usaasa

Universal Service and Access Agency of South Africa

ANNUAL REPORT 2011/12

ESTABLISHING SOUTH AFRICA'S FUTURE IN THE GLOBAL ICT MARKET


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 THE URBAN AREAS OF GAUTENG, WILL BE ABLE TO CONNECT, SPEAK, EXPLORE AND STUDY USING ICT: (011) 564 1629/30 WWW.USAASA.ORG.ZA

OUR MISSION

To achieve an inclusive information society, in partnership with stakeholders, through the facilitation and maintenance of universal service and access to ICT resources for all South Africans.

OUR VALUES

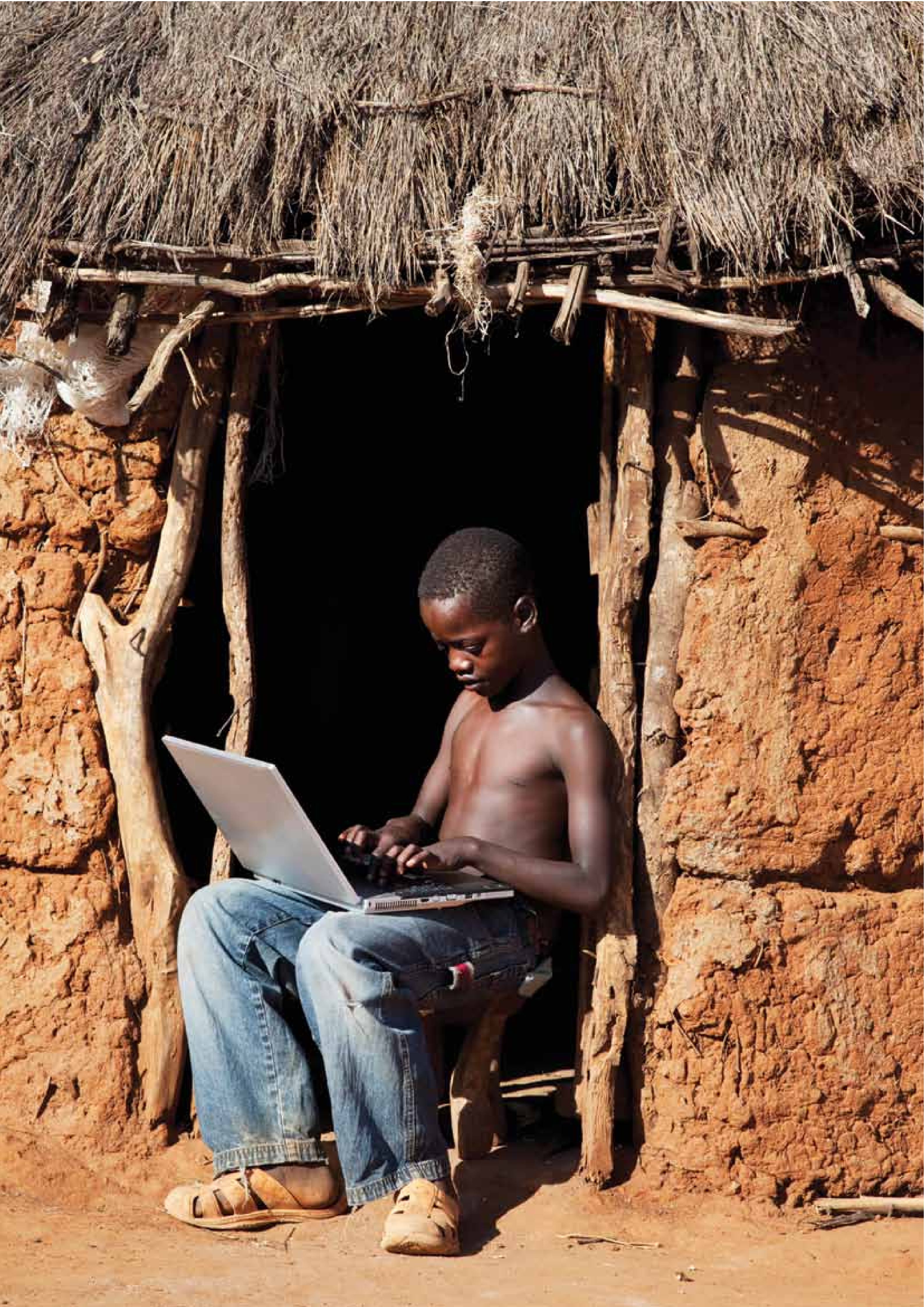
- **BATHO PELE** - We believe in providing excellent service to all customers and stakeholders.
- **UBUNTU** - We promote an environment of humanity, caring and support.
- **INTEGRITY** - We uphold high standards of trust, honesty and respect in all interactions with stakeholders.
- **INNOVATION** - We support employee creativity in our service delivery.
- **TRANSPARENCY** - We encourage clarity, candour and openness in all our activities.
- **ACCOUNTABILITY** - We foster employee ownership and responsibility in ensuring quality service.
- **TEAMWORK** – We strive 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, in collaboration with the ICT stakeholders, through the provision of funding from USAF.
- To undertake continuous research to promote, encourage, facilitate and offer guidance, with regard to 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 has been achieved, in order to assess the impact of the ECA.
- 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
BDM	Broadcasting Digital Migration
CEO	Chief Executive Officer
DBSA	Development Bank of South Africa
DoC	Department of Communications
DoBE	Department of Basic Education
DoHE	Department of Higher Education
DTT	Digital Terrestrial Television
ECA	Electronic Communications Act
EXCO	Executive Committee
FET	Further Education and Training
GCIS	Government Communication Information System
GIS	Geographic Information System
HR	Human Resources
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technology
IDC	Industrial Development Corporation
MDDA	Media Diversity Development Agency
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act
SCM	Supply Chain Management
SLA	Service Level Agreement
SoP	Standard Operating Procedures
ToR	Terms of Reference
USAF	Universal Service and Access Fund
USAASA	Universal Service and Access Agency of South Africa



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Hon. Dina Deliwe Pule (Ms)

MINISTER'S STATEMENT

In order for South Africa to move forward and achieve its economic, social upliftment, empowerment and overall prosperity goals, the establishment and design of an ICT Policy Framework, deploying Information and Communications Technology (ICT) infrastructure and affordable access to services for all citizens is ideally important. To facilitate this noble endeavour USAASA has been tasked with its mandate to promote the goals of universal access and universal service. To this end, the 2011/2012 was a difficult year for USAASA, marked with suspension of the Executive leadership of the agency due to maladministration and corruption. Owing to this status, the USAASA board was dissolved on the 23rd November 2011.

I took a decision to appoint Themba F. Phiri, Deputy Director-General for ICT Policy and Strategy, and Sam Vilakazi, Deputy Director-General of Finance DOC, jointly as Executive Caretakers, granting them full executive powers to take executive decisions necessary to ensuring that USAASA executes its mandate. The caretakers were appointed as interim leaders, allowing a forensic audit to be undertaken, along with a review of actions, compliance and skill sets within USAASA, until a replacement Board is instituted. Despite this situation, the organisation has managed to pick up the pieces towards stability. Now that we have appointed a new board of USAASA, the organisation is expected to improve in its performance even further.

A numbers of steps were taken to improve the organisations internal controls, development of a sound business plan, which is currently being executed by the agency. Actions which must still be undertaken includes a detailed evaluation of the overall status of ICT rollout in the country, assessment of universal service and access policy implementation, as well as clarification of the role of the Agency in the acceleration of Universal Service and Access mandate in the country.

We are currently conducting a ICT Policy Review process, with a view to develop a new Integrated ICT Policy which will be founded on our firm believe that "universal access to ICT services is a right for all South Africans". Indeed, ICTs plays a key role in promoting education, and health services promotion. We have to increase our diffusion of ICTs in order to really impact on education and knowledge production in the country. Our quest to advance towards an information and knowledge based economy depends on our strides in investing on the ICT value chain, including broadband infrastructure which if adoption increases significantly, has a direct contribution to GDP growth of not less than 3 percent for every 10 percent of the population.

The estimated statistics shows a 2 percent for fixed-line Broadband; 4% for mobile Personal Computer and desktop PC Broadband and 17% for smartphones between 2008-2010. Although mobile telephony has reached over 104 percent penetration, these figures are not satisfactory. In an attempt to find practical solutions it has been decided to conduct a study into broadband pricing, penetration and speed in South Africa. USAASA will play a fundamental role in aiding to bridge the ICT chasms that exist within our society.

In addition, two flagship programmes have been prioritised, fundamental to building a digital information and knowledge society, including accelerating the creation of a modern digital infrastructure positioning the country for an advanced knowledge economy by 2030. These programmes are: developing a rolling out a National Broadband Network; and digital terrestrial television (migration of broadcasting system from analogue to digital broadcasting). They are aligned with governmental goals of constructing a developmental state, which contributes to rural advancement, health care delivery and reducing crime and corruption. USAASA is key to this rollout, in identifying and expediting coverage to areas most under-serviced. Indeed USAASA is a key role player in these flagship programmes.

In April 2012, we hosted an unprecedented and successful National ICT Policy Colloquium, under the theme: Defining a new era in ICTs for all South Africans. This august event marked a beginning of ICT policy reform in the country in which USAASA and other relevant stakeholders will contribute to the formation of a new mandate for the agency.

Broadband is an essential digital resource for accessing basic services, products, commerce and job creation. It has the potential of creating opportunities and opening of new markets that allow businesses, particularly small, medium and micro enterprises, SMMEs, to grow. Given the strategic importance of this enabling infrastructure, the department together with the ICT industry, has committed to deliver 100% broadband penetration and delivering a million jobs by 2020. Our partnership with the ICT industry gives us confidence to galvanize sufficient resources to deliver on this commitment. USAASA is the main component in ensuring that these resources reach the players and areas where they will have the most benefit.

With the leadership and guidance of the Executive Caretakers, and shortly the new Board, USAASA is poised to ensure that South Africa acquires the infrastructure it needs, building a new era for all of us.

Hon. Dina Deliwe Pule (Ms)
Minister, MP


Dr Sam Vilakazi


Mr Themba Phiri

EXECUTIVE CARETAKERS' STATEMENT

Following the dissolution of the Board on November 23rd, 2011, the Minister of Communications, Dina Pule, appointed us in the capacity of interim joint Caretakers and with a mandate to stabilise the organization following a spate of executive suspensions, despite calls from opposition to shut down the Agency. It is in this context that we submit the following report, reflecting the overall status of the Agency.

Although USAASA has been beleaguered by reports of poor performance, corruption, misuse of funds and non-completion of its mandate we are confident that the Agency has major value and the potential to be turned around. With the Minister having appointed a new Board, the organisation will accelerate towards full recovery. We have already into place correct risk management strategies, disaster recovery plans and reviewed the tendering and service provider appointment processes. These remedial actions which are geared towards correcting malfunctioning, maladministration and good governance are expected to bear fruits in the nearest future. We maintain that the mandate of USAASA can be better clarified in the ICT White Paper Policy undertaken by the Department of Communications.

The implementation of universal services and access policy is extremely important, given the low internet penetration in the country. Access to PC and other internet based devices remain low in rural areas. USAASA's mandate also includes the area of broadcasting and this mandate needs to be infused strongly in the business of the organisation.

The Universal Service and Access Fund should to bolster ICT SMME promotion in the future. It is necessary that the fund is used to provide access to ICT services through subsidies. With the Ministerial requirement to increase internet access in rural areas through the deployment of ICT centres, the Fund is playing a significant role in delivering on this mandate. In 2012-13, a total of 65 ICT centres will be delivered in the financial year 2012/13. USAASA is also undertaking Universal Service and Access Repositioning exercise which involves both an organisational review as well Universal Access Policy mandate study to determine how the organisation can play its role effectively in the converged ICT market to execute its mandate.

We are reviewing and ensuring that current and future projects receive the correct attention, follow-through and formation. Currently, the establishing of School Cyberlabs and Telecentres; the Rapid Deployment Projects (concerned with subsidies to deploy public access technologies to under-developed areas) and the BDM/DTT/Set-Top-Subsidy are underway.

We wish to thank the Honourable Minister Pule for the opportunity to serve, assist in the turn-around of USAASA by appointing us as Executive Caretakers. We wish to thank all those at USAASA, who with their professionalism and expertise have made our time among you a wonderful experience. We look forward to handing over a stable Agency to the new Board.

Themba Phiri (Mr.)

Sam Vilakazi (Dr.)

FORMER BOARD MEMBERS

(Board dissolved by the Minister in November 2011)

MR LOUIS L MOAHLODI

Chairman: Board of Directors
Board Term: 1 December 2009 – 31 October 2011
Qualifications: BA Degree (Economics & Development Sociology); MBA in Business Administration; and completion of Ph.D. (Entrepreneurship) courses - Small Business Enabling Environment; Entrepreneurship Theory; and Introductory to Entrepreneurship.

Louis L Moahlodi is the founder and Director of Tradeworx 26 (Pty) Ltd, trading as Endet Resources Consulting; the Executive Chairman of Moahlodi Global Investments; and the Managing Director of Uyingcwele Baba Capital (Pty) Ltd. He is currently the Deputy Chairperson: Board of Directors of Free State Tourism Authority (FSTA); the Chairperson of FSTA Finance Committee; and a Member of FSTA Human Resource Committee.

His areas of expertise include 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 private and public sectors as a professional service provider, with specialised expertise and guidance relating to strategy; policy formulation; alignment of Provincial and National Government programmes, with the focus on strategic goals; development planning; business development; organisational development; information communication technology; private equity; project finance; infrastructure development finance; and grant funding facilitation.

He has been involved in ANC activities, Labour Unions, and in different community structures, including Community Based Organisations and Non-Governmental Organisations. His previous positions include, among others: ANC Councillor Welkom (Matjhabeng Local Municipality), where he actively participated in a number of Standing Committees; Business Development Officer; Director Economic Development & Planning; Acting District Municipal Manager and Acting CEO for Lejweleputswa Development Agency (LDA).

PROF SHAUN PATHER

Chairperson: Finance & Business Development Sub Committee and Member of HR & Remuneration Sub Committee
Board Term: 1 November 2008 – 23 November 2011
Qualifications: Doctor Technology (IT); MPA; PGDPA; AUDPA; FDE (Comp Sc.).

Shaun Pather is a Fulbright Scholar and an Associate Professor in the Faculty of Informatics & Design, at the Cape Peninsula University of Technology. He has in excess of twenty years of experience in the ICT research, education and training environment, along with maintaining a rich history of community activism and involvement.

As an academic, Prof. Pather 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 the effectiveness of uptake and use of ICTs, in a developmental context. Regarding to the former, he is committed to leveraging his research for societal transformation and has led several projects within academia, as well as with Government and the private sector. His professional experience includes project management; human resource management; financial planning; and marketing management.

He has authored a number of research publications in refereed journals, as well as books, and has presented seminars and papers at numerous local and international conferences. He serves on a number of editorial boards, including functioning as Associate Editor of the international Journal of Community Informatics, and as Editor of the Electronic Journal of Information Systems Evaluation. 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.

MR VUSI NGCOBO

Chairperson: HR Sub-Committee and Member of Finance & Business Development Sub Committee
Board Term: 1 March 2010 – 23 November 2011
Qualifications: B.Com (Marketing); MBA.

Vusi Ngcobo is currently the Business Development Manager for the Yum International Group. The key output of his role is the management and development of existing Kentucky Fried Chicken (KFC) outlets, along with the establishment of an additional 25 new outlets in Southern Africa. He is further responsible for assisting with the development of a rolling market plan for the region; including optimal trade zone designation amongst franchisees and the provision of market related information, to assist in planning their development.

Mr Ngcobo is required to interact with franchisees in the identification and recommendation of new sites for expansion and/or relocation of the store network, targeting specific priority areas for the company. He provides economic input for development proposals, using the Business Economic Model, assisting franchisees in their understanding and use of the concept.

He develops and maintains strategic relationships with real estate owners, brokers and developers, to ensure that KFC is a preferential tenant in prime locations.

MR BHEKI MADUNA

Member: Member of Audit & Risk Management and Finance & Business Development Sub Committees
Board Term: 1 November 2008 – 23 November 2011
Qualifications: Hons B.Compt; CTA; Member of SAICA and Institute of Internal Auditors.

Bheki 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. He participated in 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 Corporatized 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 has also successfully completed internal and external audit assignments, and was seconded to CIPRO as Chief Financial Officer.

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

DR GABRIELE CELLI

Member: Member of Finance & Business Development and HR & Remuneration Sub Committees
Board Term: 1 November 2008 – 23 November 2011
Qualifications: Doctor of Electronic Engineering, University of Rome;
B.Com (Economics) Unisa; Advanced Executive Programme, Unisa Business School.

Gabriele 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, working in the technical division until 1991. In 1989 he joined the newly formed Corporate Strategy Division, subsequently becoming responsible for establishing the Strategic Planning Function for Telkom.

Dr Celli participated in establishing the National Telecommunications Forum (NTF), a body representative of all stakeholders in the Telecommunications sector, with the main objective of developing policy options for the restructuring of this 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, progressing to the technical task team who developed the White Paper on Telecommunications Policy, which formed the basis for the Telecommunications Act, 103 of 1996.


3. DIVISIONAL
REPORTS

3.1 CEO'S OFFICE

CEO'S OFFICE: PERFORMANCE MANAGEMENT

CORPORATE STRATEGY / THEME: **Achieve project-based organisational excellence.**	**STRATEGICALLY LINKED OBJECTIVES:**		
The Objective: • To track, measure, monitor and evaluate business units, provincial offices and project performances.	**Co-ordinator of the Objective:** • Head Performance Management		
Target: • Efficient enterprise, planning & reporting.	**Responsibilities for Measurement:** • Head of Performance Management		
Performance Indicator(s): • Accurate and punctual monthly performance reports.	**Formula for Calculation of the KPI(s):** • Not Applicable	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable to Measurement and Tracking of Progress: • Creation of an automated & efficient business monitoring system. • Optimally efficient IT systems.	**Action by:** • Head of Performance Management	**Date:** • On-going	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Implement an effective performance managment system, to increase Organisational Performance.	Q1: • Align to the best practice performance management guidelines.	Achieved. Ensured that officials signed their performance contracts and assessments.	Head: PM	NIL
	• Develop Performance Rewards Programmes, in-line with Business Plan.	Not Achieved.		
	• Facilitate PM training workshops for management and staff.	Not Achieved.		
	• Ensure 100% Performance Agreements and PDPs (Performance Development Plans).	Achieved. All Managers, Senior Managers and Executive Managers to attend a one day workshop, on the Development of the Operational Plan, as well as how to best report on quarterly and monthly performance.		
	Q2: Conduct performance management audits.	Achieved.		
	Develop performance management enhancement plans.	Not Achieved.		
	Implement performance management enhancement plans.	Not Achieved.		
	Q3: Identify continuous improvement opportunities, then implement, in consultation with key stakeholders.	Not Achieved. The new PMS policy was never approved by the Board. The PMS contracts that were signed, based on the new policy, will have to be re-done.		
	Q4: Ensure and facilitate performance reviews and required support guidelines.	Not Achieved. Performance reviews halted.		
	Implement Performance Rewards, in line with approved guidelines.	Not Achieved. Performance Reward guidelines, as per new policy, rejected by dissolved Board.		

