



USAASA

Universal Service and Access Agency of South Africa



ANNUAL REPORT 21|22

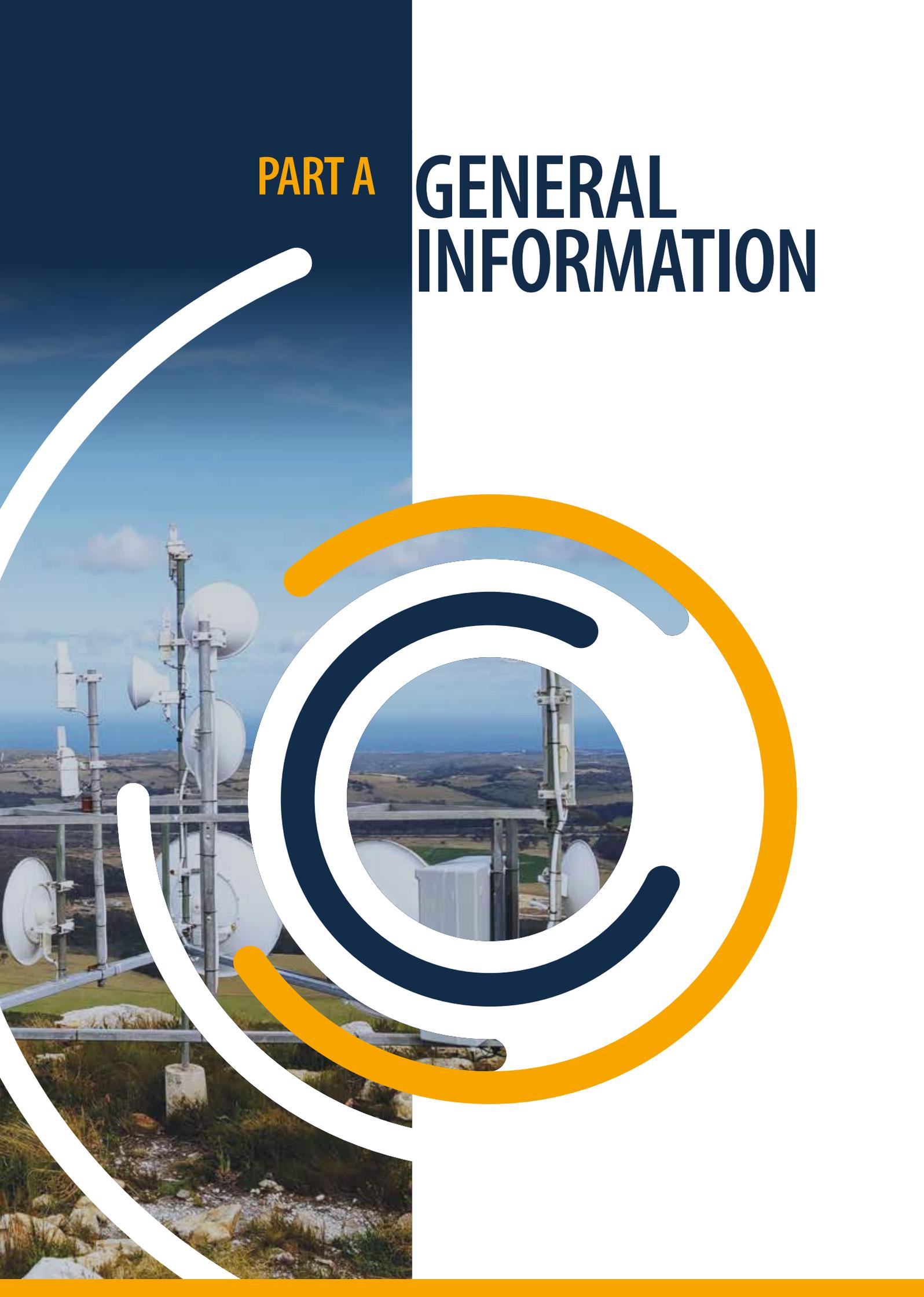


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**PART A**

# **GENERAL INFORMATION**



# 1. GENERAL INFORMATION

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Chief Audit Executive

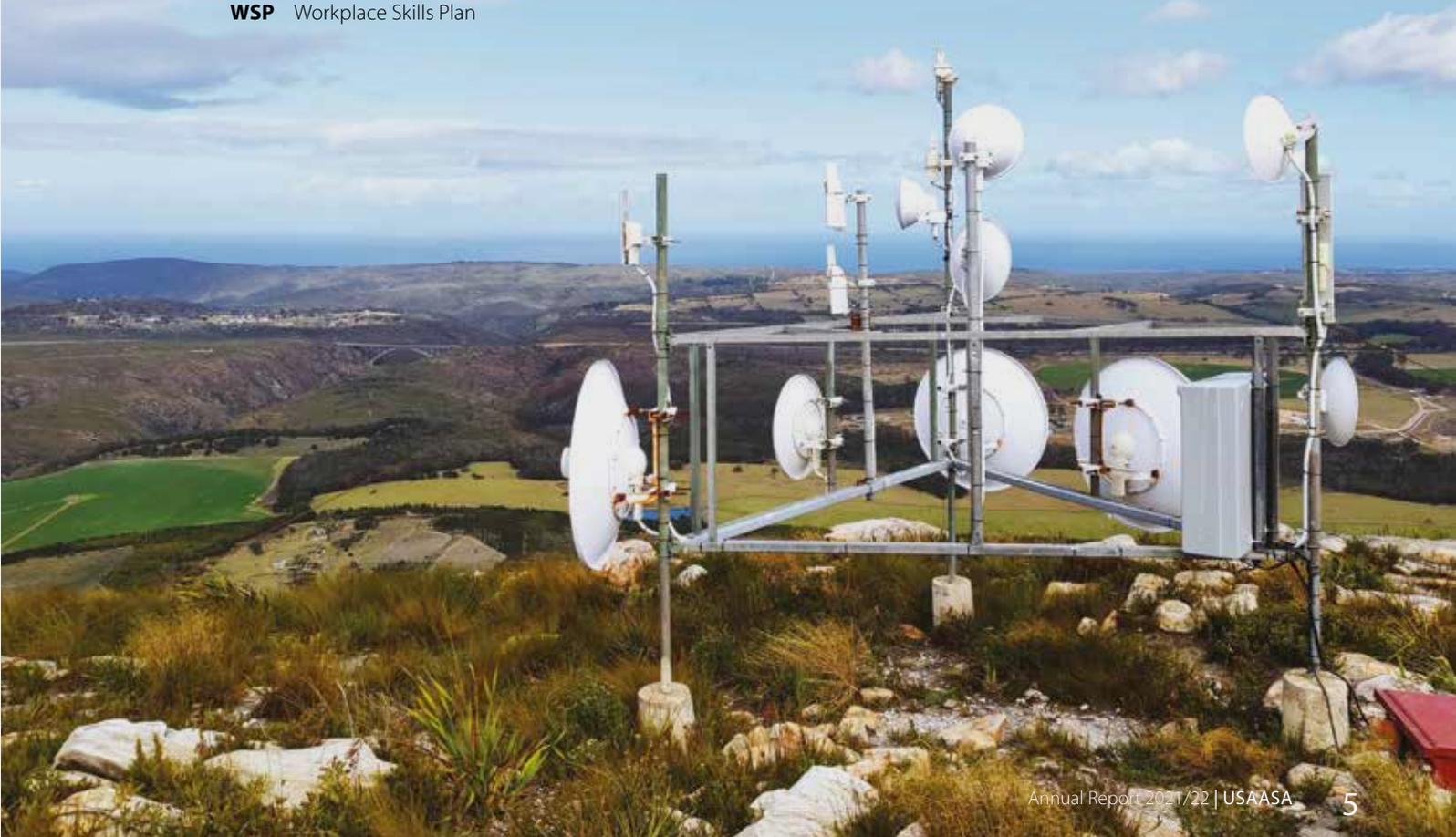
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## 2. LIST OF ABBREVIATIONS/ACRONYMS

<b>AGSA</b>	Auditor-General of South Africa
<b>APP</b>	Annual Performance Plan
<b>ASO</b>	Analogue Switch Off
<b>BAC</b>	Bid Adjudication Committee
<b>BARC</b>	Board Audit and Risk Committee
<b>B-BBEE</b>	Broad-Based Economic Empowerment
<b>BBI</b>	Broadband Infraco SOC
<b>BDM</b>	Broadcasting Digital Migration
<b>CAE</b>	Chief Audit Executive
<b>CEO</b>	Chief Executive Officer
<b>DCDT</b>	Department of Communications and Digital Technologies
<b>D-DF</b>	Digital Development Fund
<b>DPME</b>	Department of Planning, Monitoring and Evaluation
<b>DPSA</b>	Department of Public Service and Administration
<b>DTT</b>	Digital Terrestrial Television
<b>EC</b>	Eastern Cape
<b>ECA</b>	Electronic Communications Act, 2005 as Amended by Act No. 1 of 2014
<b>ERP</b>	Enterprise Resource Planning
<b>Exco</b>	Executive Committee
<b>FS</b>	Free State
<b>GDP</b>	Gross Domestic Product
<b>ICASA</b>	Independent Communications Authority of South Africa
<b>ICT</b>	Information and Communication Technology
<b>ITU</b>	International Telecommunications Union
<b>KZN</b>	KwaZulu-Natal
<b>PAYE</b>	Pay As You Earn
<b>MIM</b>	Managed Integrated Model
<b>MP</b>	Mpumalanga
<b>MTBPS</b>	Medium-Term Budget Policy Statement
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>MTSF</b>	Medium-Term Strategic Framework
<b>NDP</b>	National Development Plan
<b>NC</b>	Northern Cape Province
<b>NT</b>	National Treasury
<b>NW</b>	North West Province
<b>LP</b>	Limpopo
<b>PFMA</b>	Public Finance Management Act

