

ANNUAL REPORT



USAf

The Universal Service and Access Fund

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1. GENERAL INFORMATION

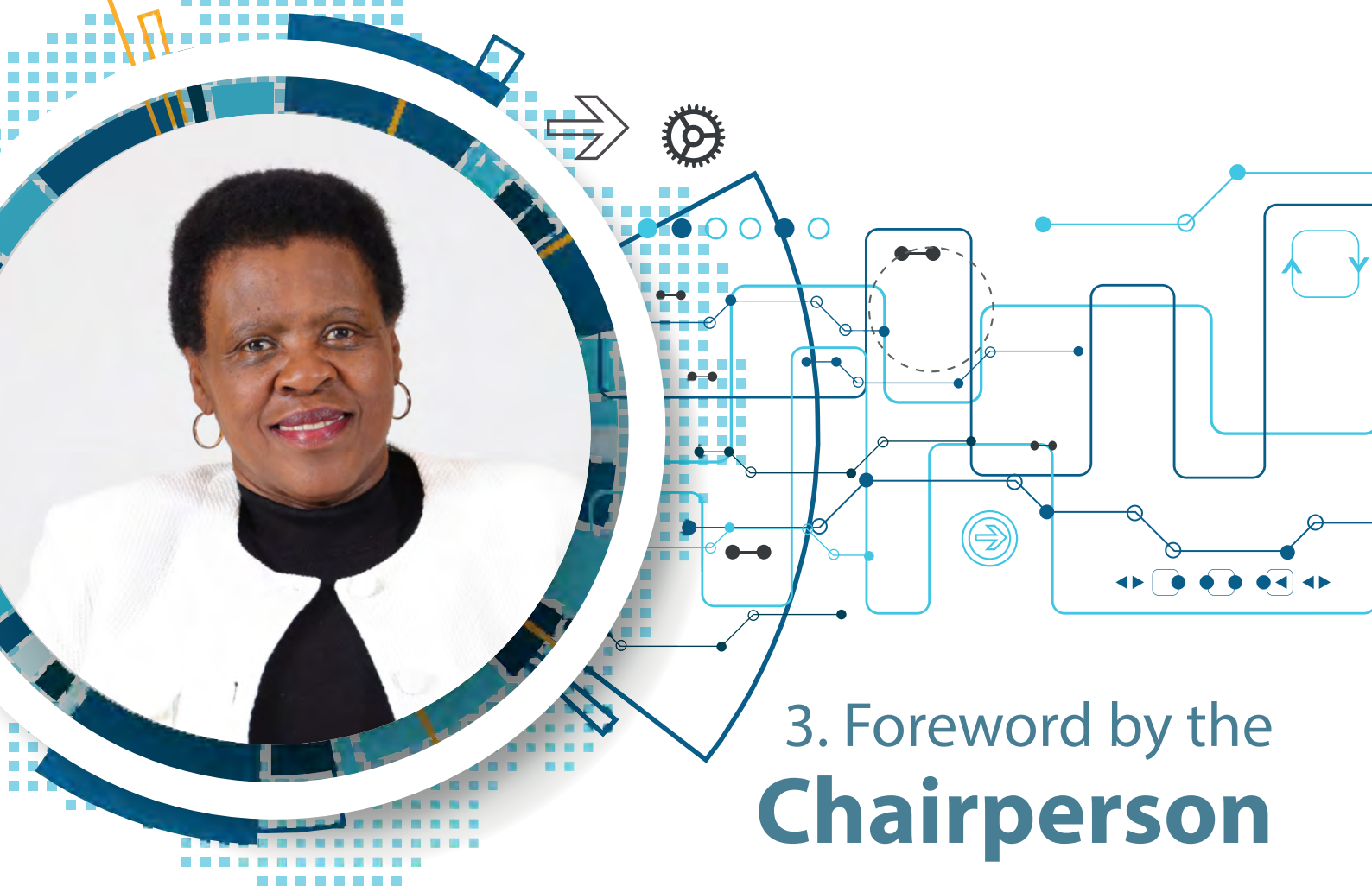
UNIVERSAL SERVICE AND ACCESS FUND

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2. List of Acronyms/Abbreviations

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ASB	Accounting Standards Board
ASO	Analogue Switch-Off
BARC	Board Audit and Risk Committee
BBI	Broadband Infraco SOC
BDM	Broadcasting Digital Migration
CEO	Chief Executive Officer
COVID-19	Coronavirus Disease of 2019
DCDT	Department of Communications and Digital Technologies
DPSA	Department of Public Service and Administration
EC	Eastern Cape Province
ECA	Electronic Communications Act, 2005 as Amended by Act No. 1 of 2014
GRAP	Generally Recognised Accounting Practice
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NT	National Treasury
NW	North-West Province
OpsCom	Operations Committee
PFMA	Public Finance Management Act
SA	South Africa
SABC	South African Broadcasting Corporation SOC
SA Connect	South Africa Connect
SCM	Supply Chain Management
SEC	Social and Ethics Committee
SMME	Small, Medium and Micro Enterprise
SOE	State Owned Entity
STB(s)	Set-Top Box(es)
TR	Treasury Regulations
TV	Television
USAASA	Universal Service and Access Agency South Africa
USAF	Universal Service and Access Fund
WC	Western Cape Province
ZADNA	ZA Domain Name Authority



3. Foreword by the Chairperson

3.1 Introduction

I am pleased and honoured to present the Universal Service and Access Fund's (USAF) Annual Report for the 2023/24 financial year on behalf of the Board. This submission to Parliament and the Minister of Communications and Digital Technologies reaffirms the Fund's dedication to advancing digital inclusion and addressing socio-economic disparities in South Africa, in line with our mandate.

The Universal Service and Access Fund (USAF) was established under Section 87(1) of the Electronic Communications Act (ECA) of 2005, with revisions made in 2014, to promote universal access to electronic communications services and to help bridge the digital divide in South Africa. The Fund's mandate is to ensure that all citizens, irrespective of their geographical location or socio-economic status, have access to affordable and reliable electronic communications services. The primary goal of the USAF is to support the development of electronic communications networks and services in underserved regions, including rural and disadvantaged communities. This includes providing funding for the installation of Set-Top Boxes, expanding broadband infrastructure, and supporting initiatives that foster digital literacy and skills development in rural and peri-rural areas across the country.

- High-level overview of USAF's strategy and contribution in the digital economy

The Universal Service and Access Fund (USAF) has consistently upheld its commitment to narrowing the digital divide and expanding access to vital telecommunications services across South Africa. Over the past year, USAF has made significant progress in executing its comprehensive strategy, delivering key initiatives that have notably enhanced connectivity and service quality in rural and peri-rural communities. By leveraging strategic partnerships and innovative funding models, USAF has driven extensive network deployments, upgraded outdated infrastructure, and facilitated the rollout of advanced technologies—all while ensuring the sector's sustainability and long-term growth. USAF's steadfast dedication to its mission, combined with its adaptability to changing market conditions, has established it as a crucial force in digital transformation, equipping South Africans with the tools and resources they need to succeed in the digital era. In alignment with the Sustainable Development Goals (SDGs) and South Africa's National Development Plan (NDP), USAF has successfully delivered two major projects: Broadcasting Digital Migration and Broadband. Key initiatives include:

3.2 Broadcasting Digital Migration (BDM)

The Broadcasting Digital Migration (BDM) is a government-led initiative designed to facilitate the transition from analogue to digital television, thereby freeing up valuable spectrum for auction to bolster the digital economy. This complex programme is managed and coordinated by the Department of Communications and Digital Technologies (DCDT) in collaboration with key state-owned enterprises (SOEs) and stakeholders, including Sentech (the national broadcast signal distributor), USAASA, SAPO, SABC, ICASA, and other commercial broadcasters. South Africa committed to completing this migration by June 2015, as per the International Telecommunication Union (ITU) Regional Agreement. However, despite President Cyril Ramaphosa's recognition of the project's critical importance for socio-economic development, the migration has encountered delays due to various challenges, including implementation risks, legal disputes, the COVID-19 pandemic, civil unrest, and flooding.

To overcome these obstacles, a phased switch-off approach is being adopted, with the transition occurring province-by-province. A review of the service delivery model is also in progress to expedite the project's completion as follows:

- a) Step 1: Immediately switch off analogue services above the 694MHz band to release spectrum for other telecommunications purposes, with a target date of 31 July 2023.
- b) Step 2: Temporarily accommodate some high-population areas below the 694MHz band, with a complete switch-off scheduled by 31 December 2024.

Following this, the BDM Programme will gradually switch off all remaining sites, aiming for the final analogue switch off by 31 December 2024. The Department will continue to collaborate with industry stakeholders and the Regulator to ensure the successful completion of the Analogue Switch Off, the release of spectrum, and the conclusion of the digital migration.

3.3 Broadband project

The National Development Plan (NDP) seeks to ensure that all schools, healthcare facilities, and social institutions are connected to the internet, providing citizens with affordable access to information services. Additionally, the SA Connect Programme, emphasised by the President, is focused on deploying broadband to government facilities. However, the Phase 1 rollout of this programme missed its 2020 deadline, highlighting the need for a more rapid response to enhance broadband penetration.

Additionally, the SA Connect programme represents a collaborative effort between the government and industry to provide broadband and internet connectivity to marginalised communities. Despite previous delays, significant progress has been made, with the Universal Service and Access Fund (USAF) successfully connecting 412 sites to the internet across the OR Tambo (300) and Pixley ka Seme (112) district municipalities. The project will continue to be managed and coordinated by the Department of Communications and Digital Technologies (DCDT) alongside key stakeholders, with the aim of fulfilling the NDP's objectives and promoting digital inclusion.

3.4 Strategic relations

The Universal Service and Access Fund (USAF) has long recognised the importance of strategic partnerships and collaborations in its mission to close the digital divide. Over the past year we have established valuable relationships with our sister entities, including Sentech, the South African Post Office (SAPO), Broadband Infraco, and National Electronic Media of South Africa (NEMISA). These partnerships have been crucial in amplifying our impact, particularly in rural and peri-rural areas. By collaborating with these organisations, we have been able to reach a broader range of beneficiaries, tailor our programs to meet local needs, and enhance the effectiveness and reach of our initiatives. As we look to the future, we remain committed to fostering strategic relationships that will continue to drive our efforts toward universal access and digital inclusion.

3.5 Challenges faced by the Board

The Board has faced several significant challenges over the past year. Chief among these has been the high vacancy rate in Executive Management, with only one permanent employee in place, two secondments, and two positions still vacant. Despite these challenges, the Board, in collaboration with USAASA management, has worked diligently to develop and implement strategies that mitigate the impact of this leadership gap, ensuring that the essential work of the USAF continues without interruption. Additionally, the Board has had to navigate a shifting regulatory landscape, adjusting policies and procedures to stay aligned with evolving industry standards and government directives. Securing adequate funding to meet the USAF's ambitious goals has also been an ongoing challenge, prompting the Board to explore innovative financing models and establish strategic partnerships. Throughout these difficulties, the Board has shown remarkable resilience, leveraging its collective expertise and steadfast commitment to the USAF's mission to overcome obstacles and position the organisation for continued success in the years to come.

3.6 A Vision for the Future: Harnessing the USAF’s Potential

The Universal Service and Access Fund (USAF) has been a crucial cornerstone in our nation’s quest to bridge the digital divide and ensure equitable access to essential communication services. As we look toward the medium- and long-term future, our strategic focus is unwavering, committed to harnessing USAF’s resources to foster sustained growth and development across all sectors of society.

In the coming years, we will concentrate on key initiatives that will expand USAF’s impact and reach. This includes forming strategic partnerships with educational institutions and public offices to amplify our efforts and unlock synergies that will accelerate our progress. While the road ahead may bring its share of challenges, the Board is united in its resolve to overcome these obstacles and pave the way for a more connected, empowered, and prosperous nation. Through strategic foresight, tireless dedication, and an unwavering commitment to our mission, we are confident that USAF will continue to be a driving force in achieving our collective vision of universal digital inclusion.

3.7 Utilisation of the Universal Service and Access Fund

The Universal Service and Access Fund (USAF) has been instrumental in narrowing the digital divide and ensuring equitable access to telecommunications services across the country. By utilising this vital fund, the public entity has led initiatives to expand network infrastructure and subsidise affordable connectivity, especially in underserved and rural communities. Through strategic partnerships and targeted interventions, the Fund has facilitated the expansion of broadband access, equipping citizens with the digital tools necessary to thrive in today’s interconnected world.

Currently, the Department is in the process of revising the Electronic Communications Act (ECA), which includes assessing the future role of the USAF. At the time of finalising this Annual Report, the review process was still underway, and no final decisions had been made regarding USAF’s future. Therefore, USAF will continue to carry out its responsibilities and fulfil its legal obligations until further notice.

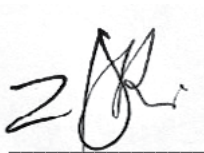
3.8 Acknowledgements

The Board of USAASA warmly welcomes the Honourables Minister Solomon “Solly” Malatsi (MP) to the ministry and congratulates Deputy Minister Mondli Gungubele (MP) on his new role. We are thrilled to have you lead our team and guide our efforts toward achieving our objectives. We are fully committed to supporting your vision and initiatives, and we look forward to collaborating with you to drive progress and make a meaningful impact on the lives of our beneficiaries. We wish you a successful tenure and offer our complete support in your new positions.

We would also like to extend our sincere gratitude to the former Honourables Minister Mondli Gungubele (MP) and former Deputy Minister Philly Mapulane for their unwavering support and inspiring leadership in steering our nation toward a fully digitalised and connected South Africa during the financial year under review. Additionally, we express our heartfelt thanks to the administration of USAASA, the Parliamentary Portfolio Committee on Communications, and the individual Boards of State-Owned Enterprises within the Ministry.

Under the guidance and oversight of the Board, USAASA management is fully dedicated to achieving our goals and vision with renewed vigour and determination. Despite receiving a qualified opinion related to our Broadcasting Digital Migration stock, the Board and USAASA management remain resolute in their efforts to secure a clean audit. In preparation for this, we have made significant improvements to our financial and performance reporting systems.

With unwavering commitment, the Universal Service and Access Fund continues to pursue its mission of bridging the digital divide and empowering communities across the nation. As we look to the future, we are optimistic that our strategic focus and ongoing collaboration will open new opportunities and drive us towards a more connected and equitable digital landscape. Together, we are prepared to face the challenges ahead, guided by the firm belief that access to transformative technology is a fundamental right for all, not a privilege.



Ms Daphne Rantho
Chairperson of the Board



4. Overview by the Acting Chief Executive Officer

4.1 Overview of the operations of the Agency

This report highlights our efforts to advance the Fund’s mandate and outlines our strategy for concluding the 2019-2024 Medium-Term Strategic Framework (MTSF) cycle. In the 2021/22 reporting period, entities under the DCDT mandated to deliver government strategic and priority projects were identified and appointed as the execution arms for these initiatives. Consequently, USAF was designated as the project funder in accordance with its enabling legislation

During the period under review, the Fund’s focus was on funding programs that contribute exclusively to two strategic pillars namely: universal access to (1) broadcasting and (2) broadband infrastructure and services nationwide.

The Broadcasting Digital Migration (BDM) programme in South Africa has faced significant delays, with the initial analogue switch-off date of 31 March 2022 being extended multiple times due to court rulings. The Constitutional Court ruled that the Minister must provide enough opportunity for beneficiaries to register and consult widely with interested parties before determining the

switch-off date. As a result, the Minister set a final deadline of 30 September 2022 for the public to apply for government-subsidised set-top boxes, allowing time for installations before the switch-off. Following a consultation process, the newly appointed Minister has adopted a two-step approach to the analogue switch-off. The first step involves immediately switching off analogue services above the 694MHz band by 31 July 2023 to release spectrum, while the second step will temporarily accommodate some high-population areas below 694MHz, with a final switch-off by 31 December 2024. This balanced approach aims to enable progress on the digital migration, release spectrum, and allow key stakeholders to recover from economic and infrastructural challenges. The process of switching off the analogue network is ongoing, with MNET, the SABC, and eTV already making progress in switching off various sites across the country. The Department of Communications and Digital Technologies will continue to work with industry players and the regulator to ensure the successful completion of the Analogue Switch Off and the conclusion of the digital migration. The two-step approach is expected to be a “win-win” solution that addresses the needs of all stakeholders involved. The successful implementation of this revised plan will be crucial for South Africa’s transition to a fully digital broadcasting landscape.

Following the introduction of the District Development Model (DDM) in 2019, the Universal Service and Access Fund (USAF)'s approach to broadband deployment changed from connecting district municipalities to local municipalities. This shift was done to align with the government's strategy of integrated development planning, coordination, and implementation at the district level, ensuring a unified response to local needs. This strategic pivot ensures a unified response to local needs, fostering more effective and targeted interventions. In 2023/24 USAF connected 112 sites in local municipalities at Pixley ka Seme and another 300 sites in local municipalities at OR Tambo district municipality. These accomplishments underscore USAF's dedication to harnessing the power of broadband to transform local communities, drive socio-economic growth, and support the government's vision for integrated development.

USAF could not have achieved this outstanding performance without the tripartite agreements established between the USAASA, the Department and the sister entities. These strategic partnerships were based on each entity's mandate as outlined in their enabling legislation. As with many large, multifaceted, and cross-cutting projects, these strategic relationships introduced new risks, challenges, and opportunities that required diligent management at both the entity and strategic portfolio levels.

4.2 General financial review

As a Schedule 3A entity, USAF prepares its financial statements in accordance with Generally Recognised Accounting Practice (GRAP) standards, using the accrual basis of accounting. The audited Annual Financial Statements, included in the Annual Report, are based on consistently applied accounting policies and supported by reasonable records and evidence, with the Auditor-General of South Africa (AGSA) providing an independent audit opinion. While the AGSA's opinion indicates that USAF's internal control system provides reasonable assurance regarding financial records, some control deficiencies were noted, specifically regarding inventory management at the South African Post Office and with installers.

USAF's audited Annual Financial Statements are prepared on a going concern basis, assuming availability of funds for future operations and realisation of assets and settlement of liabilities in the ordinary course of business, with the entity having an accumulated surplus of R3.6 billion and total assets exceeding liabilities by R3.6 billion as at 31 March 2024.