Sub-Objectives (in line with Target)	April 2011 – March 2012 Milestones	Actual Performance Against Business Plan	Responsibility	Budget
On-going monitoring and evaluation of divisions, provincial offices & projects performance.	Q1: Corporate quarterly performance management reports.	Achieved. Quarterly Reports submitted to Shareholder.	Head: PM	NIL
	Q2: Corporate quarterly performance management reports.	Achieved. Quarterly Reports submitted to Shareholder.		
	Q3: Corporate quarterly performance management reports Annual review report of USAASA corporate plan.	Achieved. Quarterly Reports submitted to Shareholder. Not Achieved due to activity freeze resulting from executive management suspensions.		
	Q4: Corporate quarterly performance management reports.	Achieved. Quarterly Reports submitted to Shareholder. Achieved. Cumulative report drafted in readiness for Annual Report process.		

STAKEHOLDER RELATIONS

The Stakeholder Relations Unit is tasked with the engagement of key stakeholders involved in projects. To this end, this function is critical and rightfully noted in the Agency Corporate Strategy as "clearing the way" to enable effective project implementation.

In the year under review, the function's mandate was somewhat limited due to the onset of a forensic investigation, which required unit heads to reprioritise funds in a bid to stabilize the environment. The net result is that more than R3 million was reallocated , rendering the unit unfunded. However, due to prior brand planning, the unit was able to deliver participation in support of shareholder activities and other stakeholder engagements.

Stakeholder engagements in the year under review include the following:

i. Msinga Connectivity launch
ii. Impendle Access Facility launch
iii. Budget Vote
iv. Portfolio Committee Oversights
v. Youth Day Cyberlab launch – Mampoi Secondary High School
vi. Emalahleni & Chris Hani District Municipality Broadband Council engagements

The requirement that ICTs, and the use thereof, are universal, accessible and comprehended, continues to be critical. Stakeholder engagements at municipal level reveal limited understanding of communications technology and point to the need, to not only simplify, but to mainstream communications technology for developmental purposes.

CEO'S OFFICE: STAKEHOLDER RELATIONS

CORPORATE STRATEGY / THEME: **To facilitate multi-sectorial networks towards improving the public profile of USAASA.**	**STRATEGICALLY LINKED OBJECTIVES:**		
The Objective: Ensure effective and efficient profiling of the Agency and its deliverables.	**Co-ordinator of the Objective:** • Head of Performance Management		
Target: Provide systems and communications support, to both internal & external stakeholders, in order to promote the knowledge and importance of USAASA in South Africa.	**Responsibilities for Measurement:** • Senior Manager Stakeholder Management		
Performance Indicator(s): • Improved publicity and stakeholder sentiment	**Formula for Calculation of the KPI(s):** • Not Applicable	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • On-going
Initiatives to Enable to Measurement and Tracking of Progress • Documented communication strategy for both internal and external stakeholders. • Documented processes & procedures for Stakeholder Management. • Development of the intranet for internal purposes. • Documented media & stakeholder liaison plans. • Design and development of communication brochures. • Projects publicity in the media and other communication channels. • Promotion of USAASA brand through electronic media i.e. Radio and TV shows.	**Action by:** • Senior Manager Stakeholder Management	**Date:** • On-going	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Stakeholder Relations & Marketing Communications.	Q1: Develop strategy & plans for approval. Establish Marketing Communications Policy. Establish baseline research. Drive strategy plans.	Not Achieved. Strategy developed. Pending approval. Submitted to Exco. Pending approval. Not Achieved. Conditional on strategy approval. Not Achieved. Strategy approval pending. Achieved. Stakeholder engagement undertaken as follows: • Msinga launch • Budget vote • Crossroads launch • QwaQwa June 16 • Parliament Portfolio committee oversight visit.	SM: Stakeholder Relations	NIL
	Q2: Stakeholder Engagement per plan. Stakeholder Relations strategy rollout per plan. Review & report unit success against metrics.	Not Achieved. Not Achieved. Not Achieved.		
	Q3: Stakeholder Engagement per plan. Stakeholder Relations strategy rollout per plan. Review & report unit success against metrics.	Not Achieved. Integrated Marketing Communications Strategy developed and costed. Unfunded. - -		
	Q4: Stakeholder Engagement per plan. Stakeholder Relations strategy rollout per plan. Review & report unit success against metrics.	Not Achieved. Integrated Marketing Communications Strategy developed and costed. Unfunded. - -		
Stakeholder Management.	Q1: Develop stakeholder partner strategy & plan. Develop supporting policy. Establish service level metrics. Facilitate stakeholder engagement.	Not Achieved. Not Achieved. Not Achieved. Achieved.	SM: Stakeholder Relations	NIL
	Q2: Facilitate stakeholder engagement. Achieve, review & report service level metrics.	Achieved. ITU stakeholder planning & engagements. DTT Communications planning. Annual report preparations and tabling. BDM industry engagement.		
	Q3: Facilitate stakeholder engagement. Achieve, review & report service level metrics.	Achieved. ITU stakeholder planning & engagements. DTT Communications planning. Annual report preparations and tabling. BDM industry engagement.		
	Q4: Facilitate stakeholder engagement. Achieve, review & report service level metrics.	Achieved. Project governance engagements undertaken e.g. Connectivity partnership with Sentech; Ministerial breakfast. DTT Communications preparatory planning with the DoC.		

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Develop and drive USAASA brand campaign(s).	Q1: Implement external marketing communications plan. Implement media plan. Implement public relations plan. Implement policy. Quarterly Newsletter Bulletin production.	Not Achieved. Unfunded. Not Achieved. Unfunded. Not Achieved. Unfunded. Not Achieved. Pending Board resolution. Policy submissions made. Pending Board approvals. Not Achieved. Unfunded.	SM: Stakeholder Relations	NIL
	Q2: Implement external marketing communications plan. Implement public relations plan. Implement policy. Quarterly Newsletter Bulletin production.	Not Achieved. Unfunded. Not Achieved. Unfunded. Not Achieved. Unfunded. Not Achieved. Unfunded.		
	Q3: Implement external marketing communications plan. Implement media plan. Implement public relations plan. Implement policy. Quarterly Newsletter Bulletin production.	Not Achieved. Unfunded. Not Achieved. Unfunded. Not Achieved. Not Achieved. Pending Board resolution. Policy submissions made. Pending Board approvals.		
	Q4: Implement external marketing communications plan. Implement media plan. Implement public relations plan. Implement policy. Quarterly Newsletter Bulletin production.	Not Achieved. Unfunded. Not Achieved. Unfunded. Not Achieved. Unfunded. Not Achieved. Pending Board resolution. Policy submissions made. Pending Board approvals. Not Achieved. Unfunded.		
Annual Report.	Q1: Facilitating the development of the Annual Report.	Achieved. Report developed and tabled to Parliament.	SM: Stakeholder Relations	R 400, 000
	Q2: Branding and printing of Annual Report.	Achieved. Report tabled to Parliament.		
	Q3: Not Applicable.	-	-	
	Q4: Not Applicable.	-	-	

INTERNAL AUDIT SERVICES

The financial year 2011/2012 saw the Internal Audit's value-add role taken to the next level. This was as a result of the request from one of the Board's Sub-Committees requesting Internal Audit activity, through its Audit and Risk Management Sub-Committee, to conduct an open review/preliminary investigation of suspected irregularities with regard to two projects run by Business Development Services (BDS), within the Agency.

This request brought various challenges in the finalisation of the Internal Audit plans planned for that particular period. Some projects were moved to the 2012/2013 financial year, this included preparation for the Quality Assurance Review, to ensure compliance with the Standards for the Professional Practices of Internal Audit. With the support of the Audit and Risk Management Sub-Committee, the results of the open review/preliminary investigation gave rise to the commissioning of a full extensive forensic investigation by an external service provider.

The participation of the Chief Audit Executive in EXCO meetings has assisted the Internal Audit activity to act pro-actively in dealing with emerging risk exposures of the Agency. To that effect, Internal Audit activity has planned to conduct audits on SCM on a quarterly basis in the 2012/2013 financial year. This will result in audits of SCM conducted on actual expenditure incurred on the current financial year, instead of historical sources based on previous financial years.

The relationship between the Office of the Auditor General and Internal Audit has improved. The Agency has established an Audit Steering Committee, of which the Office of the Auditor General, Internal Audit and the CFO are fulltime participants. Internal Audit activity continues to shares its audit reports with the Office of the Auditor General, including the audit scope of current projects to avoid duplication of efforts.

Internal Audit's independence is still intact, due to our reporting lines. Internal Audit Activity reports functionally to the Audit and Risk Management Sub-Committee and administratively to the Chief Executive Officer (CEO).

CEO'S OFFICE: AUDIT SERVICES

<table>
<tr><td>CORPORATE STRATEGY / THEME:
Ensure the optimal functioning of the Agency, through the attainment of set objectives, in accordance with the approved strategy, to deliver on its mandate.</td><td colspan="3">STRATEGICALLY LINKED OBJECTIVES:</td></tr>
<tr><td>The Objective:
• To ensure a stable internal control environment.</td><td colspan="3">Co-ordinator of the Objective:
• CEO</td></tr>
<tr><td>2011/12 Target:
• Ensure the optimal functioning of the Agency, through the attainment of set objectives, in accordance with the approved strategy, to deliver on its mandate.</td><td colspan="3">Responsibilities for Measurement:
• Chief Audit Executive</td></tr>
<tr><td>Performance Indicator(s):
• 100% of the approved Internal Audit plan executed. Compliance by Business Units with the prescribed policies and processes.</td><td>Formula for Calculation of the KPI(s):
• Not Applicable</td><td>Unit of Measurement:
• Quantitative</td><td>Frequency, and Date of First Measurement:
• Quarterly</td></tr>
<tr><td>Initiatives to Enable to Measurement and Tracking of Progress:
• Stable internal control environment.
• Follow-up audit reports.
• Post-audit questionnaire.</td><td>Action by:
• Chief Audit Executive</td><td>Date:
• On-going</td><td>Done:
• On-going</td></tr>
</table>

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Three-year rolling Strategic Plan.	Q1: Not Applicable.	-	Chief Audit Executive	R500, 000
	Q2: Not Applicable.	-		
	Q3: Not Applicable.	-		
	Q4: Coordination of the preparation of the three-year rolling Strategic Plan, for approval by the Audit and Risk Management Sub-Committee, through the results of the risk assessment, in preparation for the 2012/2013 financial year.	Achieved. The three-year rolling Strategic Plan has been approved by the Audit and Risk Management Committee.		

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Annual operational plan.	Q1: Not Applicable.	-	Chief Audit Executive	NIL
	Q2: Not Applicable.	-		
	Q3: Not Applicable.	-		
	Q4: Prepare the annual operational plan for approval by the Audit and Risk Management Sub-Committee, in preparation for the 2012/2013 financial year.	Achieved. The annual operational plan for 2012/2013 approved by the Audit and Risk Management Sub-Committee.		
Conduct internal audits.	Q1: Conduct follow up audits on previously completed audit projects, contract management and completion of audit on performance information started in the previous year.	Not Achieved. All planned audits were completed except for an audit on contract management that was deferred to the next financial year 2012/2013 due to the audits that were carried over from 2010/2011 and completed in 2011/2012 as a result of non-cooperation by client management.	Chief Audit Executive	NIL
	Q2: Conduct internal audits on SCM; bids; purchases and payable; Financial Management and IT.	Not Achieved. All planned audits were completed except for IT and Financial Management audits that was deferred to Q3 and Q4 respectively due the beginning/planning of the Open Review on PMO and Umzithel projects.		
	Q3: Conduct internal audits in performance information; HR; administration and BDS/Provincial offices.	Not Achieved. All planned audits including IT deferred from Q2 were completed except Performance Information that was deferred further to Q4 as a result of the execution and reporting of the Open Review on PMO and Umzithel projects and the beginning of the Forensic Investigation. An audit on Administration was deferred to the next financial year 2012/2013 for the same reasons above.		
	Q4: Conduct internal audits on SCM; bids; purchases and payables, and preparation for the quality assurance review of the Internal Audit activity.	Not Achieved. All planned audits including Performance Information deferred from Q3 were completed except the preparation of the Quality Assurance Review, which has been deferred to next financial year 2012/2013.		

3.2 BUSINESS DEVELOPMENT SERVICES

BUSINESS DEVELOPMENT SERVICES

<table>
<tr><td>CORPORATE STRATEGY / THEME:
Make ICTs available, accessible and affordable to all South Africans.</td><td colspan="3">STRATEGICALLY LINKED OBJECTIVES:</td></tr>
<tr><td>Name of the Objective:
• Facilitate interventions in ensuring affordable, equitable access and usage.</td><td colspan="3">Co-ordinator of the Objective:
• Head of Business Development Services (BDS)</td></tr>
<tr><td>2011/12 Target:
• 367,000 subsidised Set Top Boxes (STB) distributed.
• 448,558 subsidised Set Top Boxes (STB) distributed.</td><td colspan="3">Responsibilities for Measurement:
• Senior Manager BDS</td></tr>
<tr><td>Key Performance Indicator(s):
• Percentage of poor TV-owning households subsidised (for purchase of STBs, as part of Broadcast Digital Migration).</td><td>Formula for Calculation of the KPI(s):
• Number of sub sidies awarded</td><td>Unit of Measurement:
• Qualitative or
• Quantitative</td><td>Frequency, and Date of First Measurement:
• Quarterly</td></tr>
<tr><td>Initiatives to Enable to Measurement and Tracking of Progress
• Poor TV-owning households, with access to Digital Broadcasting Services.
• STBs subsidised for poor TV-owning households.</td><td>Action by:
• Senior Manager BDS</td><td>Date:
• On-going</td><td>Done:
• On-going</td></tr>
</table>

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Plan and design Broadcasting Digital Migration Programme.	Q1: Establish partnership with public and private sectors.	Achieved.	Head: BDS	R23 million
	Design systems and processes for subsidies.	Achieved.		
	Q2: Implement a pilot for systems and processes for subsidy applications.	Not Achieved.		
	Q3: Implementation of STB scheme-of-ownership model.	Not Achieved. All projects were placed on hold, pending conclusion of forensic.		
	Q4: Implementation of STB scheme-of-ownership model.	Not Achieved. Project launched was moved by the Minister to the third quarter of the new year. Work was focused on readying the transaction platform, through which subsidies will be issued, using SAPO's infrastructure.		

CORPORATE STRATEGY / THEME: Make ICTs available, accessible and affordable to all South Africans.	STRATEGICALLY LINKED OBJECTIVES:		
Name of the Objective: • Facilitate interventions in ensuring affordable, equitable access and usage.	**Co-ordinator of the Objective:** • Head of Business Development Services (BDS)		
2011/12 Target: • Under-serviced areas with BB infrastructure.	**Responsibilities for Measurement:** • Senior Manager BDS		
Key Performance Indicator(s): • Number of under-serviced areas covered with broadband infrastructure.	**Formula for Calculation of the KPI(s):** • Number of Municipalities connected	**Unit of Measurement:** • Qualitative or • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable to Measurement and Tracking of Progress • Increase in Broadband access. • Deployed Broadband Infrastructure.	**Action by:** • Senior Manager BDS	**Date:** • On-going	**Done:** • On-going

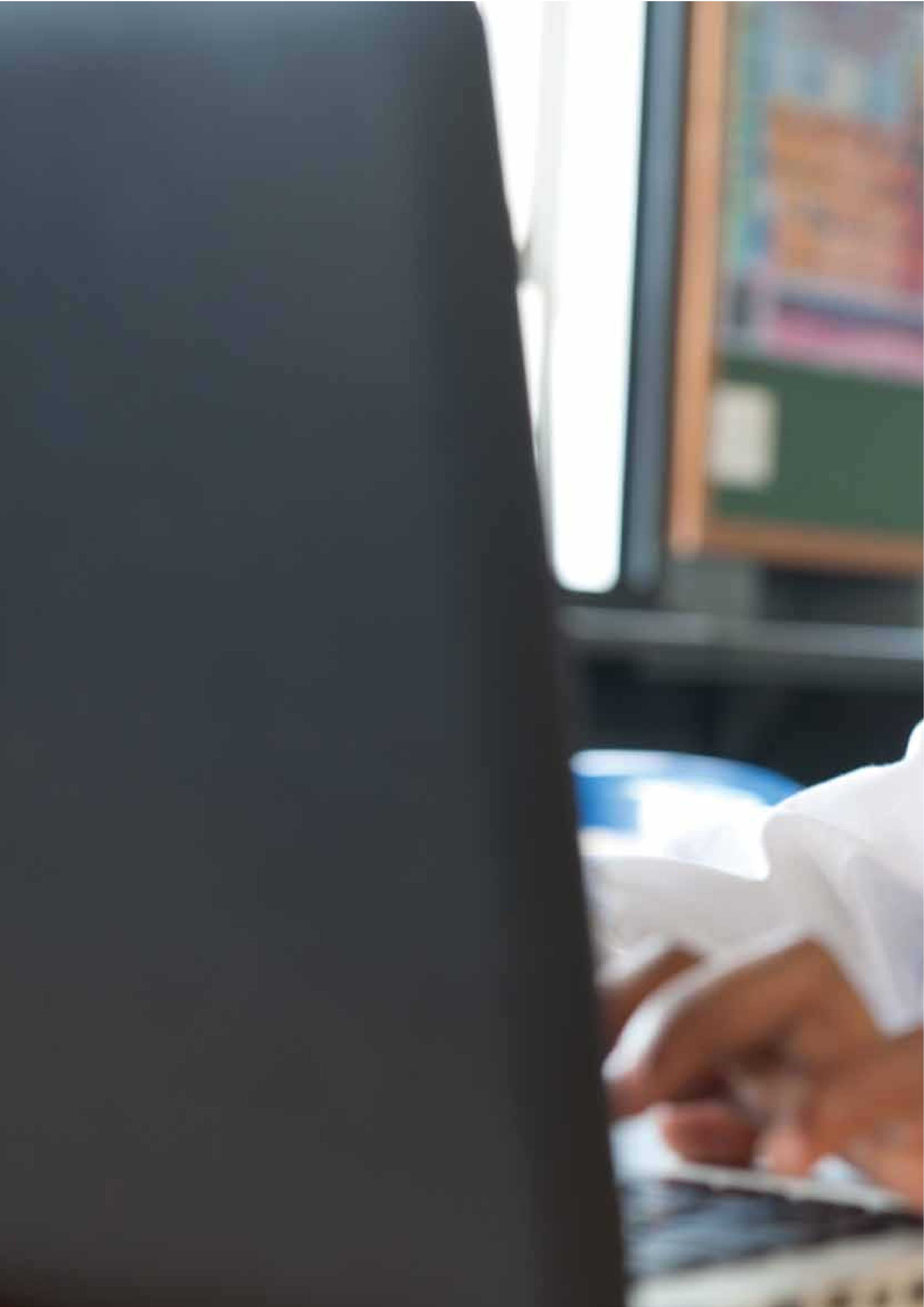
Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Limpopo: Meraka Institute (CSIR) – Greater Tzaneen Broadband network.	Q1: Requirements gathering. Consolidation of business case. Appointment of service provider for network design.	Achieved.	Head: BDS	R9 million
	Q2: Network design and specification. Approval of subsidy model and funding. Engagement with stakeholders and ICT players.	Not Achieved.		
	Q3: Tender process for appointment of operator.	Not Achieved. All projects were placed on hold, pending conclusion of forensic.		
	Q4: Monitoring and evaluation.	Not Achieved. Recent 3G coverage has disqualified Tzaneen as an under-serviced area.		

