South Africa as at 31 March 2010 and its financial performance and its cash flows for the year then ended, in accordance with SA Standards of GRAP and in the manner required by the PFMA.

EMPHASIS OF MATTER

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

Fruitless and wasteful expenditure

As disclosed in note 25 to the financial statements, fruitless and wasteful expenditure amounting to R 65 885 was incurred as a result of capped leave being taken over by the Agency without any services being rendered.

Irregular expenditure

As disclosed in note 26 to the financial statements, irregular expenditure to the amount of R562 950 was incurred, as a result of purchase orders not being issued and three quotations not being obtained as required by the supply chain management regulations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA, Electronic Communications Act, 2005 (Act No. 36 of 2005), Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA) and financial management (internal control).

Findings

Predetermined objectives

Usefulness of reported performance information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Planned and reported performance targets are not specific, measurable and time bound

For all objectives 65% of the planned and reported targets were not:

- specific in clearly identifying the nature and the required level of performance;
- measurable in identifying the required performance;
- time bound in specifying the time period or deadline for delivery.

Compliance with laws and regulations

Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and Treasury Regulations (TR)

Non-adherence to legislation

Contrary to the requirement of TR 27.2.1 the accounting authority did not ensure that the approved risk management strategy included a fraud prevention plan for the entity.

Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA) and Treasury Regulations

Non-adherence to legislation

Contrary to the requirements of the PPPFA, Treasury Regulations and SCM practice notes issued by National Treasury, irregular expenditure amounting to R 562 950 was incurred.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the Public Finance Management Act, the Preferential Procurement Policy Framework Act and the Electronic Communications Act, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

• Leadership

Policies and procedures are not in place to ensure that performance targets are specific, well defined, measurable and time bound.

The accounting authority did not exercise adequate oversight responsibility over reporting and compliance with laws and regulations by implementing controls to prevent the occurrence of irregular expenditure.

• Governance

The accounting authority did not exercise adequate oversight responsibility over internal control to ensure that the approved risk management strategy included a fraud prevention plan that was implemented within the entity.

Auditor - General

Pretoria

31 July 2010

Universal Service and Access Agency of South Africa

Statement of Financial Performance for the year ended 31 March 2010

	NOTE(S)	2010 R '000	2009 R '000
REVENUE			
Transfers and subsidies received	2	33,495	30,208
Other income	3	195	65
TOTAL REVENUE		33,690	30,273
EXPENDITURE			
Administrative expenses	4	(4,574)	(2,530)
Staff costs	5	(17,742)	(14,549)
Marketing costs	6	(322)	(179)
Audit fees	7	(477)	(320)
Other operating expenses	8	(7,187)	(5,900)
Finance costs	9	(35)	(61)
TOTAL EXPENDITURE		(30,337)	(23,539)
SURPLUS FROM OPERATIONS		3,353	6,734
SURPLUS ATTRIBUTABLE TO:			
Net Asset holders of the controlling entity		3,353	6,734
Surplus for the year		3,353	6,734

Universal Service and Access Agency of South Africa

Statement of Financial Position at 31 March 2010

	NOTE(S)	2010 R '000	2009 R '000
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	1,913	2,283
Intangible assets	11	160	69
		2,073	2,352
Current Assets			
Loans and receivables	12	237	577
Cash and cash equivalents	13	9,515	5,203
		9,752	5,780
Total Assets		11,825	8,132
LIABILITIES			
Non-Current Liabilities			
Finance lease obligation	14	115	164
Current Liabilities			
Finance lease obligation	14	48	40
Trade and other payables	15	1,390	1,107
Provisions	16	924	826
		2,362	1,973
Total Liabilities		2,477	2,137
Net Assets		9,348	5,995
NET ASSETS			
Accumulated surplus		9,348	5,995

Universal Service and Access Agency of South Africa

Statement of Changes in Net Assets for the year ended 31 March 2010

	Accumulated surplus R'000	Total net assets R'000
Opening balance as previously reported	(563)	(563)
Adjustments		
Prior year adjustments	(176)	(176)
BALANCE AT 01 APRIL 2008 AS RESTATED	(739)	(739)
Changes in net assets		
Surplus for the year	6,734	6,734
Total changes	6,734	6,734
Opening balance as previously reported	6,351	6,351
Adjustments		
Prior year adjustments	(356)	(356)
BALANCE AT 01 APRIL 2009 AS RESTATED	5,995	5,995
Changes in net assets		
Surplus for the year	3,353	3,353
Total changes	3,353	3,353
BALANCE AT 31 MARCH 2010	9,348	9,348

Universal Service and Access Agency of South Africa

Cash Flow Statement for the year ended 31 March 2010

	NOTE(S)	2010 R '000	2009 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from government		33,892	30,053
Cash paid to suppliers and employees		(28,935)	(23,479)
Cash generated from operations	17	4,957	6,574
Finance costs		-	(20)
NET CASH FROM OPERATING ACTIVITIES		4,957	6,554
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	10	(470)	(48)
Proceeds of property, plant and equipment	10	-	20
Purchase of other intangible assets	11	(140)	(16)
Finance lease obligation		-	(39)
NET CASH FROM INVESTING ACTIVITIES		(610)	(83)
CASH FLOWS FROM FINANCING ACTIVITIES			
Universal Service and Access Fund		-	(2,057)
Finance lease payments		(35)	(41)
NET CASH FROM FINANCING ACTIVITIES		(35)	(2,098)
Total cash movement for the year		4,312	4,373
Cash and cash equivalents at the beginning of the year		5,203	830
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	9,515	5,203

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

ACCOUNTING POLICIES

1. STATEMENT OF COMPLIANCE

The Universal Service and Access Agency of South Africa (USAASA) was established in the Republic of South Africa in terms of section 80 of the Electronic Communications Act, No. 35 of 2005. USAASA is recognised as a Schedule 3A public entity of the Public Finance and Management Act, No. 1 of 1999 (PFMA).