<b>PMDS</b>	Performance Management and Development System
<b>POPI Act</b>	Protection of Personal Information Act
<b>PPP</b>	Public-Private Partnerships
<b>SA</b>	South Africa
<b>SABC</b>	South African Broadcasting Corporation SOC
<b>SAPO</b>	South African Post Office SOC
<b>SARS</b>	South African Revenue Services
<b>SCM</b>	Supply Chain Management
<b>SDIC</b>	State Digital Infrastructure Company
<b>SDL</b>	Skills Development Levy
<b>SITA</b>	State Information Technology Agency
<b>SMME</b>	Small, Medium and Micro Enterprise
<b>SOC</b>	State-Owned Company
<b>SOE</b>	State-Owned Enterprise
<b>SONA</b>	State of the Nation Address
<b>STB(s)</b>	Set-Top Box(es)
<b>TR</b>	Treasury Regulations
<b>TV</b>	Television
<b>USAASA</b>	Universal Service and Access Agency South Africa
<b>USAF</b>	Universal Service and Access Fund
<b>WSP</b>	Workplace Skills Plan





### 3. FOREWORD BY THE CHAIRPERSON

USAASA (Agency) is established in terms of section 80(1) of ECA, as a public body mainly responsible to facilitate the bridging of the digital access gaps which are a new form of social inequality derived from the unequal access to the new ICTs, by gender, territory, social class, and so forth. USAASA is under the oversight of the Board created in terms of section 80(3) of ECA and is directly accountable to Parliament, through the Ministry for Communications and Digital Technologies.

The USAASA mandate supports the goals of NDP, which require all people regardless of who they are, their social or economic status or where they live, to have access to communication services and content. Thereby participating actively in society and realising the benefits and opportunities of ICTs.

The Agency must contribute toward the Revised MTSF 2019-2024 on the following two impact outcomes:

- Unemployment reduced to 20-24% with two million new jobs, especially focusing on youth.
- Economic growth of 2-3% and growth in levels of investment to 23% of GDP<sup>1</sup>.

#### **HIGH-LEVEL OVERVIEW OF THE PUBLIC ENTITY'S STRATEGY AND THE PERFORMANCE OF THE PUBLIC ENTITY IN ITS RESPECTIVE SECTOR**

The rationalisation of the ICT SOEs is defined by the National Integrated ICT Policy White Paper approved by the Cabinet on 28 September 2016. The main objective of the rationalisation process is to move away from the fragmented mode of service delivery into a more consolidated approach.

USAASA is one of the entities identified in the National Integrated ICT Policy White Paper that needed to be disestablished. This process is intended to harmonise and streamline the public entity's capabilities to ensure efficiency in the interest of service delivery.

Earlier in the year on 11 February 2021, the State President pronounced the completion of digital migration and it is vital to the country's ability to effectively harness the enormous opportunities presented by technology change. After several delays, the country will start a phased switch-off of analogue TV transmitters that will be implemented province-by-province. The DTT migration process is a global technology enhancement initiative. Its aim is to surpass other countries in various digital domains, targeting the improvement and level of quality services, thus enabling the efficient use of spectrum resources. In 2006, SA agreed to the ITU Regional Agreement in Geneva determining countries that must migrate from Analogue to Digital TV by 17 June 2015. As a result of the State President's pronouncements on BDM, a holistic review of the current BDM service delivery model to fast-track the completion by 31st March 2022 was conducted, resulting in USAASA's predetermined activities tabled in the annual performance plans being delayed.

Another project pronounced by the State President during the SONA 2021 was SA Connect, a programme intended to roll out broadband to schools, hospitals, police stations and other government facilities. The objective of the phase 1 rollout was to connect 970 government facilities, however, it did not reach the timeliness as set by NDP on extended broadband penetration of 100% broadband penetration by 2020 between the medium term: 2015-2020. All schools, health facilities and social institutions should be connected, and individual citizens should have affordable access to information services and a voice of their own.

<sup>1</sup> Statistics from Medium Term Strategic Framework 2019-2024 published by DPME



*“USAASA mandate supports the goals of the National Development Plan, which requires all people regardless of who they are, their social or economic status or where they live, to have access to communication services and content. Thereby participating actively in society and realising the benefits and opportunities of Information and Communication Technology. ”*

Therefore, the following interventions affected USAASA's execution of the APPs.

#### **DISSOLUTION OF USAASA**

USAASA is in the process of being dissolution as per the policy recommendations of the National Integrated ICT Policy White Paper. The fast-tracking of the dissolution of the entity by 31 March 2022 which has been deferred to 31 March 2023, affected the implementation of the key performance targets contained in tabled USAASA targets on APP 2021-2022. This resulted in a delayed implementation of the USAASA Board approved response to the Gender-Based Violence and Femicide and Stakeholder Engagement Strategy and Plan. The implementation of the procurement plans in line of the tabled USAASA APP 2021-2022 and budget were put in abeyance and this resulted in some activities deferred as the entity could not enter into long-term commitments due to the fast-tracking of the winding down process of USAASA.

#### **REVISED MANAGED INTEGRATED MODEL ON (BDM), 30 SEPTEMBER 2021**

On 30 September 2021, Cabinet adopted the BDM MIM, due to the need for the release of the high-demand spectrum from broadcasting platforms and the licensing of spectrum frequency for the Fifth Generation Networks. The adopted revised BDM MIM actively involves all the broadcast media players to contribute to ramping up the STB installation capacity using their boxes to ensure a rapid reach to all citizens. The government has shifted from a staggered provincial approach towards a consolidated national approach, where STB installations and ASO will happen simultaneously in all nine (9) provinces. The household qualifying support has been revised from R3 200 to R3 500 per month for qualifying households eligible for subsidisation. The households to be migrated will be provided with a subsidy of R1 200 per eligible household.

#### **REVISED SA CONNECT MODEL, 28 JANUARY 2022**

With the State President, Cyril Ramaphosa, emphasising the need for SA Connect to be expedited in response to the growing demand for SA to participate in the digital economy, the SA Connect Phase 2 was revised on 28 January 2022. In the next three years, 44 600 government sites, including schools, health facilities, libraries, Thusong Services Centres and traditional authority offices will be connected through the licensed telecommunications service operators. More than 33 000 community Wi-Fi locations and broadband to households will be provided within the same period. The Cabinet approved the Revised SA Phase Two (2) Model, and the rollout will be using the SOEs such as BBI, SITA and Sentech, including the industry at large. The State will also retain ownership of the network service layer through a designated custodianship through government.

#### **STRATEGIC RELATIONS**

USAASA, after the adoption of the MIM on BDM by Cabinet on 30 September 2021, needed to enter into strategic relations with various entities to support the Revised ASO Plan. After the approved deviation procurement procedure by NT, the Agency has forged multiple formal strategic relations with DCDT, Sentech, SAPO and the broadcast media players such as SABC and others. As at the end of the reporting period, the formal conclusion of strategic relations were concluded with the exception of SITA, Telkom SA Limited SOC, StarSat, eMedia Holdings and MultiChoice, which were still under discussion. Strategic relations are essential towards ensuring the seamless viewer migration of indigent households onto digital broadcasting platforms and ensuring the policy objectives of the BDM policy on universality and geographic reach of digital broadcasting services to all in the Republic, are met.



The State President's pronouncements on SA Connect, emphasised an expedited response to the growing need for South Africans to participate in the digital economy including the need to review the delivery model of SA Connect Phase 2. In order to enable universal access to broadband, the approach taken needed to include the release of the spectrum and other digital technologies, to facilitate the development of the digital economy which will be inclusive and sustainable. The Revised SA Connect Phase 2 Model was adopted by Cabinet on 28 January 2022. USAASA therefore needed to enter into strategic relations to support that would assist in expediting in response to the growing need for South Africans to participate in the digital economy.

#### **CHALLENGES FACED BY BOARD**

USAASA is experiencing a high vacancy rate of 60% at executive management structure arising from the dissolution of the entity by the shareholder. In addition, the organisation is unable to attract the desired skill in the labour market as there is a moratorium placement on hiring of additional employees on a long-term contractual basis due to the impending dissolution of USAASA as a public entity by 31 March 2023.

#### THE STRATEGIC FOCUS OVER THE MEDIUM TO LONG-TERM PERIOD

USAASA will be dissolved in the near future and as such, the main focus is to complete the installation of the STBs to the qualifying households to ensure universal service coverage of free-to-air digital broadcasting services, as well as provide continuity in contribution of connected SA by provision of broadband connectivity to impoverished and remote rural areas to enable digital participation for everyone.

#### ACKNOWLEDGEMENTS

The Board would also like to express its sincere gratitude to Minister Khumbudzo Ntshavheni and Deputy Minister Philly Mapulane for their unwavering support and vision to a fully digitalised connected SA. To the Parliamentary Portfolio Committee on Communications, respective Boards of SOEs reporting to the Ministry, USAASA management and the beneficiaries at large whom we strive to serve, our sincerest thanks.