CORPORATE STRATEGY / THEME: Make ICTs available, accessible and affordable to all South Africans.	STRATEGICALLY LINKED OBJECTIVES:		
Name of the Objective: • Facilitate interventions in ensuring affordable, equitable access and usage.	**Co-ordinator of the Objective:** • Head of Business Development Services (BDS)		
2011/12 Target: • 44 Access Centres.	**Responsibilities for Measurement:** • Senior Manager BDS		
Key Performance Indicator(s): • Increased access to sustainable ICT services. • Fully functional and sustainable public access facilities.	**Formula for Calculation of the KPI(s):** • Number of Public Access facilities deployed	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable to Measurement and Tracking of Progress • Number of new public access facilities.	**Action by:** • Senior Manager BDS	**Date:** • On-going	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Implementation of rapid deployment strategy. Establishment of access centres.	Q1: Establishment of 20 Access Centres.	Not Achieved.	Head: BDS	R19.8 million
	Q2: Establishment of 24 Access Centres	Not Achieved.		
	Q3: Monitoring and evaluation.	Not Achieved. All projects were placed on hold, pending conclusion of forensic.		
	Q4: Monitoring and evaluation.	Not Achieved.		

CORPORATE STRATEGY / THEME: **Monitor and evaluate the extent to which universal access and services have been achieved, in order to assess the impact of the ECA.**	**STRATEGICALLY LINKED OBJECTIVES:**		
Name of the Objective: • Monitor and evaluate effective use and social appropriation.	**Co-ordinator of the Objective:** • Head of Business Development Services (BDS)		
2011/12 Target: • GIS Map of public access facilities. • Audit of all public access ICT centres. • Development of measurable ICT access and impact indicators. • Implementation of a monitoring and evaluation tool.	**Responsibilities for Measurement:** • Senior Manager BDS		
Key Performance Indicator(s): • GIS system implemented. • Audit report of public access ICT centres. • The number of national indicators in key categories on universal access approved. • Monitoring and evaluation tool implemented.	**Formula for Calculation of the KPI(s):** • Monitoring and Evaluation Report	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable to Measurement and Tracking of Progress • GIS mapping of public access ICT centres. • Audit of all public access ICT centres. • Development of measurable ICT access and impact indicators. • Implementation of a monitoring and evaluation tool.	**Action by:** • Senior Manager BDS	**Date:** • On-going	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Mile-stones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Development of measurable ICT access and impact indicators.	Q1: List of agreed upon ICT access and impact indicators:	Achieved.	Head: BDS	R975, 832
	Baseline research on ICT Indicators and indicators of universal access, universal service and impact indicators.	Achieved.		
	Identification of sources of information.	Achieved.		
	Engagement of Statistics South Africa for assistance on measurable indica-tors.	Achieved.		
	Engagement of possible sources of information for indicators.	Achieved.		



Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Development of measurable ICT access and impact indicators.	Q2: Publish Discussion Document and invite public input. Consolidation of public input on said Indicators. Final Report: Presentation and approval of recommendations.	Not Achieved. Not Achieved. Not Achieved.	Head: BDS	R975, 832
	Q3: Implementation.	Not Achieved. All projects were placed on hold, pending conclusion of forensic.		
	Q4: Monitoring and evaluation.	Not Achieved.		

CORPORATE STRATEGY / THEME: **Undertake continuous research to promote, encourage, facilitate and offer guidance regarding universal service and access.**	**STRATEGICALLY LINKED OBJECTIVES:**		
Name of the Objective: • Offer guidance regarding universal service and access, to inform policy and regulatory processes.	**Co-ordinator of the Objective:** • Head of Business Development Services (BDS)		
2011/12 Target: • Feasibility Study on national Broadband.	**Responsibilities for Measurement:** • Senior Manager BDS		
Key Performance Indicator(s): • A Universal Access and Service Strategy, which encompasses clear identification of access, usage and uptake of ICT's; appropriate models of access and funding, with clear targets and indicators linked to the current Government's five year plan, DoC's Programmes of Action, the Millennium Development Goals and World Summit on Information Society Goals.	**Formula for Calculation of the KPI(s):** • Strategy Document	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • An integrated and co-ordinated approach to implementing universal access and service programmes and projects. • Universal Access and Service Strategy Report.	**Action by:** • Senior Manager BDS	**Date:** • On-going	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Feasibility study for National Broad-band (orchestrat-ing the backbone infrastructure with current players): Feasibility study for achieving 25% of universal access to Broadband, for the period 2011-2016.	Q1: Different technologies; services; market drivers; and market structure that should drive universal access.	Not Achieved.	Head: BDS	R2,75 million
	Q2: This feasibility study output. Reporting and recommendation. Presentation of recommendation to shareholders for approval.	Not Achieved. Not Achieved. Not Achieved.		
	Q3: Consultation and implementation.	Not Achieved. All projects were placed on hold, pending conclusion of forensic.		
	Q4: Consultation and implementation.	Not Achieved.		

3.3 CORPORATE SERVICES DIVISION

CORPORATE SERVICES: ADMINISTRATION

<table>
<tr><th>CORPORATE STRATEGY / THEME:
Achieve project-based organisational excellence.</th><th colspan="3">STRATEGICALLY LINKED OBJECTIVES:</th></tr>
<tr><td>Name of the Objective:
• To attain efficient and effective administration services.</td><td colspan="3">Co-ordinator of the Objective:
• Head Corporate Services</td></tr>
<tr><td>2011/12 Target:
• 100% compliance with the Archive Act.
• 100% safe-guarding of documentation</td><td colspan="3">Responsibilities for Measurement:
• Senior Manager Administration</td></tr>
<tr><td>Key Performance Indicator(s):
• Functional Document Management Centre.
• Policy and Procedure Manual.
• Document security.
• Approved and implemented OSH policy.
• Approved and implemented MISS Standards.</td><td>Formula for Calculation of the KPI(s):
• Not Applicable</td><td>Unit of Measurement:
• Quantitative</td><td>Frequency, and Date of First Measurement:
• Quarterly</td></tr>
<tr><td>Initiatives to Enable Measurement and Tracking of Progress:
• Knowledge management.
• Functional regional and district offices.
• Central document filing.
• Implementation of the approved file plan.
• Compliance with the OSH and MISS Act.
• Hazard-free environment.</td><td>Action by:
• Senior Manager Administration</td><td>Date:
• On-going</td><td>Done:
• On-going</td></tr>
</table>

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Contribute positively, by generating an effective knowledge management system.	Q1: Develop an administrative, shared service document management capability system.	Not Achieved.		NIL
	Q2: Implement an administrative document management capability system.	Achieved.		
	Build process and procedures to ensure efficient storage and management of documents.	Achieved.		
	Q3: Maintain and manage internal knowledge management platform.	Achieved. File plan approved. Training provided to employees on the file plan and MISS filing of documentation commenced.	Head: CS	
	Q4: Maintain and manage internal knowledge management platform.	Achieved.		

HUMAN RESOURCES DIVISION

Training and Development

Training and Development programmes that Staff members have been enrolled in include the following:

- Record Management – Docuwarehouse
- Occupational Health & Safety – Peakford Management Consultants
- 7th Annual Regional Convention – Global Intelligence Network Agency
- Business Continuity Management & Disaster Recovery – Syncom Business Intelligence
- Payroll Admin & Employee Remuneration – Profounder
- Research Policy & Strategy – Cranefield College
- PFMA – Execursuv Global Consulting
- Monitoring & Evaluation – Regenesys
- Best Practice Skills & Techniques – Astro Tech
- 14th Southern African Internal Auditors Conference – IIA
- Minute taking & Meeting Management – IIR Training
- Storekeeping & Stock Control – Rosebank College
- Drafting Contracts Master Class – Global Prospectus Training Centre
- Effective Stakeholder Management – University of Pretoria
- Secretary's Day Wellness Program – Siyanqoba Seminars
- Operational Excellence in Accounts Payable & Expenditure Management – Genesis Training
- Filling Correspondence & Record Management – Renaissance Conference Organisers
- Business Writing Skills (Administrators) – Regenesys

Bursaries

Staff members have been issued with bursaries as following:

- Telecommunications, Policy & Regulatory Management – WITS
- Diploma: Communications – CTO
- Management Advanced Programme – WITS
- Certificate: Archival Studies - UNISA

Employee Wellness Programme

The Employee Assistance Programme continued with the dedicated internet-based platform called USAASAA Digital Village. Through this programme staff members had 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 one-on-one paid-for psychological support, as well as unlimited telephonic consultations with qualified staff.

Approved Policies

No new HR and Administration policies were issued, revised or approved during the period under review except for:

- Fraud Prevention Plan
- Materiality and Significance Framework

Industrial Relations

During the period under review a matter on non-payment of notch progression was referred to the CCMA and ruled out of favour of the Agency, of which a legal opinion was sought and recommended that payment be made.

TABLE FIGURES FOR USAASA STAFF COMPLIMENT

POSITION USAASA	NUMBER	GENDER M	F	RACE
CEO				
Executive Managers	3	2	1	2 AM
Senior Managers	12	8	4	8 AM 2 AF 1 CF 1 WF
Managers	6	4	2	4 AM 1 AF 1 WF
Administration Manager/ Provincial Programme Managers/ Legal Officer/ Research Manager/ Communications Officers/ Internal Audit/ District Managers/ SCM Officers	21	10	11	10 AM 11 AF
Administrators/ Finance Officers/ HR Officers/ Receptionist/ Provincial Administrators	17	4	13	4 AM 14 AF
Hygiene Specialists	2	0	2	2 AF
Temp	1	0	1	1 AF
TOTAL	**62**	**28**	**34**	**62**

POST LEVELS, GENDER & RACE STATISTICS

RACE: AM = AFRICAN MALE, AF = AFRICAN FEMALE, CF = COLOURED FEMALE & WF = WHITE FEMALE

APPOINTMENTS AND RESIGNATIONS

- 1 X Black Male – Resigned (Communications Officer)
- 1 X Black Male – Resigned (CEO)
- 1 X Black Male – Appointed (Senior Manager: USAF & Broadcasting)
- 1 X Black Male – Appointed (Senior Manager: HR)
- 1 X Black Female – Appointed (Manager: Special Project)
- 1 X Black Male – Appointed (Assistant Manager: Legal)
- 1 X Black Female – Appointed (District Manager: Limpopo)
- 1 X Black Male – Appointed (District Manager: Mpumalanga)
- 1 X Black Female – Appointed (SCM Officer: Contracts Management)

CORPORATE SERVICES: HUMAN RESOURCE ADMINISTRATION

CORPORATE STRATEGY / THEME: Achieve project-based organisational excellence.	STRATEGICALLY LINKED OBJECTIVES:		
Name of the Objective: • To position HR as a value-adding strategic partner and change agent.	**Co-ordinator of the Objective:** • Head Corporate Services		
2011/12 Target: • 90% return on investment from skills and capacity development programmes. • 100% HR Information accuracy and optimal monthly management reporting. • Effective and consistent application of policies, by the whole organisation, through HR education and communication, as well as efficient advisory capacity by HR. • Approved and adopted revised Recognition Agreement with Communications Workers Union. • Improved employee motivation and work satisfaction.	**Responsibilities for Measurement:** • Senior Manager HR Management		
Key Performance Indicator(s): • Developed integrated skills and capacity building plan. • Developed workplace skills plan and annual training. • Automated and optimal HR Information Management Services. • Reviewed HR policies to suit organisational needs and requirements. • Reviewed and revised recognition agreement. • Implemented integrated and automated wellness programme.	**Formula for Calculation of the KPI(s):** • Not Applicable	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • Effective and efficient administration of the Agency. • Security management. • Develop skills and talent to sustain the vision and mandate of USAASA. • Support the Agency, and optimise resources, by being an HR Expert (HR Information and Reporting). • Maintain good practice through aligned HR policies. • Maintain effective employee relations.	**Action by:** • Senior Manager HR Management	**Date:** • On-going	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Align organisational culture to optimally enable the new USAASA operating model.	Q1: Interpret the Agency Strategy and Business Plan, and align HR Strategy. Establish HR Support Service levels. Establish service and culture baselines, through assessments and internal customer satisfaction index.	Not Achieved. Not Achieved.	Head: CS	NIL
	Q2: Monitor the implementation of USAASA strategy, and advise the various line functions on people related implications. Design & refine culture transformation roadmap. Develop employees. Refine culture interventions.	Not Achieved. Not Achieved. Not Achieved. Not Achieved.		

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Align organisational culture to optimally enable the new USAASA operating model.	Q3: Monitor the implementation of USAASA strategy, advise on people related implications, update HR plans and implement plans. Refine Employee Engagement plans and monitor effectiveness. Refine culture interventions.	Not Achieved. HR Strategy not approved. Not Achieved. HR Strategy awaiting approval. Not Achieved. Induction programme, HR Service Level Agreement and Customer Satisfaction Index awaiting approval.	Head: CS	NIL
	Q4: Implement and monitor HR plans and interventions, designed to respond to Agency needs, as part of ensuring USAASA strategy. Refine culture and climate diagnostics. Develop culture of continuous improvement plans and address gaps.	Not Achieved. HR Strategy not approved, therefore no plans. Not Achieved. Not Achieved. Induction programme, HR Service Level Agreement and Customer Satisfaction Index awaiting approval. Newly approved strategy requires new plans.		
Develop skills and talent to sustain the vision and mandate of USAASA.	Q1: Assess Training Needs Analysis (use Skills Needs analysis as input). Consolidate an integrated HRD Strategy. Develop Capacity building plan, in line with the new USAASA Corporate Plan. Update Workplace Skills Plan.	Not Achieved. Not Achieved. Not Achieved. Not Achieved.	Head: CS	NIL
	Q2: Implement and monitor Capacity Building Programme. Carefully track allocated budget. Provide monthly reports.	Achieved. 13 staff members trained in quarter. Achieved. Achieved.		
	Q3: Monitor success, manage issues and design measures to improve.	Not Achieved. Retention Strategy & Plan dependent on HR Strategic Plan, which is pending approval.		
	Q4: Develop Annual Report. Monitor success, manage issues and design measures to improve.	Not Achieved. Not Achieved.		
Implement a value adding Talent Management Strategy and Plan.	Q1: Develop a retention strategy and plan. Develop succession plan. Implement an integrated and effective selection and recruitment process.	Not Achieved. Not Achieved. Not Achieved.	Head: CS	NIL

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Implement a value adding Talent Management strategy and plan.	Q2: Implement approved retention plan. Implement and monitor approved EE plans. Implement succession plan. Implement a responsive selection and recruitment process.	Not Achieved. These were last year's targets. Not Achieved. Not Achieved. Achieved.	Head: CS	NIL
	Q3: Review talent management plans and develop improvement measures. Monitor recruitment turnaround times and implement improvement measures.	Not Achieved. HR policies awaiting approval. Not Achieved. HR policies awaiting approval and recruitment done.		
	Q4: Review talent management plans and develop improvement measures. Monitor recruitment turnaround times and implement improvement measures. Monitor and Report to EXCO and Board.	Not Achieved. Not Achieved. Not Achieved.		

LEGAL AND REGULATORY UNIT

The division provides the following support services:

- Legal and Regulatory advisory support to internal divisions;
- Contract Management which encompasses vetting, drafting, reviewing and filing;
- Ensuring that Agency's operations comply with applicable legislation, regulations 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 the strategic objective:

- Actively participated in regulatory matters on ICT by attending colloquiums; ICT indaba; and strategic meetings with stakeholders like ICASA and other Governments Departments; and
- Provided comments on the Amendment Bill on Electronic Communications Act, 2005 (Act No 36 of 2005).

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:

- Negotiated, drafted and filed the following contracts and MoUs in record time, and filed them accordingly and advised on complex disciplinary hearings:
  - 30 Memoranda of Understanding
  - 5 Service Level Agreements
  - 12 Bursary agreements
  - 4 Lease agreements
  - 6 labour relations matters
  - 2 civil matters
  - 5 legal opinions

Compliance to Policies and Legislations
The division has assisted in reviewing of all the internal policies of the Agency.

CORPORATE SERVICES: LEGAL

<table>
<tr><th>CORPORATE STRATEGY / THEME:
Achieve project-based organisational excellence.</th><th colspan="3">STRATEGICALLY LINKED OBJECTIVES:</th></tr>
<tr><td>Name of the Objective:
• To ensure effective and efficient legal support and advice to all business units.</td><td colspan="3">Co-ordinator of the Objective:
• Head Corporate Services</td></tr>
<tr><td>2011/12 Target:
• Support to be provided through the approved flowchart process.
• Service level agreements finalised on time to support projects.
• Facilitate awareness of operational procedures and policies, in line with applicable legislations and regulations.
• 100% compliance with legal laws.
• Well-researched, written, accurate and objective legal advice.
• 100% compliance with service level agreement.</td><td colspan="3">Responsibilities for Measurement:
• Senior Manager Legal</td></tr>
<tr><td>Key Performance Indicator(s):
• Timely submission of legal advice.
• Provide quality service level agreements, in support of business processes on supply chain management.
• Ensure the Agency's operations comply with applicable legislation, regulations and policies.
• Continuous monitoring and evaluation of contractual obligations.</td><td>Formula for Calculation of the KPI(s):
• TBC</td><td>Unit of Measurement:
• Qualitative</td><td>Frequency, and Date of First Measurement:
• Monthly & Quarterly</td></tr>
<tr><td>Initiatives to Enable Measurement and Tracking of Progress:
• Enable automated & efficient business.
• Optimally efficient IT system.
• Provide sound legal opinions and advice to received instructions of business units, within the agreed timelines.
• Provide contract management support, encompassing vetting, drafting, reviewing and filing.
• Provide support and facilitate in the process of development and review of policies and procedures, which help govern the operations of the Agency.
• Facilitate and lead interaction between internal business units, with legal practitioners, during litigation and represent the interest of the Agency at all forum dealings.
• Provide advice on complex labour relations matters.
• Provide advice to the Board on issues of ethics and corporate governance.</td><td>Action by:
• Senior Manager Legal</td><td>Date:
• On-going</td><td>Done:
• On-going</td></tr>
</table>

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Legal and regulatory advisory support to internal and external stakeholders.	Q1: Provide advisory services, as requested by the projects. Provide reports on contracts or service level agreements.	Achieved. It is noted that, in terms of the Business Plan, it is expected that Legal should also provide advisory support to external stakeholders. It must be noted that the Legal Unit is tasked with providing support for the internal units, and thus, cannot be expected to provide advisory support to external players. The following meetings were conducted: • Meeting with Ekurhuleni Metro Municipality on partnerships on stake holders. • 5th May 2011 - meetings with communication workers union, regarding issues of common interest. • 6 May 2011, 7th June2 011 and 27th June 2011: a) Responding to a letter addressed to BDS on 13 June 2011; b) Preparing of submission on 20th June 2011; c) Regarding working issues relations June 2011; d) 30 June 2011 - meeting with ICASA.	Head: CS	NIL

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Legal and regulatory advisory support to internal and external stakeholders.	Q2: Provide advisory services, as requested by the projects. Provide reports on contracts or service level agreements.	Achieved. (27) Memoranda of understanding for Handover Project. Drafted four MoUs for partnership-DRDLR, Post Office, Free State Education and ICASA. Conducted a workshop with BDS staff on drafting of MoUs.	Head: CS	NIL
	Q3: Provide advisory services to support the projects. Provide reports on contracts or service level agreements.	Achieved. Provided the necessary support to the office of the CEO and the Board, relating to the following areas: • Support in dealing with disciplinary matters involving EXCO members. • Inviting, and attending to, presentations by service providers, regarding the services under taken and their impact to the delivery of USAASA. • Drafted three agreements (Forensic investigators; Technical Advisor and Femme Consulting). Provided necessary support to other divisions: • Provided support on strategic meetings with Department of Rural Development and Land Reform. • Provided support on strategic meeting with ICASA. • Drafted two Bursary agreements. • Drafted one legal opinion (on qualifications). • Drafted 11 MoUs (10 for Handover and one with CISCO).		
	Q4: Provide close-out reports of advisory services on projects.	Not Achieved.		