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board as stipulated by Section 91 of the Public Finance Management Act (Act 1 of 1999). GRAP was adopted by the USAASA in 2005/6. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

All figures are presented in South African Rands.

BASIS FOR PREPARATION

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards:

- GRAP 4: The Effects of Changes in Foreign Exchange Rates
- GRAP 5: Borrowing Costs
- GRAP 6: Consolidated and Separate Financial Statements
- GRAP 7: Investments in Associates
- GRAP 8: Investments in Joint Ventures
- GRAP 9: Revenue from Exchange Transactions
- GRAP 10: Financial Reporting in Hyperinflationary Economies
- GRAP 11: Construction Contracts
- GRAP 12: Inventories
- GRAP 13: Leases
- GRAP 14: Events after the Reporting Date
- GRAP 16: Investment Property
- GRAP 17: Property, Plant and Equipment
- GRAP 19: Provisions, Contingent Liabilities and Contingent Assets
- GRAP 24: Presentation of Budget Information in Financial Statements
- GRAP 100: Non current Assets Held for Sale and Discontinued Operations
- GRAP 101: Agriculture
- GRAP 102: Intangible Assets

The provisions of GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) relating to transfers and subsidies received were adopted in accordance with the

allowance made by GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors, paragraphs 7 and 11.

The standards became effective for implementation in financial periods beginning on or after 1 April 2009, with the exception of GRAP 23 which was approved by the Accounting Standards Board but not yet effective as at 31 March 2010. Adoption of the standards has had no material impact on the current and future periods. The following are the principle accounting policies of the USAASA which are, in all material respects, consistent with those applied in the previous year.

1.1 Significant judgements

In preparing the annual financial statements, the executive management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 16 Provisions.

Allowance for doubtful debts

An impairment loss on debtors is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.2 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Grants, transfers and subsidies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Revenue received via the National Revenue Fund forms part of the Department of Communications budget vote.

1.3 Revenue from exchange transactions

An exchange transaction is defined as one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

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

1.4 Fruitless and wasteful expenditure

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

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

Details of fruitless and wasteful expenditure are provided in note 25.

1.5 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is: "expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government"

Details of Irregular, fruitless and wasteful expenditure are provided in note 26.

1.6 Investment policy

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

1.7 Finance costs

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

1.8 Statement of materiality and significance

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

1.9 Tax

Current tax assets and liabilities

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

1.10 Financial instruments

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to an insignificant risk of change in value. For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

Recognition

Financial assets and financial liabilities are recognised on the Agency's Statement of Financial Position when the Agency becomes a party to the contractual rights and obligations of the instrument. All regular purchases and sales of financial assets are initially recognised using trade date accounting.

Financial assets

Investments are recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets can be classified into the following specified categories: financial assets as at fair value through profit or loss, held to maturity investments, available for sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. All financial assets of USAASA were recognised as loans and receivables.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial. Included in loans and receivables are prepayments which consist of property rental deposits.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off as an expense during the year. Subsequent recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as a FVTPL where the financial liability is either held for trading or it is designated as a FVTPL.

All financial liabilities of USAASA were classified as other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest

income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or where appropriate a shorter period.

1.11 Property, plant and equipment

Property, plant and equipment are recognised as assets if it is probable that future economic benefits or service potential associated with an item will flow to the Agency and the item has a cost that can be measured with reliability.

On initial recognition, an item of property, plant and equipment is measured at cost. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Assets with cost of R2,000 or below are expensed in the year of purchase.

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

Depreciation is calculated on the straight line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

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

ASSET CATEGORY	USEFUL LIVES
Furniture and fittings	5 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years

Property, plant and equipment are reviewed annually for impairments. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the statement of financial performance when the expenditure is incurred.

Property held for resale is recorded at lower of cost or recoverable value.

An item of property, plant and equipment is eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential is expected from it.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the

derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.12 Intangible assets

Intangible assets are recognised as assets if it is probable that future economic benefits or service potential associated with an item will flow to the Agency and the item has a cost that can be measured with reliability.

Intangible assets are initially recognised at cost. When an intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition. Assets with cost of R2,000 or below are expensed in the year of purchase.

Costs include costs incurred initially to acquire or develop an intangible asset and costs incurred subsequently to add to or enhance it. Recognition of development costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an intangible asset are not included in the carrying amount of that asset.

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

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

ASSET CATEGORY	USEFUL LIFE
Computer software	3 years

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

An intangible asset is eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential is expected from it.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.13 Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the amount required to settle the obligation.

1.14 Contingent Liabilities and Contingent Assets

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

wholly within the control of the entity.

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 21.

1.15 Leases

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

Finance leases - lessee

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Operating leases - lessee

Operating lease payments are recognized as an expense on a straight line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments are recognized as an operating lease asset or liability.