The Fund received an initial allocation of R67.4 million, which was reduced to R64.3 million after a budget cut. However, interest earned of R230.8 million increased total budget allocation to R295.1 million. Despite this, total expenditure rose to R401.5 million, resulting in a

deficit of R106.4 million. The main reason for this deficit was the lack of funds allocated for Broadband Digital Migration (BDM) projects. To address this, USAF retained R1.6 billion from previous years for priority projects. Project travel costs decreased from R7.3 million to R5.1 million due to reduced travel and a new hybrid monitoring process. This process helps identify issues and implement improvements, ensuring effective project management and beneficiary service quality.

USAF's total budget allocation for the year was R295.1 million, an increase of R9.5 million from the previous year, mainly due to interest earned. However, total expenditure was R401.5 million, an increase of R180.4 million, resulting in a deficit of R106.4 million, primarily due to no funds allocated for BDM and increased project costs, including travel expenses for project monitoring and evaluation.

USAF obtained approval for retention of funds to the value of R2.9 million, as such nothing was surrendered to the National Revenue Fund.

4.3 Discontinued key activities and way forward

The Broadcasting Digital Migration (BDM) project's dish kit assembly activity was completed this financial year and will not continue next year. The Fund focused on implementing BDM and broadband projects, with Analogue Switch Off planned for December 2024, marking a significant milestone. While some BDM activities will discontinue, broadband infrastructure and connectivity will continue. To enhance broadband service reliability, the Fund introduced VoIP backup power supplies and addressed loadshedding challenges. For sustainability, the Fund partnered with ZADNA to digitise schools, providing digital skills training and services. Additionally, NEMISA's initiative targets unemployed youth and local businesses, enhancing employability and business proficiency through modern technologies, supporting impactful broadband implementation.

4.4 Supply chain management

The Universal Service and Access Fund (USAF) procured services primarily through deviations from the standard tender process, in accordance with approved funding models, with no unsolicited bids or open tenders. USAF prioritised socio-economic contributors, such as paying service providers within 30 days, preferring B-BBEE companies, and supporting SMMEs, despite experiencing capacity constraints in its Supply Chain Management (SCM) unit.

4.5 Audit report matters in the previous year and how would be addressed

The Universal Service and Access Fund (USAF) maintained the same audit opinion, with the issue of inventory management remaining a challenge due to dependence on external partners' internal controls. USAF conducted root cause analysis and developed action plans to address audit findings, implementing 81% of plans and reducing repeat findings. Key action plans for the next financial year include fast-tracking installations, reconciling stock levels, migrating to an inventory management module, and performing monthly reconciliations to improve inventory management and address BDM project risks.

4.6 Events after the reporting date

USAF management has not identified any material events after the reporting period date which would result in the financial statements being adjusted.

On 30th June 2024, His Excellency, President Cyril Ramaphosa announced the seventh administration cabinet with the appointment of Honourables Solomon "Solly" Malatsi and Mondli Gungubele respectively as the Minister and Deputy Minister of Communications and Digital Technologies.

4.7 Outlook and plans for the future to address financial challenges

The Universal Service and Access Fund (USAF) will continue to assess cost pressures annually and adjust its budgets accordingly, requesting approval from National Treasury to retain surplus funds or budget for deficits when necessary. The entity will also strengthen its internal controls and improve its control environment, ensuring effective management of project risks and opportunities. With the

guidance of its Board and committees, USAF will maintain robust oversight and accountability, in line with the requirements of the Public Finance Management Act (PFMA) and the King IV Report, to ensure transparency and responsible management of its operations.

4.8 Acknowledgements

Despite receiving a qualified audit opinion on the BDM stock for two consecutive financial year (2022/23 and 2023/24), the Fund has achieved a significant milestone by attaining 60% performance against planned Annual Performance Plan (APP) targets, representing a substantial 35% improvement from the preceding financial year (2022/23). While this outcome may not be entirely optimal from an accounting standpoint, it underscores the Fund's commitment to performance enhancement and demonstrates the collective dedication of management and staff towards driving progress. This notable upward trend is a testament to their concerted efforts and serves as a promising indicator of future success, warranting recognition and continued strategic focus.

I also wish to express my sincere gratitude to the Minister, Deputy Minister, Director-General, the Board and other leadership in the Department for the unwavering support the Agency has enjoyed.

USAASA remains committed to making a meaningful impact on the lives of ordinary citizenry residing in impoverished communities and underserved areas, and effectively managing USAF to ensure achievement of demonstrable and sustainable outcomes.



Mr Luyanda Ndlovu
Acting Chief Executive Officer

5. Statement of Responsibility and Confirmation of Accuracy for the Annual Report

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

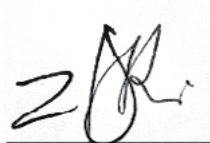
- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by Auditor-General of South Africa.
- The Annual Report is complete, accurate, and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to USAF as a Schedule 3A public entity.
- The Accounting Authority is responsible for preparing the Annual Financial Statements and the annual performance report for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information, and the Annual Financial Statements.
- The external auditors are engaged to provide reasonable assurance on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information, and the financial affairs of the public entity for the financial year ended 31 March 2024.

Yours faithfully



Mr Luyanda Ndlovu
Acting Chief Executive Officer



Ms Daphne Rantho
Chairperson of the Board

6. Strategic Overview



6.1 VISION

In delivering on its mandate/purpose, the vision of USAASA is aligned to and supports, the vision of the Department of Communications and Digital Technologies, “to be a leader in enabling a connected and digitally transformed South Africa.”

In response, USAF has the following vision:

Effective project implementation towards the goal of universal ICT access and service for all.



6.2 MISSION

- To facilitate the rollout of adequate Information and Communication Technology infrastructure to enable 4IR readiness and universal access in underserved areas in South Africa.
- To facilitate ICT service to underserved areas, thereby contributing to the reduction of poverty and unemployment in South Africa.
- To broaden access to digital broadcasting services for qualifying households.



6.3 VALUES

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



6.4 IMPACT STATEMENT

Enhanced access to ICT and digital broadcasting services in identified underserved areas.



6.5 OUTCOMES

Outcome 1:	Broadened access to broadcast digital services by qualifying households.
Outcome 2:	Increased access to broadband in underserved areas.
Outcome 3:	A well-governed and high-performance organisation, delivering on its mandate.

The strategic framework above and the three outcomes inform USAF's alignment to the delivery structure and the development of outputs, performance indicators, and annual and quarterly performance metrics, as outlined in the rolling annual performance plans for the Strategic Plan.

This Annual Performance Plan reflects the 2023/24 planning priorities, outputs, performance indicators, annual targets, and budget allocations for performance against the Strategic Plan's outcomes.

7. Legislative and Other Mandates

7.1 Updated legislative mandates

USAF is a Schedule 3A listed public entity established in terms of Section 87(1) of the ECA. Section 88(1) deals with the application of the Fund's money and provides that the money will be utilised exclusively to subsidise the rollout of electronic communications networks in marginalised areas.

Name of the Act	Purpose
Electronic Communications Act, 2005 (Act No. 36 of 2005)	To promote convergence in the broadcasting, broadcasting signal distribution, and telecommunications sectors and to provide the legal framework for convergence of these sectors; to make new provisions for the regulation of electronic communications services, electronic communications network services and broadcasting services; to provide for the granting of new licences and new social obligations; to provide for the control of the radio frequency spectrum; to provide for the continued existence of the Universal Service Agency and the Universal Service Fund, and to provide for matters incidental thereto.

In executing its role, USAF is also guided by:

Name of the Act	Purpose
The Constitution of the Republic of South Africa,1996 (Act No. 108 of 1996)	The Constitution of South Africa is the supreme law of the Republic of South Africa. It provides the legal foundation for the Republic's existence, sets out the rights and duties of its citizens, and defines the structure of the government.
The Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended	To regulate financial management in the national and provincial governments; to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in the government.
The Preferential Procurement Policy Framework Act,2000 (Act No. 5 of 2000)	To regulate the procurement policy and framework of state organs. Its purpose is to enhance the participation of historically disadvantaged individuals and small, medium and micro enterprises (SMMEs) in the public-sector procurement system.
The Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003)	B-BBEE is a government policy that advances economic transformation and enhances the economic participation of Black people (African, Coloured and Indian people who are South African citizens) in the South African economy.
The Infrastructure Development Act, 2014 (Act No.14 of 2014)	To provide for the facilitation and coordination of public infrastructure development, which is of significant economic and social importance to the Republic; to ensure that infrastructure development in the Republic is given priority in planning, approval and implementation; to ensure that the development goals of the state are promoted through infrastructure development; and to improve the management of such infrastructure during all life-cycle phases, including planning, approval, implementation and operations.

7.2 Updated policy mandates

Vision 2030, the National Development Plan, is the national framework for broadly developing the South African economy and society. It describes the critical role of innovation, research, and development in fostering sustained competitiveness and profitability in the face of a world economy rapidly transforming into a digital economy. Evidence suggests that increasing public investment in innovation, research and development, and related infrastructure and access will enable South Africa's economic development, competitiveness and sustainable growth.

In turn, the revised MTSF 2019-2025 is a high-level strategic document and the central organising framework for the rolling five-year implementation and monitoring of the NDP, Vision 2030.

Regarding the BDM Programme, as of the end of the reporting period, the Eastern Cape, Gauteng, KwaZulu-Natal, and Western Cape provinces had yet to be switched off.

Having consolidated the broadcast digital migration objectives with outcomes of the consultation process with the broadcasting industry, the Minister resolved to adopt a two-step approach towards analogue switch-off as follows:

- a) Step 1: Immediately switch off analogue services above the 694MHz band to release spectrum for other telecommunications use, and the date set for this step is the 31st of July 2023.
- b) Step 2: Temporarily accommodate some of the high-population areas below 694MHz and switch off within a given period. The date set for this step is December 31st of 2024.

The two-step approach to analogue switch-off is deemed viable for the industry. This approach is accepted as a win-win that will enable the analogue switch-off progress, release spectrum, and allow key stakeholders to recover from post-COVID economic decline and load-shedding impact.

In comparison with previous financial years, significant progress was realised in the reporting period with the subsidisation of STB installations to poor households earning a monthly total income of R3 500 or less.

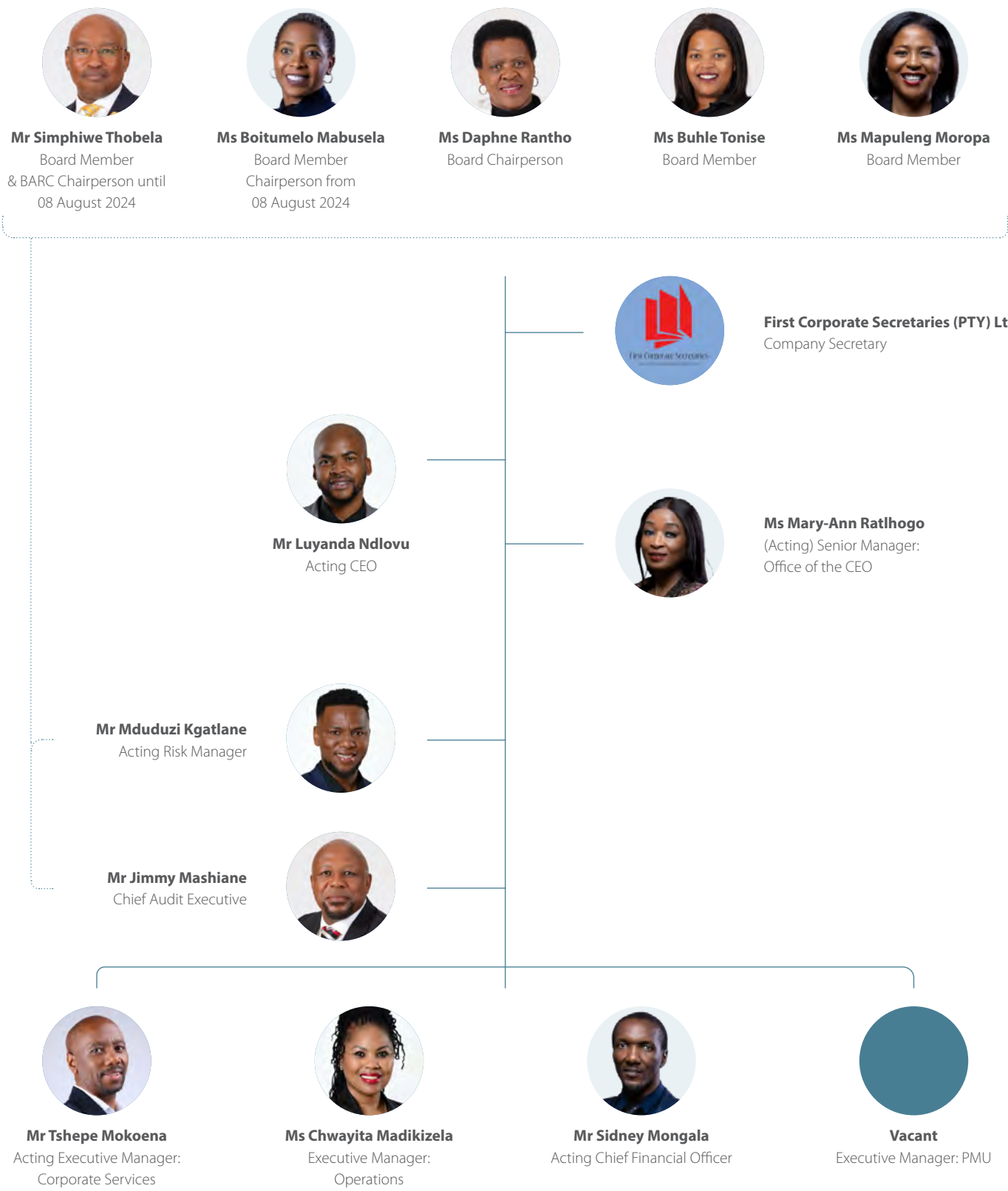
7.3 Updates to institutional policies and strategies

The Agency has a specific established policy through legislation, and its mandate is derived from the following policies:

Name of the institutional policies and strategies	Purpose
South Africa's Broadband Policy: South Africa Connect, 6 December 2013	Regarding the Electronic Communications Act, 2005 (Act No. 36 of 2005), the Department of Communications and Digital Technologies published a policy document, South Africa Connect: Creating Opportunities, Ensuring Inclusion: South Africa's Broadband Policy, which was gazetted on 6 December 2013. SA Connect consists of four sub-strategies that will move the country from its current state to achieving its targets over the next ten years. SA Connect guides the ICT sector as a whole, and USAASA in particular, with an approach to promoting broadband deployment, usage, and uptake in the country.
The National Integrated Information and Communication Technologies (ICT) Policy White Paper, 28 September 2016	The National Integrated ICT Policy White Paper, which the Cabinet approved on 28 September 2016, will affect universal service. It proposes revising services and access based on the research outcome to support the policy revision. The White Paper further suggests that USAASA should be reformulated into a Digital Development Fund and stipulates contributions by licensees to the Fund. Lastly, the report revises the USAASA institutional framework. Establishing a Digital Development Fund will remove USAASA's policymaking and regulatory functions, leaving the organisation to focus on funding and project management. This shift in the framework allows USAASA to focus on its main priorities: service and access delivery to the nation.
Broadcasting Digital Migration Policy For South Africa, August 2008	As a matter of policy, the government must consider the means to make STBs affordable and available to the poorest households that own television sets. The government has therefore decided, as mandated by Section 88(1)(a) of the Electronic Communications Act, to subsidise poor households that own television sets through USAF. This support by the government should be seen as part of its commitment to bridging the digital divide in South Africa.

8. Organisational Structure

Below is a high-level depiction of the organisational structure of USAASA for the year under review. As USAF is a Fund, it does not have a human capital component. USAASA is legally and structurally created to manage the operations of the Fund.





PERFORMANCE INFORMATION

1. Auditor’s Report: Predetermined Objectives

The Auditor- General South Africa (AGSA) currently performs the necessary audit procedures in accordance to the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, AGSA do not express an assurance opinion or conclusion. The AGSA has selected those material indicators that measure the USAF’s performance on its primary mandated functions and that are of significant national, community or public interest. There are no material findings included under the heading Report on the annual performance report in the auditor’s report. We will not provide an assurance opinion or conclusion in the management report on the selected indicators.

Refer to page 60 to 61 of the Annual Report for the Auditor’s Report on performance, published in Part E: Financial Information.

2. Overview of Performance

2.1 Service delivery environment

USAF, through USAASA, is executing its statutory public mandate under the regulatory complex administered by the Independent Communications Authority of South Africa (ICASA), which is primarily a regulator. With the outdated regulatory framework introduced by the ECA in 2005, as amended by Act No. 1 of 2014, USAASA’s relevance in the South African ICT sector landscape becomes significant.

The Fund’s baseline budget has been substantially reduced, resulting in the scaling down of priority projects. USAF concentrated its focus on executing the key priority projects, broadcasting digital migration and broadband connectivity, which contribute to structural reforms intended for economic recovery.

The Agency entered into strategic relations with various entities to support the Revised ASO Plan. After the National Treasury approved the deviation procurement procedure, the Agency forged multiple formal strategic relations with DCDT, Sentech, SAPO, SITA, and broadcast media players, such as the SABC and Community Broadcasters.

The entity appointed Sentech as its implementing entity to manage the installation of STBs to qualifying households, which has resulted in the analogue transmitters being switched off in five provinces – Free State, Northern Cape, North-West, Mpumalanga, and Limpopo. The analogue switch off enabled the conclusion to re-arrange spectrum in these provinces, thereby giving way for spectrum to be assigned to future digital services.

As of the end of the reporting period, Eastern Cape, Gauteng, KwaZulu-Natal, and Western Cape had yet to be switched off.

Having consolidated the broadcast digital migration objectives with outcomes of the consultation process with the broadcasting industry, the Minister resolved to adopt a two-step approach towards Analogue Switch-Off as follows:

- Step 1: Immediately switch off analogue services above the 694MHz band to release spectrum for other telecommunications use, and the date for this step is the 31 July 2023.
- Step 2: Temporarily accommodate some of the high-population areas below 694MHz and switch off within a given period. The date for this step is 31 December 2024.