4. FINANCIAL SERVICES DIVISION

FINANCIAL PERFORMANCE

SUMMARY OF PERFORMANCE: USAASA

The agency has sustained a surplus of R7 million during the 2011/12 financial year, the surplus was due to an unspent portion of the budget that was allocated to the Broadcasting Digital Migration project for capacity building. A roll over request has been made in this regard for the funds to be utilised during the 2012/13 financial year when the project is expected to gain momentum. The Agency had net cash flows of R15.6 million in the bank, this is partly due to the unspent portion of the budget referred to above as well as the R4.9 million loan from the Universal Service and Access Fund, the rest is due to cumulative reserves from prior years.

SUMMARY OF PERFORMANCE: USAF

The fund had been allocated a total budget of R260.9 million of which R256 million approximately (98%) was unspent. The projects that were budgeted for during 2011/12 financial year include the Rapid Deployment, Broadband Digital Migration, The Handover project as well as implementation of Broadband Infrastructure. None of these projects could get off the ground due to instability that was experienced by the organisation at senior management as well as the executive management level. The cash reserves were a total of R255.3 million at year-end. The entire unspent budget has been the subject of a roll over request that was presented to the National Treasury for the year 2011/12.

FINANCIAL MANAGEMENT

<table>
<tr><td>CORPORATE STRATEGY / THEME:
Ensure the optimal functioning of the Agency through strengthening the current strategic and operational capabilities, in order to deliver on its mandate.</td><td colspan="3">STRATEGICALLY LINKED OBJECTIVES:</td></tr>
<tr><td>Name of the Objective:
• Offer guidance regarding universal service and access, to inform policy and regulatory processes.</td><td colspan="3">Co-ordinator of the Objective:
• Head FS</td></tr>
<tr><td>2011/12 Target:
• Effective, efficient and transparent systems of financial, risk management and internal controls maintained.</td><td colspan="3">Responsibilities for Measurement:
• Senior Manager FS</td></tr>
<tr><td>Key Performance Indicator(s):
• Effective, efficient and transparent systems of financial, risk management and internal controls maintained.</td><td>Formula for Calculation of the KPI(s):
• TBC</td><td>Unit of Measurement:
• Qualitative</td><td>Frequency, and Date of First Measurement:
• Quarterly</td></tr>
<tr><td>Initiatives to Enable Measurement and Tracking of Progress:
• Sound financial management and stable internal control environment.
• Unqualified external audit opinion, with no emphasis of matter.</td><td>Action by:
• Senior Manager FS</td><td>Date:
• On-going</td><td>Done:
• On-going</td></tr>
</table>

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
MTEF budgets for USAASA and USAF, which are directly linked to the business plan of the entity, with adequate support provided for the motivations.	Q1: Consolidate information regarding budgetary requirements for the year 2012/13 – 2014/15.	Achieved.	Head: FS	NIL
	Q2: Submission by 30 July.	Achieved.		
	Q3: Receipt of allocations from National Treasury - 30 November.	Achieved: The MTEF was confirmed in Sept.		
	Q4: Revise budget according to allocation.	Achieved.		
Reporting on Estimates of National Expenditure (ENE).	Q1: Monitor performance indicators against budget allocations.	Achieved.		
	Q2: Monitor performance indicators against budget allocations.	Achieved.		
	Q3: Submission of report to DoC / National Treasury by end December.	Achieved. Submission date: 7 December 2012.		
	Q4: Revise and adjust report, submit final draft.	Achieved.		
Compliance with all relevant Acts of Legislation; PFMA; Treasury regulation; ECA; GRAP; GAAP.	Q1: On-going review and implementation of applicable statutory requirements.	Achieved.		
	Q2: On-going review and implementation of applicable statutory requirements.	Achieved.		
	Q3: On-going review and implementation of applicable statutory requirements.	Achieved. The target is on-going. Judging by the outcomes of audit the level of compliance is high.		
	Q4: On-going review and implementation of applicable statutory requirements.	Achieved.		

CORPORATE STRATEGY / THEME: Ensure the optimal functioning of the Agency through strengthening the current strategic and operational capabilities, in order to deliver on its mandate.	**STRATEGICALLY LINKED OBJECTIVES:**		
Name of the Objective: • Supply Chain Management	**Co-ordinator of the Objective:** • Head FS		
2011/12 Target: • Effective, efficient and transparent systems of financial, risk management and internal controls maintained.	**Responsibilities for Measurement:** • Senior Manager FS		
Key Performance Indicator(s): • Compliance by business units with the prescribed policies and processes or reduction in the number of audit findings.	**Formula for Calculation of the KPI(s):** • TBC	**Unit of Measurement:** • Qualitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • Sound financial management and stable internal control environment. • Unqualified external audit opinion, with no emphasis of matter.	**Action by:** • Senior Manager FS	**Date:** • On-going	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Adherence to SCM regulations. Ensure transparent and fair processes are implemented in appointing service providers. Procurement of the right goods or services for the entity, at the right price, at the right time.	Q1: On-going review and implementation of applicable statutory requirements and internal policies and procedures.	Achieved.	Head: FS	NIL
	Q2: On-going review and implementation of applicable statutory requirements and internal policies and procedures.	Not Achieved.		
	Q3: On-going review and implementation of applicable statutory requirements and internal policies and procedures.	Achieved:		
	Q4: On-going review and implementation of applicable statutory requirements and internal policies and procedures.	Achieved.		
Prepare monthly and quarterly management reports, to ensure compliance with budgetary allocations per business unit.	Q1: Submission of monthly reports. Enforcing compliance to budget allocation and monthly forecast, in line with the business plan.	Achieved.	Head: FS	NIL
	Q2: Submission of monthly reports. Enforcing compliance to budget allocation and monthly forecast, in line with the business plan.	Achieved.		
	Q3: Submission of monthly reports. Enforcing compliance to budget allocation and monthly forecast, in line with the business plan.	Achieved. Monthly and quarterly reports submitted timeously.		
	Q4: Submission of monthly reports. Enforcing compliance to budget allocation and monthly forecast, in line with the business plan.	Achieved.		

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Implement a financial internal control framework, over all finance processes, to ensure proper processing and recording of all transactions.	Q1: Enforcing compliance to policies and procedures on a daily basis.	Partially Achieved.	Head: FS	NIL
	Q2: Enforcing compliance to policies and procedures on a daily basis.	Achieved.		
	Q3: Enforcing compliance to policies and procedures on a daily basis.	Achieved. The target is on-going, compliance is monitored on a daily basis.		
	Q4: Enforcing compliance to policies and procedures on a daily basis.	Achieved. The measurement of the level of achievement is difficult to quantify.		
Implementation of Risk and Fraud prevention policy, establish Risk and Fraud Prevention Committee and maintain a Risk Register.	Q1: Submission of report for quarter.	Not Achieved.	Head: FS	NIL
	Q2: Submission of report for quarter.	Not Achieved.		
	Q3: Submission of report for quarter.	Not Achieved. However, Fraud & Risk Policy adopted by Exco.		
	Q4: Submission of report for quarter.	Not achieved. The fraud prevention policy was approved, the risk register has always been maintained but the Risk and Fraud Prevention committee has not been established yet. The Audit and Risk committee however also plays in this space as it's terms of reference also include risk.		
Ensure business units adherence to SCM regulations.	Q1: Conduct SCM stakeholder awareness sessions.	Not Achieved.	Head: FS	NIL
	Q2: Conduct SCM stakeholder awareness sessions.	Not Achieved.		
	Q3: Conduct SCM stakeholder awareness sessions.	Achieved. Maintenance of the non-compliance register.		
	Q4: Conduct SCM stakeholder awareness sessions.	Not Achieved. The SCM under went training on the implementation of the revised PPPFA regulations. The process of aligning the SCM policy with the new regulations as well as putting in place new policies i.e. Contracts management as well as the BBBE have begun in earnest after which the SCM awareness would be held regularly.		
Ensure the achievement of 40% BEE spend of the total USAASA & USAF Budgets.	Q1: Provide a BEE content analysis of the USAASA database. Run monthly or quarterly programmes to achieve BEE spend.	Achieved.	Head: FS	NIL
	Q2: Run monthly or quarterly programmes to achieve BEE spend.	Not Achieved.		
	Q3: Run monthly or quarterly programmes to achieve BEE spend.	Not Achieved. On-going.		
	Q4: Run monthly or quarterly programmes to achieve BEE spend.	Not Achieved. The goal is difficult to achieve through the application of PPPFA - these regulations state that the bid should be awarded to the highest bidder; however this is not always a BEE compliant supplier.		

Sub-Objectives (in line with Target)	April 2011 – March 2012 Milestones	Actual Performance Against Business Plan	Responsibility	Budget
Prepare quarterly award reports, detailing money spent on procuring goods & services, in the following categories: • Tender. • below R500. • below R30K.	Q1: Submit quarterly award matrix for all levels of procurement thresholds.	Achieved.	Head: FS	NIL
	Q2: Submit quarterly award matrix for all levels of procurement thresholds.	Achieved.		
	Q3: Submit quarterly award matrix for all levels of procurement thresholds.	Not achieved.		
	Q4: Submit quarterly award matrix for all levels of procurement thresholds.	Not achieved.		

FINANCIAL SERVICES: ICT MANAGEMENT

CORPORATE STRATEGY / THEME: Make ICTs available, accessible and affordable to all South Africans.	STRATEGICALLY LINKED OBJECTIVES:		
Name of the Objective: • Standardise software application (Window 7 and Office 2010).	**Co-ordinator of the Objective:** • Head FS		
2011/12 Target: • Standardise software applications.	**Responsibilities for Measurement:** • Senior Manager ICT		
Key Performance Indicator(s): • Successful implementation of Windows 07. • Successful implementation of Office 2010.	**Formula for Calculation of the KPI(s):** • TBC	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • Number of upgraded machines. • User satisfaction surveys after each installation. • User training.	**Action by:** • Senior Manager ICT	**Date:** • 30 April 2011	**Done:** • On-going

Sub-Objectives (in line with Target)	April 2011 – March 2012 Milestones	Actual Performance Against Business Plan	Responsibility	Budget
Standardise software application (Window 7 and Office 2010).	Q1: Complete minimum specification requirements.	Achieved.	Head: FS	NIL
	Q2: Standardise software application (Window 7 and Office 2010).	Achieved.		
	Q3: Maintenance and support.	Achieved. All hardware updated.		
	Q4: Maintenance and support.	Achieved.		

CORPORATE STRATEGY / THEME: Make ICTs available, accessible and affordable to all South Africans.	STRATEGICALLY LINKED OBJECTIVES:		
Name of the Objective: • Implement a Wide Area Network (WAN) and MPLS.	**Co-ordinator of the Objective:** • Head FS		
2011/12 Target: • Implement Wide Area Network.	**Responsibilities for Measurement:** • Senior Manager ICT		
Key Performance Indicator(s): • Connected to USAASA ICT services nationally.	**Formula for Calculation of the KPI(s):** • TBC	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • Access to ICT Services. • User Training. • Easy access to ICT Support.	**Action by:** • Senior Manager ICT	**Date:** • End June	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Implement a Wide Area Network (WAN) and MPLS.	Q1: Complete minimum specification requirements. Tender process for appointment of operator. Appoint a service provider Implementation.	Not Achieved.	Head: FS	R 4 100 000
	Q2: All provincial offices are connected.	Not Achieved.		
	Q3: Maintenance and support.	Not Achieved.		
	Q4: Maintenance and support.	Not Achieved. No budget.		

CORPORATE STRATEGY / THEME: Make ICTs available, accessible and affordable to all South Africans.	STRATEGICALLY LINKED OBJECTIVES:		
Name of the Objective: • Implement IT Helpdesk System.	**Co-ordinator of the Objective:** • Head FS		
2011/12 Target: • Implement an IT Management System.	**Responsibilities for Measurement:** • Senior Manager ICT		
Key Performance Indicator(s): • Provide effective IT Services to USAASA.	**Formula for Calculation of the KPI(s):** • TBC	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • User satisfaction surveys. • Change management aware for fault reporting procedures.	**Action by:** • Senior Manager ICT	**Date:** • 30 April 2011	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Implement IT Help-desk System.	Q1: Complete minimum specification requirements.	Achieved.	Head: FS	R400 000
	Q2: Encourage logging of all IT related queries.	Achieved.		
	Q3: Monitor use of system by employees. Monitor users' satisfactory with IT support.	Not Achieved.		
	Q4: Monitor users' satisfactory with IT support.	Not Achieved. The monitoring of users satisfaction levels has not yet been made mandatory.		

CORPORATE STRATEGY / THEME: Make ICTs available, accessible and affordable to all South Africans.	**STRATEGICALLY LINKED OBJECTIVES:**		
Name of the Objective: • Develop and Implement a back-up solution.	**Co-ordinator of the Objective:** • Head FS		
2011/12 Target: • Develop a Back-Up Plan.	**Responsibilities for Measurement:** • Senior Manager ICT		
Key Performance Indicator(s): • Number of successful back-ups.	**Formula for Calculation of the KPI(s):** • TBC	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • Daily, weekly and monthly back-ups scheduled.	**Action by:** • 30 Sept 2011	**Date:** • On-going	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Develop and Implement a back-up solution.	Q1: Develop solution specification.	Achieved.	Head: FS	R 350 000
	Q2: Complete solution specification requirements. Appoint a service provider. Implementation.	Not Achieved.		
	Q3: Monitor back-ups.	Not Achieved.		
	Q4: Monitor back-ups.	Not Achieved.		

CORPORATE STRATEGY / THEME: Make ICTs available, accessible and affordable to all South Africans.	STRATEGICALLY LINKED OBJECTIVES:		
Name of the Objective: • Develop and Implement a Disaster Recovery Plan.	**Co-ordinator of the Objective:** • Head FS		
2011/12 Target: • Develop a Disaster Recovery Plan.	**Responsibilities for Measurement:** • Senior Manager ICT		
Key Performance Indicator(s): • Fully functional disaster recovery site.	**Formula for Calculation of the KPI(s):** • TBC	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • Quarterly disaster recovery tests.	**Action by:** • Senior Manager ICT	**Date:** • Sept 2011	**Done:** •

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Develop and implement a back-up solution.	Q1: Develop solution specification.	Achieved.	Head: FS	R 160 000
	Q2: Complete solution specification requirements.	Not Achieved.		
	Appoint a service provider.	Not Achieved.		
	Q3: Test the solution specification requirements. Implementation.	Not Achieved.		
	Q4: Monitor and manage the implementation of Disaster Recovery System.	Not Achieved.		

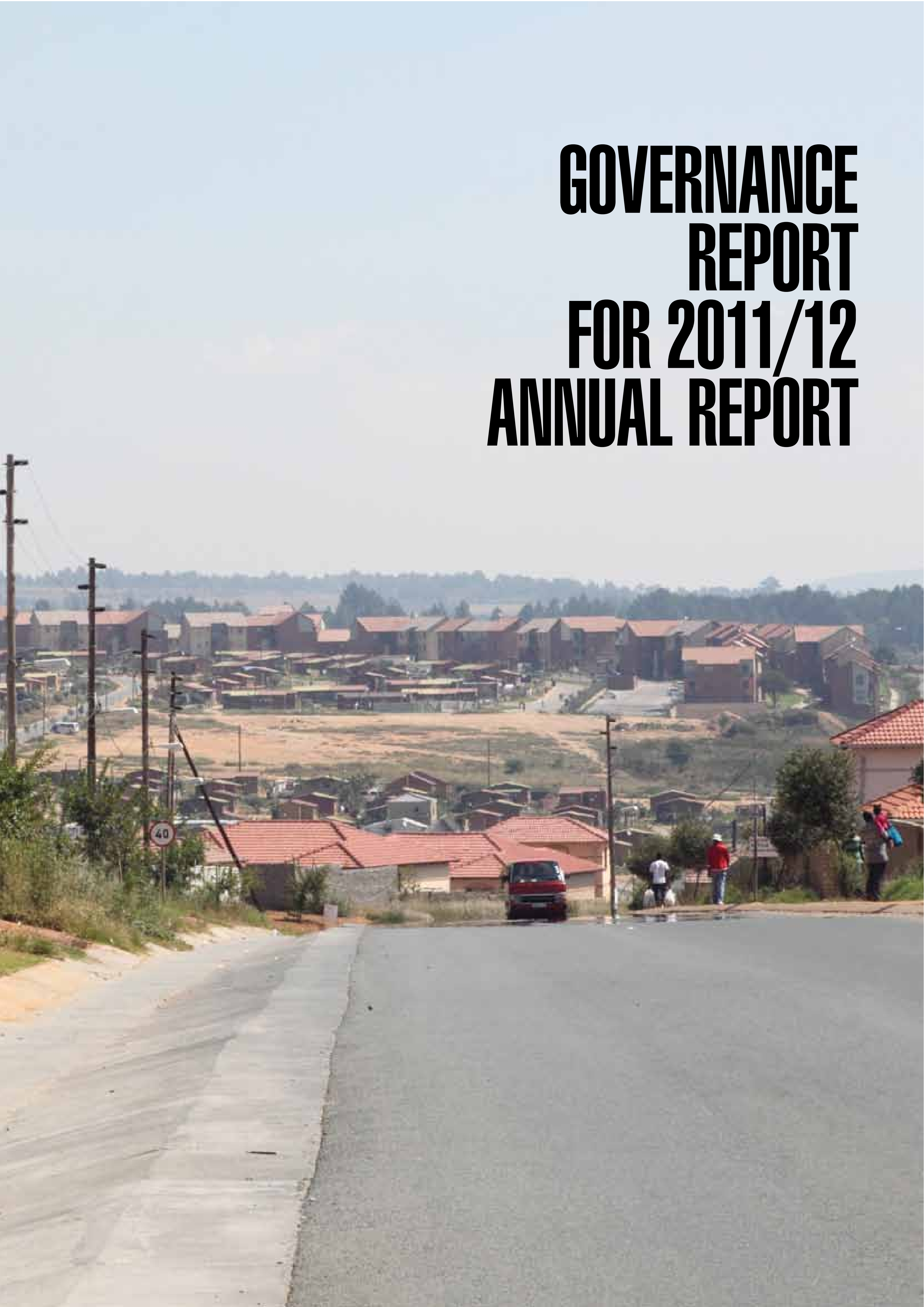
CORPORATE STRATEGY / THEME: Make ICTs available, accessible and affordable to all South Africans.	STRATEGICALLY LINKED OBJECTIVES:		
Name of the Objective: • Rollout Video Conferencing Facilities Nationally.	**Co-ordinator of the Objective:** • Head FS		
2011/12 Target: • Rollout Video Conferencing Facilities.	**Responsibilities for Measurement:** • Senior Manager ICT		
Key Performance Indicator(s): • Successful connection to all USAASA office via video.	**Formula for Calculation of the KPI(s):** • TBC	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • Implemented reliable network.	**Action by:** • Senior Manager ICT	**Date:** • Jan 2012	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Rollout video conferencing facilities nationally.	Q1: Develop solution specification.	Achieved.	Head: FS	R 2 400 000
	Q2: Invite proposals for tender/quotes. Appoint a service provider.	Not Achieved. Unfunded due to reallocation of funds. Not Achieved.		
	Q3: Appoint service provider.	Not Achieved. Not funded.		
	Q4: Complete solution specification requirements. Implementation.	Not Achieved.		