1.16 Impairment of assets

The entity assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately as a surplus or deficit. Any impairment loss of a revalued asset is treated as a decrease in the revaluation amount.

1.17 Employee benefits

Defined contribution plans

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

Short term employee benefits

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

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

1.18 Budget information

Budget information is disclosed in terms of GRAP 1 (Presentation of Financial Statements) which requires that entities, in their general purpose financial reporting, provide information on whether resources were obtained and used in accordance with their legally adopted budgets.

A reconciliation between the budget and cash flow statement is included in note 28 to the financial statements.

1.19 Related Parties

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

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity
- Key management personnel, and close members of the family of key management personnel

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

Related party transaction and outstanding balances or commitments owing between the reporting entity and related parties are disclosed in note 23 to the financial statements. Remuneration of key management personnel is disclosed in note 22.

1.20 Events after the reporting date

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

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

Amounts recognised in the financial statements are, where applicable, adjusted to reflect adjusting events after the reporting date. Non adjusting events are not adjusted for. No events after the reporting date were identified that are relevant to the year in review.

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	NOTE(S)	2010 R '000	2009 R '000
2. TRANSFERS AND SUBSIDIES			
Department of Communications		33,495	30,208
3. OTHER INCOME			
Profit on disposal of asset		-	20
Refunds, recoveries and tender levies		195	45
		195	65
4. ADMINISTRATIVE EXPENSES			
Office teas and cleaning		293	229
Sundry expenses		210	177
Fees for services: Board and committee members		717	688
Legal fees		506	193
Entertainment		9	5
Printing and stationery		566	474
Venues and facilities		483	136
Bank charges		21	18
Training and staff development		813	236
Provision for doubtful debts		-	295
Clearing of a suspense account		-	79
Organisational development		956	-
		4,574	2,530
5. STAFF COSTS			
Wages and salaries			
- Basic salaries		14,260	11,146
- Performance bonus		460	523
- Other non pensionable allowance		1,490	1,439
- Workmen's compensation		32	-
- Leave payments		-	57
Social contributions (Employer's contributions)			
- Medical aid		140	136
- Unemployment insurance fund		58	54
- Pension		1,302	1,194
		17,742	14,549
Number of employees		43	41

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	NOTE(S)	2010 R '000	2009 R '000
6. MARKETING COSTS			
Communications & public awareness initiatives		322	179
7. AUDITORS' REMUNERATION			
Statutory audit		477	320
8. OTHER OPERATING EXPENSES			
Operating lease charges			
- Buildings		1,458	1,372
- Vehicles		-	-
- Plant, machinery and equipment		71	70
- Other operating leases		39	68
Consultants, contractors and special services		2,366	1,174
Minor assets expensed: Data equipment		27	6
Maintenance, repairs and running costs		230	315
Depreciation		839	929
Amortisation		49	40
Advertising		133	65
Municipal services		140	164
Travel and subsistence		1,023	833
Courier and delivery charges		33	17
Information and telecommunication costs		779	847
		5,619	4,390
		7,187	5,900
9. FINANCE COSTS			
Finance lease obligation		35	41
Interest on late payments		-	20
		35	61

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

				2010 R '000	2009 R '000
10. PROPERTY, PLANT AND EQUIPMENT					
	2010			2009	
	Cost / Valuation R '000	Accumulated depreciation R '000	Carrying Value R '000	Cost / Valuation R '000	Accumulated depreciation R '000
Computer equipment	918	(576)	342	904	(581)
Other furniture and fittings	1,391	(751)	640	1,366	(535)
Motor vehicles	112	(44)	68	112	(27)
Office equipment	650	(256)	394	497	(157)
Leasehold improvements	1,173	(704)	469	1,172	(468)
Total	4,244	(2,331)	1,913	4,051	(1,768)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2010

	Opening balance	Additions	Depreciation	Total
	R '000	R '000	R '000	R '000
Computer equipment	323	291	(272)	342
Office furniture and fittings	831	25	(216)	640
Motor vehicles	85	-	(17)	68
Office equipment	340	154	(100)	394
Leasehold improvements	704	-	(235)	469
	2,283	470	(840)	1,913

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2009

	Opening balance	Additions	Other changes movements	Depreciation	Total
	R '000	R '000	R '000		R '000
Computer equipment	587	42	20	(326)	323
Office furniture and fittings	1,075	-	(5)	(239)	831
Motor vehicles	106	-	-	(21)	85
Office equipment	443	6	-	(109)	340
Leasehold improvements	938	-	-	(234)	704
	3,149	48	15	(929)	2,283

Included above is office equipment held under capitalized finance lease as follows:

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010 R '000	2009 R '000
	R '000	R '000
Gross carrying amount	242	242
Accumulated depreciation	(105)	(57)
Net carrying amount	137	185

11. INTANGIBLE ASSETS

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying Value	Cost / Valuation	Accumulated depreciation	Carrying Value
Computer software	266	(106)	160	126	(57)	69

Reconciliation of intangible assets - 2010

	Opening balance R '000	Additions R '000	Amortisation R '000	Total R '000
Computer software	69	140	(49)	160

Reconciliation of intangible assets - 2009

	Opening balance R '000	Additions R '000	Amortisation R '000	Total R '000
Computer software	93	16	(40)	69

12. LOANS AND RECEIVABLES

Universal Service and Access Fund	-	307
Prepayments and advances		
- Staff loans/Advances	5	27
- Prepayments	232	278
Other receivables	157	260
	394	872
Impairment of debtors	(157)	(295)
	237	577

Loans and receivables not impaired

The recoverability of loans and receivables is assessed according to class of asset.