To this end, USAASA management, under the guidance and oversight of the Board, is steadfastly determined to deliver on our mission and vision, with a sense of renewed commitment and determination, that will continue forward far into the future. Through dedication and teamwork, the USAASA management and staff can realise the Agency's strategic goals.

USAASA remains committed to making a positive impact on the lives of the ordinary citizenry residing in poor communities and deep remote rural areas and achieving demonstrable and sustainable outcomes.



**Ms Daphne Zukiswa Rantho**

Interim Chairperson of the Board

Universal Service and Access Agency of South Africa





## 4. CHIEF EXECUTIVE OFFICER'S FOREWORD

### OVERVIEW OF THE OPERATIONS OF THE AGENCY

USAASA key performance indicators are not linked to its mandate due to limited budget allocation but more to national key priorities such as the following:

- Mainstreaming of gender, empowerment of youth and persons with disabilities.
- Public value and trust, active citizenry and partnership in society.
- Programmatic approaches to asset management, elimination of wasteful and fruitless expenditure, and irregular expenditure.

The key focus area for USAASA is the administrative function of the Fund which is responsible for the key priority projects such as BDM and broadband connectivity which contribute toward the structural reform intended for economic recovery.

USAASA needed to enter into strategic relations with various entities to support the Revised ASO Plan. Subsequent to approval of the deviation procurement procedure by NT, the Agency has forged multiple formal strategic relations with DCDT, Sentech, SAPO, SITA and the broadcast media players.

Subsequent to the approved deviation procurement by NT, the Agency has forged a strategic relationship with the BBI under the reporting period.

### FINANCIAL PERFORMANCE

USAASA's overall financial performance for the period under review shows that the Agency received revenue of R 177 million, and from that received interest of R 8.3 million totalling R185 million. A recorded total expenditure of R 81 million of the

budget was spent in activities compared to R 68 million from the previous reporting period. A surplus of R 104 million was generated in comparison to R197 million during the reporting period of 2020/21.

One of the measures employed to track fiscal viability in terms of main cost drivers was the funds spent on salary and wages, which was R 60 million compared to the amount of R 50 million during the previous reporting period, as more staff were required to implement the rollout of the STBs. In terms of rental costs, there was a difference of R 800 thousand with an amount of R 5.6 million incurred for the reporting period in comparison to R 4.8 million in the prior year. Furthermore, when reviewing the Agency-incurred legal costs of R 420 thousand compared to R 2,7 million, in order to defend USAASA on a number of litigations. The travelling costs incurred increased to R 5.6 million compared to R 714 thousand in the prior year, which is in order for the high-demand spectrum/ digital migration to be affected. USAASA implemented a project whereby graduates were able to be district coordinators to encourage and implement the analogue switch-off process at ground level. As the project was mobilised to increase switch-off implementation, it was imperative that project managers had to travel around the country to ensure that there is an increase in registrations and installations. In summary, USAASA is in good financial standing which has sound liquidity and solvency ratios.

### IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

USAASA's Irregular Expenditure amounted to R17,4 million in comparison to R 3.1 million in the previous reporting period. The increase to R17.4 million is largely due to payments for contracts that have already lapsed, however, the services rendered by the contractual parties were still required for operational purposes.



Due to the dissolution, USAASA cannot commit to long-term contracts.

With the above Irregular Expenditure incurred in the current reporting period, the total balance of irregular expenditure is R52 million including the R3.1 million that was incurred in the previous financial year. The balance of the Irregular Expenditure of R32 million was accumulated over the years before 1 April 2021.

With regards to Fruitless and Wasteful Expenditure, USAASA had incurred R140 000 in the current reporting period as compared to R722 000 in the previous reporting period. The incurred Fruitless and Wasteful Expenditure was a result of a penalty and interest charged by SARS for late payment of PAYE and SDL to SARS.

USAASA did not incur any unauthorised expenditure.

Detailed information on Irregular and Fruitless and Wasteful expenditure is available under Part D: Financial information, notes 13 and 14.

#### **FUTURE PLANS OF THE AGENCY**

USAASA's focus in the medium-term will be to implement the recommendations of the Cabinet approved National Integrated ICT Policy Paper. The Entity is on course to be disestablished by 31 March 2023 as per the tabled USAASA APP 2022-2023 in Parliament .

#### **PUBLIC-PRIVATE PARTNERSHIPS**

USAASA did not enter or participate in any PPP contracts for the period under review.

#### **DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED**

USAASA has not revised its performance targets in the original tabled USAASA APP 2021-2022 on 14 May 2021. Although the USAASA budget allocation for 2021-2022 was substantially reduced there were no activities discontinued.





The Entity will be disestablished by 31 March 2023 as part of implementing the policy recommendations of the National Integrated ICT Policy White Paper.

### NEW OR PROPOSED ACTIVITIES

USAASA was instructed by the parental department to fast track the dissolution of USAASA as proposed in the National Integrated ICT White Paper, 2016 thus the USAASA's main focus in the medium-term will ensure the dissolution of the Agency by 31 March 2023.

### SUPPLY CHAIN MANAGEMENT

USAASA did not conclude unsolicited bid proposals during the reporting period.

### GIFTS AND DONATIONS RECEIVED IN KIND FROM NON-RELATED PARTIES

No gifts and donations for the period under review were received from non-related parties, therefore there are no disclosures in the Annexures to Part D: Financial Information.

### AUDIT REPORT MATTERS IN THE PREVIOUS YEAR AND HOW THEY WERE ADDRESSED

As at the end of the reporting period, the entity has not addressed the 2 audit matters that were raised in AGSA Audit Action Plan 2020-2021 financial year.

To resolve matters that led into undesirable audit outcomes, the entity has conducted an analysis and identified the following key action plans:

Travel expenditure and staff debtors could not be resolved during the audit due to the difficulty in locating source documents as a result of poor records management. USAASA is currently busy implementing improvement controls to ensure that records are easily accessible for audit by introducing audit files that are created and maintained on a monthly basis.

### THE YEAR AHEAD

The focus of USAASA in the year ahead is to conclude the dissolution of USAASA by the end of the 2022-2023 financial year. During a holistic review of the related ICT legislations and policies, the role of USAASA was repurposed and, as such, the policy recommendations of the National ICT Integrated White Paper 2016 recommended the total dissolution of USAASA as a public entity, whilst the USAF will be transformed into a D-DF. The Entity is required to contribute towards the dissolution plan that will be submitted to the NT for the dissolution of USAASA, whilst running in conjunction with the PFMA and all other statutory requirements that need to be complied with.

## ACKNOWLEDGMENTS

Let me express my deepest sincere gratitude to Management that has steered the ship in this dire challenging time in light of the dissolution that has caused the uncertainty that has engulfed the organisation. Equally, extending deepest appreciation to employees of USAASA who remained resolute in executing the mandate of the organisation.

Lastly I would like to express gratitude to the Minister, Deputy Minister, Acting Director-General, Departmental Staff and the Board on your unwavering support the entity has enjoyed.

USAASA remains committed to making a meaningful impact on the ordinary citizenry lives residing in impoverished communities and underserved areas, thus achieving demonstrable and sustainable outcomes.



**Ms Chwayita Wendy Madikizela**

Acting Chief Executive Officer  
Universal Service and Access Agency of South Africa



# 5. STATEMENT OF RESPONSIBILITY

## 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 is consistent with the Annual Financial Statements audited by Auditor-General 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 as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the Public Entity.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been 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 express an independent opinion 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 2022.

Yours faithfully



**Ms Chwayita Wendy Madikizela**  
Acting Chief Executive Officer



**Ms Daphne Zukiswa Rantho**  
Interim 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 Department of Communications and Digital Technologies' vision to be "a leader in enabling a connected and digitally transformed South Africa."

In response, USAASA has the following vision:

Universal ICT access and service for all.

### 6.2 MISSION

To promote and pursue the goal of universal access and service, and to contribute to building South Africa's sustainable knowledge society through a response to the 4IR, innovation, research, monitoring, evaluation and advisory services; and

To effectively manage the Universal Service and Access Fund (USAF), whose mission it is to:

- Facilitate the roll-out of adequate Information and Communication Technology (ICT) infrastructure to enable 4IR readiness and universal access to underserved areas in South Africa;
- Facilitate ICT service to underserved areas and thereby contributing to the reduction of poverty and unemployment in South Africa; and
- To broaden access to digital broadcasting services by qualifying households.

### 6.3 VALUES

**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

Progressive realisation of the goal of universal access and universal service in South Africa.

### 6.5 OUTCOMES

**Outcome 1:**

An optimised delivery system to support the achievement of the mandate.

**Outcome 2:**

A respected thought leader on universal access and universal service.

**Outcome 3:**

A well-governed and high-performance organisation and fund, delivering on its mandate.

In turn, the above strategic framework and the three Outcomes inform the alignment to the delivery structure of USAASA and the development of outputs, performance indicators and annual and quarterly performance metrics, as outlined in the rolling annual performance plans over the period of the Strategic Plan.

Reflected in this Annual Performance Plan are the 2021/2022 planning priorities, outputs, performance indicators, annual targets and budget allocations for performance against the Outcomes of the Strategic Plan.

## 7. LEGISLATIVE AND OTHER MANDATES

### 7.1 UPDATED LEGISLATIVE MANDATES

USAASA was established in terms of Section 80(1) of ECA to promote universal access and universal service goals in the under-served areas of SA.