CORPORATE STRATEGY / THEME: Make ICTs available, accessible and affordable to all South Africans.	**STRATEGICALLY LINKED OBJECTIVES:**		
Name of the Objective: • Rollout multi-function printing solution nationally.	**Co-ordinator of the Objective:** • Head FS		
2011/12 Target: • Implement printing solution.	**Responsibilities for Measurement:** • Senior Manager ICT		
Key Performance Indicator(s): • Costs savings realized.	**Formula for Calculation of the KPI(s):** • TBC	**Unit of Measurement:** • Quantitative	**Frequency, and Date of First Measurement:** • Quarterly
Initiatives to Enable Measurement and Tracking of Progress: • Implemented reliable network.	**Action by:** • Senior Manager ICT	**Date:** • July 2011	**Done:** • On-going

Sub-Objectives (in line with Target)	**April 2011 – March 2012 Milestones**	**Actual Performance Against Business Plan**	**Responsibility**	**Budget**
Rollout multi-function printing nationally.	Q1: Develop solution specification.	Not Achieved.	Head: FS	R 1 800 000
	Q2: Complete solution specification requirements. Appoint a service provider.	Not Achieved. Unfunded due to reallocation of funds. Not Achieved.		
	Q3: Implementation.	Not Achieved.		
	Q4: Monitor cost-saving.	Not Achieved.		

GOVERNANCE REPORT FOR 2011/12 ANNUAL 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 III and is 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.

Within the powers conferred upon the Board by legislation, and in particular as stipulated in the Electronic Communications Act (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 the 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, prior to submission to the Minister;
    - Approve the Statement of Estimated Income and Expenditures, along with any adjusted statements referred to in Section 84, prior to submission to the Minister;
    - Approve the Chief Executive Officer's (CEO) recommendations referred to in Section 83 (3) (b);
    - Take such other decisions as may be requested by the CEO of the Agency in terms of this Chapter.

These responsibilities are set out in the approved Board Charter, which is reviewed annually. The Board also meets with management annually, over a period of two to three days, to debate and agree upon proposed strategies and to consider long-term issues facing the Agency.

BOARD OF DIRECTORS

The USAASA Board of Directors has five Members, appointed by the Minister of Communications. The Minister of Communications released the Board of Directors from their responsibilities, with effect 23 November 2011.

Board meetings were held regularly, and scheduled meetings were coordinated with the Agency's reporting calendar during the Members' terms of office.

The Minister of Communications appointed Messers Themba Phiri and Sam Vilakazi jointly, as Executive Caretakers at USAASA. These officials have been granted full executive powers, to take whatever executive decisions necessary, toward ensuring that USAASA executes its mandate.

The Board of Directors and employees of USAASA are required to declare their interest by completing 'Declaration of Interest' forms annually. Declaration of Interest forms are also completed at all Board and Sub-Committee meetings held by the Agency, to ensure that members declare their interest, relative to 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, assisted by a well-developed governance structure of Board Committees, which 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 developments within the Agency.

BOARD SECRETARY

The Board Secretary supports the Board of Directors, the Executive Caretakers and the 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 III 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.

REMUNERATION OF BOARD MEMBERS

The Minister of Communications reviews and determines remuneration packages annually, paid to the non-executive Members of the Board, 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;
- Human Resources and Remuneration and
- Finance & Business Development.

Each Committee's authority, and the manner of discharging its responsibilities, are directed by a 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, with the Board monitoring and evaluating the Committees, based on these terms.

Board Committees were established in an effort to assist the Board in executing 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 following table sets out the number of Board and Committee meetings held during the 2011/12 financial year:

BOARD AND COMMITTEE MEMBERS	BOARD	AUDIT & RISK	FINANCE & BUSINESS DEVELOPMENT	HR & REMUNERATION
TOTAL NUMBER OF MEETINGS	**5**	**4**	**3**	**3**
Mr L Moahlodi Chairperson: Board of Directors	2	-	2	2
Mr B Maduna Member of Audit & Risk Management and HR & Remuneration Committees	5	0	-	-
Prof S Pather Chairperson: Finance & Business Committee and Member of HR & Remuneration Committee	5	-	3	3
Dr G Celli Member of Finance & Business and HR & Remuneration Committees	4	-	2	1
Mr V Ngcobo Chairperson: HR & Remuneration Committee and Member of Finance & Business Development Committee	5	-	3	3

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.

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 relevant labour legislation and Government. 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 resource-related policies of the Agency to the Board for approval.
- To review the Agency's compensation policies, 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.

FINANCE & BUSINESS DEVELOPMENT SUB-COMMITTEE

This Committee is responsible in assisting the Board to fulfil its oversight responsibilities, in respect of all matters pertaining to the following:

- Research and the concomitant policy as implied in Section 82(3) and 82(4) of the Act;
- Broadcasting Services;
- National Programme Management activities;
- Supply Chain Management activities, pertaining to USAF Projects;
- Public and Stakeholder Relations;
- Information Communication Technology (ICT);
- Financial Management, Statements & Budgets; and
- Matters identified by the Auditor General through its Management Letters for USAASA and USAF.

This Committee assists 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.

USAASA is mandated to manage and administer the Universal Service and Access Fund, in accordance with the Electronic Communications Act. The Finance & Business Development Committee is instrumental in interrogating the proposals received for the roll-out of ICT infrastructure, services subsidies and grants.

Due to the disbandment of the Board of Directors by the Minister of Communications, the performance of the Committee was not assessed as required.

AUDIT AND RISK MANAGEMENT SUB-COMMITTEE

The Audit and Risk Management Committee consists of four Members, three of whom are independent non-Board Members. The majority of persons serving on the Audit and Risk Management Committee are financially literate, with their diverse skills in the ICT industry assisting in the effective monitoring of risk management, internal controls and governance processes. The Audit and Risk Management Committee's function 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 in terms thereof, 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, which emanate from Section 51 (1) (a) of the PFMA and Treasury Regulation 27.1.10. The Committee also confirms that it has regulated its affairs, in compliance with the Audit and Risk Management Committee Charter and has discharged all its responsibilities as contained therein.

During the financial year ending 31 March 2012, the Audit & Risk Management Committee consisted of the following members:

NAMES	REPRESENTATION	ATTENDANCE OF MEETINGS
Mr H Mpungose	Independent Chairperson	4
***Mr B Maduna**	Board Member	0
Ms R Strydom	Independent Member	3
Ms L Sithole	Independent Member	4

* Mr Bheki Maduna's term as Board Member ended when the Board of Directors was disbanded by the Minister of Communications on 23 November 2011. The Executive Caretakers extended the term of the Independent Audit & Risk Committee Members until 31 August 2012.

EFFECTIVENESS OF INTERNAL CONTROL

The internal controls of the Agency were ineffective in all aspects during the financial year. The Internal Audit and the Audit and Risk Management Committee noted with concern deficiencies in the Supply Chain Management process; Information Technology; Human Resources; Risk and Fraud Prevention Plan and compliance with the approved delegation of authority.

RISK MANAGEMENT

Management has formulated and adopted a Risk Management Strategy, subsequently developing Risk Mitigation to monitor the implementation of these plans. The Operational Risk Management Committee was not functional for the period under review, due to the loss of key role players and a lack of adequate handover plans. Internal Audit's opinion is that the Agency's risk management practices have been partially effective, as the risk mitigation plans, that were developed by management, were not fully implemented.

GOVERNANCE

The Internal Audit's corporate governance review has found the majority of governance processes within the Agency to be adequate and partially effective. Management and the Board have put in place mechanisms to ensure the adequacy and effectiveness of the governance practices.

The Agency has complied with the requirements of the PFMA, whereby quarterly reports were presented to the Shareholders, as required by legislation.

EVALUATION OF FINANCIAL STATEMENTS

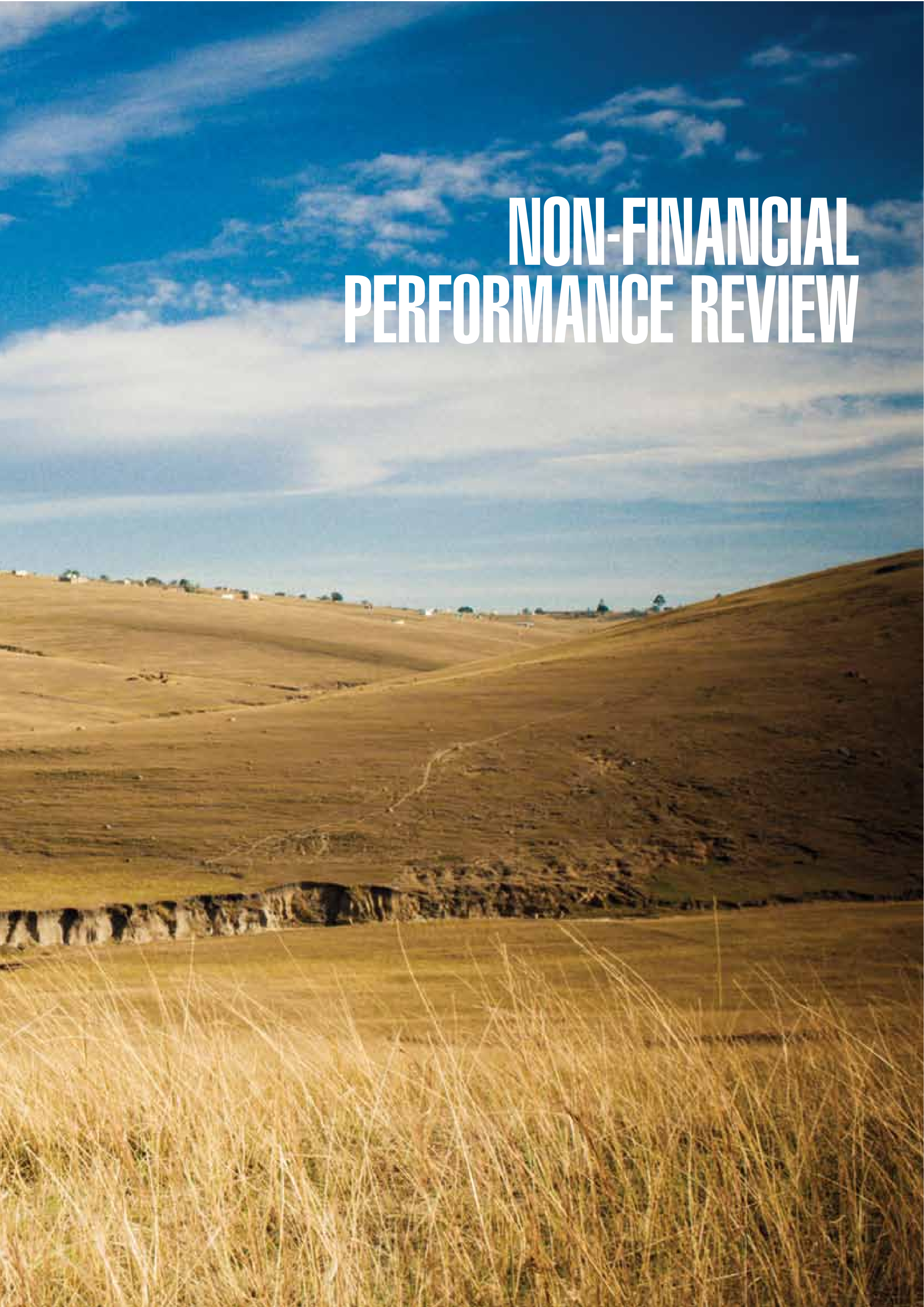
The Audit Committee evaluated and reviewed the Annual Financial Statements of USAASA and USAF for the year ended 31 March 2012 and concluded that they comply, in all material respects, with the South African Statements of Generally Accepted Accounting Principles and the relevant statements of Generally 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.

Hopewell Mpungose
Chairperson: Audit & Risk Management Sub Committee

NON-FINANCIAL PERFORMANCE REVIEW



PFMA CHECKLIST FOR PUBLIC ENTITIES

CORPORATE MANAGEMENT

NO.	SECTION	DESCRIPTION	ACTION	YES	NO	N/A	COMMENTS
1.	49	Accounting Authority	In terms of each Section 49 (3) the relevant Treasury, in exceptional circumstances, may approve that a functionary other than the Board or CEO be the AA of the public entity. In this regard, has the Auditor-General been informed in writing of such approval or instruction?			√	
2.	TR 27.3.1	Chief Financial Officer	In the case of a 3A or 3C public entity, has a Chief Financial Officer been appointed to head the finance division?		√		
3.	56(1)	Delegations of Authority	Have the powers entrusted or delegated to the Accounting Authority been delegated to other officials within the public entity?	√			
4.	51(1)(a)(i)	Internal Control	Does the public entity have: An effective, efficient and transparent system of financial and risk management and internal control?	√			
	51(1)(a)(ii)		A system of Internal Audit, under the control and direction of an Audit Committee, complying with, and operating in accordance with, regulation and instructions 76 and 77?	√			
	TR 27.1.1		Is the Audit Committee a Sub-Committee of the Accounting Authority?	√			
	77(a)		Does the Audit Committee consist of at least 3 persons?	√			
	77(b)		Does the Audit Committee meet at least twice a year?	√			
	TR 27.1.6		Does the Audit Committee operate in terms of written terms of reference?	√			
	TR 27.1.6		Are the terms of reference reviewed at least annually, to ensure its relevance?	√			
	27.1.8		Does the Audit Committee review the following: • The effectiveness of internal control systems; • The effectiveness of Internal Audit; • The risk areas of the entity's operations, to be covered in the scope of internal and external audits; • The inadequacy, reliability and accuracy of financial information provided to management and other users of such information; • Any accounting and auditing concerns identified as a result of internal and external audits; • The entities compliance with legal and regulatory provisions; • The activities of the Internal Audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and • Where relevant, the independence and objectivity of the external auditors?	√			
	TR 27.1.10(a)		Does the Audit Committee report and make recommendations to the Accounting Authority?	√			

NO.	SECTION	DESCRIP-TION	ACTION	YES	NO	N/A	COMMENTS
	TR 27.1.13		Does the Audit Committee meet annually with the Auditor-General or external auditor to ensure that there are no unresolved issues of concern?	√			
	27.1.8		Is a risk assessment conducted regularly to identify the public entity's emerging risks? Does the public entity have a Risk Management Strategy (including a fraud prevention plan) to direct Internal Audit effort and priority, and to determine the skills required of managers and staff to improve controls and manage these risks? If there is a Risk Management Strategy, is it communicated to all employees?	√			
	TR 27.2.5		Are the purpose, authority and responsibility of the Internal Audit function defined in an Audit Charter?	√			
	TR 27.2.6		Is Internal Audit conducted in accordance with standards set by the Institute of Internal Auditors?	√			
	TR 27.2.7		Has the Internal Audit function prepared a three year Strategic Internal Audit Plan based on the risk facing the public entity? Does the Internal Audit function report to the Audit Committee detailing its performance against the plan?	√			
	TR 27.2.10		Does the Internal Audit function evaluate the following: • The information system environment; • The reliability and integrity of financial and operational information; • The effectiveness of operations; • Safeguarding of assets; and • Compliance with laws, regulations and controls?	√			
5.	51(e)	Financial misconduct	Have effective and appropriate disciplinary steps been taken against any employee of the public entity who has: • Contravened or failed to comply with a provision of the PFMA; • Committed an act which undermined the financial management and internal control system of the public entity; • Made or permitted irregular or fruitless and wasteful expenditure?	√			Following the forensic investigations, disciplinary steps were taken and outcomes are pending.
	86(2)		Has the Accounting Authority been found guilty of an offence or is there any investigation pending relating to the wilful or negligent failure to comply with the provisions of Sections 50, 51 or 55?	√			The Minister dissolved the Board and instituted the forensic investigation.
	TR 33.1.1		Have any employees of the public entity committed financial misconduct?	√			
	TR 33.1.2		If so, was the investigation instituted within 30 days?	√			When it was discovered.
	TR 33.2.1		Is the Executive Authority, Auditor-General and relevant Treasury advised of any criminal charges that have been laid against persons for financial misconduct?	√			The Minister and Auditor General are aware.
	TR 33.3.1		Is the Executive Authority, Auditor-General and relevant Treasury provided with a schedule detailing: • The outcome of any disciplinary hearings and/or criminal charges; • The names and ranks of employee involved; and • The sanctions and any further actions taken against these employees?	√			The Auditor General was provided with the forensic report which details the charges, names and actions.