Staff loans receivable represent amounts due in respect of discontinued bursaries and are repayable over a period of twelve months in accordance with the relevant bursary agreements.

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010 R '000	2009 R '000
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Pre-payments consist of rental deposits paid in respect of the Agency's leased premises. They will be receivable upon termination of the lease.

The following are expected to be recovered as follow::

Staff loans: 3 - 6 months	5	27
Prepayments 18 months	232	278

Loans and receivables impaired

As of 31 March 2010, trade and other receivables of R 157 (2009: R 295) were impaired and provided for.

The amount of the provision was R (157) as of 31 March 2010 (2009: R (295)).

The ageing of these loans is as follows: :

Over 6 months	157	295
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13. CASH AND CASH EQUIVALENTS

Cash on hand	5	6
Nedbank current account	9,510	5,197
	9,515	5,203

Cash and cash equivalents are unencumbered.

14. FINANCE LEASE OBLIGATION

Minimum lease payments due

- within one year	75	75
- in second to fifth year inclusive	136	211

	211	286
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less: future finance charges	(48)	(82)
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Present value of minimum lease payments	163	204
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Present value of minimum lease payments due

- within one year	48	40
- in second to fifth year inclusive	115	164

	163	204
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Non-current liabilities	115	164
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Current liabilities	48	40
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	163	204
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The finance lease obligation comprises the lease of a printer. The lease has a 0% escalation rate and the lease has fixed repayments of R6219 monthly. The Agency's obligations under the finance lease is secured by the leased asset referred to in note 10.

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010 R '000	2009 R '000
15. TRADE AND OTHER PAYABLES		
Trade payables	374	147
Accruals	685	683
Operating lease payables	275	277
Universal Service and Access Fund	56	-
	1,390	1,107

16. PROVISIONS

Reconciliation of provisions - 2010

	Opening balance R '000	Utilisation during the yr R '000	Made during the yr R '000	Total R '000
Leave	257	(108)	283	432
Workmen's compensation	46	(14)	-	32
Bonus	523	(523)	460	460
	826	(645)	743	924

Reconciliation of provisions - 2009

	Opening balance R '000	Utilisation during the yr R '000	Made during the yr R '000	Total R '000
Leave	198	(198)	257	257
Workmen's compensation	46	-	-	46
Bonus	504	(504)	523	523
	748	(702)	780	826

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

The bonus provision for employees on Grade II or lower was created on the basis of results which had been moderated. There was uncertainty with regards to the timing of the actual payment.

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

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010 R '000	2009 R '000
17. CASH GENERATED FROM OPERATIONS		
Surplus before taxation	3,353	6,734
Adjustments for:		
- Depreciation & amortisation	888	969
- Finance costs	35	61
- (Increase) / Decrease in provisions	98	78
- (Gains) / Losses on sale of plant and equipment	-	(20)
- Adjustment to asset opening balances	-	(16)
Changes in working capital:		
- (Increase) / Decrease in receivables	340	(200)
- (Decrease) / Increase in payables	243	(1,032)
	4,957	6,574

18. COMMITMENTS

Property rental

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

- within one year	1,337	1,204
- in second to fifth year inclusive	927	2,189
	2,264	3,393

19. RISK MANAGEMENT

Liquidity risk

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

Interest rate risk

The carrying amount of the Agency's financial assets at balance sheet date that are subject to interest rate risk is disclosed in note 13. The size of the Agency's position does not expose it to significant interest rate risk. Any risk is managed through the term structure utilized when placing deposits.

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

Credit risk

Potential concentrations of credit risk consist primarily of cash deposits and cash equivalents. Credit risk arises from the risk that a counter-party may default or not meet its obligations in sufficient time. The Agency minimizes credit risk by depositing cash with major banks with high quality credit standing.

	2010	2009
	R '000	R '000

20. EVENTS AFTER THE REPORTING DATE

The Agency is not aware of any matter or circumstance arising since the end of the financial year end and up to the date of issue of the financial statements.

21. CONTINGENT LIABILITIES

The Agency has applied for a rollover with the National Treasury to the value R4 950 000; 2009: R2,944,749. Approval to retain these funds had not been granted at the date of issue of the financial statements.

22. SENIOR MANAGEMENT EMOLUMENTS

Executive management

2010	SALARY R '000	LEAVE PAY R '000	TOTAL R '000
Mr. J. Theledi - Former CEO	-	34	34
Mr. P. Moleele	751	-	751
Ms. L. Ngcwembe - Acting CFO	759	-	759
Mr. W. Lamani - Acting CEO	979	-	979
Ms. SE. Scheepers	653	-	653
Mr. T. Nivi	702	-	702
Ms. Makhotsa Moiloa (Appointed September 2009)	416	-	416
	4,260	34	4,294
2009	SALARY R '000	LEAVE PAY R '000	TOTAL R '000
Mr. J. Theledi - CEO	914	-	914
Mr. P. Moleele - Acting CEO	796	22	818
Mr. K. Keys - CFO (Resigned August 2008)	312	-	312
Ms. L. Ngcwembe - Acting CFO	592	37	629
Mr. W. Lamani	581	19	600
Dr. S. Horton Herselman (Resigned February 2009)	599	-	599
Ms. SE. Scheepers - (Appointed April 2008)	557	51	608
Mr. T. Nivi	592	19	611
	4,943	148	5,091