The two-step approach to analogue switch-off is deemed viable for the industry. This approach is accepted as a win-win that will enable analogue switch off progress, release spectrum, and allow

key stakeholders to recover from post-COVID economic decline and load-shedding impact.

The process of switching off the analogue network countrywide is ongoing:

- MNET has switched off all their 84 sites.
- The SABC has switched off analogue in five provinces: the Free State, Northern Cape, North West, Limpopo, and Mpumalanga.
- eTV has switched off 30 of their 84 sites across the country.

The two-step approach will address the remaining sites. On 31st of July 2023, the programme switched off 51 transmitters above 694MHz. This includes cross-border sites that may cause interference with neighbouring countries.

Thereafter, the BDM Programme will progressively switch off all remaining sites towards the final analogue switch off date of 31st of December 2024. The Department will continue to work with the industry players and the Regulator to ensure that analogue switch off is achieved, spectrum is released, and digital migration is finally concluded.

Compared with previous financial years, significant progress was made in the reporting period with the subsidisation of STB installations to poor households earning a total income of R3 500 or less.

USAF Broadband Projects

The Fund is critical in ensuring that the National Development Plan goals of connecting the country through programmes such as SA Connect are achieved. This programme was introduced in 2013 and it is a national broadband programme that aims to meet the NDP goals of a connected South Africa, thereby creating an inclusive information society. Phase 1 of the programme served as a pilot aimed at connecting schools, health facilities, government offices, Thusong centres, and post offices in eight district municipalities to broadband services.

With President Cyril Ramaphosa emphasising the need for SA Connect to be expedited in response to the growing demand for South Africans to participate in the digital economy, SA Connect Phase 2 was revised on 28 January 2022. Under the revised delivery model, within the next three years, government sites, including schools, health facilities, libraries, Thusong centres and traditional authority offices will be connected through licensed telecommunications service operators. Community wi-fi locations and broadband will be provided to households during the same period.

Increased access to advanced broadband services which key policy priority to leapfrog the country to the Fourth Industrial Revolution(4IR).

The Agency, through the fund (USAF), ensured that the targeted broadband projects, as outlined in the 2023/24 Annual Performance Plan, were implemented. USAF’s contribution towards the realisation of the Department’s SA Connect programme includes:

- the completion of the rollout of the 412 broadband connected sites in OR Tambo District Municipality (300 sites), Eastern Cape, and Pixley Ka Seme District Municipality (112 sites) in all its local municipalities (Northern Cape).
- the Fund also contracted BBI to deploy 200 sites (135 sites in Harry Gwala District Municipality and 65 sites in Nyandeni Local Municipality).

2.2.1 Usaf’s Overall Performance, Outlining its Key Outputs, Particularly Relating to Services Rendered Directly to the Public

Targets	Key Outputs	Outcomes
Verification of 85% of valid BDM installations for registered qualifying households	A total number of 98 474 installations were submitted for verification and all 98 474 were verified, translating into 100% achievement	Achieved
15% of valid installations monitored	Monitoring was conducted at 11 066 of 98 474 verified installations, translating into 11 % achievement	Not Achieved
85% verification of installed and connected sites	412 of the 412 sites that were reported as completed were verified, translating into 100% achievement	Achieved
70% monitoring of connected sites in the identified municipalities	Monitoring was conducted at 297 of the 412 verified sites, translating to 72%	Achieved
100% of valid invoices paid within 30 days	37 valid invoices were received during the period under review, and 36 of the 37 invoices were paid within 30 days, translating into 97% payment of valid invoices within 30 days	Not Achieved

2 Key policy developments and legislative changes

Having consolidated the Broadcast Digital Migration objectives with outcomes of the consultation process with the broadcasting industry, the Minister resolved to adopt a two-step approach towards analogue switch-off as follows:

- Step 1: Immediately switch off analogue services above the 694MHz band to release spectrum for other telecommunications use, and the date for this step is the 31 July 2023. Step 2: Temporarily accommodate some of the high-population areas below 694MHz and switch off within a given period. The date for this step is 31 December 2024.

The two-step approach to analogue switch off is deemed viable for the industry. This approach is accepted as a win-win that will enable analogue switch off progress, release spectrum, and allow key stakeholders to recover from post-COVID economic decline and load-shedding impact.

3 Progress towards achievement of institutional Impacts and Outcomes

Outcome	Progress towards achievements
Broadened access to broadcast digital services by qualifying households	<p>The installation of the subsidised digital television for qualifying households started on 17 December 2015 at Keimoes, Northern Cape. Various litigations on the technical encryption functionality in the BDM Policy have impeded the installation of the STBs. This resulted in the suspension of the manufacturing of STBs by appointed manufacturers and the deferment of the subsidised digital television installations.</p> <p>At the end of the reporting period, having consolidated the Broadcasting Digital Migration objectives with outcomes of the consultation process, the Minister resolved to adopt a two-step approach towards analogue switch off as follows:</p> <ul style="list-style-type: none">• Step 1: Immediately switch off analogue services above the 694MHz band to release spectrum for other telecommunications use, and the date for this step is 31 July 2023.• Step 2: Temporarily accommodate some of the high-population areas below 694MHz and switch off within a given period. The date for this step is 31 December 2024. <p>The two-step approach to analogue switch off is deemed viable for the industry. This approach is accepted as a win-win that will enable analogue switch off progress towards the release of the spectrum, and allow key stakeholders to recover from post-COVID economic decline and load-shedding impact.</p>
Increased access to broadband in underserved areas	<p>SA Connect Phase 2 was revised on 28 January 2022, and in the three years from 2022, 44 600 government sites, including schools, health facilities, libraries, Thusong centres, and traditional authority offices, would be connected through the licensed telecommunications service operators. More than 33 000 community wi-fi locations and broadband to households will be provisioned in the same period. Cabinet approved the revised SA Phase 2 Model, which will be rolled out using SOEs such as BBI, SITA, and Sentech, as well as the industry at large. The Agency (USAASA), through USAF, appointed BBI to provision broadband internet connectivity services to 412 sites (112 sites in Pixley ka Seme District municipality in the Northern Cape and 300 sites in OR Tambo district municipality in the Eastern Cape Province. The deployment of sites was concluded and signed off during the third quarter of the year under review.</p> <p>Furthermore, BBI was appointed to deploy 200 sites (135 in Harry Gwala District in KZN and 65 in Nyandeni local municipality within the OR Tambo district municipality in the Eastern Cape. By the end of the financial year, BBI had concluded activating the deployed sites and was conducting quality assurance. The verification and sign-off process by USAASA will be concluded by the first and second quarter of the new financial year.</p> <p>The Fund also started a process of digitising schools in areas where it provides wi-fi services, provide back-up power solutions against loadshedding challenges affecting the deployed sites, install VOIP services in schools where broadband is available and embark on a digital skills programme targeting the youth where USAASA has rolled out broadband services. The interventions above will be realised in the 2024/25 financial year</p> <p>In preparation for the deployment of broadband services in the North-West Province in the next financial year, the Agency identified Dr Ruth Segomotsi Mompoti district municipality as the suitable beneficiary of broadband services, utilising the District Development Model. USAASA managed by the end of the 4th quarter to have started the site identification process on the targeted 332 sites and conducted stakeholder engagements with key provincial and local municipalities.</p> <p>In ensuring that our monitoring and evaluation target on the APP is achieved, the Agency and BBI developed a monitoring system (I-Master) during the year under review. The purpose of the monitoring tool is to provide USAASA with a dashboard that shows the state of internet connectivity usage and the availability and non-availability of services in all deployed sites. The tool will also enable both USAASA and BBI to track the internet connectivity targets as set out in the service level agreement. The tool will start operating in the first quarter of the new financial year and would ensure that the Agency implement a hybrid model when conducting monitoring and evaluation of the deployed sites.</p>

4. Institutional Programme Performance Information

4.1 Programme 1: Business Operations

4.1.1 Programme Purpose

The purpose of Programme 1: Business Operations, as per Section 82 of the ECA, can be summarised as that of a facilitator playing a monitoring role to improve research capacity in universal service and access. It is mandated to provide accurate and credible information on universal service and access gaps.

Despite this clear mandate, growth in the South African ICT sector has not been accompanied by a realisation of the primary policy objectives of affordable access for all to the full range of communications services characterising modern economies.

Key objectives and outputs detailed in this APP have been drawn from and aligned to the Universal Services and Access Strategy and focus mainly on the following sub-programmes detailed in the Universal Services and Access Strategy:

- Community and Institutional Broadband Access - The most significant need and opportunity for South Africans to take full advantage of ICT is to ensure widespread access to high-quality broadband networks and services in all towns and villages. This will be done by establishing high-capacity broadband points-of-presence within unserved towns and villages, with last-mile broadband connections to local schools, post offices, health clinics, and government offices. This includes the collaborative development of ICT facilities within each institution to ensure maximum public usage and benefit.
- Universal Access to Broadcasting—This will support the transformation and expansion of the broadcasting sector and complement the provision of universal access to multimedia forms of communication and information.

In contributing toward USAF’s desired impact of “Enhanced access to ICT and digital broadcasting services in identified underserved areas”, the Business Operations Programme delivers against the following outcomes in the Strategic Plan:

- Outcome 1:** Broadened access to broadcast digital services by qualifying households
- Outcome 2:** Increased access to broadband in marginalised areas
- Outcome 3:** A well-governed and high-performance organisation and fund, delivering on its mandate

The 2023/24 performance plan of Programme 1 is reflected in the log frame tables below:



4.2 Revised Tabled USAF APP 2023-24 Programme 1 - Business Support: Outcomes, Outputs Indicators and Annual Targets:

Outcome	Output	Output Indicators	Actual Performance				Estimated Performance	Mtef Period	
			2020/21	2021/22	2022/23		2023/24	2024/25	2025/26
Broadened access to digital broadcast services by qualifying households	BDM installations subsidised in line with the approved BDM funding model	Percentage verification of valid BDM installations for registered and qualified households	New indicator	-	83%		Verification of 85% of valid BDM installations for registered qualifying households.	Verification of 90% of valid BDM installations for registered qualifying households.	Verification of 95% of valid BDM installations for registered qualifying households.
	BDM installations at verified qualifying households monitored	Percentage of valid installations monitored	New indicator	-	New indicator		15% of valid installations monitored.	18% of valid installations monitored.	20% of valid installations monitored.
Increased access to broadband in underserviced areas	Verified connected sites subsidised in line with the approved broadband model	Percentage verification of installed and connected sites	New indicator	-	New indicator		85% verification of installed and connected sites.	90% verification of installed and connected sites.	95% verification of installed and connected sites.
	Verified connected sites in identified municipalities monitored	Percentage monitoring of connected sites in the identified municipalities.	New indicator	-	New indicator		70% monitoring of connected sites in the identified municipalities.	75% monitoring of connected sites in the identified municipalities.	80% monitoring of connected sites in the identified municipalities.
A well-governed and high-performance fund, delivering on its mandate	All valid invoices paid within 30 days	Percentage of valid invoices paid within 30 days	New indicator	100% of valid invoices paid within 30 days	44% of valid invoices paid within 30 days		100% of valid invoices paid within 30 days	100% of valid invoices paid within 30 days	100% of valid invoices paid within 30 days

4.3 Reporting: Against the Tabled Original USAF Annual Performance Plan 2023/24

Outcome	Output	Output Indicator	Actual Performance	Actual Performance	Planned Annual Target 2023/2024		Actual Achievement 2023/2024 Until 06 February 2024	Deviation from Planned Target to Actual Achievements 2023/2024	Reason for Deviation	Reasons for revisions to the Outputs / Output indicators / Annual Targets
Broadened access to digital broadcast services by qualifying households	Subsidised installations funded in line with the approved BDM funding model	Percentage of verified and subsidised BDM installations for qualifying households funded	New indicator	83%	100% funding of subsidised and verified BDM installations for qualifying households. 100% funding of subsidised and verified BDM installations for qualifying households.		* Not achieved (Q1) 26 744 Installations were verified, certified, and submitted to finance for payment as follows: January 2023 - 7272 February 2023 - 9426 March 2023 – 10046. However, at the end of the reporting period, no payments had been made, resulting in 0% funding of verified BDM installations	Payment for the 26 744 verified installations had not been made as the end of the reporting period	Non-payment of the verified installations resulted in the target not being achieved	The APP was amended to accommodate occasions where invoices are submitted, but the POE submitted is not sufficient for USAASA to honour payment. This was the case for the last quarter of the 2022/23 financial year
		Percentage of verified and subsidised BDM installations for qualifying households funded					Not achieved (Q2) 35 812 Installations were verified, certified, and submitted to finance for payment, however the actual payments were not made as follows: May 2022 – 1 336 April 2023 - 14 804 May 2023 - 13 373 June 2023 - 6 299	None of the 35 812 verified installations were funded	USAASA awaits approval of retention funds, that will be utilised to fund the verified installations	
							Achieved (Q3) 28 930 installations were verified, certified, and funded for installation during the period under review, translating into 100% funding of BDM installations to qualifying households	Not applicable	Not applicable	
Increased access to broadband in underserved areas	Monitored and evaluated qualifying households funded and verified for BDM installations	Percentage of funded and verified subsidised qualifying households monitored and evaluated for BDM installations	New indicator	New indicator	10% of the migrated qualifying households monitored and evaluated for BDM installations		** Not Achieved. (Q1) Monitoring and evaluation were conducted at 669 migrated households, however, using the method of calculation as per the indicator description, performance achievement is distorted, hence the reason to report 0% achievement.	When using the method of calculation as per the indicator description, performance achievement of the targets distorted. When using the method of calculation as per the indicator description, performance achievement of the targets distorted	Method of calculation is incorrectly captured in the technical indicator description, resulting in non-achievement of the target	Due to the high travel cost that USAF was incurring during project implementation, USAASA devised a hybrid model for monitoring of subsidised qualifying households, which will allow coverage of a larger number of households than when we have people on the ground
					10% of the migrated qualifying households monitored and evaluated for BDM installations		** Not achieved. (Q2) Monitoring and evaluation were conducted at 4898 migrated households, however, using the method of calculation as per the indicator description, performance achievement is distorted, hence the 0% achievement reported performance	When using the method of calculation as per the indicator description, performance achievement of the targets distorted	Method of calculation is incorrectly captured in the technical indicator description, resulting in non-achievement of the target	

Outcome	Output	Output Indicator	Actual Performance	Actual Performance	Planned Annual Target 2023/2024		Actual Achievement 2023/2024 Until 06 February 2024	Deviation from Planned Target to Actual Achievements 2023/2024	Reason for Deviation	Reasons for revisions to the Outputs / Output indicators / Annual Targets
							** Not Achieved. (Q3) Monitoring and evaluation were conducted at 3036 (2694 telephonic, and 342 physical) migrated households, however, using the method of calculation as per the indicator description, performance achievement is distorted, hence the reason to report 0% achievement	When using the method of calculation as per the indicator description, performance achievement of the targets distorted	Method of calculation is incorrectly captured in the technical indicator description, resulting in non-achievement of the target	
Increased access to broadband in underserved areas	Subsidised connected sites funded in line with the approved broadband funding model	Percentage of verified and funded connected sites in identified municipalities	New indicator	New indicator	100% funding of subsidised and verified connected sites in identified local municipalities		Achieved. (Q1) During the quarter under review, 76 sites were already verified as connected and all 76 sites were funded, resulting in 100% funding of verified and connected sites.	Not applicable	Not applicable	Servies to connect the broadband sites on USAF's behalf were outsourced and the Fund is responsible for funding of the connected sites that meet the SLA terms. Upon receipt of invoices on connected sites from the service provider, USAASA team goes on the ground to verify the invoiced sites before payment can be made, so upon verification, not all sites meet the SLA agreement as a result USAASA only pays for what constitute a connected site as per the signed SLA
							Achieved (Q2) 69 sites were verified and funded for connection in identified local municipalities during the period under review			
							Achieved (Q3) During the quarter under review, 200 sites were already verified as connected and all 200 sites were funded, translating into 100% funding of verified and connected sites in identified local municipalities			
	Monitored and evaluated verified and funded connected sites in identified municipalities	Percentage of verified and funded connected sites in identified local municipalities monitored and evaluated	New indicator	New indicator	100% of verified and funded connected sites in identified local municipalities monitored and evaluated		Achieved. (Q1) Monitoring and evaluation were conducted at 11 of the 76 verified and funded sites, resulting in 14% M&E conducted on connect sites	M&E conducted at 3 additional sites than planned, resulting in additional 4% achievement	Not applicable	USAF has moved its focus from only connecting local municipalities as some municipalities are sparsely populated, so when we go and connect the planned number of sites, we find ourselves connecting the whole district municipality at times. This is currently the case with our Pixley ka Seme project
					100% of verified and funded connected sites in identified local municipalities monitored and evaluated		Achieved (Q2) Monitoring and evaluation were conducted at 25 of the verified and funded 76 sites from the previous quarter, translating into 33% additional M&E conducted during the period under review	Not applicable	Not applicable	
							Achieved (Q3) Monitoring and evaluation were conducted at 130 of the verified and funded 345 sites, translating into 38% additional M&E conducted during the period under review			

Outcome	Output	Output Indicator	Actual Performance	Actual Performance	Planned Annual Target 2023/2024		Actual Achievement 2023/2024 Until 06 February 2024	Deviation from Planned Target to Actual Achievements 2023/2024	Reason for Deviation	Reasons for revisions to the Outputs / Output indicators / Annual Targets
A well governed and high – performance fund, delivering on its mandate	Supply Chain Management	Percentage of valid invoices paid within 30 days	100% of valid invoices were paid within 30 days	44% of valid invoices were paid within 30 days	100% of valid invoices paid within 30 days		Not Achieved. (Q1) 21 out of the 25 invoices were paid within 30 days. The above translates into 84% [(21/25) *100] of payment of valid invoices within 30 days.	4 out of 25 valid invoices were not paid within 30 days.	3 invoices were paid after 30 days, while 1 invoice did not have a validation stamp, as a result, it could not be determined whether the invoice was paid within 30 days, or not. This is due to delays in finalising the SLA due to late request for relaxation of PoE requirement by Sentech.	Not amendments were made to the target Not applicable
							Not achieved (Q2) 18 valid invoices were received during the quarter under review. Fifteen (15) of the eighteen (18) invoices due for payment were paid within 30 days, resulting into 83% achievement.	Three (3) valid invoices were not yet paid by the 30th of September 2023 and these invoices are outside the 30 days payment cycle.	BDM does not have budget allocation for the current financial year. Request for retention of funds was submitted to the National Treasury in August 2023. Thus far the approval has not yet been received. Hence, these invoices are not yet paid.	
							Achieved (Q3) 24 valid invoices were received during the quarter under review, and all 24 were paid within 30 days, translating to 100% payment of valid invoices within 30 days	Not applicable	Not applicable	