PLANNING AND BUDGETING

NO.	SECTION	DESCRIPTION	ACTION	YES	NO	N/A	COMMENTS
2.	53(1)	Annual budgets by non-business Schedule 3 public entities	Did the Accounting Authority submit a budget to the executive authority for his or her approval, at least six months prior to the start of the financial year of the Department designated by the Executive Authority?	√			There were delays with approval due to the passing of the previous Minister.
	53(2)		Was the budget submitted to the Executive Authority via the Accounting Officer of the Department designated by the Executive Authority?	√			
	53(3)		Did the public entity budget for a deficit or accumulate a surplus without approval of the National Treasury?	√			Part of the budget that was accumulated was related to capacity, temporary staff had been employed, and therefore the funds relating to staff costs have been utilised.
	TR 30.1.1		Did the Accounting Authority submit a proposed Strategic Plan to the Executive Authority for his her approval at least six months before the start of the financial year to the Department designated by the Executive Authority?	√			
	TR 30.1.2		Was the final Strategic Plan submitted to the Executive before 1 April?	√			
	TR 30.3		Does the Strategic Plan: • cover a period of three years; • include objectives and outcomes as identified by the executive authority; • include multi-year projections of revenue and expenditure; • include performance measures and indicators for assessing the public entity's performance in delivering the desired outcomes and objectives; and include the materiality/ significant framework, referred to in Treasury Regulation 28.1.5? • Is the Strategic Plan updated on an annual basis?	√			

MANAGEMENT OF WORKING CAPITAL

NO.	SECTION	DESCRIPTION	ACTION	YES	NO	N/A	COMMENTS
1.	38(1)(I)		Has the public entity submitted a written assurance to the transferring Department, to the effect that the entity has and maintains effective, efficient and transparent financial management and internal control systems?	√			
			Does the public entity: • Have an appropriate procurement and provisioning administration system, which is fair, equitable, transparent, competitive and cost-effective? • Have a system for properly evaluating all major capital projects prior to a final decision on the project? • Collect all revenue due? • Have mechanism in place to prevent irregular or fruitless and wasteful expenditure? • Manage available working capital efficiently and economically?	√ √ √ √ √			

MANAGEMENT OF WORKING CAPITAL (CONTINUED)

NO.	SECTION	DESCRIPTION	ACTION	YES	NO	N/A	COMMENTS
1.	TR 29.1.3 TR 29.1.6		Did the public entity submit a corporate plan and borrowing programme to the relevant Treasury? (Schedule 2,3B and 3D entities only) If a borrowing programme was submitted, did it include: • The terms and conditions on which the money was borrowed? • Information on proposed domestic borrowing; • Information on proposed foreign borrowing (national entities); • Short and long term borrowing; • Borrowing in relation to a pre-approved corporate plan; • The maturity profile of the debt; • The confirmation of compliance with existing and proposed loan covenants; • Debts guaranteed by the Government; • Motivation for Government guarantees, if required; and • The Executive Authority's approval of the borrowing programme, if required by the legislation in terms of which the entity was established?			√	3A, therefore not applicable.
	TR 32.1.1		Did the public entity borrow money for bridging purposes? If yes: • Was approval obtained from Minister of Finance? • Was the debt repaid within 30 days from the end of the financial year?		√		
1.	TR 26.1.1	Quarterly Reporting	Does the public entity submit information on its actual and projected revenue and expenditure to the designated accounting officer, within 30 days of the end of each quarter? (Schedule 3A and 3C entities)	√			
	TR 26.1.2		Does the public entity report quarterly to the Executive Authority (via the designed accounting officer) on the extent of compliance with the PFMA and Treasury Regulations? (Schedule 3A and 3C public entities)	√			Information as contained in the quarterly report.
	TR 29.3.1 TR 30.2.1		Has the public entity established procedures to report quarterly to the Executive Authority in relation to progress made against achieving the targets set out in the strategic and corporate plan?	√			
2.	55	Annual Report and Financial Statements	Did the public entity submit the following to the relevant Treasury, Executive Authority and Auditor-General, within 5 months of the end of the financial year: • An Annual Report on the activities of the public entity during that financial year after the statements have been audited; • The report of the auditors on those statements?	√ √ √			
			Does the public entity's Annual Report and Financial Statements fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned? Do the Annual Report and Financial Statements include: • Any material losses through criminal conduct and any irregular or fruitless and wasteful expenditure that occurred during the financial year; • Any criminal or disciplinary steps taken as a con sequence of such losses or irregular expenditure or fruitless and wasteful expenditure; • Any losses recovered or written off; • Any financial assistance received from the state; • and commitments made by the state on its behalf; • The Financial Statements of subsidiaries?	√ √		√ √ √	

NO.	SECTION	DESCRIPTION	ACTION	YES	NO	N/A	COMMENTS
	65		Did the Executive Authority table the Annual Report and Financial Statements within one month from the Accounting Authority receiving the audit report?	√			
	TR 27.1.7		Does the Annual Report contain a disclosure to the effect that the audit committee has adopted a formal terms of reference?	√			
	TR 27.1.10		Did the Audit Committee comment on its evaluation of the entity's financial statement?	√			Information as contained in the quarterly report.
	TR 28.1.1		Does the financial statement include a report by the Accounting Authority that discloses the emoluments of all Directors and Executive Members of the public entity and its subsidiaries?	√			
	TR 28.1.2		If yes, to approve, does the disclosure include? • Fees for services as a Director or Executive Member; • Basic salary; • Bonuses and performance related payments; • Sums paid by way of expense allowance; • Contributions made to any pension fund, medical aid, insurance scheme, etc.; • Any commission, gain or profit sharing arrangements; • Any share options, including their strike price and period; and • Any other material benefits received?	√			100% compliance.
	TR 28.1.3		Has the public entity adjusted its financial year in accordance with the table in TR 28.1.3?	√			
	TR 28.2.1		Does the Annual Report provide details of the materiality/significant framework applied during the financial year?	√			

CASH MANAGEMENT, BANKING AND INVESTMENT

NO.	SECTION	DESCRIPTION	ACTION	YES	NO	N/A	COMMENTS
1.	51(1)(b)(iii) TR 31.1	Cash Management	Does the public entity have systems, procedures and processes in place to ensure efficient and effective banking cash management, which includes: • Collecting and banking revenue promptly; • Making payments no earlier than necessary with due regard for efficient, effective and economical programme delivery and the public entity's normal terms for account payments; • Avoiding prepayments for goods and services unless required by the contractual arrangements with the supplier; • Accepting discounts to effect early settlement; • Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the public entity are collected and banked promptly; • Accurately forecasting the public entity's cash flow requirements; • Timing in and out flow of cash; • Recognising the time value of money, i.e. economically, efficiently, and effectively managing cash; • Taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the optimum level, for efficient and effective programme delivery, and the selling of surplus or under-utilised assets; • Performing bank reconciliations at least weekly; • Making regular cash forecast; • Alignment for the approved budget with monthly cash flows; and • Variance analyses of cash flow with the approved budget?	√ √ √ √ √ √ √ √ √ √ √ √ √		√	

NO.	SECTION	DESCRIPTION	ACTION	YES	NO	N/A	COMMENTS
2.	TR 31.2.1	Banking	Does the public entity submit a list of all its banking accounts to the National Treasury by 31 May of each year?	√			Submitted on request.
3.	TR 31.3.1 TR 31.3.2	Investment	Does the public entity have an Investment Policy? If yes to the above, does the Investment Policy include the: • Selection of counter-parties through credit risk analyses; • Establishment of investment limits per institution; • Establishment of investment limits per investment instrument; • Monitoring of investments against limits; • Reassessment of investment policies on a regular basis; • Reassessment of counter-party credit risk based on credit rating; and • Reassessment of investment instruments based on liquidity requirements?	√		√	The entity does not currently have any investments.

THE PFMA AND TREASURY REGULATION COMPLIANCE REPORTING SCHEDULE

NO.	SCHEDULE	REPORT OF DOCUMENT	AUTHORITY	DATE	SECTION/REG	Y/N
1	2,3	Any documents, returns etc. required	Relevant Treasury; AG	When required	S 54(1)	Y
2	2,3	AFS	Auditors (Treasury if business entity)	Within 2 months from year end	S 55(1)(c)	Y
3	2,3	Annual Report	Executive Authority; relevant Treasury (& AG if didn't perform the audit)	Within 5 months from year end	S 55(1)(d)	Y
		Audited AFS				
		Auditors Report				
4	2,3	Financial misconduct procedures report	Executive Authority, relevant Treasury, AG	Annually	TR 33.3.1	Y
5	3A,3C	Budget of estimated revenue and expenditure for the year	Executive Authority	6 months prior to start of financial year	S 53(1)	Y
6	3A,3C	Report on actual revenue and expenditure for the quarter	Executive Authority	Within 30 days of the end of the quarter	TR 26.1	Y
		Report on compliance to the PFMA	Executive Authority	Quarterly	TR 26.1.2	Y
7	3A, 3C	Strategic Plan	Executive Authority	6 months prior to start of financial year	TR 30.1.1	Y
8	2,3B,3D	Projection of revenue, expenditure and borrowings	Accounting officer & relevant Treasury	1 month prior to start of financial year	S 52	Y
	2, 3B, 3D	Corporate Plan	Executive Authority	1 month prior to start of financial year	S 52, TR 29	n/a
9	2, 3B,3D	Three-year borrowing plan, with Corporate Plan	National Treasury	Quarterly	TR 29.1.3 TR29.1.4	n/a
	2, 3B, 3D	Quarterly reports on above, reflecting actual borrowings	National Treasury	Quarterly	TR 29.1.3 TR 29.1.4	n/a
10	2,3B,3D	Shareholders compact	Executive Authority	Annually	TR 29.2.1	n/a

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

CONTENTS

The reports and statements set out comprise the Annual Financial Statements presented to Parliament.

REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENT OF UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA FOR THE YEAR ENDED 31 MARCH 2012

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the Financial Statements of the Universal Service and Access Agency of South Africa (USAASA) set out on pages 55 to 76 which comprise the statement of financial position as at 31 March 2012; the statement of financial performance, statement of changes in Net Assets; and the Cash Flow Statement for the year then ended; and the Notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The Accounting Authority is responsible for the preparation and fair presentation of these Financial Statements, in accordance with South African Standards of Generally Recognised Accounting Practice(SA Standard of GRAP); the requirements of the Public Finance Management Act, 1999(Act No.1 of 1999) (PFMA) and the Companies Act of South Africa, and for such internal control as the Accounting Authority determines necessary to enable the preparation of Financial Statements, that are free from material misstatement, whether due to fraud or error.

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

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

OPINION

6. In my opinion, the Financial Statements present fairly, in all material respects, the financial position of the USAASA as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the Public Finance Management Act, 1999(Act No.1 of 1999) (PFMA).

EMPHASIS OF MATTERS

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

IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

8. As disclosed in Note 27 to the Financial Statements of USAASA, fruitless and wasteful expenditure amounting to R1 032 000 was incurred as a result of SARS penalties, offices not occupied while still paying rent, venue not used even though it was already paid. As disclosed in Note 28 to the financial statement of USAASA, irregular expenditure to the amount of R19 492 000 was incurred in the current year, as a result of non-compliance with SCM policies and R22 669 000 incurred in the prior year and discovered in the current year.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

PREDETERMINED OBJECTIVES

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the name of Annual Performance Report as set out on pages 07 to 50 of the Annual Report.

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the Annual Performance Report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

12. The reliability of the information, in respect of the selected programmes, is assessed to determine whether it adequately reflects

the facts (i.e. whether it is valid, accurate and complete).

13. The material findings are as follows:

USEFULNESS OF INFORMATION

CONSISTENCY

REPORTED TARGETS NOT CONSISTENT WITH PLANNED TARGETS

14. Treasury Regulation 30.1.3(g) requires that the strategic should form the basis for the Annual Report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 67% of the reported objectives, indicators and targets are not consistent with the objectives, indicators and targets as per the approved Strategic Plan. This is due to the fact that they did not have a system in place to accurately track the planned targets against actual performance.

CHANGES TO OBJECTIVES/INDICATORS/ TARGETS NOT APPROVED

15. Treasury Regulation 30.1.1 requires that the Strategic Plan must be approved by the Executive Authority. Therefore, if the Strategic Plan is changed in-year due to significant policy or mandate changes, the updated plan has to be approved by the Executive Authority. A total of 100% of objectives, indicators and targets reported in the Annual Performance Report were inconsistent with the objectives, indicators and targets as per the approved Strategic. This was due to significant policy or mandate changes that were made but not included in the approved or adjusted budgets approved by the Executive Authority.

ADDITIONAL MATTER

16. I draw attention to the following matter below. This matter does not have an impact on the predetermined objective audit findings reported above.

ACHIEVEMENT OF PLANNED TARGETS

17. Of the total number of planned targets, only 9% targets were achieved during the year under review. As a result 91% of the total planned targets were not achieved during the year under review. This was due to the suspension of projects when Executive Management of USAASA was suspended.

COMPLIANCE WITH LAWS AND REGULATIONS

18. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

EXPENDITURE MANAGEMENT

19. The Accounting Authority did not take effective and appropriate steps to prevent fruitless expenditure as per the requirements of Section 51(1) (b) of the PFMA.

PROCUREMENT

20. Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations.

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

22. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

ANNUAL FINANCIAL STATEMENT, PERFORMANCE AND ANNUAL REPORTS

23. The Accounting Authority did not submit the report on performance information for auditing within two months after the end of the financial year as required by Section 55(1) (c) (i) of the PFMA.

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

24. The Accounting Authority did not ensure that the public entity has and maintains an effective, efficient and transparent system of internal control, regarding performance management, which described and represented how the entity's processes of performance planning, monitoring, measurement, review and reporting were conducted, organised and managed as required by Section 51(1)(a)(i) of the PFMA.

INTERNAL CONTROL

25. I considered internal control relevant to my audit of the Financial Statements, Annual Performance Report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for opinion, the findings on the Annual Performance Report and the findings on compliance with laws and regulations included in this report.

LEADERSHIP

26. The Accounting Authority did not have controls in place to prevent non-compliance with procurement and contract management.

27. The Accounting Authority did not ensure that performance management systems and processes are in place before and during the Strategic Planning session to ensure that targets, objectives and measures are consistent with Annual Performance Report.

OTHER REPORTS

INVESTIGATIONS

28. Investigation into alleged financial misconduct pertaining to various officials of the entity was carried out during the year under review and at the date of this report was the investigations were still in progress.

Auditor - General

Pretoria
31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

STATEMENT OF FINANCIAL PERFORMANCE

	NOTE(S)	2012 R '000	2011 R '000
Revenue			
Transfers and subsidies received	3	83 168	66 704
Other income	4	14	404
TOTAL REVENUE		**83 182**	**67 108**
Expenditure			
Administrative expenses	5	(5 552)	(8 598)
Staff costs	6	(35 440)	(25 216)
Research costs		(66)	(3 429)
Marketing costs	7	(1 935)	(2 054)
Audit fees	8	(706)	(551)
Other operating expenses	9	(32 334)	(27 520)
Loss on disposal of assets	10	(113)	(1 681)
Finance costs	11	(17)	(26)
TOTAL EXPENDITURE		**(76 163)**	**(69 075)**
SURPLUS / (DEFICIT) FROM OPERATIONS		**7 019**	**(1 967)**
SURPLUS/(DEFICIT) ATTRIBUTABLE TO:			
Net Asset holders of the controlling entity		7 019	(1 967)
SURPLUS/(DEFICIT) FOR THE YEAR		**7 019**	**(1 967)**

STATEMENT OF FINANCIAL POSITION

	NOTE(S)	2012 R '000	2011 R '000
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	6 730	8 076
Intangible assets	13	1 059	1 561
		7 789	**9 637**
Current Assets			
Inventories	29	-	-
Loans and receivables	14	1 001	1 268
Cash and cash equivalents	15	15 600	4 908
		16 601	**6 176**
TOTAL ASSETS		**24 390**	**15 813**
LIABILITIES			
Non-Current Liabilities			
Finance lease obligation	16	-	57
Current Liabilities			
Finance lease obligation	16	57	58
Trade and other payables	17	7 016	5 471
Provisions	18	2 918	2 847
		9 991	**8 376**
Total Liabilities		**9 991**	**8 433**
Net Assets		**14 399**	**7 380**
NET ASSETS			
Accumulated surplus		14 399	7 380

STATEMENT OF CHANGES IN NET ASSETS

	ACCUMULATED SURPLUS R '000	TOTAL NET ASSETS R '000
Balance at 01 April 2010	**9 348**	**9 348**
Changes in net assets		
Deficit for the year	(2 433)	(2 433)
Opening balance as previously reported	6 915	6 915
Adjustments		
Prior year adjustments	465	465
Balance at 01 April 2011 as restated	**7 380**	**7 380**
Changes in net assets		
Surplus for the year	7 019	7 019
Balance at 31 March 2012	**14 399**	**14 399**

CASH FLOW STATEMENT

	NOTE(S)	2012 R '000	2011 R '000
Cash flows from operating activities			
Cash receipts from Government		83 168	66 704
Cash paid to suppliers and employees		(70 850)	(60 689)
Cash generated from operations	19	12 318	6 015
Net cash from operating activities		**12 318**	**6 015**
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(1 505)	(8 342)
Proceeds of property, plant and equipment	12	(3)	(753)
Purchase of other intangible assets	13	(48)	(1 453)
Proceeds from sale of other intangible assets	13	6	-
Net cash from investing activities		**(1 550)**	**(10 548)**
Cash flows from financing activities			
Finance lease payments		(76)	(74)
Net cash from financing activities		**(76)**	**(74)**
Total cash movement for the year		**10 692**	**(4 607)**
Cash and cash equivalents at the beginning of the year		4 908	9 515
Cash and cash equivalents at the end of the year	15	**15 600**	**4 908**

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 the 2005/6 financial year. These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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.

All figures are presented in South African Rand.

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:

FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

IMPAIRMENT TESTING

The recoverable amounts of individual assets have been determined based on the carrying amount. 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 18 - Provisions.

EFFECTIVE INTEREST RATE

The entity used the prime interest rate to discount future cash flows.

PROVISION FOR IMPAIRMENT OF FINANCIAL INSTRUMENTS

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

1.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions wherein 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 27.

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, to -

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

Details of Irregular expenditure are provided in Note 28.

1.6 INVESTMENT POLICY

Accumulated funds not committed in the short-term are held in non 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 in the Agency's Statement of Financial Position when the Agency 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 USAASA were recognised as loans and receivables.

LOANS AND RECEIVABLES

Trade receivables, loans and other receivables that have fixed or determinable payments, which 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.

1.10 Financial instruments (continued)

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.

PAYABLES FROM EXCHANGE TRANSACTIONS

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 tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

INITIAL RECOGNITION

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 derecognised.

SUBSEQUENT MEASUREMENT

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

DEPRECIATION AND IMPAIRMENT

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

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 income statement when the expenditure is incurred.

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

Further disclosure of the entity's policy on impairment of assets is provided in note 1.16.

DERECOGNITION

An item of property, plant and equipment is eliminated from the statement of financial position on disposal or when the asset in 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

An intangible asset is an identifiable non-monetary asset without physical substance.

INITIAL RECOGNITION

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.