The Fund is created in terms of Section 87(1) of the ECA to ensure USAASA attains its statutory objectives. Licensees are required to contribute to USAF, which is intended to incentivise and subsidise the roll-out of electronic communications networks in under-served areas.

NAME OF THE ACT	PURPOSE
<b>Electronic Communications Act, 2005 (Act No. 36 of 2005)</b>	To promote convergence in broadcasting, broadcasting signal distribution and telecommunications sectors and to provide the legal framework for convergence of these sectors. To make new provision for the regulation of electronic communications services, electronic communications network services and broadcasting services. To provide for the granting of new licenses 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, USAASA is also guided, amongst others, by:

NAME OF THE ACT	PURPOSE
<b>The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)</b>	The Constitution of South Africa is the supreme law of the Republic of South Africa. It provides the legal foundation for the existence of the Republic. It sets out the rights and duties of its citizens and defines the structure of the Government.
<b>The Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended)</b>	To regulate financial management in the national government 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.
<b>The Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)</b>	The PPPFA regulates the procurement policy and framework of organs of State. Its purpose is to enhance the participation of Historically Disadvantaged Individuals (HDIs) and small, medium and micro enterprises (SMMEs) in the public-sector procurement system.
<b>The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)</b>	B-BBEE is a Government policy to advance economic transformation and enhance the economic participation of Black people (African, Coloured and Indian people who are South African citizens) in the South African economy.
<b>The Infrastructure Development Act, 2014 (Act No. 14 of 2014)</b>	The aim of the Infrastructure Development Act aims to provide for the facilitation and coordination of public infrastructure development which is of significant economic or 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

The NDP, 2012 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 economy in the face of a world economy that is rapidly transforming into a knowledge and network driven 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 2019-2024, which is a high-level strategic document and is the central organising framework to guide the rolling five-year implementation and monitoring of the NDP, Vision 2030.

### 7.3 UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

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

NAME OF THE INSTITUTIONAL POLICIES AND STRATEGIES	PURPOSE
<p><b>South Africa's Broadband Policy: South Africa Connect, 6 December 2013</b></p>	<p>In terms of the ECA, the Department of Communications and Digital Technologies published a policy document, "South Africa Connect: Creating Opportunities, Ensuring inclusion: South Africa's Broadband Policy". This was gazetted on 6 December 2013.</p> <p>SA Connect is a four-pronged strategy consisting of four "sub-strategies" which will move the country from the current state to achieving its targets over the next ten years.</p> <p>SA Connect guides the ICT sector, and USAASA in particular, in terms of the approach that must be taken to promote broadband deployment, usage and uptake in the country.</p>
<p><b>The National Integrated Information and Communication Technologies (ICT) Policy White Paper, 28 September 2016</b></p>	<p>The ICT Policy White Paper that Cabinet approved on 28 September 2016 will affect Universal Service. It proposes the revision of 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 DDF and stipulates contributions by licensees into the Fund. Lastly, the report revises the USAASA institutional framework.</p> <p>Establishing a DDF will effectively remove USAASA's policymaking and regulatory functions, leaving the Agency to focus on funding and project management. The motivation behind this shift in the institutional framework is to allow USAASA to focus on its main priority: service and access delivery to the nation.</p>
<p><b>Broadcasting Digital Migration Policy for South Africa, August 2008</b></p>	<p>As a matter of policy, the Government must consider the means to make STBs affordable and available to the poorest TV-owning households. The government has therefore decided, as mandated by section 88(1) (a) of the ECA to subsidise poor TV-owning households through USAF. This support by the Government should be seen as part of its commitment to bridging the digital divide in SA.</p>



# 8. ORGANISATIONAL STRUCTURE



**Daphne Kula-Rantho**  
Chairperson



**Talelani Ramaru**  
Board Member  
Chairperson: Human Resources and Remuneration Committee



**Buhle Tonise**  
Board Member



**Mapuleng Moropa**  
Board Member



**Simphiwe Thobela**  
Board Member  
Chairperson: Board Audit and Risk Committee

## EXECUTIVE LEADERSHIP



**Selloane Motloung**  
Company Secretary



**Chwayita Madikizela**  
Acting: Chief Executive Officer



**Mary-Ann Rothogo**  
Acting: Senior Manager



**Mduduzi Kgatlane**  
Acting: Risk Manager



**Jimmy Mashiane**  
Chief Audit Executive



**Sipho Selby Mngqibisa**  
Executive Manager: Performance



**Sharonne Scheepers**  
Acting Executive Manager: Corporate Services



**Sidney Mongala**  
Acting: Chief Financial Officer



**Trevor Nivi**  
Acting Executive Manager: Operations



**Keitumetse Hlahatsi**  
Manager: Stakeholder Management and Communications



**Adv. Willem Olivier**  
Senior Manager: Legal Services

**PART B**

# PERFORMANCE INFORMATION



# 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 53 of the Report of the Auditors Report, published as Part E: Financial Information.

## 2. OVERVIEW OF PERFORMANCE

### 2.1 SERVICE DELIVERY ENVIRONMENT

USAASA is executing its statutory public mandate under the regulatory complex administered by ICASA. With the outdated regulatory framework introduced by the ECA, USAASA's relevance in the South African ICT sector landscape becomes irrelevant. With the National Integrated ICT White Paper 2016 which introduced major structural reforms in the ICT sector and the Integrated White Paper, proposed USAASA to be disestablished.

USAASA's baseline budget has been substantially reduced, confining the Agency to only perform the administrative function of the Fund. The budget reduction meant that the Entity could not perform the following statutory requirements:

- Conducting the regulatory assessment impact on provision of universal service and access.
- The setting up of targets to achieve the provision of universal service and access for all.
- The assessment of access gaps in SA and publishing on the state of ICT penetration.
- The dissemination of information on the latest technological developments which affects the provision of universal service access.
- Recommendations of definitions for universal service and access to the Minister for the improvement of ICT penetration in rural areas.
- Determination of needy persons for eligibility for subsidisation.
- The definition of under-service areas to ICASA for determination and the listing of key priority areas for subsidy grant.

The key performance targets of USAASA is not linked to its mandate but more to national priorities such the following:

- Mainstreaming of gender, empowerment of youth and persons with disabilities.
- Public value and trust, active citizenry and partnership in society.
- Programmatic approaches to asset management, elimination of wasteful and fruitless expenditure, and irregular expenditure.

The main focus area for USAASA is the administrative function of the Fund which is responsible for the key priority projects such as BDM and broadband connectivity which contribute toward the structural reforms intended for economic recovery.

On the BDM front, the Cabinet on 30 September 2021 adopted a MIM in line with the State President's pronouncement on the completion of digital migration that is vital to the country's ability to effectively harness the enormous opportunities presented by technological change. After numerous delays, the country will start a phased switch-off of analogue TV transmitters that will be implemented province-by- province and will be completed by the end of March 2022.

USAASA needed to enter into strategic relations with various entities to support the Revised ASO Plan. After the approved deviation procurement procedure by NT, the Agency has forged multiple formal strategic relations with DCDT, Sentech, SAPO and the broadcast media players.. As at the end of the reporting period the formal conclusion of strategic relations with Telkom SA Limited SOC, StarSat, eMedia Holdings and MultiChoice were still

under discussion and yet to be concluded. The strategic relations are essential towards ensuring seamless viewer migration of indigent households into digital broadcast platforms and also ensuring the policy objectives of the BDM on universality and geographic reach of digital broadcasting services to all are met.

The Analogue switch off in the five provinces of Free State, Northern Cape, North West, Mpumalanga and Limpopo took place, and this enabled the conclusion of a process of re-arranging spectrum in these five provinces, thereby giving way for spectrum to be assigned for future digital services.

At the end of the reporting period, the ruling of the Johannesburg High Court on the e-TV and others vs Minister of Communications and Digital Technologies and others, determined that the ASO date be deferred from 31 March 2022 to 30 June 2022 thus extending the project completion project by three months. On the 28th of June 2022, the Constitutional Court handed down a judgement on the matter between eTV/Others and the Minister of Communications and Digital Technologies. The Constitutional court set aside the Gauteng high court decision of Switching of analogue by the end of June 2022

On the broadband connectivity front, the Agency from 2017-2018 has not deployed any broadband connectivity to sites due to the sustainability of connectivity after the subsidy period has elapsed. SA Connect was introduced in 2013 and it is a national broadband project identified to meet the NDP goals of a connected SA thereby creating an inclusive information society. Phase one of the project, which served as a pilot phase, aimed to connect schools, health facilities, government offices, Thusong Centres and the post offices, in eight rural District Municipalities, to broadband services. As part of this phase, about 970 government facilities have been connected to broadband.

With the State 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, the SA Connect Phase 2 was revised on 28 January 2022. In the next three years, 44 600 government sites, including schools, health facilities, libraries, Thusong Services Centres and traditional authority offices will be connected through licensed telecommunications service operators. More than 33 000 community Wi-Fi locations and broadband to households will be provisioned in the same period. The Cabinet-approved Revised SA Phase 2 Model will be rolled out by using the SOEs such as BBI, SITA and Sentech including the industry at large. The Government will utilise the existing capacity and source

additional physical networks from the private sector. The State will also retain ownership of the network service layer through a designated custodianship.

Following the approved deviation procurement procedure by NT, USAASA has forged a strategic relation with the BBI under the reporting period. BBI will rollout broadband connectivity on behalf of USAASA in OR Tambo District Municipality, Eastern Cape and Pixley Ka Seme District Municipality, Northern Cape.