*Target subsequently achieved in Q3

** Target subsequently achieved when revised APP was tabled

4.3.1 Broadcasting Digital Migration

Achieved		Not Achieved					
The outputs, performance indicators and the planned targets below were meant to achieve this objective as stated in the APP.							
	2023/24	2021/22	2022/23	2023/24			
Output	Output indicator	Actual performance	Actual performance	Planned annual target	Actual achievement	Deviation from planned target	Reasons for deviations
Outcome:	Broadened access to digital broadcast services by qualifying households						
BDM installations subsidised in line with the approved BDM funding model	Percentage verification of valid BDM installations for registered and qualified households	New indicator	83%	Verification of 85% of valid BDM installations for registered qualifying households	Achieved. A total number of 98 474 installations were submitted for verification and all 98 474 were verified, translating into 100% achievement	There is 15 % over-achievement on the planned target	The over-achievement is mainly attributed to the closing of the financial year, to ensure that performance is reported in the correct period

4.3.2 Broadcasting Digital Migration

The outputs, performance indicators and the planned targets below were meant to achieve this objective as stated in the APP.							
	2023/24	2021/22	2022/23	2023/24			
Output	Output indicator	Actual performance	Actual performance	Planned annual target	Actual achievement	Deviation from planned target	Reasons for deviations
Outcome	Broadened access to broadcast digital services by qualifying households						
BDM installations at verified qualifying households monitored	Percentage of valid installations monitored	New indicator	New indicator	15% of valid installations monitored	Not Achieved. Monitoring was conducted at 11066 of 98 474 verified installations, translating into 11 % achievement	Achieved 4% less from planned target	Due to budget cuts, out of 22 District Coordinators the Agency did not renew employment contracts of 11 District Coordinators leaving limited resources to conduct Monitoring and Evaluation

4.3.3 Broadband Connectivity Roll Out

Achieved	Not Achieved						
The outputs, performance indicators and the planned targets below were meant to achieve this objective as stated in the APP							
	2023/24	2021/22	2022/23	2023/24			
Output	Output indicator	Actual performance	Actual performance	Planned annual target	Actual achievement	Deviation from planned target	Reasons for deviations
Outcome	Broadened access to digital broadcast services by qualifying households						
Verified connected sites subsidised in line with the approved broadband model	Percentage verification of installed and connected sites	New indicator	New indicator	85% verification of installed and connected sites	Achieved. 412 of the 412 sites that were reported as completed and were verified, translating into 100% achievement	There was a 15% over-achievement on the target	Additional personnel allocated to the project led to the over-achievement
Verified connected sites in identified municipalities monitored	Percentage monitoring of connected sites in the identified municipalities	New indicator	New indicator	70% monitoring of connected sites in the identified municipalities	Achieved. Monitoring was conducted at 297 of the 412 verified sites, translating into 72%	There was a 2% over-achievement on the target	Over-achievement on the target was due to the hybrid monitoring model adopted

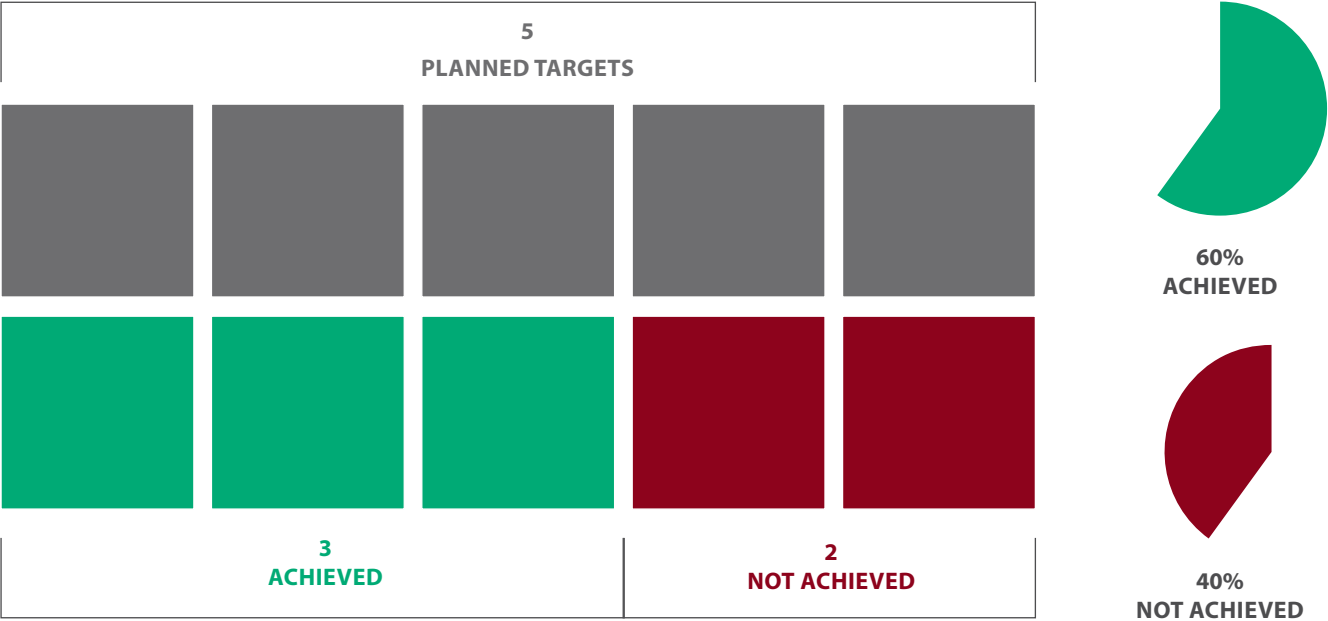
4.3.4 Payment of valid invoices paid within 30 days from date of receipt

The outputs, performance indicators and the planned targets below were meant to achieve this objective as stated in the APP.							
	2023/24	2021/22	2022/23	2023/24			
Output	Output indicator	Actual performance	Actual performance	Planned annual target	Actual achievement	Deviation from planned target	Reasons for deviations
Outcome	A well-governed and high-performance Fund, delivering on its mandate.						
All valid invoices paid within 30 days	Percentage of valid invoices paid within 30 days	100% of valid invoices were paid within 30 days	44% of valid invoices were paid within 30 days	100% of valid invoices paid within 30 days	Not achieved. 37 valid invoices were received during the period under review and 36 of the 37 invoices were paid within 30 days, translating into 97% payment of valid invoices within 30 days	1 of the 37 invoices was paid outside the 30 days turnaround period	The payment of the invoice did not go through due to insufficient funds transferred for December payments. This was identified in Quarter 4. Ensure that sufficient funds are transferred before payments are released

4.6 Summary of USAF (2023-24) Annual Performance Outcomes

The graphs below depict the Fund’s achieved annual targets against the planned annual targets in the approved USAF 2023/24 APP. Four (4) of the five (5) planned annual targets was achieved, representing 60% of the total planned targets, and two (2) of the five (5) planned annual targets were not achieved, representing 40% of the annual planned targets.

USAF 2023/24 Annual Performance Outcomes



Linking Performance with Budgets

Programme/ activity/ objective	2023/24			2022/23		
	Budget	Actual expenditure	(Over)/Under expenditure	Budget	Actual expenditure	(Over)/Under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	1,715	1,752	(37)	4 005	1,883	2 122
Projects overheads	9,285	5,124	4,161	12 000	7,278	4 722
Broadband infrastructure and connectivity	600,814	162,769	438,045	294,028	49,876	244,253
Broadcasting digital migration	1,023,396	231,842	791,554	2,565,721	162,025	2,415,070
Total	1,635,210	401,487	1,233,723	2,875,754	221,062	2,666,055

During the year under review, USAF spend R401,5 million representing 25% of the allocated budget of R1,6 billion. The spending in the previous financial year was R221,1 million representing 7.7% of the allocated budget of R2,9 billion. The total spending of R401.5 million in the year under review increased by R180,4 million when compared with the previous financial year total spending of R221,1 representing 82% year-on-year increase.

The increase in spending during the year under review compared to the previous financial year was due to the increase in the subsidies paid to the implementing entities. This is mainly due to the increase in the total number of STBs installed as well as the increase in the number of broadband sites connected during the current financial year.

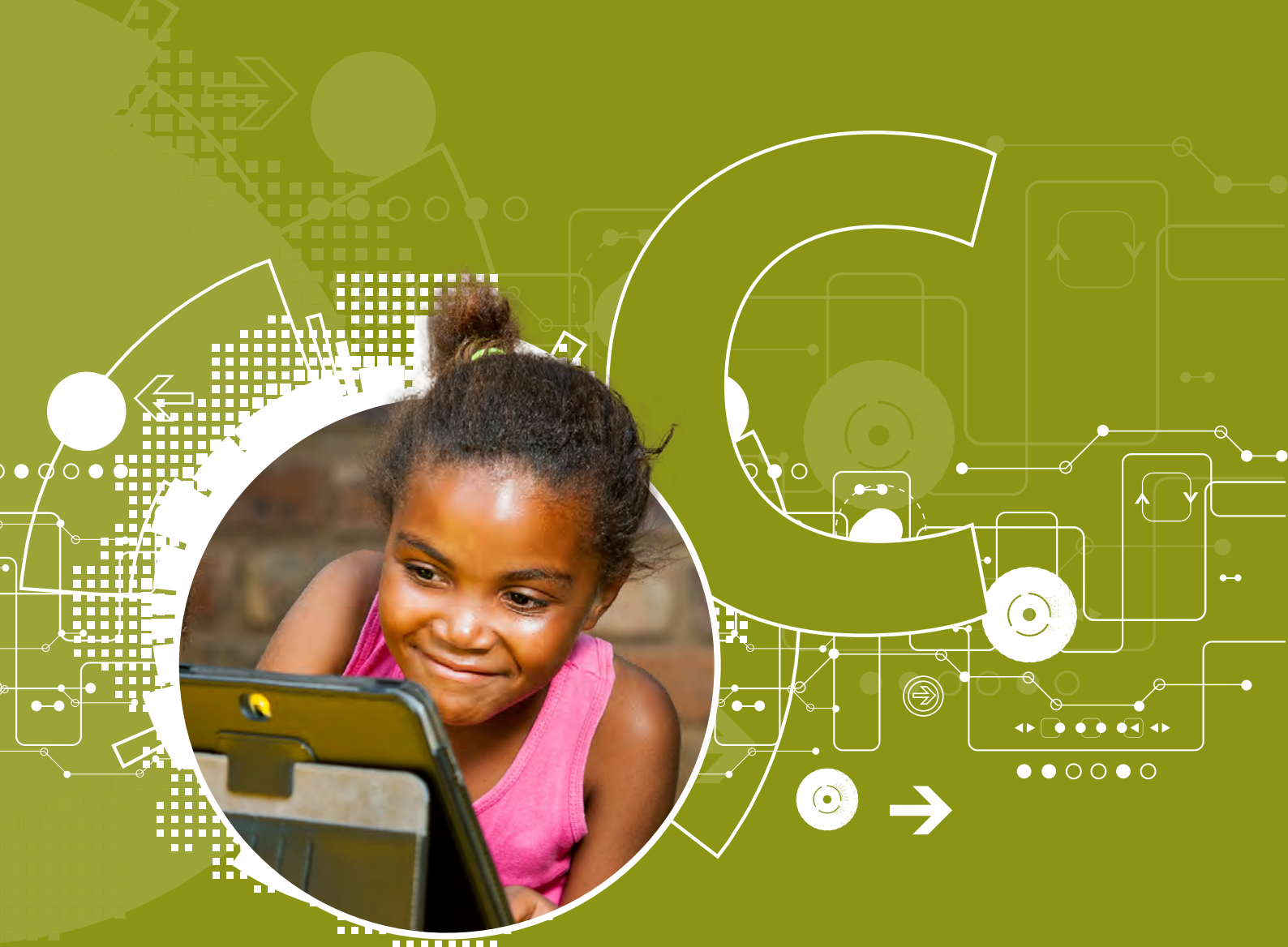
The year-on-year increase in BDM expenditure was R69,8 million (representing 43%) compared to the previous financial year. This is mainly due to the spending R 70,8 million on warehousing and distribution costs that is budgeted for and borne in USAF in the current fiscal year whilst these costs were budgeted for and borne in USAASA in the previous financial year as well as the increase in the costs relating to installations of STBs compared to the previous financial year. However, there were no awareness activities in the current financial year, and this led to some savings, hence the net increase of R 69.8 million. Detailed analysis of BDM project costs is provided for in note 17 under Part E (audited financial statements).

The year-on-year increase in broadband infrastructure and connectivity expenditure was R112,9 million (representing 226%) compared to the previous financial year. The increase is mainly due to the completion of the broadband infrastructure for 412 sites in both Pixley Ka Seme and OR Tambo districts in the current financial year.

The year-on-year decrease in projects related travel expenditure of R 2,2 million (representing 30%) was due to the decrease in monitoring and evaluation activities in the provinces where the Analogue Switch-Off was already completed, the introduction of hybrid monitoring and evaluation model as well as the appointment and utilisation of Travel Management Company (TMC) halfway through the financial year.

Strategy to overcome areas of under performance

The entity will be enhancing internal controls relating to payment of suppliers within 30 days by analysing the invoice register on a weekly basis and resolving any invoicing issues identified in time.



GOVERNANCE

Introduction

Corporate governance encompasses the mechanisms and frameworks through which public entities are guided, overseen, and held accountable. Besides complying with legislative mandates stemming from a public entity's enabling legislation and the Companies Act, corporate governance in public entities is enforced through the regulations outlined in the PFMA. It aligns with the principles outlined in the King IV Report on Corporate Governance.

Parliament, the Executive, and the accounting authorities of the public entity are responsible for ensuring effective corporate governance.

1. Portfolio Committees

The Agency Board is directly accountable to the Parliamentary Portfolio Committee on Communications. From time to time, it is required to provide updates on the state of its financial and non-financial performance to the committee. The Board is also responsible for USAF management as the Fund's entity.

Portfolio Committee engagements in the 2023/24 financial year were:

Date	Purpose
11 April 2023	Portfolio Committee on Communications: Preparatory meeting for oversight visit to Gauteng and Northern Cape.
19 April 2023	Oversight visit to Gauteng.
02 May 2023	Briefing by the USAASA/USAF 2023/24 on its Annual Performance Plan and Budget.
30 June 2023	Briefing by Government Communication and Information System (GCIS), Media Development and Diversity Agency (MDDA), Department of Communications and Digital Technologies (DCDT) and relevant entities on the State of readiness towards National elections.
05 September 2023	Briefing by the DCDT, GCIS and their entities on the 2022/23 third and fourth quarter expenditure and financial reports.
10 October 2023	Briefing by the Universal Services and Access Agency of South Africa (USAASA) and the Universal Services and Access Fund (USAF) on its 2022/23 Annual Report and Financial Statements.
17 October 2023	Briefing in Parliament on consideration and adoption of the DCDT, GCIS and their entities on the 2022/23 third and fourth quarter expenditure and financial reports
06 February 2024	Briefing by Department on Revised DCDT, BBI, SENTECH and USAASA/USAF APP 2023/24
20 February 2024	Briefing by the DCDT, GCIS and their entities on the 2023/24 first and second quarter expenditure and financial reports.
12 March 2024	Briefing by Departments and entities (SAPO, USAASA and SENTECH) on progress on the finalisation of the BDM project

2. Executive Authority

The Minister of Communications and Digital Technologies is the Agency's Executive Authority. As per Section 40(1)(a) and 55(1)(a) of the PFMA, the Agency is required to provide the Department with quarterly organisational reports on USAF's activities and financial affairs.

All the USAF quarterly and annual reports were submitted on time as per the requirements of the National Treasury Framework for Managing Programme Performance Information to the ICT Enterprise Development and SOC Oversight Branch of the Department of Communications and Digital Technologies.

Agency's Accounting Authority as per the PFMA. Initially appointed by the Minister starting on February 22, 2021, for twelve months, the Interim Board's tenure was extended until February 21, 2023. Subsequently, the Board's term was extended until September 30, 2023. The Minister officially designated the Board, removing the interim status, to continue overseeing the organisation from October 1, 2023, until September 30, 2025.

The Board is entrusted with the crucial task of offering strategic direction, leadership, and stability to the Agency while upholding principles of good corporate governance. Board members are mandated to adhere to the utmost standards of ethics, integrity, and values, safeguarding the interests of the Agency and the nation. These responsibilities are delineated in the approved Board Charter, which undergoes regular annual reviews or updates as deemed necessary.

3. The Accounting Authority/Board

3.1 Introduction

The USAASA Board is the Agency's Accounting Authority regarding the PFMA. The Interim USAASA Board is responsible for serving as the

The Board of USAASA is regarded as the Accounting Authority in terms of Section 49 of the Public Finance Management Act (PFMA), and its duties include:

- Exercising a duty of utmost care to ensure reasonable protection of the assets and records of USAASA and USAF.
- Acting with fidelity, honesty, integrity and in the public entity's best interests in managing the Fund's financial affairs.

- a) Preventing any prejudice against the financial interests of the State.
- Maintaining effective, efficient and transparent financial and risk management systems and internal control.
- Maintaining an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive, and cost-effective.
- Maintaining a system for evaluating all significant capital projects before a final decision on each.
- Taking practical steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditures that do not comply with the Agency's operational policies.
- Managing available working capital efficiently and economically.

All Board committees and the Board are guided by the principles of the King IV Report on Corporate Governance, PFMA, and the Companies Act, which are contained in the approved charters.