SUBSEQUENT MEASUREMENT

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

AMORTISATION AND IMPAIRMENT

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	3 years

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

Intangible assets 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.

Further disclosure of the entity's policy on impairment of assets is provided in note 1.16.

DERECOGNITION

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 23.

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

1.16 IMPAIRMENT OF ASSETS

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. All other assets that do not meet this description are described as non-cash generating assets.

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position, after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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

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 INVENTORIES

Inventories are initially measured at cost, except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

1.19 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 31 to the Financial Statements.

1.20 RELATED PARTIES

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

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

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

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

Related party transaction and outstanding balances or commitments owing between the reporting entity and related parties are disclosed in Note 25 to the Financial Statements. Remuneration of key management personnel is disclosed in Note 24.

1.21 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);
(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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has applied and adopted the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2012 or later periods.

GRAP 23: REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has adopted the standard for the first time in the 2012 Annual Financial Statements with no material impact.

GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

Subject to the requirements of paragraph 1.19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts, either as a separate additional financial statement or as additional budget columns in the Financial Statements currently presented, in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the Financial Statements, and a cross reference to those documents is made in the Notes.

Where an entity prepares its budget and Annual Financial Statements on a comparable basis, it includes the comparison as an additional column in the primary Annual Financial Statements. Where the budget and Annual Financial Statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the Annual Financial Statements adjusted to be comparable to the budget.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has not adopted the standard in the 2012 Annual Financial Statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the Annual Financial Statements.

GRAP 21: IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has adopted the standard for the first time in the 2012 Annual Financial Statements with no material impact.

GRAP 26: IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are those assets held by an entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses, at each reporting date, whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, an entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an entity applies the appropriate discount rate to those future cash flows.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity expects to adopt the standard for the first time in the 2013 Annual Financial Statements.

It is unlikely that the standard will have a material impact on the entity's Annual Financial Statements.

GRAP 25: EMPLOYEE BENEFITS

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share-based payment transactions.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time in the 2013 Annual Financial Statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the Annual Financial Statements.

GRAP 104: FINANCIAL INSTRUMENTS

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments, rather than through the provision of goods or services.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an entity's Statement of Financial Position and Statement of Financial Performance, as well as the nature and extent of the risks that an entity is exposed to as a result of its Annual Financial Statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time in the 2013 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the entity's Annual Financial Statements.

IGRAP 7: THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with Paragraph .68 of the Standard of GRAP on Employee Benefits;
- How a minimum funding requirement might affect the availability of reductions in future contributions.

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The entity expects to adopt the interpretation for the first time in the 2013 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the entity's Annual Financial Statements.

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2012 or later periods but are not relevant to its operations:

GRAP 18: SEGMENT REPORTING

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The effective date of the standard is for years beginning on or after 01 April 2013.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

GRAP 103: HERITAGE ASSETS

GRAP 103 defines heritage assets as assets which have a cultural, environmental; historical; natural; scientific; technological; or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items, thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets. GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction, which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation models as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R '000	2011 R '000
3. TRANSFERS AND SUBSIDIES		
Department of Communications	83 168	66 704
4. OTHER INCOME		
Refunds, recoveries and tender levies	14	404
5. ADMINISTRATIVE EXPENSES		
Office teas and cleaning	362	343
Sundry expenses	374	210
Fees for services: Board and Committee Members	570	1 074
Legal fees	1 119	83
Entertainment	-	3
Printing and stationery	857	1 685
Venues and facilities	202	517
Bank charges	27	25
Training and staff development	592	1 053
Relocation Expenditure	52	7
Organisational development	438	3 078
Fines and penalties	205	-
Licenses	72	86
Travel - overseas	682	434
	5 552	**8 598**
6. STAFF COSTS		
Wages and salaries		
- Basic salaries	28 984	19 293
- Performance bonus	987	2 489
- Other non-pensionable allowance	2 269	1 502
- Workmen's Compensation	362	-
Social contributions (Employer's contributions)		
- Medical aid	267	157
- Unemployment Insurance Fund	96	69
- Provident Fund	2 475	1 706
	35 440	**25 216**
Number of employees	64	58
7. MARKETING COSTS		
Branding	-	405
Communications & public awareness initiatives	1 935	1 649
	1 935	**2 054**
8. AUDITORS' REMUNERATION		
Statutory audit	706	551

	2012 R '000	2011 R '000
9. OTHER OPERATING EXPENSES		
Operating lease charges		
- Buildings	4 094	2 366
- Vehicles	16	7
- Plant, machinery and equipment	39	44
- Other operating leases	25	29
	4 174	**2 446**
Consultants, contractors and special services	18 596	18 470
Minor assets written off	6	66
Maintenance, repairs and running costs	731	1 102
Depreciation	2 744	1 250
Amortisation on intangible assets	544	51
Advertising	168	184
Municipal services	563	371
Travel and subsistence	3 887	2 962
Courier and delivery charges	50	7
Information and telecommunication costs	786	611
Impairment on trade and other receivables	-	-
Fair value adjustment on debtors	85	-
	28 160	**25 074**
	32 334	**27 520**
10. PROFIT/LOSS ON DISPOSAL OF ASSETS		
Losses on disposal of assets	113	1 681
11. FINANCE COSTS		
Finance lease obligation	17	26

12. PROPERTY, PLANT AND EQUIPMENT

	2012			2011		
	Cost / Valuation '000	**Accumulated depreciation and accumulated impairment '000**	**Carrying value '000**	**Cost / Valuation '000**	**Accumulated depreciation and accumulated impairment '000**	**Carrying value '000**
Computer equipment	4 163	(1 858)	2 305	3 975	(548)	3 427
Office furniture and fittings	2 862	(1 610)	1 252	2 575	(1 200)	1 375
Motor vehicles	112	(79)	33	112	(64)	48
Office equipment	1 810	(701)	1 109	1 819	(377)	1 442
Leasehold improvements	2 888	(857)	2 031	2 103	(319)	1 784
Total	**11 835**	**(5 105)**	**6 730**	**10 584**	**(2 508)**	**8 076**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	3 427	331	(77)	(1 376)	2 305
Office furniture and fittings	1 375	360	(20)	(463)	1 252
Motor vehicles	48	-	-	(15)	33
Office equipment	1 442	29	(13)	(349)	1 109
Leasehold improvements	1 784	785	-	(538)	2 031
	8 076	**1 505**	**(110)**	**(2 741)**	**6 730**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	342	3 820	(287)	(448)	3 427
Office furniture and fittings	640	1 097	-	(362)	1 375
Motor vehicles	68	-	-	(20)	48
Office equipment	394	1 253	-	(205)	1 442
Leasehold improvements	469	2 172	(641)	(216)	1 784
	1 913	**8 342**	**(928)**	**(1 251)**	**8 076**

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

	2012 R '000	2011 R '000
Gross carrying amount	242	242
Accumulated depreciation	(202)	(154)
NET CARRYING AMOUNT	**40**	**88**

13. INTANGIBLE ASSETS

	2012			2011		
	Cost / Valuation '000	Accumulated depreciation and accumulated impairment '000	Carrying value '000	Cost / Valuation '000	Accumulated depreciation and accumulated impairment '000	Carrying value '000
Computer software	1 635	(576)	1 059	1 628	(67)	1 561

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 561	48	(6)	(544)	1 059

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	160	1 453	(52)	1 561

	2012 R'000	2011 R'000
14. LOANS AND RECEIVABLES		
Prepayments and advances		
- Staff loans/Advances	185	16
- Prepayments	854	780
Deposits	-	472
Other receivables	47	157
	1 086	953
Impairment of debtors	-	(157)
Fair value adjustment	(85)	-
	1 001	**1 268**

Fair value of trade and other receivables

Trade and other receivables	1 001	1 268

Fair values were determined by way of a valuation technique (discounted cash flows) with Level 3 inputs (in terms of IFRS 7) due to the nature of the Agency's loans and receivables, for which there was no observable market data.

Key assumptions using in the valuation were as follows:
Discount factor: 9 % (Prime)
Settlement dates: As determined per the terms of the financial instruments.

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, advances, as well as amounts recoverable in terms of 3G data cards policy. All staff loan balances are payable with immediate effect, taking into account labour law practices, except for bursaries, which are payable over a period of twelve months, in accordance with relevent bursary agreement.

Prepayments consist of rental deposits paid in respect of the Agency's leased premises. They will be receivable upon termination of the various lease agreements.

The following are expected to be recovered as follow:

Staff loans: 3 - 6 months	185	16
Deposits	-	472
Prepayments 24 - 60 months	769	780
Other debtors 3 - 6 months	47	-

Loans and receivables impaired
Loans and receivables impaired were assessed at year end for recoverability and evaluated as irrecoverable. The fair value adjustment created in prior year was utilised in the current year. The amount of the adjust was (R85) as of 31 March 2012 [2011: R (157) (R '000)]

15. CASH AND CASH EQUIVALENTS

Cash on hand	1	1
Nedbank current account	15 599	4 907
	15 600	**4 908**

Cash and cash equivalents are unencumbered.

16. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	62	75
- in second to fifth year inclusive	-	62
	62	137
less: future finance charges	(5)	(22)
Present value of minimum lease payments	**57**	**115**

	2012 R'000	2011 R'000

16. FINANCE LEASE OBLIGATION (CONTINUED)

	2012 R'000	2011 R'000
Present value of minimum lease payments due		
- within one year	57	58
- in second to fifth year inclusive	-	57
	57	**115**
Non-current liabilities	-	57
Current liabilities	57	58
	57	**115**

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 12.

17. TRADE AND OTHER PAYABLES

	2012 R'000	2011 R'000
Trade payables	893	2 625
Accruals	593	609
Operating lease payables	772	418
Universal Service and Access Fund	4 758	1 819
	7 016	**5 471**

18. PROVISIONS

Reconciliation of provisions - 2012

	Opening Balance '000	Utilised during the year '000	Made during the year '000	Total '000
Leave	857	(3 308)	3 472	1 021
Workmen's Compensation	-	-	228	228
Bonus	1 990	(1 308)	987	1 669
	2 847	**(4 616)**	**4 687**	**2 918**

Reconciliation of provisions - 2011

	Opening Balance '000	Utilised during the year '000	Made during the year '000	Total '000
Leave	432	(102)	527	857
Workmen's Compensation	32	(32)	-	-
Bonus	460	(460)	1 990	1 990
	924	**(594)**	**2 517**	**2 847**

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 based on management's estimates and judgements at year end, in line with prior year methodology. There was uncertainty with regards to the timing of the actual payment .

The Workmen's Compensation provision was raised as a liability based on the best estimate at the Statement of Financial Position date.

	2012 R'000	2011 R'000
19. CASH GENERATED FROM OPERATIONS		
Surplus/(deficit)	7 019	(1 967)
Adjustments for:		
Depreciation and amortisation	3 288	1 301
Loss on disposal of assets	113	1 681
Finance costs - Finance leases	17	26
Impairment deficit	85	-
Movements in provisions	71	1 923
Other non-cash items	(1)	(472)
Changes in working capital:		
Loans and receivables	182	(559)
Trade and other payables	1 544	4 082
	12 318	**6 015**

	2012 R'000	2011 R'000
20. 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	3 907	2 851
- in second to fifth year inclusive	8 273	9 363
	12 180	**12 214**

21. RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the Agency 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 forecasts 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 15. The size of the Agency's position does not expose it to significant interest rate risk. Any risk is managed through the term structure utilized when placing deposits.

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

Credit risk

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

22. 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.

23. CONTINGENCIES

Request to Retain Surplus Funds

The Agency sustained a surplus at the end of 2011/12 on both entities, due to delays with implementation of all projects, which resulted from the instability at executive level within the organisation. In compliance with Treasury Regulation 6.4, a request has been made to the National Treasury, through the Department of Communication, to retain the surplus and to roll it over to the 2012/13 financial period. The amount that has been requested is R7 million. This amount is proposed to be spent for the Broadcasting Digital Migration Project - Capacity Building.

There are also possible claims of R2,5 million against the R7 million and another R52 million related to projects taken by the Universal Services and Access Fund. Since the forensic investigation, business with certain suppliers was stopped. Several of these suppliers have submitted claims which have not been yet been settled. It is expected that the value for money audit will assist establishing the liability or entitlement of the Agency.

24. SENIOR MANAGEMENT EMOLUMENTS

Executive management

2012	Salary '000	Performance payments '000	Acting allowance '000	Settlement upon Resignation '000	Total '000
Mr. P. Moleele - CEO	1 114	-	-	770	1 884
Mr. A Hlubi - CFO	914	42	-	-	956
Mrs. T Mngadi - Performance Management and Corporate Services	902	37	-	-	939
Mr. M Mollo - Business Development Services	900	29	-	-	929
Ms LL Ngcwembe - Acting CFO	742	44	88	-	873
Mr. WG Lamani - Acting Business Development Services	832	49	60	-	941
Mr. PS Meshe - Acting Corporate Services	694	-	65	-	760
Ms MMR Moiloa- Acting Performance Management	807	48	28	-	883
	6 905	**249**	**241**	**770**	**8 165**

2011	Salary '000	Performance payments '000	Total '000
Mr. P. Moleele - CEO	889	21	910
Mr. A Hlubi - CFO (Appointed June 2010)	682	-	682
Mrs. N Segal - Corporate Services(Appointed July 2010, resigned January 2011)	491	-	491
Mrs. T Mngadi - Performance management (Appointed July 2010)	514	-	514
Mr. M Mollo - Business Development Services (Appointed September 2010)	475	-	475
	3 051	**21**	**3 072**

	2012 R'000	2011 R'000
24. SENIOR MANAGEMENT EMOLUMENTS		
Non executive directors		
Mr. LL Moahlodi - Chairman (Term ended 31 October 2011)	154	373
Dr. G Celli (Term ended 23 November 2011)	75	93
Prof. S Pather (Term ended 23 November 2011)	141	148
Mr. SV Ngcobo (Term ended 23 November 2011)	171	280
Ms. BJ Francis (Term ended July 2010)	-	45
Prof. MI Mphahlele (Term ended July 2010)	-	67
	541	**1 006**
Independent Audit Committee		
Mr. HGS Mpungose	50	35
Ms. R Strydom	9	20
Ms. LS Sithole	14	14
	73	**69**

25. 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	83 618	66 704

		2012 R'000	2011 R'000

25. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

BALANCES

Name of Entity	Transaction Type	2012 R'000	2011 R'000
Universal Service and Access Fund	Payments made on behalf of USAF	(4 758)	(1 819)

26. CHANGE IN ACCOUNTING ESTIMATE

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

	2012 R'000	2011 R'000
Depreciation	2 656	1 251

Current year depreciation included a change in estimate of R1 212 (2011: R2 266). This was due to the reassessment of residual values and useful lives of property, plant and equipment, resulting in a net reduction in the depreciation charge for the period of R1 212 (2011: R2 266).

27. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

	2012 R'000	2011 R'000
Opening balance	66	66
Fruitless and wasteful expenditure – current year	1 032	-
	1 098	**66**

ANALYSIS OF FRUITLESS AND WASTEFUL EXPENDITURE

Incident	Disciplinary steps	2012 R'000	2011 R'000
1. SARS Penalties and Interest.	When the discovery was made at the time the CFO was already on suspension and therefore could not be disciplined.	205	-
2. Protea Hotel Stellenbosch - Venue was not used for the workshop and the hotel was paid for bookings.	Action will be taken against offenders.	33	-
3. Rental paid for offices not in use.	Discussions are being held with lessors regarding cancellation of leases.	794	-
4. Capped leave was taken over by 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 contract . Subsequently, two legal opinions were sought on the matter. The latest opinion suggested that the employee was not entitled to the leave. Negotiations will be held to try to reach an agreement for the employee to give up the leave that has not yet been utilised.	-	66
		1 032	**66**

28. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

	2012 R'000	2011 R'000
Opening balance	1 053	563
Irregular expenditure - current year	42 161	490
	43 214	**1 053**

ANALYSIS OF IRREGULAR EXPENDITURE

Incident	Disciplinary steps	2012 R'000	2011 R'000
1. Quotations sourced from only one supplier and not appropriately approved.	Verbal warnings have been issued to the relevant personnel.	184	-

ANALYSIS OF IRREGULAR EXPENDITURE (CONTINUED)

Incident	Disciplinary steps	2012 R'000	2011 R'000
2. Contravention of Public Service Regulation 1 in terms of appointment or filling of a post (Section VII/D8).	Corrective measurers will be taken to either upgrade or downgrade the incumbent.	628	-
3. Travel expenditure not appropriately authorised.	Disciplinary actions will be taken against the officials responsible for the offense.	116	-
4. Travel expenditure not as per USAASA travel policy. Investigations are still underway to determine the irregular amount.	The travel policy will be amended to engender easier implementation of the policy. Records will also be kept to reflect approved deviation from policy.	-	-
5. The interim audit found that the HR skills audit & the staff migration process contracts awarded to Thuto Senotlolo should have been awarded as one contract through the tender bidding process. The fact that this did not happen resulted in the expenditure being classified as irregular.	No disciplinary steps required. The service provider was appointed to do the HR skills audit and as a result of the outcome of this phase, the Board requested the service provider to continue with phase two of the project. This resulted in a staff migration process. The decision was taken to utilise the service of the same service provider as the company had intensive knowledge and experience of USAASA during the completion of HR skills audit.	-	490
6. Lease contracts not signed by both parties by the time the contract took effect.	This was subsequently corrected during the financial year.	296	-
7. Bidding processes were not complied with - Current year.	The Finance and Business Development Committee of the Board initiated a preliminary review of the state of affairs of certain contracts that was conducted by Internal Audit. The results of this process led to a forensic investigation being instituted which uncovered these irregularities. Another process is currently being undertaken to determine how much of the funds can possibly be recovered.	16 542	-
8. Bidding processes were not complied with - Irregular expenditure that relates to the prior year discovered during the current year.	The Finance and Business Development committee of the board initiated a preliminary review of the state of affairs of certain contracts that was conducted by Internal Audit. The results of this process led to a forensic investigation being instituted which uncovered these irregularities. Another process is currently being undertaken to determine how much of the funds can possibly be recovered.	22 669	-
9. No quotations were sourced for the expenditure.	Recruitment expenditure is excluded from the supply chain management process as per HR policy. In future, recruitment processes will be streamlined amongst other things to encourage competitiveness.	29	-
	The service provider was appointed through the process of project management office. The process was also subjected to further enquiry through the forensic investigations. The offenders are still undergoing disciplinary process.	424	-

Incident	Disciplinary steps	2012 R'000	2011 R'000
10. Payment made without contract. The contract states the contract period as from 15/9/10 to 28/2/11 to be extended only in writing. The contract ran past the duration period and there was no written agreement to extend it.	Responsible officials are being taken through a disciplinary process.	969	-
11. Business was conducted with a supplier not on the USAASA database.	The service provider was recommended by the Free State Provincial Government. A process will be followed to ensure service providers are on the database before they can be granted work in the future.	304	-
		42 161	**490**

28.1. Significant uncertainty

Travel expenditure was not as per travel policy. The value for money audit is currently underway and the full extend of irregularities is still in the process of being determined.