**2.1.1 PUBLIC ENTITY'S OVERALL PERFORMANCE, OUTLINING ITS KEY OUTPUTS, PARTICULARLY RELATING TO SERVICES RENDERED DIRECTLY TO THE PUBLIC.**

TARGETS	KEY OUTPUTS	OUTCOMES
<b>1. Board approved USAASA integrated plan of action in support of the implementation of National Strategic Plan (NSP) on gender-based violence developed.</b>	Developed report in support of the activities identified in the approved Board USAASA integrated plan of action in support of the implementation of the National Strategy Plan on Gender-Based Violence and Femicide Strategy to ensure social transformation and awareness on perpetrated violence against women and most vulnerable citizens.	<b>Achieved</b>
<b>2. Board approved Stakeholder Strategy and Plan implemented</b>	Developed report on the implementation of the approved Board Strategy and Plan on activities conducted on priority projects such as Broadcasting Digital Migration and Broadband Internet Convexity that contributes towards the South African Economic Reconstruction and Recovery Plan.	<b>Achieved</b>
<b>3. Enterprise risk maturity level from 2020/21 baseline improved</b>	The entity recorded an improved risk maturity level compared to the 2020/21 baseline which was established at 43%. The current assessed was registered at 51% attained through-out the year risk monitoring and evaluation of the risk profile report. The improvement of is 16% from the base line of 43% recorded in the prior year.	<b>Achieved</b>
<b>4. 100% of valid invoices paid within 30 days from date of receipt</b>	The Agency did not comply with the payment of supplier's invoices within 30 days as required by National Treasury Instruction Note 34 and thereby recording 100% payments of valid invoices within 30 days. The recorded percentage outcome was 97% of valid invoices paid within 30 days from date of receipt.  A total number of 218 valid invoices received under period in consideration and 211 valid invoices were paid within 30 days and seven valid invoices where payment was outside the 30 days' turnaround time stipulated.	<b>Not achieved</b>
<b>5. Reduction of Wasteful and Fruitless expenditure to 20% of R 389 000, USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024</b>	0% reduction in Wasteful and Fruitless expenditure by 31 March 2022 as there were no condonations approved by National Treasury in terms of the Fruitless and Wasteful Expenditure Framework. By end of the Financial Year, the Fruitless and Wasteful Expenditure was classified for condonation by National Treasury and incidences of Wasteful and Fruitless Expenditure prioritised for investigation by outsourced investigators from DPSA.	<b>Not achieved</b>
<b>6. Reduction of Irregular Expenditure to 15% of R 32 196 000 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024</b>	0% reduction in irregular expenditure by 31 March 2022 as there were no condonations approved by National Treasury in terms of the Irregular Expenditure Framework. By end of the Financial Year, the Irregular Expenditure was classified for condonation by National Treasury and incidences of Irregular Expenditure prioritised for investigation by outsourced investigators from DPSA	<b>Not achieved</b>



### 3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

1. On 30 September 2021, the Cabinet adopted BDM MIM in line with the State President’s pronouncement on the completion of digital migration that is vital to the country’s ability to effectively harness the enormous opportunities presented by technological advancement. After many delays, the country will start a phased switch-off of Analogue-TV transmitters that will be implemented province-by-province and will be completed by the end of March 2022. The adopted model actively involves all the broadcast media players to contribute to ramping up the STB installation capacity using their boxes to ensure the rapid reach. The household qualifying support has been revised from R 3 200 to R 3 500 per month to qualifying households eligible for subsidisation. The BDM Programme implementation shifted from staggered provincial (Free State, Northern Cape, North West and Limpopo being the priority provinces) towards a consolidated approach whereby STB installations and ASO taking place simultaneously in all nine provinces of South Africa.
2. With the State 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, the SA Connect Phase 2 was revised on 28 January 2022. In the next three years, 44 600 government sites, including schools, health facilities, libraries, Thusong Services Centres and traditional authority offices will 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. The Cabinet approved the Revised SA Phase 2 Model which will be rolled out using the SOEs such as BBI, SITA and Sentech including the industry at large. The Government will utilise the existing capacity and source additional physical networks from the private sector. The State will also retain ownership of the network service layer through a designated custodianship through Government. The programme implementation was delayed resulting in USAASA appointing BBI to provision broadband internet connectivity to a total number of 112 sites in Northern Cape and 300 sites in Eastern Cape. The government will utilise the existing capacity and source additional physical networks from the private sector.

### 4. PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

OUTCOME	PROGRESS TOWARDS ACHIEVEMENTS
<b>1. An optimised delivery system to support the achievement of the mandate</b>	With the fast-tracking of the dissolving and closing of USAASA as per the policy resolutions of the National Integrated ICT White Paper dated 28 September 2016 and the dissolution gaining impetus after the Cabinet reshuffle on 6 August 2021, the Agency’s focus is on the medium term to wind-down activities. The function of Operation Centre will be done by BBI as part of its repurpose function through the National Integrated ICT White Paper. The Agency has already forged strategic relations with BBI that will execute broadband mandate on behalf of the Agency and BBI has already have a functional Operations Centre in place. With the Cabinet adopted Revised SA Connect Phase 2 Model which aims centralising broadband expansion under the State Digital Infrastructure Company (SDIC) as proposed in the National Integrated ICT White Paper. The monitoring capability of broadband connectivity in underserved areas will be executed within the context of SDIC.
<b>2. A respected thought leader on universal access and universal service</b>	With the dissolving of USAASA in terms of the National Integrated ICT White Paper gaining momentum in including the policy function that the Agency was executing in terms of its mandate, has been transferred to the Department (DCDT) as a policy maker. Therefore, the establishment of Geographic Information System (GIS) Mapping capability to monitor the extent in which universal access and universal service has been provisioned to communities and under-served will be the line function of the Department.
<b>3. A well-governed and high-performance organisation delivering on its mandate</b>	The Agency in the 2021–2022 Financial Year had received a qualified audit outcome with emphasis on matters.

# 5. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

## 5.1 BUSINESS SUPPORT

The purpose of Programme 1: Business Support is to provide strategic leadership, management and support services to the Agency and USAF.

## 5.2 PROGRAMME OUTCOMES, OUTPUTS, OUTPUT INDICATORS AND TARGETS

In contributing towards the the attainment of Universal Service and Universal Access desired impact of the “progressive realisation of the goal of universal access and universal service in South Africa”, the Business Support Programme delivers against the following Outcomes reflected in the Strategic Plan:

**OUTCOME 1:** A well-governed and high-performance organisation, delivering on its mandate

The 2021/2022 performance plan of Programme 1 is reflected in the log frame tables below:

## 5.3 PROGRAMME 1 - BUSINESS SUPPORT: OUTCOMES, OUTPUTS INDICATORS AND ANNUAL TARGETS

OUTCOME	OUTPUTS	OUTPUT INDICATORS	AUDITED ACTUAL PERFORMANCE			ESTIMATED PERFORMANCE	MEDIUM-TERM TARGETS		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
<b>1: A well-governed and high-performance organisation, delivering on its mandate.</b>	National Strategic Plan (NSP) on gender-based violence.	Implemented National Strategic Plan (NSP) on gender-based violence.	-	-	-	-	USAASA integrated plan of action in support of the implementation of National Strategic Plan (NSP) on gender-based violence developed.	USAASA Strategic Plan (NSP) on gender-based violence monitored.	USAASA Strategic Plan (NSP) on gender-based violence monitored.
	Improved stakeholder framework management outcomes.	Implemented Stakeholder Framework Strategy and Plan by the Board.	-	-	-	-	Board approved Stakeholder Strategy and Plan implemented.	Board approved Stakeholder Strategy and Plan implemented.	Board approved Stakeholder Strategy and Plan implemented.
	Improved risk management services.	USAASA enterprise risk maturity level established.	-	-	New indicator	Enterprise risk maturity assessment conducted to establish a baseline.	Enterprise risk maturity level from 2020/21 baseline improved.	Enterprise risk maturity level from 2021/22 baseline improved.	Enterprise risk maturity level from 2022/23 baseline improved.
	Compliance, sound financial management and internal controls.	Percentage (%) of valid invoices paid within 30 days from date of receipts.	-	New indicator	100% of valid invoices paid within 30 days from date of receipt.	-	100% of valid invoices paid within 30 days from date of receipt.	100% of valid invoices paid within 30 days from the date of receipt.	100% of valid invoices paid within 30 days from the date of receipt.
	Eliminated Wasteful and Fruitless Expenditure.	Percentage (%) of the elimination Wasteful and Fruitless Expenditure.	-	-	-	-	Reduction of Wasteful and Fruitless Expenditure to 20% of R 389 000.00 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024.	Reduction of Wasteful and Fruitless Expenditure to 50% of R 389 000.00 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024.	Reduction of Wasteful and Fruitless Expenditure to 100% of R 389 000.00 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024.
	Reduced irregular expenditure.	Percentage % reduction of irregular expenditure.					Reduction of irregular expenditure to 15% of R32 196 000.00 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024.	Reduction of irregular expenditure to 50% of R 32 196 000.00 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024.	Reduction of irregular expenditure to 75% of R32 196 000.00 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024.