3.2 The Role of the Board

- The Board adheres to the principles outlined in the Code of Good Practice and Code of Good Conduct as delineated in the King Code on Corporate Governance Report (King IV). It is dedicated to implementing the principles of the PFMA and its associated regulations. Emphasising the attainment of exemplary reporting standards, the Board is committed to meticulously overseeing the organisation's activities.
- To facilitate effective supervision over the organisation's operations, the Board has structured itself into several subcommittees. These subcommittees convene quarterly and, when needed to ensure comprehensive oversight. The Board established the following committees:
 - HR & Remuneration Committee.
 - Board Audit & Risk Committee.
 - Operations Committee
 - Social and Ethics Committee

With the authority vested in it by legislation, particularly the ECA and the PFMA, the Board has discerned that its primary functions and responsibilities contribute substantially to the advancement of the Agency and the Fund.

Furthermore, the Board acknowledges its ultimate accountability and responsibility for the performance and management of the Agency. In pursuit of this, it has:

- Represented the Agency before the Minister and Parliament of the Republic of South Africa.
- Provided strategic direction for the Agency.
- Reviewed, approved, and monitored the implementation of strategic plans and budgets for the Agency and Fund, and ensured consequence management was applied for non-performance.
- Played an oversight role in identifying and monitoring critical risk areas and key performance indicators of the Agency.
- Played an oversight role concerning IT governance.
- Ensured that the Agency communicates with the Executive Authority and stakeholders transparently and promptly.

Ensured that the Agency complies with relevant laws, regulations and the code of business practice

3.3 Board Charter

USAASA's Board Charter is aligned with the ECA, PFMA and King codes. The Charter describes the key responsibilities of the Board of USAASA and defines the Board's authority. It outlines the following:

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

3.4 Composition of the Board



Name	Ms Daphne Rantho
Designation	Chairperson of the Board
Date appointed	22 February 2021
Date resigned/Termination	N/A
Qualifications	<ul style="list-style-type: none"> • Primary Teacher Diploma • Further Education Diploma – University of Pretoria • BED Honours in Education – University of the Free State • Parliamentary Women in Leadership Programme – University of Stellenbosch • Leadership & Governance – University of Witwatersrand • Being a Director Programmes 2 & 3 – Institute of Directors South Africa
Areas of expertise	Leadership and governance
Board directorships (other)	None
Other committees	None
No. of meetings attended	21 out of 21



Name	Ms Mapuleng Moropa
Designation	Member of the Board
Date appointed	22 February 2021
Date resigned/Termination	N/A
Qualifications	<ul style="list-style-type: none"> • Masters in Business Administration (MBA) • Programme in Management Development (PMD) • BSc Information Technology
Areas of expertise	<ul style="list-style-type: none"> • Strategy Design and Implementation • Business Process Design and Re-Engineering • Retail and Commercial Banking • Operations Management • Project Management • Sales Management • Risk Management and Compliance • Business Performance Improvement • Entrepreneurship and Business Management • Relationship Management • Stakeholder Engagement • Broadband Infrastructure/Network Implementation and Maintenance • Surveillance and Access Control Technology Installation and Maintenance • Data and Ai Services • Application Services • Infrastructure Services
Board directorships (other)	NED – Sentech (December 2021 to date)
Committee memberships	<ul style="list-style-type: none"> • HR & Remuneration Committee • Board Audit and Risk Committee • Operations Committee • Social and Ethics Committee
No. of meetings attended	19 out of 21



Name	Ms. Boitumelo Mabusela
Designation	Member of the Board
Date appointed	12 June 2023
Date resigned/Termination	N/A
Qualifications	<ul style="list-style-type: none">Chartered Accountant (South Africa)BCom AccountingBCom (Honours) Managerial Accounting and FinanceBCom (Honours) Financial Accounting CTA
Areas of expertise	<ul style="list-style-type: none">Financial Planning, Budget, Actuarial & Treasury, Financial Accounting and Reporting.Supply Chain Management & Procurement.Strategic ManagementRisk Management, Internal Audit, Governance and Compliance.Stakeholder Management
Board directorships	N/A
Committee membership	<ul style="list-style-type: none">Social & Ethics CommitteeHR & Remuneration CommitteeBoard Audit and Risk CommitteeOperations Committee
No. of meetings attended	12 out of 14



Name	Ms Buhle Tonise
Designation	Member of the Board
Date appointed	22 February 2021
Date resigned/Termination	N/A
Qualifications	<ul style="list-style-type: none">LLBPractical Legal Training (Commercial Law)
Areas of expertise	<ul style="list-style-type: none">Contract Management and Commercial LawCorporate LawGovernance
Board directorships (other)	NED – ECPACC.
Committee memberships	<ul style="list-style-type: none">HR & Remuneration CommitteeBoard Audit and Risk CommitteeOperations CommitteeSocial & Ethics Committee
No. of meetings attended	21 out of 21



Name	Mr Simphiwe Thobela
Designation	Member of the Board
Date appointed	22 February 2021
Date resigned/Termination	N/A
Qualification	<ul style="list-style-type: none">BCom LogisticsMaster in Town and Regional PlanningCertificate in Strategic Planning and Change ManagementCertificate in Local Economic DevelopmentCertificate in Municipal Supply Chain ManagementPost Graduate Diploma in Public ManagementSnr Manager Programme (NQ7)Advanced Risk Management
Areas of expertise	<ul style="list-style-type: none">GovernanceStrategic planning
Board directorships	<ul style="list-style-type: none">NED MICT-SETA (Chair)NED – Magwa Tea EstateNED – KZNGFT
Other committees	<ul style="list-style-type: none">Board Audit and Risk CommitteeRemunerations CommitteeOperations CommitteeSocial & Ethics Committee
No. of meetings attended	21 out of 21

3.5 Committees and Number of Meetings Held

The committees met as follows during the financial year:

Committee	No. of meetings	No. of members	Name of members
Board Audit and Risk	12	4	Mr Simphiwe Thobela – Chairperson (Until 08 August 2024) Ms Buhle Tonise – Member Mr Talelani Ramaru – Member (Until 29 April 2023) Ms Mapuleng Moropa – Member Ms Boitumelo Mabusela - Chairperson (From 08 August 2024)
HR & Remuneration	4	4	Mr Talelani Ramaru – Chairperson (Until 29 April 2023) Ms Buhle Tonise – Member Ms Mapuleng Moropa – Member Mr Simphiwe Thobela – Member Ms Boitumelo Mabusela - Member
Social & Ethics	1	4	Ms Boitumelo Mabusela - Chairperson Ms Buhle Tonise – Member Ms Mapuleng Moropa – Member Mr Simphiwe Thobela – Member
Operations	3	4	Ms Mapuleng Moropa – Chairperson Ms Buhle Tonise – Member Ms Boitumelo Mabusela – Member Mr Simphiwe Thobela – Member

*** Joint BARC and REMCO in-committee meetings were ad hoc meetings that happened under extraordinary circumstances as there was a matter that needed the urgent attention of both Committees.*

The Board is remunerated under USAASA as the administrator of the Fund, as such the remuneration is reflected under the USAASA annual report.

4. Risk Management

Risks are inherent and exist at various levels within the Fund. Key among the risk management objectives is to ensure that the Fund does not suffer the effects of unmanaged uncertainty but responds proactively. It is also at the core of risk management to ensure that all risks attributed to the Fund at any level are managed appropriately and effectively. The Board adopted a risk management process aligned with the Public Sector Risk Management Framework, ISO 31000, and the King IV Report on Corporate Governance. The Board Audit and Risk Committee (BARC) provides oversight on the adequacy and effectiveness of risk management in the Fund and risk profile reports are considered by the BARC and the Board quarterly.

The Agency’s management has adopted a risk management system that is a risk-focused culture on identifying and treating risks to attain maximum sustainable value to all the organisation’s activities. The risk management culture marshals the understanding of the potential upside and downside of all those factors affecting the organisation. The aim is to increase the likelihood of success and reduce the probability of uncertainty of achieving the organisation’s objectives and ultimately failed service delivery to the organisation’s beneficiaries.

In identifying strategic risks and opportunities, the Fund considers both internal and external sources of risks. Internal sources include both Bottom-Up, which are risks that are identified at every level of the Fund, and those operational risks which may have an impact-wide effect. An assessment was conducted on the Fund strategic, operational (including fraud risk) and project risk assessments for the year under review. Under the strategic risk assessment, care is given to two categories: business and longevity risks. Business risks affect or are created by an organisation’s business strategy and strategic objectives outcomes, or outputs. Business longevity risks are those risks that affect the core purpose of the organisation. This includes risks that threaten the organisation’s long-term survival; the critical consideration is sustainably value creation.

Operational objectives underpin operational risk assessment, and project risks are assessed concerning the uncertainties that could affect project objectives. It is noteworthy that all risks should be taken within risk appetite. The organisation recognises the importance of risk-based decision-making. Hence, there exists within the organisation a process of communicating upwards about risks inherent in all decisions so that managers, decision-makers, and the Board have the risk information they need at their level based on what risks exist and are being managed within the organisation.

The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risks and opportunities across the Fund; a risk profile report is compiled every quarter and presented to the Board Audit and Risk Committee, which is inclusive of quarterly reviews of risks and opportunities, emerging risks as well as strategic risks and progress made concerning the implementation of the strategic risk treatment plans that strategic objective and target are achieved. A combined assurance map is embedded into the risk profile reporting, highlighting assurance from the different assurance providers in line with the King IV report on corporate governance. The aim is to ensure optimal assurance coverage.

The Board Audit and Risk Committee provides ongoing oversight to ensure that it supports the organisation in setting and achieving its strategic, operational and project objectives. The Board Audit and Risk Committee sets the direction for the organisation’s approach and address risks. It reviews the quarterly risk profile reports covering strategic, operational, fraud, project, dependency, compliance and emerging risks and provides advice to ensure effective and efficient risk management.

For risk management to work appropriately within the organisation, these elements must be in place: clearly defined objectives and an organisational structure aligned to those objectives, clear boundaries between hierarchical levels, and a risk-aware culture at all levels within the organisation.

5. Internal Audit Unit

5.1 Key Activities and Objectives of Internal Audit

The Internal Audit Activity’s mandate stems from Section 51 (1) (a) (ii) of the PFMA, which states that an Accounting Authority for a public entity must ensure that the public entity has and maintains a system of Internal Audit Activity under the control of the Board Audit and Risk Committee, complying with and operating according to regulations and instructions prescribed in terms of Sections 76 and 77 of the Act.

Sections 27.2.6 and 27.2.27 of the Treasury Regulations state that internal audit must be conducted according to the standards set by the Institute of Internal Auditors. Furthermore, Internal Audit Activity must prepare, in consultation with and for approval by the Board Audit and Risk Committee, a rolling three-year strategic Internal Audit plan based on the risk assessment of critical risks inherent to the institution, having regard for its current operations, those proposed in its Strategic Plan, and its risk management strategy.

The primary objective of the Internal Audit Activity is to provide a comprehensive service to ensure that adequate measures and procedures are in place for sound economic, effective, and efficient management, as required by the PFMA and the King IV Code. Internal Audit Activity will conduct audits to assist management in assuring the effectiveness of the organisation's internal controls and performance system.

The Internal Audit Activities emanated from Risk Assessment, which directs Internal Audit's efforts. This Risk Assessment included evaluating whether:

- Risks relating to achieving USAF's strategic objectives are appropriately identified and managed.
- The actions of the entity's officers, directors, employees, and contractors comply with relevant policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programmes are consistent with established goals and objectives.
- Operations or programmes are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact USAF.
- Information and the means used to identify, measure, analyse, classify, and report such information is reliable and has integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

Internal audit reports administratively to the Chief Executive Officer and functionally to the Board Audit and Risk Committee.

The functional reporting to the Board Audit and Risk Committee includes:

- The Board Audit and Risk Committee approved the Internal Audit Charter, the Internal Audit Activity's rolling three-year strategic and annual operational plans.
- Any amendments to the Annual Internal Audit Plan are approved by the Board Audit and Risk Committee and noted by the Chief Executive Office.
- All ad hoc requests outside the approved Annual Internal Audit Plan are approved by the Board Audit and Risk Committee.
- The Board Audit and Risk Committee approve the structure of Internal Audit Activity.
- The Board Audit and Risk Committee conducts and approves the performance agreement and performance assessment of the Chief Audit Executive.
- Any other matter relating to Internal Audit Activity's approved Annual Internal Audit Plan is the responsibility of the Board Audit and Risk Committee.

Administrative reporting to the Chief Executive Officer involves: Provision of budget for the Internal Audit Activity.

- Administrative roles relating to all HR matters, such as staff discipline and approval of leave and travel.
- Facilitating cooperation with Internal Audit Activity in carrying out its functional responsibilities.
- Consideration of any Internal Audit Activity reports is subject to Board attention.

The periodic reporting by the Chief Audit Executive to senior management and the Board and Audit Risk Committee includes:

- Internal Audit Activity's purpose, authority, and responsibility.
- Internal Audit Activity's plan and performance relative to its plan.
- Internal Audit Activity's conformance with the IIA's Code of Ethics and Standards and action plans addresses significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board and Audit Risk Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management may be unacceptable to USAF as a public entity.

5.2 Combined Assurance

King IV requires the Board Audit and Risk Committee to apply a Combined Assurance Model to provide a coordinated approach to all assurance activities. This repositioned risk-based approach to assurance provision addresses strategic, operational, financial and sustainability issues in the quest to deliver value to the organisation. The Combined Assurance Model is currently in place and is monitored bi-annually by the Board Audit and Risk Committee. The entity has adopted a three-part combined integrated assurance model. This model defines the roles as follows:

- First line of defence – Management
- Second line of defence – Risk Management and Performance Management
- Third line of defence – Assurance providers – Internal Audit Activity, External Audit, Department, Parliament, etc.

The scope, roles and authority of Internal Audit Activity, as stipulated in the Charter, approved by the Board Audit and Risk Committee require that Internal Audit Activity:

- Should have unlimited access to the Agency's information, records, property and personnel.

- Should have full and unrestricted access to the Board Audit and Risk Committee and the Chairperson of the Board.
- The cooperation of personnel from all divisions of the organisation should be obtained.
- Should undertake objective examinations of evidence to provide independent assessments to the Board and Audit Risk Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for USAF through actions of USAASA.

6. Internal Audit and Audit Committees

Internal auditing is an independent and objective assurance and consulting activity guided by a value-adding policy to improve the entity's operations. The role of Internal Audit Activity is to determine whether the organisation's risk management, control, and governance processes are adequate and function effectively and efficiently. Internal Audit Activity, in its endeavour to assist management in achieving its objectives, has conducted quarterly audit reviews on the entity's Performance Information and Interim Financial Statements, which are mandatory audit reviews.

In addition to these reviews, other audit reviews conducted were the BDM inventory count, SCM below and above threshold, financial management, investigation into irregular expenditure, and fruitless and wasteful expenditure, among others.

The Internal Audit Activity is also responsible for coordinating internal and external audits, coordinating responses to audit findings, and consolidating audit action plans designed to address internal control weaknesses identified by the AGSA. The audit outcomes implementation plans were submitted to National Treasury.

The Internal Audit Activity continuously strives to improve the financial controls and processes to achieve more effective ways to streamline the operations through its contributions in policy reviews, internal control reports on non-compliance, and recommendations.

6.1 Board Audit and Risk Committee

The Board Audit and Risk Committee is established as a statutory committee under Section 51(1)(a)(ii) and Section 77 of the PFMA and Treasury Regulations. Operating with oversight and advisory functions to the Risk Management and Internal Audit units. It is answerable to the Accounting Authority, Executive Authority, and the public in ensuring thorough consideration and evaluation of all matters within its terms of reference.

Its primary objective is to aid the Accounting Authority in fulfilling its oversight obligations and assist the Chief Executive Officer in executing executive duties related to financial reporting, risk management, internal control systems, audit processes, and USAASA's compliance monitoring procedures. Additionally, the Committee bears a responsibility to the public to assess the effectiveness of these areas and convey its findings in the Annual Report as per Treasury Regulations.

Board Audit and Risk Management Committee members were reappointed on February 22, 2023, following the conclusion of one year in office, contingent upon reappointment by the Shareholder at the Annual General Meeting. Comprising four non-executive Board members and a representative from the AGSA as a standing invitee, the Committee also includes permanent invitees such as the Acting Chief Executive Officer, Acting Chief Financial Officer, Chief Audit Executive, and Acting Risk Manager. The names, qualifications and attendance records of the members are as follows:

Name	Mr Simphiwe Thobela
Designation	Chairperson of the BARC (Until 08 August 2024)
Date appointed	22 February 2021
Date resigned/Termination	N/A
Qualifications	BCom Logistics Master in Town and Regional Planning Certificate in Strategic Planning and Change Management Certificate in Local Economic Development Certificate in Municipal Supply Chain Management Post Graduate Diploma in Public Management Snr Manager Programme (NQ7) Advance Risk Management
Areas of expertise	Governance Strategic Planning
Board directorships	NED MICT- SETA (Chair) NED – Magwa Tea Estate NED- KZNGFT
Other committees	<ul style="list-style-type: none"> HR & Remuneration Committee Operations Committee Social & Ethics Committee
No. of meetings attended	12 out of 12

Name	Ms Buhle Tonise
Designation	Member of the BARC
Date appointed	22 February 2021
Date resigned/Termination	N/A
Qualifications	Matric LLB Practical Legal Training (Commercial Law)
Areas of expertise	Contract Management and Commercial Law Corporate Law Governance
Board directorship	Deputy Chairperson of the Eastern Cape Arts and Culture Council.
Other committees	<ul style="list-style-type: none"> Board Audit and Risk Committee HR & Remuneration Committee Operations Committee Social & Ethics Committee
No. of meetings attended	12 out of 12

Name	Ms Boitumelo Mabusela
Designation	Chairperson of the BARC (From 08 August 2024)
Date appointed	12 June 2023
Date resigned/Termination	N/A
Qualifications	Chartered Accountant (South Africa) BCOM Accounting BCOM (Honours) Managerial Accounting and Finance BCOM (Honours) Financial Accounting CTA
Areas of expertise	Financial Planning, Budget, Actuarial & Treasury, Financial Accounting and Reporting. Supply Chain Management & Procurements. Strategic Management Risk Management, Internal Audit, Governance and Compliance. Stakeholder Management
Board directorships	N/A
Other committees	<ul style="list-style-type: none"> Social & Ethics Committee HR & Remuneration Committee Board Audit and Risk Committee Operations Committee
No. of meetings attended	6 out of 12

Name	Ms Mapuleng Moropa
Designation	Member of the BARC
Date appointed	22 February 2021
Date resigned/Termination	N/A
Qualification	Masters in Business Administration (MBA) Programme in Management Development (PMD) BSc Information Technology
Areas of expertise	Strategy Design and Implementation Business Process Design and Re-Engineering Retail and Commercial Banking Operations Management Project Management Sales Management Risk Management and Compliance Business Performance Improvement Entrepreneurship and Business Management Relationship Management Stakeholder Engagement Broadband Infrastructure/ Network Implementation and Maintenance Surveillance and Access Control Technology Installation and Maintenance Data and Ai Services Application Services Infrastructure Services
Board directorships	NED – Sentech (December 2021 to date)
Other committees	<ul style="list-style-type: none"> Board Audit and Risk Committee HR & Remuneration Committee Operations Committee Social & Ethics Committee
No. of meetings attended	11 out of 12

7. Compliance With Laws, Rules, Codes and Standards

The Board Audit and Risk Committee proactively ensured that management instituted proper checks and balances to comply with relevant laws and regulations, conduct operations ethically, and establish robust controls to prevent conflicts of interest and fraud.