29. INVENTORIES

	2012 R'000	2011 R'000
Consumables	-	-
Carrying value of inventories carried at fair value less costs to sell	-	-
Inventories recognised as an expense during the year	215 208	480 188

Inventories recognised as an expense reflects the cost of stationery. Stationery is carried at the lower of cost and net realisable value. No closing balance exists at year end due to the fact that stationery is consumed in the month of purchase.

30. PRIOR PERIOD ERRORS

Petty Cash transactions were not accounted for in the prior years and subsequently the Petty Cash balance was overstated.

A deposit for improvements was paid by the entity for disability access. The deposit was not accounted for but expensed.

These errors have been adjusted for retrospectively in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors, Paragraph 42.

The correction of the error resulted in adjustments as follows:

	2012 R'000	2011 R'000
Statement of financial position		
Increase in loans and receivables	472	-
Decrease in cash and cash equivalents	(5)	-
Increase in trade and other payables	(2)	-
Decrease in accumulated surplus	(465)	-
Statement of Financial Performance		
Increase in administrative expenses	5	-
Increase in other operating expenses	2	-
Decrease on loss of disposal of assets	(472)	-
Increase in surplus from operations	465	-

	2012 '000	2011 '000
31. RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT		
Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities.		
2012		
Actual amount budgeted	**83 168**	
Adjusted for:		
Other revenue not part of budget	14	
Actual amounts paid that relate to 2012 budget		
Total expenditure per statement of financial performance	(76 163)	
Total payables per statement of financial position	7 073	
Cumulative surplus relating to 2012 budget		
Bank balance as at 31 March 2011	4 908	
Accounts payable as at 31 March 2011 (settled in 2012)	(5 586)	
Amounts received from debtors in 2012		
Current assets as at 31 March 2012	(1 001)	
Current assets as at 31 March 2011	1 268	
Other adjustments		
Increase in provisions	71	
Depreciation and amortisation	3 285	
Purchase of assets	(1 553)	
Disposal of assets	116	
Net increase in cash and cash equivalents per Cash Flow Statement	**15 600**	
2011		
Actual amount budgeted		**66 704**
Adjusted for:		
Other revenue not part of budget		404
Actual amounts paid that relate to 2011 budget		
Total expenditure per statement of financial performance		(69 075)
Total payables per statement of financial position		5 586
Cumulative surplus relating to 2011 budget		
Bank balance as at 31 March 2010		9 515
Accounts payable as at 31 March 2010 (settled in 2011)		(1 553)
Amounts received from debtors in 2011		
Current assets as at 31 March 2011		(1 268)
Current assets as at 31 March 2010		237
Other adjustments		
Increase in provisions		1 923
Depreciation and amortisation		1 301
Purchase of assets		(9 795)
Disposal of assets		929
Net increase in cash and cash equivalents per Cash Flow Statement		**4 908**

32. WORLD CUP EXPENDITURE

	Quantity	R'000	R'000
Tickets Acquired	-	-	-
Total	**-**	**-**	**-**
Purchase of other world cup apparel	-	-	-
Total	**-**	**-**	**-**
Total world cup expenditure		**-**	**-**
Tickets acquired after year-end (31 March 2012)	-	-	
Total	**-**	**-**	

UNIVERSAL SERVICE AND ACCESS FUND AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

CONTENTS

The reports and statements set out comprise the Annual Financial Statements presented to Parliament.

REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENT OF UNIVERSAL SERVICE AND ACCESS FUND OF SOUTH AFRICA FOR THE YEAR ENDED 31 MARCH 2012

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the Financial Statements of the Universal Service and Access Fund of South Africa (USAF) set out on pages 81 to 91 which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the Cash Flow Statement for the year then ended, and the Notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2.2. 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 Standard of GRAP) and the requirements of the Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA) and the Companies Act of South Africa, and for such internal control as the Accounting Authority determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR-GENERAL'S RESPONSIBILITY

3.3. My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

4.4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

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

OPINION

6. In my opinion, the Financial Statements present fairly, in all material respects, the financial position of the USAF as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the Public Finance Management Act, 1999(Act No.1 of 1999) (PFMA).

EMPHASIS OF MATTERS

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

MATERIAL UNDERSPENDING OF THE GRANT

8. As disclosed in the note 15 to the financial statement of USAF, the entity has materially underspent the grant on the Digital Migration Project to the amount of R220 000 000 due to project delays. As a consequence, the entity has transferred the required funds to the USAASA, and in turn USAASA has not achieved its objectives of Digital Migration (refer here to the specific program/ objective as reported in the Annual Report). A further R36 000 000 was unspent due to delays with implementation of the capacity building project, which resulted from the instability at executive level within the organisation.

IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

9. As disclosed in Note 17 to the Financial Statements of USAF, fruitless and wasteful expenditure amounting to R65 000 (2011: R356 000) was incurred due to payments made to Telkom and Sentech for internet connectivity of cyber labs and telecentres, while there was in fact no internet connectivity on the sites and R3 712 000 incurred in the prior year and discovered in the current year. As disclosed in Note 18 to the Financial Statements of USAF, irregular expenditure to the amount of R4 758 000 and R14 700 000 incurred in the prior year and discovered in the current year, as a result of non-compliance with SCM policies.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

PREDETERMINED OBJECTIVES

11. I performed procedures to obtain evidence about the usefulness and reliability of the information in the name of Annual Performance Report as set out on pages 88 to 91 of the Annual Report.

12. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the Annual Performance Report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

13. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

14. The material findings are as follows:
I am unable to report findings on the usefulness and reliability of the Annual Performance Report of USAF as it was not prepared as required by Section 55(2)(a) of the PFMA.

COMPLIANCE WITH LAWS AND REGULATIONS

15. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

EXPENDITURE MANAGEMENT

16. The Accounting Authority did not take effective and appropriate steps to prevent irregular expenditure and fruitless expenditure as per the requirements of Section 51(1) (b) of the PFMA.

PROCUREMENT MANAGEMENT

17. Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1(d) and the Preferential Procurement Regulations.

ANNUAL FINANCIAL STATEMENT, PERFORMANCE AND ANNUAL REPORTS

18. The Accounting Authority did not submit the report on performance information for auditing within two months after the end of the financial year as required by Section 55(1) (c) (i) of the PFMA.

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

19. The Accounting Authority did not finalise and submit a Strategic Plan for approval to the relevant executive authority and the public entity as required by TR 30.1.1 and 30.1.2.

20. The entity has not reported on performance against predetermined objectives as required by Section 55(2)(a) of the PFMA.

INTERNAL CONTROL

21. I considered internal control relevant to my audit of the Financial Statements, Annual Performance Report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for opinion, the findings on the Annual Performance Report and the findings on compliance with laws and regulations included in this report.

LEADERSHIP

22. The Accounting Authority did not have controls in place to prevent non compliance with procurement and contract management.

23. The Accounting Authority did not ensure that performance management systems and processes are in place to ensure that the entity reports on its Annual Performance Report.

Auditor - General

Pretoria
31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

UNIVERSAL SERVICE AND ACCESS FUND

Audited Annual Financial Statements for the year ended 31 March 2012

STATEMENT OF FINANCIAL PERFORMANCE

	NOTE(S)	2012 R '000	2011 R '000
Revenue			
Transfers and subsidies received	3	260 930	38 613
Finance income	4	214	161
TOTAL REVENUE		**261 144**	**38 774**
Expenditure			
Debt impairment	6	(6)	-
Project Expenses	8	(4 398)	(50 863)
Audit Fees	7	(704)	(408)
Administrative expenses	5	(1)	(1)
TOTAL EXPENDITURE		**(5 109)**	**(51 272)**
SURPLUS / (DEFICIT) FOR THE YEAR		**256 035**	**(12 498)**
SURPLUS / (DEFICIT) ATTRIBUTED TO			
Net asset holders of the controlling entity		256 035	(12 498)
SURPLUS / (DEFICIT) FOR THE YEAR		**256 035**	**(12 498)**

STATEMENT OF FINANCIAL POSITION

	NOTE(S)	2012 R '000	2011 R '000
ASSETS			
Current Assets			
Loans and receivables	9	-	6
Universal Service and Access Agency	10	4 758	1 819
Cash and cash equivalents	11	255 394	2 255
		260 152	**4 080**
Total Assets		**260 152**	**4 080**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	320	283
Total Liabilities		**320**	**283**
Net Assets		**259 832**	**3 797**
NET ASSETS			
Accumulated surplus		259 832	3 797

STATEMENT OF CHANGES IN NET ASSETS

	ACCUMULATED SURPLUS R '000	TOTAL NET ASSETS R '000
Balance at 01 April 2010	**16 295**	**16 295**
Changes in net assets		
Deficit for the year	(12 498)	(12 498)
Balance at 01 April 2011 as restated	**3 797**	**3 797**
Changes in net assets		
Surplus for the year	256 035	256 035
Balance at 31 March 2012	**259 832**	**259 832**

STATEMENT OF CASH FLOWS

	NOTE(S)	2012 R '000	2011 R '000
Cash flows from operating activities			
Cash receipts from Government		260 930	38 613
Cash paid to suppliers and employees		(4 852)	(62 852)
Cash generated from / (used in) operations	13	256 078	(24 239)
Interest income		-	93
Net cash from operating activities		**(256 078)**	**(24 146)**
Cash from financing activities			
Transfers to Universal Service and Access Agency of South Africa		(2 939)	(1 766)
Net cash from financing activities		**(2 939)**	**(1 766)**
Total cash movement for the year		**253 139**	**(25 912)**
Cash at the beginning of the year		2 255	28 167
Net increase in cash and cash equivalents	11	**255 394**	**2 255**

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. 36 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 2005/06. These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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.

All figures are presented in South African Rand.

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 judgment 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:

PROVISION FOR IMPAIRMENT OF FINANCIAL INSTRUMENTS

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

1.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are 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.

Finance 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 17.

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 18.

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 USAF 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 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.

1.11 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 15.

1.12 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 19 to the Financial Statements.

1.13 RELATED PARTIES

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

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

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

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

Related party transaction and outstanding balances or commitments owing between the reporting entity and related parties are disclosed in Note 16 to the Financial Statements.

1.14 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has applied and adopted the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2012 or later periods:

GRAP 23: REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has adopted the standard for the first time in the 2012 Annual Financial Statements with no material impact.

GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

Subject to the requirements of paragraph 1.19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the Financial Statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the Financial Statements, and a cross reference to those documents is made in the Notes.

Where an entity prepares its budget and Annual Financial Statements on a comparable basis, it includes the comparison as an additional column in the primary Annual Financial Statements. Where the budget and Annual Financial Statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the Annual Financial Statements adjusted to be comparable to the budget.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has not adopted the standard in the 2012 Annual Financial Statements.

The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the Annual Financial Statements.

GRAP 21: IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity has adopted the standard for the first time in the 2012 Annual Financial Statements with no material impact.

GRAP 26: IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are those assets held by an entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, an entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an entity applies the appropriate discount rate to those future cash flows.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity expects to adopt the standard for the first time in the 2013 Annual Financial Statements.

It is unlikely that the standard will have a material impact on the entity's Annual Financial Statements.

GRAP 104: FINANCIAL INSTRUMENTS

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an entity's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an entity is exposed to as a result of its Annual Financial Statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time in the 2013 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the entity's Annual Financial Statements.

IGRAP 7: THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits;
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The entity expects to adopt the interpretation for the first time in the 2013 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the entity's Annual Financial Statements.

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2012 or later periods but are not relevant to its operations:

GRAP 18: SEGMENT REPORTING

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

GRAP 103: HERITAGE ASSETS

Grap 103 defines heritage assets as assets which have a cultural, environmental; historical; natural; scientific; technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The effective date of the standard is for years beginning on or after 01 April 2012.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R '000	2011 R '000
3. TRANSFERS AND SUBSIDIES RECEIVED		
Department of Communications	260 930	38 613
4.FINANCE INCOME		
Interest on cash and bank deposits	214	161
5. ADMINISTRATIVE EXPENSES		
Bank charges	1	1
6. DEBT IMPAIRMENT		
Bad debts	6	-
7. AUDITORS' FEES		
Statutory audit	704	408
8. PROJECT EXPENSES		
Access center handover programme	1 104	14 007
Broadband infrastructure subsidisation	-	13 500
Development of standard operating manual	14	1 788
ICT Rapid Deployment Programme	3 056	17 551
Access Centre Programme	1	-
Subsidies: FET Connectivity Programs	215	3 804
Travelling	8	213
	4 398	**50 863**

9. LOANS AND RECEIVABLES

	2012 R '000	2011 R '000
Prepayments and advances		
Prepayments and advances	-	66
Less: impairments	-	(60)
	-	**6**

Loans and other receivables impaired

An assessment of the recoverability of loans and receivables was performed at year end and they were assessed as unrecoverable. The impairment has been recognised profit and loss.

	2012 R '000	2011 R '000
10. UNIVERSAL SERVICE AND ACCESS AGENCY (USAASA)		
Amount receivable from USAASA	4 758	1 819
11. CASH AND CASH EQUIVALENTS		
Cash and balances with banks	240 314	2 243
Short-term deposits	15 080	12
	255 394	**2 255**

Cash and cash equivalents are unencumbered.

	2012 R '000	2011 R '000
12. TRADE AND OTHER PAYABLES		
Trade creditors	320	283

13. CASH GENERATED FROM /(USED IN) OPERATIONS		
Surplus / (deficit) before taxation	256 035	(12 498)
Adjustments for:		
Debt impairment	6	-
Interest received	(1)	(93)
Changes in working capital:		
Trade and other payables	38	(11 648)
	256 078	**(24 239)**

14. RISK MANAGEMENT

Liquidity risk
Liquidity risk is the risk that the Agency 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 Fund's financial liabilities to liquidity risk are as follows:

Less than one year	427	283

Interest rate risk
The carrying amount of the Fund's financial assets at balance sheet date that are subject to interest rate risk is disclosed in Note 11. The size of the Fund's position does not expose it to significant interest rate risk. Any risk is managed through the term structure utilized 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 minimizes credit risk by depositing cash with major banks with high quality credit standing.

15. CONTINGENCIES

The Fund sustained a surplus at the end of 2011/12 of R255 967 000. In compliance with Treasury Regulation 6.4, a request has been made to the National Treasury through the Department of Communication to retain the surplus and to roll it over to 2012/13. Funds were unspent due to delays with implementation of all projects which resulted from the instability at executive level within the organisation.

Funds were unspent as follows:		
Digital migration	220	180
Handover project	8	-
Rapid redeployment	18	-
Broadband infrastructure	10	-
Balance at 31 March	**256**	**180**

16. 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	260 930	38 613

Balances

Name of entity	Transaction Type		
Universal Service and Access Agency	Inter-entity balances	4 758	1 819

		2012 R '000	2011 R '000

17. FRUITLESS AND WASTEFUL EXPENDITURE

	2012 R '000	2011 R '000
Reconciliation of fruitless and wasteful expenditure		
Opening balance	356	356
Fruitless and wasteful expenditure – current year	3 777	-
	4 133	**356**

ANALYSIS OF FRUITLESS AND WASTEFUL EXPENDITURE

Incident	Management response	2012 R '000	2011 R '000
1. This fruitless and wasteful expenditure had been discovered during 2009/10. This was a payment to Telkom and Sentech for internet connectivity of Cyberlabs and Telecentres while there was in fact no internet connectivity on these sites.	The audit has been performed to establish the connectivity of all sites. The Sentech contract is still running and there is an agreement to credit USAASA for future payments.	-	356
2. This fruitless and wasteful expenditure is for the year 2010/11 and has been discovered during 2011/12. This was a payment to Telkom and Sentech for internet connectivity of Cyberlabs and Telecentres while there was in fact no internet connectivity on these sites.		3 712	-
3. This fruitless and wasteful expenditure for the current year has been discovered during 2011/12. This was a payment to Telkom and Sentech for internet connectivity of Cyberlabs and Telecentres while there was in fact no internet connectivity on these sites.		65	-
		3 777	**356**

18. IRREGULAR EXPENDITURE

	2012 R '000	2011 R '000
Reconciliation of irregular expenditure		
Irregular expenditure - current year	19 458	-

ANALYSIS OF IRREGULAR EXPENDITURE

Incident	Management response	2012 R '000	2011 R '000
1. Bidding processes were not complied with. Prior year irregular expenditure discovered in the 2011/12.	The Finance and Business Development Committee of the board initiated a preliminary review of the state of affairs of certain contracts that was conducted by Internal Audit. The results of this process led to a forensic investigation being instituted which uncovered these irregularities. Another process is currently being undertaken to determine how much of the funds can possibly be recovered.	12 000	-
2. A payment was made to supplier without valid contract. The irregular expenditure relates to prior year but discovered in 2011/12.	Disciplinary actions will be taken against the perpetrators.	2 700	-
3. Amounts transferred from USAF to USAASA in contravention of PFMA.	At the time the issue came to the attention of the Board the executive management was already on suspension. Disciplinary action will be taken against those responsible for the offense.	4 758	-
		19 458	**-**

	2012 R '000	2011 R '000

19. 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 2012.

	2012 R '000	2011 R '000
2012		
Actual amount budgeted	**260 930**	
Adjusted for:		
Other revenue not part of budget	214	
Actual amounts paid that relate to 2012 budget		
Total expenditure per statement of financial performance	(5 109)	
Total payables per statement of financial position	320	
Cumulative surplus relating to 2011 budget		
Bank balance as at 31 March 2011	2 255	
Accounts payable as at 31 March 201 (settled in 2012)	(283)	
Amounts received from debtors in 2012		
Current assets as at 31 March 2012	(4 758)	
Current assets as at 31 March 2011	1 825	
Other adjustments		
Net increase in cash and cash equivalents per Cash Flow Statement	**255 394**	
2011		
Actual amount budgeted		**218 613**
Adjusted for:		
Other revenue not part of budget		161
Actual amounts paid that relate to 2011 budget		
Total expenditure per statement of financial performance		(51 272)
Total payables per statement of financial position		283
Cumulative surplus relating to 2010 budget		
Bank balance as at 31 March 2010		28 167
Accounts payable as at 31 March 2010 (settled in 2011)		(11 934)
Amounts received from debtors in 2011		
Current assets as at 31 March 2011		(1 825)
Current assets as at 31 March 2010		62
Other Adjustments		
Amount not transferred from the Department of Communications		(180 000)
Net increase in cash and cash equivalents per Cash Flow Statement		**2 255**

20. WORLD CUP EXPENDITURE

	Quantity	2012 R'000	2011 R'000
Tickets Acquired	-	-	-
Total	**-**	**-**	**-**
Purchase of other world cup apparel	-	-	-
Total	**-**	**-**	**-**
Total world cup expenditure	**-**	**-**	**-**
Tickets acquired after year-end (31 March 2012)	-	-	
Total	**-**	**-**	**-**

usaasa

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