## 5.4 REPORTING AGAINST THE TABLED ANNUAL PERFORMANCE PLAN

### 5.4.1 BOARD APPROVED INTEGRATED PLAN OF ACTION IN SUPPORT OF IMPLEMENTED NATIONAL STRATEGY PLAN ON GENDER-BASED VIOLENCE

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/2020	AUDITED ACTUAL PERFORMANCE 2020/2021	PLANNED ANNUAL TARGET 2021/2022	*ACTUAL ACHIEVEMENT 2021/2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/2022	REASONS FOR DEVIATIONS
<b>A well-governed and high-performance organisation, delivering on its mandate.</b>	National Strategic Plan (NSP) on Gender-Based Violence.	Implemented National Strategic Plan (NSP) on Gender-Based Violence.	-	-	Board approved USAASA integrated plan of action in support of the implementation of National Strategic Plan (NSP) on Gender-Based Violence developed.	<b>Achieved</b> Developed Board approved USAASA integrated plan of action in support of the implementation of National Strategic Plan on Gender-Based Violence and implemented.	Not Applicable	Not Applicable

### 5.4.2 BOARD APPROVED STAKEHOLDER STRATEGY AND PLAN IMPLEMENTED

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/2020	AUDITED ACTUAL PERFORMANCE 2020/2021	PLANNED ANNUAL TARGET 2021/2022	*ACTUAL ACHIEVEMENT 2021/2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/2022	REASONS FOR DEVIATIONS
<b>A well-governed and high-performance organisation, delivering on its mandate.</b>	Improved stakeholder framework management outcomes.	Implemented Stakeholder Framework Strategy and Plan by the Board.	-	-	Board approved Stakeholder Strategy and Plan implemented.	<b>Achieved</b> Implemented Board approved Stakeholder Strategy and Plan.	Not Applicable	Not Applicable

### 5.4.3 ENTERPRISE RISK MATURITY LEVEL FROM 2020/21 BASELINE IMPROVED

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/2020	AUDITED ACTUAL PERFORMANCE 2020/2021	PLANNED ANNUAL TARGET 2021/2022	*ACTUAL ACHIEVEMENT 2021/2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/2022	REASONS FOR DEVIATIONS
<b>A well-governed and high-performance organisation, delivering on its mandate.</b>	Improved risk management services.	USAASA enterprise risk maturity level established.	New indicator .	Enterprise risk maturity assessment conducted to establish a baseline.	Enterprise risk maturity level from 2020/21 baseline improved.	<b>Achieved</b> The entity recorded an improved risk maturity level compared to the 2020/21 baseline which was established at 43%. The current assessment was registered at 51% attained through-out the year risk monitoring and evaluation of the risk profile report. The improvement of is 16% from the base line of 43% recorded in the prior year.	Not Applicable	Not Applicable

#### 5.4.4 100% OF VALID INVOICES PAID WITHIN 30 DAYS FROM DATE OF RECEIPT

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/2020	AUDITED ACTUAL PERFORMANCE 2020/2021	PLANNED ANNUAL TARGET 2021/2022	*ACTUAL ACHIEVEMENT 2021/2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/2022	REASONS FOR DEVIATIONS
<b>A well-governed and high-performance organisation, delivering on its mandate.</b>	Compliance, sound financial management and internal controls.	Percentage (%) of valid invoices paid within 30 days from date of receipts.	100% of valid invoices paid within 30 days from date of receipt.	The percentage end-year outcome for monitoring of valid invoices paid within 30 days is 0.07% for USAASA.	100% of valid invoices paid within 30 days from date of receipt.	<b>Not Achieved</b> 95% of valid invoices paid within 30 days from date of receipt in 2021/22. A total number of 221 valid invoices received under reporting period in and 211 valid invoices were paid within 30 days.	5% of invoices paid after 30 days. A total of 10 invoices were paid outside the stipulated turnaround time of 30 days by National Treasury.	The unplanned departure in the beginning of the 4th quarter (2021–2022) of the Acting Chief Financial Officer (ACFO) second by the parental Department in January 2022 disturbed the eco-system in performance of payment transactions and the Bank took longer to put on board the substitute to release payments.  The vacuum resulted in delays on late payments of valid invoices due for payment under the reporting period of Quarter 4 (2021–2022)

#### 5.4.5 REDUCTION OF WASTEFUL AND FRUITLESS EXPENDITURE TO 20% OF R 389 000.00 USAASA AFS 2019-2020 INCREMENTALLY FROM BASELINE OF 2019 BY 2024

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/2020	AUDITED ACTUAL PERFORMANCE 2020/2021	PLANNED ANNUAL TARGET 2021/2022	*ACTUAL ACHIEVEMENT 2021/2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/2022	REASONS FOR DEVIATIONS
<b>A well-governed and high-performance organisation, delivering on its mandate.</b>	Eliminated Wasteful and Fruitless expenditure.	Percentage (%) of the elimination of Wasteful and Fruitless expenditure.	-	-	Reduction of Wasteful and Fruitless expenditure to 20% of R 389 000.00 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024.	<b>Not Achieved</b> 0% reduction in Wasteful and Fruitless expenditure by 31 March 2022 as there were no condonations approved by National Treasury in terms of the Fruitless and Wasteful Expenditure Framework.  By end of the Financial Year, the Fruitless and Wasteful Expenditure was classified for condonation by National Treasury and incidences of Wasteful and Fruitless Expenditure prioritised for investigation by outsourced investigators from DPSA.	There was no reduction of the reported incidences on the recorded Wasteful and Fruitless Expenditure register listing and there was no condonation approved by National Treasury.  The classification of the Wasteful and Fruitless Expenditure that must be condoned by National Treasury and the categorisation of the transaction on Wasteful and Fruitless Expenditure for investigation only materialised towards the end of the reporting period.	There were various capacity challenges on dealing with the treatment of Wasteful and Fruitless Expenditure for condonation to National Treasury. Issues with appointment of the Loss Control Officer, investigators and access to information.

#### 5.4.6 REDUCTION OF IRREGULAR EXPENDITURE TO 15% OF R 32 196 000.00 USAASA AFS 2019-2020 INCREMENTALLY FROM BASELINE OF 2019 BY 2024

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/2020	AUDITED ACTUAL PERFORMANCE 2020/2021	PLANNED ANNUAL TARGET 2021/2022	*ACTUAL ACHIEVEMENT 2021/2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2021/2022	REASONS FOR DEVIATIONS
<b>A well-governed and high-performance organisation, delivering on its mandate.</b>	Reduced irregular expenditure.	Percentage % reduction of irregular expenditure.	-	-	Reduction of irregular expenditure to 15% of R 32 196 000.00 USAASA AFS 2019-2020 incrementally from baseline of 2019 by 2024.	<b>Not Achieved</b> 0% reduction in irregular expenditure by 31 March 2022 as there were no condonations approved by National Treasury in terms of the Irregular Expenditure Framework. By end of the Financial Year, the Irregular Expenditure was classified for condonation by National Treasury and incidences of Irregular Expenditure prioritised for investigation by outsourced investigators from DPSA.	There was no reduction of the reported incidences on the recorded Irregular Expenditure register listing and there was no condonation approved by National Treasury. The classification of the Irregular Expenditure that must be condoned by National Treasury and the categorisation of the transaction on Irregular Expenditure for investigation only materialised towards the end of the reporting period.	There were various capacity challenges on dealing with the treatment of Irregular Expenditure for condonation to National Treasury. Issues with appointment of the Loss Control Officer, Investigators and access to information.

#### 5.5 SUMMARY OF USAASA (2021-22) IN-YEAR REPORTING PERFORMANCE OUTCOMES

In this period under consideration, USAASA planned 24 targets as per the approved USAASA Annual Performance Plan 2021-2022 and out of the 24 targets planned only 15 targets were achieved translating into 63% performance outcomes.

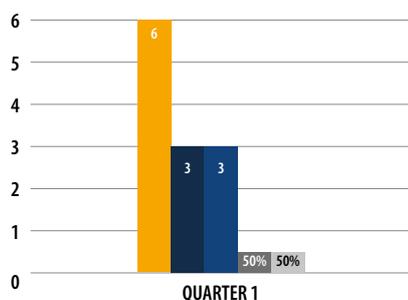


	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
<b>Planned targets</b>	6	6	6	6
<b>Achieved targets</b>	4	4	4	3
<b>Not achieved targets</b>	2	2	2	3
<b>Percentage achievement</b>	67%	67%	67%	50%
<b>Percentage non-achievement</b>	33%	33%	33%	50%

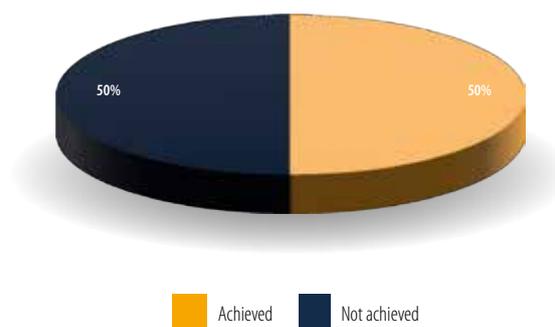
## 5.6 SUMMARY OF USAASA (2021-22) ANNUAL PERFORMANCE OUTCOMES

The below graphs depict the Agency's achieved annual targets against the planned annual targets in the USAASA 2021/2022 approved Annual Performance Plan. Three of the six planned annual targets were achieved, being 50% of the total planned targets, and three of the six planned annual targets were not achieved, representing 50% of the total annual planned targets.