The specific steps involved in carrying out this responsibility include:

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

8. Fraud and Corruption

Universal Service and Access Fund (USAF), under the administration of the USAASA, has established a comprehensive plan to avoid fraud. Significant strides have been achieved in implementing the Code of Conduct, providing training and raising awareness about the Whistleblowing and Fraud Prevention Policy, as well as enhancing information security measures. Furthermore, it has carried out the evaluation of corruption risks. The organisation has implemented procedures for reporting instances of fraud and corruption, as detailed in the Whistleblowing and Fraud Prevention Policy.

Furthermore, USAF, acting through USAASA, subscribes to the National Anti-Corruption Hotline, administered by the Office of Public Service Commission, to encourage officials to make confidential disclosures through the hotline. No cases have been reported on the Agency's hotline

9. Minimising Conflict of Interest

The Office of the Company Secretary is responsible for ensuring that all staff, meeting invitees, and Board members disclose their financial interests in order to cultivate a work environment that is stakeholder-focused, competitive, ethical, and dynamic.

To further cultivate the organisation's ethical culture, all employees are required to obtain approval to engage in any remunerative work outside of USAASA, as the administrator for USAF, and to disclose all business interests. The Company Secretary provides management and personnel with pertinent advice regarding potential conflicts of interest.

Participants are required to disclose any conflicts of interest related to agenda items in the Agency's Committee and Board meetings, as is customary. These declarations are subsequently documented.

The Board Audit and Risk Committee guaranteed that management implemented the requisite checks and balances to comply with pertinent laws and regulations, conduct operations ethically, and maintain sufficient controls to prevent fraud and conflicts of interest.

10. Code of Conduct

The Code of Conduct is still a work-in-progress and will be finalised in quarter 2 of the 2024/2-25 financial year.

11. Health, Safety and Environmental Issues

USAASA prioritises occupational health and safety as a crucial concern, both as an employer and a public entity. The Agency has created a comprehensive programme to promote health and safety. This programme ensures compliance with the Occupational Health and Safety Act 85 of 1993 and other relevant health and safety requirements that apply to all workers, contractors, and visitors.

12. Social and Ethics Responsibility

The nature of the projects implemented through USAF are intended for the public good and are aligned with obligation to act for the benefit of society at large.

13. Board Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2024.

13.1 Legislative Requirements

The Board Audit and Risk Committee herewith presents its report for the financial year ended 31 March 2024, as required by Treasury Regulation 3.1.13 read with Section 77 of the PFMA, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999).

13.2 The Board Audit and Risk Committee's Responsibilities

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

The Committee monitored the integrity of the USAF's Annual Financial Statements and Performance Information included in this Annual Report, reviewing significant financial and non-financial reporting issues.

In line with the PFMA, 1999, Internal Audit Activity provides the Board Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their adequacy and

efficiency, and by developing recommendations for enhancement or improvement. The Accounting Authority retains responsibility for implementing such recommendations as per Treasury Regulation 3.1.12.

The reports of Internal Audit Activity and AGSA indicated the need to improve the system of internal control in areas pertaining to financial reporting and compliance with laws and regulations. The Committee concludes that the internal control system for the reporting period was not entirely adequate and effective.

13.3 The Effectiveness of Internal Controls

13.3.1 Risk Management

Management is responsible for establishing and maintaining an effective system of governance, risk management, fraud prevention and detection, and for implementing adequate internal controls. Internal Audit unit was guided by the consolidated risk profile provided by the Enterprise Risk Management unit and by key audit focus areas and management inputs in the formulation of its three-year strategic and annual plans. The Board Audit and Risk Committee relied on the Internal Audit unit and AGSA to assure the effectiveness of the risk management system. The system of risk management needs improvement.

13.3.2 Internal Audit

In terms of the PFMA, 1999, the Accounting Authority is obliged to ensure that the entity has an Internal Audit system under the control and direction of the Board Audit and Risk Committee. The Committee is satisfied that the Internal Audit Activity properly discharged its functions and responsibilities during the year under review.

The Board Audit and Risk Committee is satisfied that the Internal Audit Activity maintains an effective internal quality assurance programme that covers all aspects of the Internal Audit Activity and that, as determined in the external quality assessment review, a general conformance rating can be applied to the Internal Audit work and that the term "Conforms with the International Standards for the Professional Practice of Internal Auditing" may be used by the function. The Committee approved a risk-based, Three-Year Rolling Strategic Internal Audit Plan and an annual audit coverage plan from 01 April 2023 to 31 March 2024.

The following Internal Audit work was completed in the year under review:

Type of audit	Number	Frequency
Performance Information	Five audits (Q4 – 2022/2023, Q1, Q2 and Q3 – 2023/2024) including the Annual Performance Information	Quarterly
Interim Financial Statements	Five audits (Q4 – 2022/2023, Q1, Q2 and Q3 – 2023/2024) including the Annual Financial Statements	Quarterly
Annual BDM Inventory count	One audit (2022/2023)	Annually
Broadband audit	One audit (2023/2024)	Annually
AGSA Implementation Plan	Four audits (Q4 – 2022/2023), Q1, Q2 and Q3 – 2023/2024)	Quarterly
Total	16	

13.3.3 Areas of concern

Capacitation of the finance unit and internal audit units

13.4 In-Management and Monthly/Quarterly Reports

The Board Audit and Risk Committee has consistently reviewed the Fund financial and non-financial management and reporting in the financial year under review ensuring that quarterly reporting has been done in accordance with requirements of the PFMA. The Fund has submitted the quarterly reports to the Executive Authority

13.5 Evaluation of Annual Financial Statements and the Annual Performance Information

The Board Audit and Risk Committee has evaluated the Annual Financial Statements and the Annual Performance Information for the year ended 31 March 2024 and recommended them for the Accounting Authority's approval prior to being submitted to the AGSA for audit. Subsequently, the Board Audit and Risk Committee has considered the changes made to the financial statements in line with the audit work conducted by the AGSA as reported in the AGSA management letter and report. BARC has discussed the external audit outcomes in the reporting on predetermined objectives to be included in the Annual Report with the AGSA and the Accounting Authority.

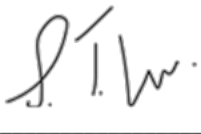
13.6 Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- Register of inventories held by a third party that could be reconciled to the financial statements.
- Inadequate internal controls implemented to account for all installations of inventory
- Delays in the finalisation of investigations and implementation of consequence management.

BARC acknowledges management's efforts in maintaining the audit opinion. Actions are currently underway to address the outstanding matters relating to the qualification of inventory balances. BARC will continue to oversee and support management with the finalisation of the processes to reconcile inventory balances, completion of investigations, and implementation of appropriate consequence management proceedings.

The BARC concurs and accepts the conclusions of the external auditor on the Annual Financial Statements and Annual Performance Report. BARC is therefore satisfied that the audited Annual Financial Statements and audited Annual Performance Report should be accepted and read together with the report of the Auditor-General of South Africa. Subsequent to the financial year end, the chairmanship of BARC has been assumed by Ms Boitumelo Mabusela with effect from the 8th of August 2024.



Mr Simphiwe Thobela
Chairperson of the Board Audit and Risk Committee

14. Social & Ethics Committee Report

The Social and Ethics Committee is constituted as a committee of the Board of USAASA. It operates under the ECA Act 36 of 2005, PFMA 1 of 1999 (as amended), and any other applicable legislation, including King IV.

The committee is constituted as a statutory committee of the Agency in respect of those statutory duties assigned to it in terms of section 72(4) of the Companies Act of 2008(as amended), in accordance with Regulation 43 of the Companies Regulations, 2011 and Part 5.3, Principle 8paragraphs 68, 69 and 70 of King IV.

The Board resolved to re-establish the Social and Ethics Committee during the latter part of the 2023/24 financial year. As part of the process, the board also approved its Terms of Reference. The Committee also approved its Annual Work Plan in alignment with its approved Terms of Reference. The Social and Ethics Committee had its first meeting in Q4 of the 2023/24 financial year.

In the 2024/25 financial year, the Social and Ethics Committee has undertaken to strengthen its effectiveness by ensuring that its members will attend a refresher course on the duties and responsibilities of the Social and Ethics Committee. Further the Committee will ensure that its annual Work Plan is implemented and this includes ensuring that the performance of the Committee is evaluated with any gaps identified implemented.



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Ms Boitumelo Mabusela
Chairperson of the Social and Ethics Committee

15. B-BBEE Compliance Performance Information

The following table has been completed under the compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

USAASA has applied relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) as follows:		
Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	No	Not Applicable
Developing and implementing a preferential procurement policy?	No	Included in the new SCM Policy.
Determining qualification criteria for the sale of state-owned enterprises?	No	Not Applicable
Developing criteria for entering into partnerships with the private sector?	No	Not Applicable
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No	Not Applicable



PFMA COMPLIANCE REPORT

Information on Irregular, Fruitless and Wasteful Expenditure and Material Losses

Irregular expenditure

a) Reconciliation of irregular expenditure

Description	2023/24	2023/23
	R'000	R'000
Opening balance	50,337	103,264
Prior Period Errors	-	-
As Restated	50,337	103,264
Add: Irregular expenditure confirmed	-	-
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	(52,927)
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	50,337	50,337

Irregular expenditure is presented inclusive of VAT.

Reconciling notes

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure that was under assessment in 2022/23	-	-
Irregular expenditure that relates to 2022/23 and identified in 2023/24	-	-
Irregular expenditure for the current year	-	-
Total	-	-

b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	8 721	8 721
Total	8 721	8 721

All the matters making up the total disclosed in the table above relate to irregular expenditure incurred in the previous financial years from 2016/17 to 2020/21.

c) Details of current and previous year irregular expenditure condoned

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure condoned	-	-
Total	-	-

d) Details of current and previous year irregular expenditure removed (not condoned)

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure not condoned and removed	-	(52 927)
Total	-	(52 927)

e) Details of current and previous year irregular expenditure recovered

No irregular expenditure was recovered during the current or previous financial year.

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure recoverable	-	-
Total	-	-

f) Details of current and previous year irregular expenditure written off (irrecoverable)

No irrecoverable irregular expenditure was written off during the current or previous financial year.

Description	2023/24	2022/23
	R'000	R'000
Irregular expenditure written off	-	-
Total	-	-

g) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

No disciplinary actions were taken during the current financial year. Investigations are currently underway. Commensurate disciplinary actions will be taken following the conclusion of the investigations.

Fruitless and wasteful expenditure

a) Reconciliation of irregular expenditure

Description	2023/24	2022/23
	R'000	R'000
Opening balance	78,259	82,160
Adjustment to opening balance	-	-
Opening balance as restated	78,259	82,160
Add: Fruitless and wasteful expenditure confirmed	-	107
Less: Fruitless and wasteful expenditure recoverable	-	-
Less: Fruitless and wasteful expenditure not recoverable and written off	-	(4,008)
Closing balance	78,259	78,259

Reconciling notes

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment	-	-
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	-	-
Fruitless and wasteful expenditure for the current year	-	107
Total	-	107

b) Details of current and previous year fruitless and wasteful expenditure (under assessment determination and investigation)

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	-	-

Nothing is currently under assessment, determination, or investigation. All items disclosed above have been confirmed to be fruitless and wasteful expenditure.

c) Details of current and previous year fruitless and wasteful expenditure recovered

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure recoverable	-	-
Total	-	-

No fruitless and wasteful expenditure was recovered in the current or previous financial year.

d) Details of current and previous year fruitless and wasteful expenditure not recovered and written off

Description	2023/24	2022/23
	R'000	R'000
Fruitless and wasteful expenditure written off	-	-
Total	-	-

e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

No disciplinary actions were taken in the current or previous financial year.

1.2 Additional disclosure relating to material losses in terms of PFMA Section 40(3)(b)(i) & (iii))

a) Details of current and previous year material losses through criminal conduct

No material losses through criminal conduct were identified in the current or previous financial year.

b) Details of other material losses

No other material losses were identified in the current or previous financial year.

Late and Non-Payment of Suppliers

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	104	377 225
Invoices paid within 30 days or agreed period	97	296 068
Invoices paid after 30 days or agreed period	7	81 157
Invoices older than 30 days or agreed period (unpaid and without dispute)	-	-
Invoices older than 30 days or agreed period (unpaid and in dispute)	-	-

*This numbers will vary from what was reported for the financial year as the planned target was non-cumulative and must only consider Q4 outcomes

Supply Chain Management

1.3 19.1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Appointment of Community Broadcasters for the rollout of the BDM awareness campaigns	KZN TV	Deviation	BDM Awareness	4 089
Appointment of Community Broadcasters for the rollout of the BDM awareness campaigns	Cape Town TV	Deviation	BDM Awareness	3 999
Appointment for the implementation of the BDM awareness campaigns	SABC	Deviation	BDM Awareness	22 517
Appointment to develop and manage STB beneficiaries registration platforms/system in line with BDM programme approval funding model	SITA	Deviation	BDM Awareness	17 202
Appointment for the management of registration of indigent household and warehousing of set top boxes in possession of SAPO	SAPO	Deviation	BDM Awareness	82 028
Appointment for the collaboration with .Zadna on digitising the schools where the Broadband service have been deployed.	.ZADNA	Deviation	Digitising the schools	11 645
Appointment for the collaboration with NEMISA for digital skills training	NEMISA	Deviation	Digital Skills Training	40 716
Appointment of Broadband Infraco to rollout broadband connectivity at Dr Ruth Segomotsi Mompati, nine adopted schools in each Province inline with adopted programme and VOIP at school that USAASA deployed	Broadband Infraco	Deviation	Rollout Broadband connectivity at Dr. Ruth Segomotsi	212 264
Appointment for installation of backup power at the Broadband sites	Broadband Infraco	Deviation	Installation of backup power	29 269
Total				423 729

1.4 Contract variations and expansions

Project description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
N/A	N/A	N/A	N/A	-	-	-
Total				-	-	-



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ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the audited annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Accounting Authority sets standards for internal control aimed at reducing the risk of error or misstatement in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records

may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material error or misstatement.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the entity for continued funding of operations. The audited annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the Accounting Authority are primarily responsible for the financial affairs of the entity, they are supported by the entity's executives, and the respective well established management and governance structures.

The external auditors are responsible for independently reviewing and reporting on the entity's audited annual financial statements. The audited annual financial statements have been examined by the entity's external auditors and their report is presented on page 59 to 64.

The audited annual financial statements set out on page 69 to 97, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2024 and were signed on its behalf by:


Ms Daphne Rantho
Board chairperson

BOARD AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2024.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Board Audit and Risk Committee consist of the members listed hereunder and should meet six (6) times per annum as per its approved terms of reference. During the current year 12 meetings were held.

Name of member	Number of meetings attended
Mr. Simphiwe Thobela (Chairperson until 08 August 2024)	12
Ms. Mapuleng Moropa	11
Ms. Buhle Tonise	12
Ms. Boitumelo Mabusela (Chairperson from 08 August 2024)	6
Mr Talalani Ramaru (Late)	1

AUDIT COMMITTEE RESPONSIBILITY

The Board Audit and Risk Committee report that they have complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

The Board Audit and Risk Committee also reports that they have adopted appropriate formal terms of reference as their Board Audit and Risk Committee Charter, have regulated their affairs in compliance with this Charter and have discharged all their responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the entity over financial and risk management was effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Board Audit and Risk Committee and management with assurance that the internal controls are effective, efficient and transparent. This was achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the audited annual financial statements, and the Management Report of the Auditor-General South Africa, it was noted that no matters

were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The Board Audit and Risk Committee are satisfied with the content and quality of quarterly reports prepared and issued by the executives of the entity during the year under review.

EVALUATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The Board Audit and Risk Committee have:

- reviewed and discussed the audited annual financial statements, with the Auditor-General and the Accounting Authority;
- reviewed the Auditor-General of South Africa's Management Report and management's response thereto;
- reviewed the entity's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

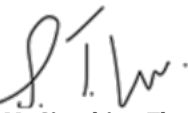
The Board Audit and Risk Committee concur with and accept the Auditor-General of South Africa's report the audited annual financial statements, and are of the opinion that the audited fnnual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Auditor-General of South Africa

The Board Audit and Risk Committee have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

The Board Audit and Risk Committee acknowledge management's efforts in ensuring that appropriate and effective internal controls are implemented to ensure that the financial statements are prepared in accordance with the relevant accounting standards and to achieve fair presentation.



Mr Simphiwe Thobela
Board Audit and Risk Committee Chairperson

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE UNIVERSAL SERVICES AND ACCESS FUND

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Universal Services and Access Fund (USAF) set out on pages 69 to 97, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the USAF as at 31 March 2024, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally recognised accounting practice (GRAP) and the requirements of the Public Finance Management Act (Act 1 of 1999) (PFMA).

Basis for qualified opinion

Inventory

3. I was unable to obtain sufficient appropriate audit evidence that inventory on hand at year end was properly accounted for in the current and previous year as the public entity did not maintain a register of inventory. I was unable to confirm the inventory by alternative means. Consequently I was unable to determine whether any adjustments were necessary to inventory stated at R734 160 000 (2023: R833 272 000) in note 02 to the financial statements.