An Agency-wide bonus provision of R 460 000 was recognised in the year under review. Bonuses for senior management are dependent on the Agency's financial results (i.e. release of the annual report)

	2010 R '000	2009 R '000
22. NON-EXECUTIVE DIRECTORS (CONTINUED)		
2010	2010 R '000	2009 R '000
Prof. S Pather	97	42
Ms. BJ Francis	86	95
Ms. CC Gabriel (Term ended November 2009)	120	140
Ms. Z Mzaidume	70	100
Prof. MI Mphahlele	110	106
Dr. G Celli	85	40
SV Ngcobo	30	-
LL Moahlodi	68	-
Mr. BE Maduna	-	40
Mr. AM Mooke	-	62
	666	625

Senior management emoluments

2010	2010 R '000	2009 R '000
Mr. MG Finger	15	24
Mr. HGS Mpungose	30	31
Ms. R Strydom	8	8
	53	63

23. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships

Department of Communications (Administrative arm of shareholder)

Universal Service and Access Fund (Fund management)

Transactions

Name of Entity	Transaction Type		
Department of Communications	Revenue appropriation	33,495	30,208
Universal Service and Access Fund	Reimbursement of prior year unauthorised expenditure	-	2,057
		33,495	32,265

Balances

Name of Entity	Transaction Type		
Universal Service and Access Fund	Payments made on behalf of USAF	(56)	307

	2010 R '000	2009 R '000
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24. CHANGE IN ACCOUNTING ESTIMATE

Profit before tax is shown after taking the following items into account:

Depreciation	840	929
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Included in the depreciation for the current year is a change in estimate of R56,984; 2009 R32,860. The Agency has always depreciated its property, plant and equipment based on residual values of R1 with the exception of motor vehicles which have always had a residual value of 10%. At the end of the current financial year, the residual values have been amended, resulting in a net reduction in the depreciation charge for the period of R56,984; 2009 R32,860.

25. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance	175	53
Fruitless and wasteful expenditure – current year	66	122
Fruitless and wasteful expenditure condoned	(175)	-
	66	175

Analysis of fruitless and wasteful expenditure

Incident	Disciplinary steps		
1. Penalties and interest paid to SARS for late submission of PAYE returns.	Disciplinary action was taken against the previous CFO.	-	22
2. Excess training costs incurred as a result of non-attendance of delegates.	Verbal warnings were issued to staff for non-attendance of pre-arranged training	-	20
3. Consultants fees for the review of annual financial statements in the prior year.	There was an urgency with regards to the appointment of the consultants by then CFO. He had already resigned by the time the annual financial statements were finalised	-	80
4. Capped leave taken over by the Agency from former employer	The agreement that gave rise to this transaction was verbally entered into by the former CEO. It was discovered subsequent to the termination of his employment contract.	66	-
		66	122

		2010 R '000	2009 R '000
26. IRREGULAR EXPENDITURE			
Reconciliation of irregular expenditure			
Opening balance		2,135	1,674
Irregular expenditure - current year		563	461
Irregular expenditure condoned		(2,135)	-
		563	2,135
Analysis of Irregular expenditure			
Incident	Disciplinary steps		
1. The prior year expenditure comprises of non-adherence to the supply chain management processes.	These incidents arose as a result of misinterpretation of SCM procedures by staff. A service provider has been engaged to streamline the SCM processes and all staff have been given necessary training on these procedures. Non-adherence in future will be strictly dealt with.	-	221
2. A cession agreement that was entered into with a service provider was not properly authorized.	The official responsible was mandated by the CFO, who has since resigned	-	240
3. Purchase orders were not issued to suppliers	Verbal warnings were issued to the personnel concerned and training updates on the Supply Chain Management (SCM) framework provided to the Agency's SCM staff	124	-
4. Three quotations were not sourced for consultation services rendered to the Agency	The supplier was engaged as a single source provider approved by the acting CEO at the time.	439	-
		563	461

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010 R '000	2009 R '000
27. PRIOR PERIOD ERRORS		
Provisions for bonuses in the 2009 financial year did not sufficiently reflect the amounts that were eventually paid. This was due to, in part, the dependence of bonuses for senior management on the financial results (i.e. release of the annual report) of the agency. This error has been adjusted for retrospectively in terms of GRAP3: Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 42.		
The correction of the error results in adjustments as follows:		
Statement of financial position		
Provisions	-	356
Opening retained earnings	-	(176)
Statement of financial performance		
Staff costs	-	180
28. RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT		
Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities for the year ended 31 March 2010.		
Actual amount budgeted	33,495	
Adjusted for:		
Other revenue not part of budget	57	
Actual amounts paid that relate to 2010 budget		
Total expenditure per statement of financial performance	(29,876)	
Total payables per statement of financial position	877	
Cummulative surplus relating to 2009 budget		
Bank balance as at 31 March 2009	5,203	
Accounts payable as at 31 March 2009 (settled in 2010)	(1,146)	
Amounts received from debtors in 2010		
Current assets as at 31 March 2010	(237)	
Current assets as at 31 March 2009	577	
Other adjustments	-	
Increase in provisions	231	
Depreciation and ammortisation	946	
Purchase of assets	(612)	
Net increase in cash and cash equivalents per cash flow statement	9,515	