USAASA 2021-2022 ANNUAL PERFORMANCE OUTCOMES



USAASA 2021-2022 ANNUAL PERFORMANCE OUTCOMES



<b>Number of targets</b>	6
<b>Achieved</b>	3
<b>Not achieved</b>	3
<b>Percentage achievement</b>	50%
<b>Percentage non-achievement</b>	50%

## 5.7 LINKING PERFORMANCE WITH BUDGETS

The table below depicts expenditure against the budget for the reporting period under review and the previous financial year for the programme and sub-programmes.

PROGRAMME 1: BUSINESS SUPPORT	2021-2022			2020-2021		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Employee related cost	62 268	59 812	2 456	54 675	50 463	4 212
Bad Debts Written-Off	-	36	(36)	-	-	-
Legal fees	1 186	420	766	1 098	2 697	(1 599)
Depreciation and amortisation	-	103	(103)	-	221	(221)
Finance costs	-	7	(7)	-	722	(722)
Lease/rentals on operating lease	6 082	5 683	399	5 152	4 887	265
General Expenses	12 519	15 654	(3 135)	200 460	9 104	191 356
SAPO Distribution costs	95 000	-	95 000	-	-	-
<b>Total expenses:</b>	<b>177 055</b>	<b>81 715</b>	<b>95 340</b>	<b>261 385</b>	<b>68 094</b>	<b>193 291</b>

During the year under review USAASA spend R 81.7 million representing 46% of the allocated budget of R 177 million. Compared to the previous financial year, the spending was R 68 million representing 26% of the allocated budget of R 261.4 million. The underspending in the current year compared to the budget is mainly due to the R 95 million for SAPO distribution costs which was not spend by the 31st of March 2022; no portfolio of evidence was received in regard to any work performed. The spending pattern has improved in the current financial year as a percentage of the allocated budget.

Compared to the previous financial year, the spending of R 81.7 represents an increased of R 13.7 million from R 68 million in 2020/21 representing a 20% increase year-on-year. The main reason for the increase in spending was due to the increase in the payroll costs as a result of the appointment of 40 District Coordinators to work on the acceleration of the switch-off in the identified districts. Another contributing factor was general expenses due to travel costs which has increased significantly.



### 5.8 STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

Three (3) targets were not achieved in the Business Support programme.

The target on percentage of valid invoices paid with 30 days from date of receipt. The eight (8) invoices were subsequently paid in quarter 1 (2022-2023). To ensure the entity does not suffer business disruptions and additional official has been added on the payment platform to ensure that if the person fulfilling the role of the CFO and another official can release payment due.

With regards to target on reduction of Fruitless and Wasteful Expenditure to 20% of R389 000,00 USAASA Annual Financial Statements 2019-2020 incrementally from baseline of 2019 by 2024, the entity has not sought the condonation of Fruitless and Wasteful Expenditure from NT since 2015-2016 financial year and there are 32 incidences disclosed on reported Fruitless and Wasteful Expenditure. The frequent changes at Board, CEO and Executive Management Level has attributed in delays with regards to Fruitless and Wasteful Expenditure. Management has since classified the Fruitless and Wasteful Expenditure incidences that needs to be sent to Board for condonation and be submitted to NT and those ones that needs to be prioritised for investigated for application of consequence management and recovery process before a condonation is sought from NT. The entity has solicited the investigative function from DPSA.

With regards to target on reduction of irregular expenditure to 15% of R32 196 000,00 USAASA Annual Financial Statements incrementally from baseline of 2019 by 2024, the entity has not sought the condonation of irregular expenditure from National Treasury since 2016-2017 financial year and there are 31 incidences disclosed on irregular expenditure. The frequent changes at Board, CEO and Executive Management Level has attributed in delays with regards to Irregular Expenditure. Management has since classified the Irregular Expenditure incidences that needs to be sent to Board for condonation and be submitted to National Treasury and those ones that needs to be prioritised for investigation for application of consequence management and recovery process before a condonation is sought from NT.

The entity has solicited the investigative function from DPSA.

### 5.9 CHANGES TO THE PLANNED TARGETS

There were no changes to the planned targets during the financial year of 2021-2022. There were 6 (six) targets in the tabled APP 2021-2022 in May 2021. No amendments were made to the re-tabled APP annexure to the programme.

### 5.10 REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

USAASA do not have dedicate external and internal interventions that were implemented in response to the COVID-19 pandemic during the reporting period of 2021-2022.

# PART C GOVERNANCE



## 1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance concerning public entities is applied through the PFMA prescripts and run-in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the Public Entity are responsible for Corporate Governance.

## 2. PORTFOLIO COMMITTEES

The Board of the Agency 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.

Portfolio Committee engagements for the 2021/2022 financial year are outlined below:

DATE	PURPOSE
11 May 2021	PC Briefing USAASA and USAF APP and Budget 2021/22
25 May 2021	PC Presentation by Google
17 Aug 2021	PC Briefing USAASA and USAF 3rd and 4th Quarter Performance Reports
11 Nov 2021	PC Briefing USAASA & USAF on 2020/21 Annual Report and Financial Statements
01 Mar 2022	PC Meeting BDM
15 Mar 2022	Portfolio Committee Meeting (Briefing by USAASA Non-Achievement of Targets)

## 3. EXECUTIVE AUTHORITY

The Minister of Communications and Digital Technologies is the Executive Authority of USAASA and requires USAASA to provide organisational reports on the activities and financial affairs of USAASA to the Department every quarter as per the requirements of Section 65 of the PFMA.

All the USAASA Quarterly and Annual Reports were submitted timeously, per the requirements of the National Treasury Framework for Managing Programme Performance Information (FMPP), to the ICT Enterprise Development and SOC Oversight Branch of the DCDTs.

## 4. THE ACCOUNTING AUTHORITY / BOARD

### 4.1 INTRODUCTION

The USAASA Board is the Agency's Accounting Authority in terms of the PFMA. The Board was appointed by the Minister with effect from 22 February 2021 for a period of 12 months which was further extended on 22 February 2022 with another 12 months or until USAASA is wound up, whichever comes first.

It is the responsibility of the Board to provide strategic direction, leadership and stability to USAASA and ensure good corporate governance. The Board's role requires the members to maintain the highest standards of ethics, integrity and values, and represent the interests of USAASA and the country. These responsibilities are set out in the approved Board Charter and reviewed as and when the Board deems fit.

The Board of USAASA is regarded as the Accounting Authority in terms of Section 49 of the PFMA, and its duties include:

- Exercising a duty of utmost care to ensure reasonable protection of the assets and records of the USAASA and USAF;
- Acting with fidelity, honesty, integrity and in the best interests of the Public Entity in managing the financial affairs of the Fund;
- Preventing any prejudice against the financial interests of the State;
- Maintaining effective, efficient and transparent systems of financial and risk management and internal control;
- Maintaining an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective;
- Maintaining a system for property evaluating all major 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 expenditure not complying with the operational policies of USAASA; and
- Managing available working capital efficiently and economically.

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



#### 4.2 THE ROLE OF THE BOARD IS AS FOLLOWS:

The Board subscribes to the principles contained in the Code of Good Practice and Code of Good Conduct in the King Code on Corporate Governance Report (King VI) and is committed to applying the principles of the PFMA and related regulations. The Board places a strong emphasis on achieving the highest standards of reporting. To ensure effective oversight over the activities of the organization, since the appointment of the Interim Board, the Board has organized itself into the following subcommittees, which meet every quarter and additionally as necessary:

- Human Resources and Remuneration Committee;
- Operations Committee;
- Social and Ethics Committee; and
- Board Audit and Risk Committee.

On 8 February 2022, the Board had revised its Committees' structure and merged the HR and Remuneration Committee with the Social and Ethics Committee, including BARC with the Operations Committee. Therefore, the following are the only existing Board Committees:

- Human Resources and Remuneration Committee; and
- BARC.

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

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

- Represented USAASA before the Minister and Parliament of the Republic of South Africa;
- Provided strategic direction to USAASA;
- Reviewed, approved and monitored the implementation of strategic plans and budgets for USAASA and USAF, and ensured that consequence management was applied for non-performance;
- Played an oversight role in the identification and monitoring of critical risks areas and key performance indicators of the Agency;
- Played an oversight role concerning IT governance;
- Ensured that USAASA communicates with the shareholder and stakeholders transparently and promptly; and
- Ensured USAASA complies with relevant laws, regulations and the code of business practice.

#### 4.3 BOARD CHARTER

USAASA's Board Charter is aligned to 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 contained in the ECA;
- Board procedures and the establishment of Board committees that assist the Board in the execution of its duties; and
- Matters reserved exclusively for the Board, such as the remuneration for Board members, conduct during meetings, quorums, Board capacity building and development and Board committee evaluations.