Broadcasting Digital Migration Projects

4. I was unable to obtain sufficient and appropriate audit evidence that management had properly accounted for all inventory redemptions and installations stated at R99 112 000 (2023: R73 232 000) and R44 301 000 (2023: R42 038 000) in note 17 to the financial statements respectively, as internal controls had not been established to maintain records for inventory management and installation of this inventory. I could not

confirm whether all inventory redemptions and installation costs were recorded by alternative means.

Consequently, I was unable to obtain sufficient appropriate audit evidence to determine whether any adjustments were necessary to account for all accruals as stated at R12 784 000 (2023: R73 470 000) in note 6 to the financial statements.

Context for opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
6. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA; and for such internal control as the accounting, authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE UNIVERSAL SERVICES AND ACCESS AGENCY

- intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located on page 63 and 64, forms part of my auditor's report.

Report on the annual performance report

12. In accordance with the Public Audit Act 25 of 2004 (PM) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

13. I selected the following material performance indicators related to Business Operations presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

 - Percentage verification of valid BDM installations for registered and qualified households
 - Percentage of valid installations monitored
 - Percentage verification of installed and connected sites
 - Percentage monitoring of connected sites in the identified municipalities

14. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

15. I performed procedures to test whether:

 - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
 - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

16. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

17. I did not identify any material findings on the reported performance information for the selected indicators.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE UNIVERSAL SERVICES AND ACCESS AGENCY

- Other matters**
18. I draw attention to the matters below.
- Achievement of planned targets**
19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under-achievements.
20. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 22 to 29.
- Business Operations**
- | Targets achieved: 60% | | |
|---|----------------|----------------------|
| Key indicator not achieved | Planned target | Reported achievement |
| Percentage of valid installations monitored | 15% | 11% |
- Material misstatements**
21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Business Operations. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.
- Report on compliance with legislation**
22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
25. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:
- Annual financial statements, performance and annual report**
26. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of liabilities and expenditure identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.
- Consequence management**
27. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular, fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because in some instances investigations into irregular, fruitless and wasteful expenditure were not performed.
- Other information in the annual report**
28. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE UNIVERSAL SERVICES AND ACCESS AGENCY

- programme presented in the annual performance report that have been specifically reported on in this auditor's report.

29. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

30. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.
33. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on compliance with legislation included in this report.

34. Management did not implement an appropriate internal control process to properly account for inventory balances and the movement of inventory during the year.

35. Management did not implement an appropriate and effective internal control process to properly account for all expenditure incurred and to accrue for all expenditure.

36. Management did not adequately review the financial statements to ensure that errors are identified and corrected prior to the submission of the financial statements for audit resulting in material corrections to the financial statements.

37. The public entity did not implement adequate consequence management processes for transgressions against applicable policies, laws and regulations. Investigations were not undertaken for all instances of irregular, fruitless and wasteful expenditure incurred in the prior year.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

Auditor - General

Pretoria
31 July 2024



ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation - selected legislative requirements

ANNEXURE TO THE AUDITOR’S REPORT

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(iii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3(b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); Section 45(4); 46(1)(a); 46(1)(b); 46(1)(c); Section 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Instruction No. 1 of 2021/22	Paragraph 4.1
National Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No.03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1 (b)
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

ACCOUNTING AUTHORITY’S REPORT

The members submit their report for the year ended 31 March 2024.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The entity is engaged in bridging the digital access gaps to ensure universal access to broadcasting and information technology services and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment.

PROPORTION OF INCOME AND LOSS ATTRIBUTABLE TO VARIOUS CLASSES OF BUSINESS:

2024				
Classes of business	Government Grants	Retention of Funds	Grant R’000	Retention R’000
Administration	4 %	1 %	3,000	8,000
Broadband Project	96 %	34 %	64,419	536,395
Broadcasting Digital Migration (BDM) Project	0 %	65 %	-	1,023,396
Original Budget	100 %	100 %	67 419	1,567,791
Budget cut	5 %	0 %	(3,116)	-
Final Budget	95 %	0 %	64,303	-

2023				
Classes of business	Government Grants	Retention of Funds	Grant R’000	Retention R’000
Administration	2 %	1 %	3,000	13,005
Broadband Project	51 %	8 %	63,777	230,251
Broadcasting Digital Migration (BDM) Project	47 %	91 %	59,406	2,506,315
Final Budget	100 %	100 %	126,183	2,749,571

2. GOING CONCERN

We draw attention to the fact that as at 31 March 2024, the entity had an accumulated surplus (deficit) of R 3,604,500 000 and that the entity’s total assets exceed its total liabilities by R 3,604,500 000.

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Authority continue to oversee budget and financial management processes to ensure adequate budget is sourced in accordance with the government budgeting processes (MTEF and ENE processes).

ACCOUNTING AUTHORITY’S REPORT

3. SUBSEQUENT EVENTS

On 30th June 2024, His Excellency President Cyril Ramaphosa announced the seventh administration cabinet with the appointment of honourables Solly Malatsi and Mondli Gungubele respectively as the Minister and Deputy Minister of Communications and Digital Technologies.

4. ACCOUNTING POLICIES

The audited annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. ACCOUNTING AUTHORITY

The members of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
Ms Daphne Rantho	South African	
Mr Simphiwe Thobela	South African	
Ms Mapuleng Moropa	South African	
Ms Buhle Tonise	South African	
Mr Talelani Ramaru (Late)	South African	Passed on 29 April 2023
Ms Boitumelo Mabusela	South African	Appointed on 12 June 2023

6. CORPORATE GOVERNANCE

GENERAL

The Accounting Authority are committed to business integrity, transparency and professionalism in all their activities. As part of this commitment, the Accounting Authority supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct (“the Code”) laid out in the relevant prescripts including the Constitution of the Republic of South Africa, the PFMA and related regulations, and King IV Report on Corporate Governance for South Africa. The Accounting Authority discuss the responsibilities of management in this respect, at Board meetings and monitor the entity’s compliance.

The salient features of the entity’s adopted Code are outlined below:

BOARD OF DIRECTORS

The Board:

- retain full control over the entity, its plans and strategy;
- acknowledge their responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- are of a unitary structure comprising:

ACCOUNTING AUTHORITY’S REPORT

- non-executive directors, all of whom are independent directors as defined in the Code;
- executive management as standing invitees (ACEO and ACFO);
- Chief Audit Executive as standing invitee; and
- other executive managers attending as per invitation.
- have not established a Board directorship continuity programme due to the pending disestablishment of the entity..

CHAIRPERSON AND CHIEF EXECUTIVE

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson, and the Acting Chief Executive Officer are segregated, with responsibilities clearly defined in the approved Delegation of Authority Framework.

The Board have access to all members of management and records of the entity.

REMUNERATION

The upper limits of the remuneration of the Acting Chief Executive Officer, and the Acting Chief Financial Officer, are determined by the Board taking into account the adopted DPSA Salary Structure.

BOARD AUDIT AND RISK COMMITTEE

For the current financial year, BARC was chaired by an independent audit committee member, Mr Simphiwe Thobela. The committee met 12 times during the financial year to review matters necessary to fulfil their role.

KEY STAKEHOLDERS

USAASA is a State Owned Entity established in accordance with the ECA, 2005 as a public entity listed in the PFMA as a Schedule 3A government institution reporting directly to the Department of Communications and Digital Technologies. During the current period, USAF’s key stakeholders included:

- a) National treasury - quarterly and annual reporting for consolidation;
- b) PCC - quarterly and annual reporting for accountability,;
- c) Masikhathalelane GBV Centre - fully broadband connected site operating as an NPO in Petrusville, Northern Cape. USAASA adopted this GBV Centre due to its pivotal role in community upliftment and as a refuge for all vulnerable people;
- d) Sentech - procurement and installation of STBs for the BDM project;
- e) BBI - for the connectivity and provision of broadband services in identified district in accordance with the SA Connect programme;
- f) SAPO - for the registration of qualifying beneficiaries, and warehousing and distribution of Set-Top Boxes in their warehouses and branches throughout the country where SAPO has points of presence.

ACCOUNTING AUTHORITY’S REPORT

7. AUDITORS

AGSA will continue in office for the next financial period.

The audited annual financial statements set out on page 69 to 97, which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2024 and were signed on its behalf by:


Ms Daphne Rantho
Board Chairperson

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

		2024	2023
	Note (s)	R '000	Restated* R '000
ASSETS			
CURRENT ASSETS			
Inventories	2	734,160	833,272
Loans to economic entities	5	-	24,552
Receivables from exchange transactions	3	24,308	19,756
Cash and cash equivalents	4	2,889,858	2,947,459
		3,648,326	3,825,039
Total Assets		3,648,326	3,825,039
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	6	43,826	110,199
Provisions	7	-	3,971
		43,826	114,170
Total Liabilities		43,826	114,170
Net Assets		3,604,500	3,710,869
Accumulated surplus		3,604,500	3,710,869
Total Net Assets		3,604,500	3,710,869

STATEMENT OF FINANCIAL PERFORMANCE

		2024	2023
	Note (s)	R '000	Restated* R '000
Revenue			
Revenue from exchange transactions			
Other income		24	-
Interest received - investment	10	230,791	159,422
Total revenue from exchange transactions		230,815	159,422
Revenue from non-exchange transactions			
TRANSFER REVENUE			
Government grants & subsidies	9	64,303	126,183
Total revenue	8	295,118	285,605
Expenditure			
Administration	12	(42)	(225)
Finance costs	13	-	(107)
Projects Overheads Costs	16	(5,124)	(7,278)
Broadcasting Digital Migration (BDM) Project Costs	17	(231,842)	(162,025)
Broadband Project Costs	18	(162,769)	(49,876)
Audit Fees	14	(1,710)	(1,551)
Total expenditure		(401,487)	(221,062)
(Deficit) surplus for the year		(106,369)	64,543

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus / deficit R '000	Total net assets R '000
Balance at 01 April 2022	3,646,326	3,646,326
Changes in net assets Surplus for the year	64,543	64,543
Total changes	64,543	64,543
Restated* Balance at 01 April 2023	3,710,869	3,710,869
Changes in net assets Surplus for the year	(106,369)	(106,369)
Total changes	(106,369)	(106,369)
Balance at 31 March 2024	3,604,500	3,604,500

STATEMENT OF CASH FLOWS

	Note(s)	2024 R '000	2023 Restated* R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government grants & subsidies		64,303	126,183
Payments			
Suppliers		(350,245)	(203,807)
Finance Cost		-	(1,500)
		(350,245)	(205,307)
Net cash flows from operating activities	19	(285,942)	(79,124)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income		228,341	150,829
		(57,601)	71,705
Net increase/(decrease) in cash and cash equivalents		(57,601)	71,705
Cash and cash equivalents at the beginning of the year		2,947,459	2,875,754
Cash and cash equivalents at the end of the year	4	2,889,858	2,947,459

The accounting policies on pages 75 to 83 and the notes on pages 84 to 97 form an integral part of the audited annual financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Statement of Financial Performance

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Other income	-	-	-	24	24	
Interest received - investment	-	-	-	230,791	230,791	(a)
Total revenue from exchange transactions	-	-	-	230,815	230,815	
REVENUE FROM NON- EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Government grants & subsidies	67,419	(3,116)	64,303	64,303	-	(b)
Total revenue	67,419	(3,116)	64,303	295,118	230,815	
EXPENDITURE						
Administration	(5)	-	(5)	(42)	(37)	
Projects overheads	(1,285)	(8,000)	(9,285)	(5,124)	4,161	(c)
Broadcasting Digital	-	(1,023,396)	(1,023,396)	(231,842)	791,554	(d)
Migration (BDM) Project						
Broadband Project Costs	(64,419)	(536,395)	(600,814)	(162,769)	438,045	(e)
Audit Fees	(1,710)	-	(1,710)	(1,710)	-	
Total expenditure	(67,419)	(1,567,791)	(1,635,210)	(401,487)	1,233,723	
Deficit before taxation	-	(1,570,907)	(1,570,907)	(106,369)	1,464,538	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(1,570,907)	(1,570,907)	(106,369)	1,464,538	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

RECONCILIATION

- (a) Interest income relate to revenue earned from funds invested in interest yielding short-term investment account (call account). Interest was earned at an average rate of 7.8%.
- (b) Deducted from grants is the total amount of budget cut endured during the year under review. Thus the final budget represent the amount that was received from the Department in accordance with the appropriated funds for the year under review.
- (c) During the current year, travel costs were reclassified from projects communities to projects overhead costs. The difference in this regard was due to the completion of work in some districts wherein the travel was reduced. The introduction of the Travel Management Company has also contributed positively on the travel costs savings due to reduced agency fees.
- (d) Broadcasting Digital Migration (BDM) project had a final budget of R 1.023 billion consisting of the retention of funds approved by the National Treasury as there was no budget allocation for BDM in the current financial year .R 231.8 million (representing 22.7% of final approved BDM retention) was spent by 31 March 2024. The low spending rate compared to the budget was due to the time lag from the beginning of the financial year (April 2023) to the approval of the retention of funds (October 2023) and the delays in the implementation (installation of STBs) of the project.
- (e) Broadband project had a final budget of R 608,2 million, majority of which being the approved retention of funds totaling R 536 million (88%). R 168 million (representing 27.6% of the final budget) was spent by 31 March 2024. The low spending rate compared to the budget was due to the time lag from the beginning of the financial year (April 2023) to the approval of the retention of funds (October 2023) and the delays in the implementation (broadband infrastructure and connectivity) of the project stemming from the length of time it takes for the approval of high sites by the local municipalities and the capacity of the appointed implementing entity.

SIGNIFICANT ACCOUNTING POLICIES

1. Significant accounting policies

The significant accounting policies applied in the preparation of these audited annual financial statements are set out below.

1.1 BASIS OF PREPARATION

The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).
These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.2 PRESENTATION CURRENCY

These audited annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.3 GOING CONCERN ASSUMPTION

These audited annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.4 MATERIALITY

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement

judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Other significant judgements, sources of estimation uncertainty and/ or relating information, have been disclosed in the relating notes.

Significant judgements include:

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets..

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including changes in circumstances of the debtor (employee), exchange rates, inflation rates, interest rates, etc.

Effective interest rate

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

SIGNIFICANT ACCOUNTING POLICIES

Allowance for doubtful debts

On debtors an impairment loss 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.

1.5 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs

SIGNIFICANT ACCOUNTING POLICIES

because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

SIGNIFICANT ACCOUNTING POLICIES

1.6 INVENTORIES

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

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

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

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

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

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

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

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

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

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

inventories recognised as an expense in the period in which the reversal occurs.

1.7 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.8 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

SIGNIFICANT ACCOUNTING POLICIES

The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

SIGNIFICANT ACCOUNTING POLICIES

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.9 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments: The required commitments disclosure consist of the following two categories.

Category one (1): “Already contracted for but not yet provided for” - This category consist of all the procurements for good and services that have already been contracted for but the entity does not have a specific budget allocated.

Category two (2): “Not yet contracted for and authorised by members (Board)”: This category consist of all procurements for goods and services authorised by the board members but not yet contracted for (still busy contracting). Purchase order may have already been issued.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.10 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is 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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.11 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

SIGNIFICANT ACCOUNTING POLICIES

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.12 INVESTMENT INCOME

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.14 FRUITLESS AND WASTEFUL EXPENDITURE

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.15 IRREGULAR EXPENDITURE

Irregular expenditure refers to expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation or regulation or policy of government.

1.16 BUDGET INFORMATION

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2023 to 31/03/2027.

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.17 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

SIGNIFICANT ACCOUNTING POLICIES

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its audited annual financial statements.

1.18 EVENTS AFTER REPORTING DATE

Events after 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. Two types of events can be identified:

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

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.19 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

TRADE RECEIVABLES AND/OR LOANS AND RECEIVABLES

The entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the provincial entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated

SIGNIFICANT ACCOUNTING POLICIES

by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

IMPAIRMENT TESTING

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

PROVISIONS

Where provisions were raised, management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 7 - Provisions.

OTHER

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024 R '000	2023 R '000
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2. INVENTORIES

Inventory at the beginning of the year	833,272	804,814
Inventory redemption / installation for the year	(99,112)	(73,232)
Add: Assembled DTH Dish Kits	-	101,690
	734,160	833,272

In the current financial year, a total of 196 747 items of stock (STBs and Dish/Antennae) were used in the installation of STBs to identified and registered beneficiaries. The total value of the sock utilised was R 99 112 450. Stock on hand at the end of the financial year has been calculated after the reduction of the stock used in the provision of the Broadcasting Digital Migration Services.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Travel Management Company Balance (a)	121	-
Accrued Interest Income	19,607	17,156
Prepaid expenses	4,580	2,600
	24,308	19,756

RECONCILIATION - TRAVEL MANAGEMENT COMPANY BALANCE

(A) TRAVEL MANAGEMENT COMPANY BALANCE

Deposited/Transferred During the year	1,000	-
Incurred/Expensed during the year	(879)	-
Closing balance at the end of the year	121	-

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:		
Bank balances	3,132	1,268
Short-term deposits	2,886,726	2,946,191
	2,889,858	2,947,459

5. LOANS TO (FROM) FELLOW CONTROLLED ENTITIES

DEBTS TO / (FROM) FELLOW CONTROLLED ENTITIES

Inter-Entity Loan to /(from) USAASA	-	24,552
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This is an Inter-Entity Loan between USAASA and USAF. The loan represent payments made by USAF on behalf of USAASA or vice versa which have not yet been transferred between the entities accounts as at the reporting date. The balance was transferred in the current financial year by USAASA.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024 R '000	2023 R '000
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6. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	31,042	36,729
Accruals	12,784	73,470
	43,826	110,199

7. PROVISIONS

RECONCILIATION OF PROVISIONS - 2024

	Opening Balance	Reversed during the year	Total
Provisions	3,971	(3,971)	-

RECONCILIATION OF PROVISIONS - 2023

	Opening Balance	Reclassified to contingencies	Total
Provisions	8,782	(4,811)	3,971

Provisions related to a matter concerning the escalation of charges during the term of contracts that were entered into with the previous installers that were appointed by USAASA for the installation of Set- Top Boxes (STBs).