UNIVERSAL SERVICE AND ACCESS FUND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

CONTENTS

Report of the Auditor-General	61 - 62
Statement of Financial Performance	63
Statement of Financial Position	64
Statement of Changes in Net Assets	65
Cash Flow Statement	65
Accounting Policies	66 - 68
Notes to the Annual Financial Statements	69 - 73



REPORT OF THE AUDITOR-GENERAL

TO THE PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE UNIVERSAL SERVICE AND ACCESS FUND FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

I have audited the accompanying financial statements of the Universal Service and Access Fund, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 63 to 73.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa (PFMA) and section 91 of the Electronic Communications Act, 2005 (Act No. 36 of 2005) (ECA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR-GENERAL'S RESPONSIBILITY

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Universal Service and Access Fund as at 31 March 2010 and its financial performance and its cash flows for the year then ended, in accordance with SA Standards of GRAP and in the manner required by the PFMA.

EMPHASIS OF MATTER

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

Fruitless and wasteful expenditure

As disclosed in note 19 to the financial statements, fruitless and wasteful expenditure to the amount of R355 988 was incurred as a result of payment for internet connection to Cyberlabs and telecentres for which no services were rendered.

Material under-spending of the budget

As explained in the accounting authority's report on page 34, the Fund has materially under-spent its budget. At the date of this report, the under-spending amounted to R 15.29 million. As a consequence, the Fund has not achieved its objectives of making ICTs available, accessible and affordable to all South Africans, through the provision of funding from USAF, in collaboration with the ICT stakeholders.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA, ECA, Preferential

Procurement Policy Framework, 2005 (Act No. 5 of 2000) (PPPFA) and financial management (internal control).

Predetermined objectives

The pre-determined objectives related to the Fund are reported together with the pre-determined objectives of the Universal Services and Access Agency of South Africa.

Compliance with laws and regulations

No matters to report.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the Public Finance Management Act, PPPFA and the ECA but not for the purposes of expressing an opinion on the

effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

- **Leadership**

The accounting authority did not exercise adequate oversight responsibility over reporting and compliance with laws and regulations by implementing controls to prevent the occurrence of fruitless and wasteful expenditure.

Auditor - General

Pretoria

31 July 2010



Universal Service and Access Fund of South Africa

Statement of Financial Performance for the year ended 31 March 2010

	NOTE(S)	2010 R '000	2009 R '000
REVENUE			
Transfers and subsidies received	2	36,427	34,581
Finance income	3	199	18
Tender levies		9	-
TOTAL REVENUE		36,635	34,599
EXPENDITURE			
Administrative expenses	4	(2)	(4)
Research and development costs	5	-	(1,862)
Marketing costs	6	-	(1)
Audit fees	7	(473)	(297)
Project expenses	8	(20,777)	(29,649)
Subsidies paid	9	-	(3,740)
Other operating expenses	10	-	(8)
TOTAL EXPENDITURE		(21,252)	(35,561)
SURPLUS (DEFICIT) FOR THE YEAR		15,383	(962)
SURPLUS/(DEFICIT) ATTRIBUTABLE TO:			
Net Asset holders of the controlling entity		15,383	(962)
Surplus/(Deficit) for the year		15,383	(962)

Universal Service and Access Fund of South Africa

Statement of Financial Position at 31 March 2010

	NOTE(S)	2010 R '000	2009 R '000
ASSETS			
Current Assets			
Loans and receivables	11	6	134
Universal Service and Access Agency	12	56	-
Cash and cash equivalents	13	28,167	7,598
		28,229	7,732
Total Assets		28,229	7,732
LIABILITIES			
Current Liabilities			
Trade and other payables	14	11,934	6,820
Total Liabilities		11,934	6,820
Net Assets		16,295	912
NET ASSETS			
Accumulated surplus		16,295	912

Universal Service and Access Fund of South Africa

Statement of Changes in Net Assets for the year ended 31 March 2010

	Accumulated surplus R'000	Total net assets R'000
BALANCE AT 01 APRIL 2008 AS RESTATED	1,874	1,874
Changes in net assets		
Surplus for the year	(962)	(962)
Total changes	(962)	(962)
BALANCE AT 01 APRIL 2009 AS RESTATED	912	912
Changes in net assets		
Surplus for the year	15,383	15,383
Total changes	15,383	15,383
BALANCE AT 31 MARCH 2010	16,295	16,295

CASH FLOW STATEMENT

	NOTE(S)	2010 R '000	2009 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from government		36,436	34,581
Cash paid to suppliers and employees		(16,011)	(32,470)
Cash generated from operations	15	20,425	2,111
Interest income		199	18
NET CASH FROM OPERATING ACTIVITIES		20,624	2,129
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfers (to) / from Universal Service and Access Agency		(56)	2,057
NET CASH FROM INVESTING ACTIVITIES		(56)	2,057
Total cash movement for the year		20,568	4,186
Cash and cash equivalents at the beginning of the year		7,598	3,412
Net increase in cash and cash equivalents	13	28,166	7,598

UNIVERSAL SERVICE AND ACCESS FUND

ACCOUNTING POLICIES

1. STATEMENT OF COMPLIANCE

The Universal Service and Access Fund (USAF) was established in the Republic of South Africa in terms of section 87 of the Electronic Communications Act, No. 35 of 2005. The USAF shall be utilised exclusively for the payment of subsidies in terms of Section 88 (1) (a)-(e). The USAF is recognised as a Schedule 3A public entity of the Public Finance and Management Act, No. 1 of 1999 (PFMA).

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board as stipulated by Section 91 of the Public Finance Management Act (Act 1 of 1999). GRAP was adopted by the USAF in 2005/6. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

All figures are presented in South African Rands.

BASIS FOR PREPARATION

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards:

GRAP 4:	The Effects of Changes in Foreign Exchange Rates
GRAP 5:	Borrowing Costs
GRAP 6:	Consolidated and Separate Financial Statements
GRAP 7:	Investments in Associates
GRAP 8:	Investments in Joint Ventures
GRAP 9:	Revenue from Exchange Transactions
GRAP 10:	Financial Reporting in Hyperinflationary Economies
GRAP 11:	Construction Contracts
GRAP 12:	Inventories
GRAP 13:	Leases
GRAP 14:	Events after the Reporting Date
GRAP 16:	Investment Property
GRAP 17:	Property, Plant and Equipment
GRAP 19:	Provisions, Contingent Liabilities and Contingent Assets
GRAP 24:	Presentation of Budget Information in Financial Statements
GRAP 100:	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101:	Agriculture
GRAP 102:	Intangible Assets

The provisions of GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers) relating to transfers and subsidies received were adopted in accordance with the allowance made by GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors, paragraphs 7 and 11.

The standards became effective for implementation in financial periods beginning on or after 1 April 2009, with the exception of GRAP 23 which was approved by the Accounting Standards Board but not yet effective as at 31 March 2010. Adoption of the standards has had no material impact on the current and future periods. The following are the principle accounting policies of the USAF which are, in all material respects, consistent with those applied in the previous year.

1.1 Significant judgements

In preparing the annual financial statements, the executive management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Allowance for doubtful debts

An impairment loss on debtors is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.2 Revenue from non exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Grants, transfers and subsidies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Revenue received via the National Revenue Fund forms part of the Department of Communications budget vote.

1.3 Revenue from exchange transactions

An exchange transactions is defined as one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

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

1.4 Fruitless and wasteful expenditure

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

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

Details of fruitless and wasteful expenditure are provided in note 19.

1.5 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is: "expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government."

Details of Irregular, fruitless and wasteful expenditure are provided in notes 20.

1.6 Investment policy

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

1.7 Finance costs

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

1.8 Statement of materiality and significance

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

1.9 Tax

Current tax assets and liabilities

The USAF is not required to make provision for SA Normal Taxation

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

Financial instruments

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to an insignificant risk of change in value. For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

Recognition

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual rights and obligations of the instrument. All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting.

Financial assets

Investments are recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets can be classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. All financial assets of USAF were recognised as loans and receivables.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is

the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off as an expense during the year. Subsequent recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as a FVTPL where the financial liability is either held for trading or it is designated as a FVTPL.

All financial liabilities of USAF were classified as other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or where appropriate a shorter period.

1.10 Contingent Liabilities and Contingent Assets

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

A contingent liability is:

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

sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 17.

1.11 Budget information

Budget information is disclosed in terms of GRAP 1 (Presentation of Financial Statements) which requires that entities, in their general purpose financial reporting, provide information on whether resources were obtained and used in accordance with their legally adopted budgets.

A reconciliation between the budget and cash flow statement is included in note 21 to the financial statements.

1.12 Related parties

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

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity
- Key management personnel, and close members of the family of key management personnel

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

Related party transaction and outstanding balances or commitments owing between the reporting entity and related parties are disclosed in note 18 to the financial statements.

1.13 Events after the reporting date

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

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

Amounts recognised in the financial statements are, where applicable, adjusted to reflect adjusting events after the reporting date. Non adjusting events are not adjusted for. No events after the reporting date were identified that are relevant to the year in review.

Universal Service and Access Fund of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010 R '000	2009 R '000
2. TRANSFERS AND SUBSIDIES RECEIVED		
Department of Communications	36,427	34,581
3. FINANCE AND OTHER INCOME		
Interest on cash and bank deposits	199	18
Tender Levies	9	-
	208	18
4. ADMINISTRATIVE EXPENSES		
	2	4
5. RESEARCH AND DEVELOPMENT COSTS		
Total research and development costs incurred for the year	-	1,862
6. MARKETING COSTS		
Promotion: Communities	-	1
7. AUDITORS' FEES		
Statutory audit	473	297
8. PROJECT EXPENSES		
Tender advertising costs	290	-
Access center handover programme	12,677	-
	1,050	2,370
Rehabilitation & connectivity: Schools	1,767	22,843
Rehabilitation & connectivity: Communities	2,581	3,135
	-	1,301
Subsidies: FET's	2,412	-
	20,777	29,649
9. SUBSIDIES		
Subsidies: USALS	-	3,740
10. OTHER OPERATING EXPENSES		
Fruitless and wasteful expenditure	-	8