The balance of the provisions was derecognised during the current financial year after conducting thorough analysis and concluding that the probability of outflow of cash is remote. It was realised that the balance was mainly for companies that have not come forward in the previous three financial years to claim the escalation costs.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024 R'000	2023 R'000
8. REVENUE		
Other income	24	-
Interest received - investment	230,791	159,422
Government grants & subsidies	64,303	126,183
	295,118	285,605
THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:		
Other income	24	-
Interest received - investment	230,791	159,422
	230,815	159,422
THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:		
TRANSFER REVENUE		
Government grants & subsidies	64,303	126,183
9. GOVERNMENT GRANTS & SUBSIDIES		
Operating grants		
Government grant (DCDT)	64,303	126,183
CONDITIONAL AND UNCONDITIONAL		
Included in above are the following grants and subsidies received:		
Unconditional grants received	64,303	126,183
10. INVESTMENT REVENUE		
INTEREST REVENUE		
Sort-Term Investment (Call Account)	230,791	159,422
Total interest income is calculated using the effective interest rate method. Interest is earned from short- term investment (call account) at an interest rate of 7.8%. The increase was mainly due to the increase in the interest rate from 7.3% to 7.8% at the beginning of the year under review that was maintained as such for the whole year.		

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024 R'000	2023 R'000
11. OTHER REVENUE		
Other income	24	-
12. ADMINISTRATIVE EXPENDITURE		
Administration and management fees	42	225
13. FINANCE COSTS		
Trade and other payables	-	107
14. AUDITORS' REMUNERATION		
Fees	1,710	1,551
15. WAREHOUSING AND DISTRIBUTION COSTS		
Warehousing and Distribution Costs	70,778	-
Represent expenditure incurred in the current financial year for the registration of beneficiaries, and warehousing and distribution of inventory (STBs and related accessories) stored at SAPO warehouses and branches throughout the country for ease access by the installers during the installation processes. During the year under review, warehousing and distribution costs' appropriation / budget was corrected and approved under USAF, hence the expenditure is recognised in USAF in the year under review.		
16. PROJECTS OVERHEAD COSTS		
BDM Project Travel Expenses	3,545	6,841
Broadband Project Travel Expenses	1,579	437
	5,124	7,278

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024 R '000	2023 R '000
17. BROADCASTING DIGITAL MIGRATION (BDM) PROJECTS		
COMMUNITIES		
Inventory Redemption	99,112	73,232
Installations	44,301	42,038
Quality Assurance	-	1,227
Project Management	3,746	3,271
Call Centre/After-Market	17,876	17,030
BDM awareness Campaigns	-	25,282
Warehousing and Distribution Costs	70,778	-
Reclassification of provisions to contingencies	-	(4,811)
Settlement of legacy debt (unfavourable court award)	-	4,756
Derecognition/reversal of provisions	(3,971)	-
Total Broadcasting Digital Migration (BDM) Project Costs	231,842	162,025
18. BROADBAND PROJECT		
COMMUNITIES		
Broadband Equipment	10,918	49,876
Broadband Infrastructure Built	151,851	-
Total Broadband Project Costs	162,769	49,876
19. CASH USED IN OPERATIONS		
(Deficit) surplus	(106,369)	64,543
ADJUSTMENTS FOR:		
Interest received - investment	(230,791)	(159,422)
Finance costs	-	107
Movements in provisions	(3,971)	(4,811)
Other non-cash items	-	355
Movement in inter-entity loan	24,552	(16,420)
CHANGES IN WORKING CAPITAL:		
Inventories	99,112	(28,470)
Receivables from exchange transactions	(2,101)	5,451
Payables from exchange transactions	(66,374)	59,543
	(285,942)	(79,124)

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024 R '000	2023 R '000
20. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE		
Fruitless and wasteful expenditure	-	107
21. COMMITMENTS		
AUTHORISED OPERATIONAL EXPENDITURE		
ALREADY CONTRACTED FOR BUT NOT PROVIDED FOR		
• Sentech	-	381,226
• Broadband Infraco (BBI)	17,275	169,125
• South African Broadcasting Corporation (SABC)	-	2,046
	17,275	552,397
NOT YET CONTRACTED FOR AND AUTHORISED BY MEMBERS		
• Broadband Infraco (BBI)	212,264	63,777
• Broadband Infraco (BBI)	29,269	-
• .ZADNA	11,645	-
• SITA	17,202	-
• South African Post Office	82,027	-
- NEMISA	40,716	-
	393,123	63,777
TOTAL OPERATIONAL COMMITMENTS		
Already contracted for but not provided for	17,275	552,397
Not yet contracted for and authorised by members	393,123	63,777
	410,398	616,174

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024	2023
	R '000	R '000

22. RELATED PARTIES

Relationships	
Ultimate controlling entity	Department of Communications and Digital Technologies
Members	Refer to members's report note in USAASA
Fellow-Controlled Entity (Within Common Control)	South African Broadcasting Corporation (SABC)
Fellow-Controlled Entity (Within Common Control)	Sentech
Fellow-Controlled Entity (Within Common Control)	Broadband Infraco (BBI)
Fellow-Controlled Entity (Within Common Control)	South African Post Office (SAPO)
Fellow-Controlled Entity (Within Common Control)	National Electronic Media Institute of South Africa (NEMISA)
Fellow-Controlled Entity (Within Common Control)	Film and Publications Board (FPB)
Fellow-Controlled Entity (Within Common Control)	State Information Technology Agency (SITA)
Fellow-Controlled Entity (Within Common Control)	Postbank
Fellow-Controlled Entity (Within Common Control)	.za Domain Name Authority (.ZADNA)
Fellow-Controlled Entity (Within Common Control)	Independent Communications Authority of South Africa (ICASA)
Fellow-Controlled Entity (Within Common Control)	Universal Service and Access Agency of South Africa (USAASA)

Entities are appointed in accordance with the approved funding model through closed tenders or as indicated in the funding model. The funding model clearly indicate the amount of budget allocated to each entity in accordance with the respective approved rates and allocated quantities/volumes.

USAASA enters into Tripartite Service Agreements (Master Service Agreements) with the fellow entities and the DCDT. These clearly spell out the terms and conditions of the services delivered by the different entities together with the relevant entity's roles and responsibilities (obligations).

RELATED PARTY BALANCES

LOAN ACCOUNTS - OWING (TO) BY RELATED PARTIES

USAASA	-	24,552
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Represent warehousing and distribution costs incurred by USAASA and paid in USAF. By 31 March 2024 the balance from the previous financial year settled by USAASA.

AMOUNTS INCLUDED IN TRADE RECEIVABLE (TRADE PAYABLE) REGARDING RELATED PARTIES

ACCRUALS		
Sentech	(12,638)	(54,954)
ACCOUNTS PAYABLE		
Sentech	(11,291)	(35,924)
SAPO	(19,687)	-
TRADE RECEIVABLES		
SABC	2,600	2,600

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024	2023
	R '000	R '000

RELATED PARTY TRANSACTIONS

USAF's mandate is to subsidise projects and programmes aimed at ensuring universal access to broadcasting, and information and communication services throughout the country. This is in line with the priorities of government as outlined in the MTSE.

Transactions with the above listed related party parties are therefore exclusively for subsidies towards the achievement of the mandate of USAF; to ensure universal access by all south Africans to broadcasting, and information and communications services. USAF funds projects aimed at achieving this mandate.

The current priority projects funded through USAF are the Broadcasting Digital Migration and Broadband Connectivity projects. Below are the transactions for the current period under review:

RELATED PARTY TRANSACTIONS

DCDT - Transfer of appropriated / allocated grants	64,303	126,183
BBI - Broadband Equipment procurement and Infrastructure built	(162,769)	(49,876)
SAPO - Warehousing and Distribution Costs	(70,778)	-
SABC - Awareness campaigns	-	(25,282)
Sentech: Installations	(44,301)	(42,038)
Sentech: Quality Assurance	-	(1,227)
Sentech: Project Management	(3,746)	(3,271)
Sentech: After-Market	(17,876)	(17,030)
Sentech: Assembled DTH Dish Kits	-	(101,690)
	(235,167)	(114,231)

23. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

STATEMENT OF FINANCIAL POSITION

2022

	Note	As previously reported	Correction of error	Restated
Inventories (Error 2)	2	807,209	(2,395)	804,814
Accruals (Error 1)	6	(30,212)	(8,298)	(38,510)
		776,997	(10,693)	766,304

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2023

	Note	As previously reported	Correction of error	Restated
Inventories (Error 2)	2	836,164	(2,892)	833,272
Accruals (Error 3)	6	(66,985)	(6,485)	(73,470)
Account payable (Error 4)	6	(26,940)	(9,788)	(36,728)
		742,239	(19,165)	723,074

STATEMENT OF FINANCIAL PERFORMANCE

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Broadband Project Costs (Reclassification 1)	18	50,324	-	(449)	49,875
BDM Project Costs (Error 5)	17	157,492	11,374	(6,841)	162,025
Broadband Project Overheads (Error 6)	16	-	(12)	449	437
General expenditure (Reclassification 1)	16	-	-	6,841	6,841
Surplus for the year		207,816	11,362	-	219,178

ERRORS

Presented below are those items contained in the statement of financial position, and statement of financial performance that have been affected by prior-year adjustments:

ERROR 1 (ACCRUALS 2021/22)

This is the portion of the BDM project expenditure relating to the 2020/21 to 2021/22 financial year installations. Sentech is now providing acceptable PoE and revising their initial invoices to take into account the installations that are verified and certified by USAASA. The total adjustment is made up of:

Description	
(a) 2020/21 STBs Installations	(R 1 116)
(b) 2021/22 STBs Installations	(R 490)
(c) 2020/21 Project Management	(R 35)
(d) 2020/21 Project Management	(R 756)
(e) 202021 Travel costs	(R 217)
(f) 2021/22 Out of Court settlement(Nyandeni)	(R 5 408)
(g) Other adjustments	(R 275)
Total amount of adjustments for BDM Installations (2021/22 FY)	(R 8 298)

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

ERROR 2 (INVENTORY)

This is due to the Assembly of Dish Kits invoices that were only submitted after the 2022/23 financial statements were finalised, audited and issued. Due to the PoE for February and March installations also received after the financial statements were finalised, audited and issued, the redemptions for these months (previous year) were only recognised post the statements were audited and issued. The total amount is made up of:

Description	
(a) Assembly of Dish Kits	R 8 755
(b) 2020/21 Inventory Redemption	(R 2 395)
(c) 2022/23 Inventory Redemption	(R 9 252)
Total Amount of adjustments for Inventory	(R 2 892)

ERROR 3 (ACCRUALS 2022/23)

This is the portion of the BDM project expenditure (refer to error 4) that was related to accruals for the 2022/23 financial year. The total amount is made up of:

Description	
(a) 2022/23 March Supplementary Installations	(1 056)
(b) 2022/23 Accrued travel expenditure	(21)
(c) 2021/22 Out of Court settlement(Nyandeni)	(5 408)
Total amount of adjustments for Accruals	(6 485)

ERROR 4 (PAYABLES 2022/23)

This is the portion of the BDM project expenditure that was related to accounts payable for the 2022/23 financial year. The total amount is made up of:

Description	
(a) Assembly of Dish Kits (Last invoice)	(8 755)
(b) Project management (prior period invoices in current period)	(1033)
Total amount of adjustments for Payables	(9 788)

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

ERROR 5 (BDM EXPENDITURE)

These are the adjustments for the BDM project costs (redemptions, installations) incurred in the 2022/23 financial year. Proper portfolio of evidence that was not provided in the previous financial years was provided, verified and confirmed in the current financial year. The total amount is made up of:

Description	
(a) 2022/23 Inventory Redemption	9 252
(b) 2022/23 Installations/PM/QE	2 122
Total amount of adjustment for BDM Project Costs	11 374

ERROR 6 (BROADBAND PROJECT OVERHEADS)

The difference is due to the travel expenditure incurred / recognised in the previous financial years (legacy costs) that was reversed due to insufficient supporting documents (third party invoices).

RECLASSIFICATIONS

The following reclassifications adjustment occurred:

RECLASSIFICATION 1

Projects travel costs have been reclassified from projects communities to projects overheads. This is done in order to comply with GRAP 1 as travel costs represent a different class of assets and hence the separation from the main service delivery project costs. As such project costs are currently classified as project overhead costs.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified. The reclassification is performed in order to fully align to GRAP 1 accounting standards. Refer to the note 23 (Reclassification 1) above.

25. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The entity’s short-term investment (call account) expose it to a variety of financial risks: market risk (including interest rate volatility risk, cash flow interest rate risk and market collapse risk), credit risk and liquidity risk.

The entity’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity’s financial / investment performance. The entity does not use any derivative financial instruments to hedge these risk exposures. Enterprise Risk Management (ERM) is carried out by a dedicated risk management unit under risk management policies and strategies approved by the Accounting Authority. The risk management unit coordinate the identification, evaluation and recommending appropriate action plans to reduce the risks to acceptable appetite and tolerance levels. The Accounting Authority provide/exercise oversight on and endeavours the entity implements best practice principles for overall risk management, as well as written policies covering specific areas related to the short-term investment decisions.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent (short-term investment products), the availability of funding through an adequate amount of committed credit facilities stemming from the entity’s budget approved through the ENE and the ability to earn income from the short- term investment of such funds.

The entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and submitted to the Department in the form of quarterly drawdowns. On a quarterly basis, funds are requested through drawdown requests as per the annual drawdown schedule. Funds received from the Department are used for business operations and are invested the earliest to ensure adequate interest yield.

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 investing unutilised cash in a short-term investment account. Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with one of the major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise of advances / prepayments made to the entities appointed to implement USAASA’s priority projects due to the nature of the transactions involved. Those charged with the Oversight, Leadership, Governance and Management of the entity evaluate credit risks relating to these entities on an ongoing basis. Risk assessments covers the credit quality of these entities, taking into account their financial position, past experience and other factors.

MARKET RISK

INTEREST RATE RISK

Although the entity has significant interest-bearing short-term investments, the entity’s income and operating cash flows are substantially independent of changes in market interest rates. The main revenue consisting of transfers in the form of government grants. During the current year, interest rate averaged 7.3% compared to the 3% earned in the previous financial year. Thus, interest income has doubled in the current financial year compared to the previous financial year.

The carrying amount of the Fund’s financial assets at year end that are subject to interest rate risk is disclosed in note 6 relating to cash and cash equivalent while the interest revenue is disclosed in note 10 relating to Income from Investments

Management performs sensitivity or impact analysis on regular basis to determine the impact of the interest rate fluctuations on the balances invested in the call account (short-term) investment instruments. For the year under review the interest has grown favourably to 7.8% representing an increase of 0.5% compared to the 7.3% average interest rate in the previous financial year..

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024 R '000	2023 R '000
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FOREIGN EXCHANGE RISK

USAF was not exposed to foreign exchange or currency risks during the current financial year as the entity does not conduct business or operations in different currencies (exporting or importing).

The entity does not hedge foreign exchange fluctuations.

26. CONTINGENCIES

Litigation is in the process against the entity relating to a dispute with a current or previous service provider who alleges that the entity has infringed certain terms and conditions of applicable agreement. The entity's legal representation (internally and/or externally - state attorneys included) consider the likelihood of the action(s) against the entity being successful.

Should the action be in favour of the third parties (service providers, civil society, etc), the entity does not have insurance to cover litigation costs and claims. There is no reimbursement from any third parties for potential obligations of the entity. Payments for costs relating to services provided for BDM or Broadband projects are made form the respective project while interest and other costs associated with the litigations are paid from administrative budget. Costs relating to the legal representation are administrative costs that are covered in USAASA.

ELLIES ELECTORNICS

USAASA received a filing notice from AFSA dated 22 November 2022. The matter related to the escalation of charges during the term of the contract. The contingency removed due to inactivity for three years (Refer to the narrative below).

GROW MAKHOSIKATI v USAASA

Grow was appointed to build broadband infrastructure for the Impendle and Nyandeni for which they were duly remunerated. It was an express term of the service level agreement that monthly invoices to be submitted together with connectivity reports to be verified by USAASA Project Manager. Irregularities were identified in the invoices submitted for payment. Grow is claiming for non-payment of invoicing amounting to R7,5 million. Grow was paid the balance owed and matter closed from USAASA. R 5,4 million has been paid and matter is closed.

	-	1,905
	-	7,400

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	2024 R '000	2023 R '000
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KST TRADING v USAASA

A summon for the payment of the escalation rate for installation fees paid by USAASA for the 2016/2017, 2017/2018and 2018/2019 financial years, was issued. Applicants requested for the matter to be enrolled. Waiting for the Notice of Set Down from the Registrar. The matter is not yet finalised.

MT CREATIONS AND OTHERS v USAASA

Currently the matter is under the auspices of AFSA with a date set for hearing on 27 May 2024. USAASA has reached a settlement agreement with the 17 installers for the payment of the price escalation which was not paid during the lifespan of the agreement. The matter is not yet finalised

DURAMICS TRADING, LAMEC TRADING, SAMANO TRADING PROJECTS AND SANCTUMSA v USAASA

USAASA received a filing notice from AFSA dated 22 November 2022. The matter is related to the escalation of charges during the term of the contract. Parties are involved with arbitration. The matter is not yet finalised

	1,833	1,833
	5,700	5,700
	5,365	5,365
	12,898	22,203

ELLIES ELECTRONICS.

The matter from Ellies Electronics had been inactive for the past three (3) years (last activity was in 2021, i.e. a demand letter). Furthermore, the company is currently under business rescue. Our assessment is that the probability of outflow of economic resources is remote considering other companies are still in court on the same matter since 2020. Thus, the matter has been removed from the contingencies disclosure.

27. GOING CONCERN

We draw attention to the fact that at 31 March 2024, the entity had an accumulated surplus (deficit) of R 3,604,500 000 and that the entity's total assets exceed its total liabilities by R 3,604,500 000.

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the members continue to oversee budget and financial management processes to ensure adequate budget is made available for the entity's operations.

28. EVENTS AFTER THE REPORTING DATE

USAF has not identified any adjusting or non-adjusting event after reporting date which would result in the financial statements being adjusted.

On 30th June 2024, His Excellency President Cyril Ramaphosa announced the seventh administration cabinet with the appointment of honourables Solly Malatsi and Mondli Gungubele respectively as the Minister and Deputy Minister of Communications and Digital Technologies.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS



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