Universal Service and Access Fund of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010 R '000	2009 R '000
11. LOANS AND RECEIVABLES		
Pre-payments and advances		
Pre-payments and advances	66	194
Less: impairments	(60)	(60)
	6	134
 Loans and other receivables not impaired		
The ageing of amounts past due but not impaired is as follows:		
Prepayments and advances - 6 months	6	134
 Loans and other receivables impaired		
As of 31 March 2010, trade and other receivables of R 60 (2009: R 60) were impaired and provided for.		
The amount of the provision was R 60 as of 31 March 2010 (2009: R 60).		
The ageing of these loans is as follows:		
Over 6 months	60	60
12. UNIVERSAL SERVICE AND ACCESS AGENCY (USAASA)		
Amount receivable from USAASA	56	-
 13. CASH AND CASH EQUIVALENTS		
Cash and balances with banks	28,167	7,598
Cash and cash equivalents are unencumbered.		
 14. TRADE AND OTHER PAYABLES		
Trade creditors	11,934	6,820
 15. CASH GENERATED FROM OPERATIONS		
Surplus (deficit) before taxation	15,383	(962)
Adjustments for:		
Interest received	(199)	(18)
Changes in working capital:		
(Increase) / Decrease in receivables	128	(128)
(Decrease) / Increase in payables	5,113	3,219
	20,425	2,111

Universal Service and Access Fund of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010 R '000	2009 R '000
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16. RISK MANAGEMENT

Liquidity risk

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

The exposure of the funds financial liabilities to liquidity risk are as follows:

Less than one year	11,934	6,820
--------------------	--------	-------

Interest rate risk

The carrying amount of the Fund's financial assets at statement of financial position date that are subject to interest rate risk is disclosed in note 13. The size of the Fund's position does not expose it to significant interest rate risk. Any risk is managed through the term structure utilised when placing deposits.

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

Credit risk

Potential concentrations of credit risk consist primarily of cash deposits and cash equivalents. Credit risk arises from the risk that a counter-party may default or not meet its obligations in sufficient time. The Fund minimises credit risk by depositing cash with major banks with high quality credit standing.

17. CONTINGENT LIABILITIES

Under-Serviced Area licenses (USALS)

The Under-Serviced Area licenses (USALS) were granted in terms of section 49(A) of the Telecommunications Act No. 103 of 1996 (as amended) and subsidised in terms of section 66(f).

The Fund has applied for a rollover with the National Treasury to the value R15, 180 million (2009: R nil). Approval to retain these funds had not been granted at the date of issue of the financial statements.

During the year under review the Minister of Communications issued an instruction that further funds should not be disbursed to USALS.

Balance at 1 April 2010	-	47,426
Amounts paid during the year	-	(3,740)
Project cancelled	-	(43,686)
Balance at 31 March 2010	-	-

Universal Service and Access Fund of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

		2010 R '000	2009 R '000
18. RELATED PARTY TRANSACTIONS AND BALANCES			
Relationships			
Department of Communications - Administrative arm of shareholder			
Universal Service and Access Agency of South Africa - Fund management			
Transactions			
Name of entity	Transaction Type		
Department of Communications	Revenue appropriation	36,427	34,581
Universal Service and Access Agency	Inter entity transfer	-	2,057
		36,427	36,638
Balances			
Name of entity	Transaction Type		
Universal Service and Access Agency	Inter-entity balances	56	(307)
19. FRUITLESS AND WASTEFUL EXPENDITURE			
Reconciliation of Fruitless and wasteful expenditure			
Opening balance		159	151
Fruitless and wasteful expenditure – current year		356	8
Fruitless and wasteful expenditure condoned		(159)	-
		356	159
Analysis of Fruitless and wasteful expenditure			
Incident	Disciplinary steps		
1. Interest paid on late payment of a Telkom account.	The initial fund transfer occurred late in the first quarter, therefore no funds were available for payments	-	8
2. Payment for internet connectivity of Cyberlabs and Telecentres while there is no internet.	The Fund is obligated to pay for connectivity. The Management is investigating there is a legal recourse to recoup the funds from service providers.	356	-
		356	8

Universal Service and Access Fund of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2010

	2010 R '000	2009 R '000
20. IRREGULAR EXPENDITURE		
Reconciliation of irregular expenditure		
Opening balance	25,817	24,239
Irregular expenditure - current year	-	9,480
Irregular expenditure condoned	(25,817)	(7,902)
	-	25,817
Analysis of Fruitless and wasteful expenditure		
Incident	Disciplinary steps	
1. Expenditure authorised in contravention of the delegation of Authority	The incident arose as a result of the non-existence of a committee stated on the delegation of authority. Approval of this expenditure has now been ratified by the Board	
	-	9,480
21. RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT		
Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities for the year ended 31 March 2010		
Actual amount budgeted	36,427	
Adjusted for:		
Other revenue not part of budget	208	
Actual amounts paid that relate to 2010 budget		
Total expenditure per statement of financial performance	(21,252)	
Total payables per statement of financial position	11,934	
Cummulative surplus relating to 2009 budget		
Bank balance as at 31 March 2009	7,598	
Accounts payable as at 31 March 2009 (settled in 2010)	(6,820)	
Amounts received from debtors in 2010		
Current assets as at 31 March 2010	(62)	
Current assets as at 31 March 2009	134	
Net increase in cash and cash equivalents per cash flow statement	28,167	