#### 4.4 COMPOSITION OF THE BOARD

<b>NAME</b>	<b>MS DAPHNE ZUKISWA KULA-RANTHO</b>
<b>Designation</b>	Chairperson of the Board
<b>Date appointed</b>	22 February 2021
<b>Date resigned/Termination</b>	N/A
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Primary Teacher Diploma.</li> <li>• Further Education Diploma – University of Pretoria.</li> <li>• BED Honours in Education – University of Free State.</li> <li>• Parliamentary Women in Leadership Programme – University of Stellenbosch.</li> <li>• Leadership and Governance – University of Witwatersrand.</li> <li>• Being a Director Programmes 2 and 2 – Institute of Directors.</li> </ul>
<b>Areas of Expertise</b>	Leadership and governance.
<b>Board Directorship</b>	N/A
<b>Other Committees</b>	N / A
<b>No. of meetings attended</b>	22 out of 24

<b>NAME</b>	<b>MS MAPULENG MOROPA</b>
<b>Designation</b>	Member of the Board of Directors
<b>Date appointed</b>	22 February 2021
<b>Date resigned/Termination</b>	N/A
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Masters in Business Administration (MBA).</li> <li>• Programme in Management Development (PMD).</li> <li>• BSc Information Technology.</li> </ul>
<b>Areas of Expertise</b>	<ul style="list-style-type: none"> <li>• Strategy design and implementation.</li> <li>• Business process design and re-engineering.</li> <li>• Retail and Commercial Banking.</li> <li>• Operations Management.</li> <li>• Project Management.</li> <li>• Sales Management.</li> <li>• Risk management and Compliance.</li> <li>• Business performance improvement.</li> <li>• Entrepreneurship and Business Management.</li> <li>• Relationship management.</li> <li>• Stakeholder Engagement.</li> <li>• Broadband Infrastructure/Network implementation and maintenance.</li> <li>• Surveillance and access control technology installation and maintenance.</li> </ul>
<b>Board Directorship</b>	<ul style="list-style-type: none"> <li>• USAASA Board (28/08/18 – 29/11/19).</li> <li>• Non-Executive Director and Board Member Thornburg Holding March 2014 to 2017.</li> <li>• Director Battlebay Holdings (Pty) Ltd – 2011 to date.</li> <li>• Member of the Black Industrialist Advisory Panel: DTI – March 2013 to March 2017.</li> <li>• Executive Director, M&amp;H Distributors – Jan 2015 to date.</li> <li>• Director, Ingwesat (Pty) Ltd – July 2017 to date.</li> </ul>
<b>Other Committees</b>	<ul style="list-style-type: none"> <li>• From 1 March 2021- to 7 February 2022.</li> <li>• Operations Committee – Chairperson.</li> <li>• HR and Remuneration Committee – Member.</li> <li>• Social and Ethics Committee – Member.</li> <li>• From 8 February 2022 to 31 March 2022.</li> <li>• HR and Remuneration Committee – Member.</li> <li>• Board Audit and Risk Committee – Member.</li> </ul>
<b>No. of meetings attended</b>	23 out of 24

<b>NAME</b>	<b>MS BUHLE TONISE</b>
<b>Designation</b>	Board Member
<b>Date appointed</b>	22 February 2021
<b>Date resigned/Termination</b>	N/A
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Matric.</li> <li>• LLB.</li> <li>• Practical Legal Training (Commercial Law).</li> </ul>
<b>Areas of Expertise</b>	<ul style="list-style-type: none"> <li>• Contract Management and Commercial Law.</li> <li>• Corporate Law.</li> <li>• Governance.</li> </ul>
<b>Board Directorship</b>	Deputy Chairperson of the Eastern Cape Arts and Culture Council.
<b>Other Committees</b>	<ul style="list-style-type: none"> <li>• From 1 March 2021- to 7 February 2022. <ul style="list-style-type: none"> <li>- Social and Ethics Committee – Chairperson.</li> <li>- Operations Committee – Committee Member.</li> <li>- Board Audit and Risk Committee – Committee Member.</li> </ul> </li> <li>• From 8 February 2022– to 31 March 2022. <ul style="list-style-type: none"> <li>- HR and Remuneration Committee – Member.</li> <li>- Board Audit and Risk Committee.</li> </ul> </li> </ul>
<b>No. of meetings attended</b>	23 out of 24

<b>NAME</b>	<b>MR TALELANI ENOS RAMARU</b>
<b>Date appointed</b>	22 February 2021
<b>Date resigned/Termination</b>	N/A
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• BCom Accounting.</li> <li>• Post Graduate Diploma Management.</li> <li>• Professional Certificate in Public Development Management.</li> <li>• Post Graduate Advanced Certificate in Forensic and Investigative Auditing.</li> <li>• Post Graduate Strategic Management and Corporate Governance.</li> </ul>
<b>Areas of Expertise</b>	<ul style="list-style-type: none"> <li>• Financial Management.</li> <li>• Accounting.</li> <li>• Auditing.</li> </ul>
<b>Board Directorship</b>	<ul style="list-style-type: none"> <li>• Executive Board Member – National Labour and Economic Development Institute.</li> <li>• Audit and Risk Committee Member – Ditsela Training Institute.</li> <li>• Trustee – COSATU Provident Fund.</li> </ul>
<b>Other Committees</b>	<p>From 1 March 2022 to 7 February 2022.</p> <ul style="list-style-type: none"> <li>• HR and Remuneration Committee – Chairperson.</li> <li>• Board Audit and Risk Committee – Committee Member .</li> <li>• Social and Ethics Committee – Committee Member.</li> </ul> <p>From 8 February 2022- to 31 March 2022</p> <ul style="list-style-type: none"> <li>• HR and Remuneration Committee – Chairperson.</li> <li>• Board Audit and Risk Committee – Member.</li> </ul>
<b>No. of meetings attended</b>	24 out of 24

NAME	MR SIMPHIWE THOBELA
Designation	Board Member
Date appointed	22 February 2021
Date resigned/Termination	N/A
Qualification	<ul style="list-style-type: none"> <li>• BCom Logistics.</li> <li>• Master in Town and Regional Planning.</li> <li>• Certificate in Strategic Planning and Change Management.</li> <li>• Certificate in Local Economic Development.</li> <li>• Certificate in Municipal Supply Chain Management.</li> <li>• Post Graduate Diploma in Public Management.</li> <li>• Snr Manager Program (NQ7).</li> </ul>
Areas of Expertise	<ul style="list-style-type: none"> <li>• Governance.</li> <li>• Strategic Planning.</li> </ul>
Board Directorship	<ul style="list-style-type: none"> <li>• Chairperson – Air Traffic and Navigation Services (ATNS).</li> <li>• Chairperson – Media, Information and Communication Technology Sector (MICT – SETA).</li> <li>• Magwa Tea Estate.</li> </ul>
Other Committees	<p>From 1 March 2021 to 7 February 2022.</p> <ul style="list-style-type: none"> <li>• Board Audit and Risk Committee – Chairperson.</li> <li>• Operations Committee – Committee Member.</li> <li>• HR and Remuneration Committee – Committee Member.</li> </ul> <p>From 8 February 2022 to 31 March 2022.</p> <ul style="list-style-type: none"> <li>• Board Audit and Risk Committee – Chairperson.</li> <li>• Remunerations Committee – Member.</li> </ul>
No. of meetings attended	22 out of 24

#### 4.5 COMMITTEES AND NUMBER OF MEETINGS HELD

The Committee had met as follows during the financial year:

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Board Audit and Risk	6	3	Mr Simphiwe Thobela – Chairperson Ms Buhle Tonise – Member Mr Talelani Ramaru – Member
**Joint BARC and REMCO In-Committee meeting	2	**	**
HR and Remuneration	7	3	Mr Talelani Ramaru – Chairperson Ms Mapuleng Moropa – Member Mr Simphiwe Thobela – Member
Operations	3	3	Ms Mapuleng Moropa – Chairperson Mr Simphiwe Thobela – Member Ms Buhle Tonise
Social and Ethics	4	3	Ms Buhle Tonise – Chairperson Ms Mapuleng Moropa – Member Mr Talelani Ramaru – 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.

#### 4.5.1 MERGED COMMITTEES AS FROM 8 FEBRUARY 2022 TO 31 MARCH 2022

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
<b>Board Audit and Risk</b>	Ordinary Meeting – 1 Special BARC meeting – 1	4	Mr Simphiwe Thobela – Chairperson Ms Buhle Tonise – Member Mr Talelani Ramaru – Member Ms Mapuleng Moropa- Member
<b>HR and Remuneration</b>	Ordinary Meeting – 1 In-Committee – 1	4	Mr Talelani Ramaru – Chairperson Ms Mapuleng Moropa – Member Mr Simphiwe Thobela – Member Ms Buhle Tonise- Member

#### 4.6 REMUNERATION OF BOARD MEMBERS

NAME	RETAINER	REMUNERATION (BOARD / COMMITTEES FEES)	OTHER ALLOWANCE	OTHER REIMBURSEMENTS	TOTAL
Ms DZ Rantho	22 323,84	308 653,56	-	-	330 977,40
Ms B Tonise	16 742,88	311 118,50	-	2 231,40	330 092,78
Ms M Moropa	16 742,88	328 923,08	-	2 810,22	348 476,18
Mr S Thobela	16 742,88	373 242,27	-	109 297,06	499 282,21
Mr T Ramaru	16 742,88	231 727,93	-	1 154,68	249 625,49
<b>TOTAL</b>	<b>89 295,36</b>	<b>1 553 665,34</b>	-	<b>115 493,36</b>	<b>1 758 454,06</b>

### 5. RISK MANAGEMENT

Risk exists at various levels within an organisation. Key among the objectives of risk management is to ensure that USAASA as a public entity does not suffer the effects of unmanaged uncertainty and reacts to surprises rather than proactively responding to them. Further, it is at the core of risk management to ensure that hidden risks within the organisation at all levels are managed both appropriately and effectively. In light of the above, and many other cases that can be made for risk management, the Board has adopted a risk management process that is aligned to the Public Sector Risk Management Framework, SANS 31000:2009 and King IV Report on Corporate Governance. Oversight for adequacy and effectiveness of the risk management is assigned to the Audit and Risk Committee.

USAASA has adopted a risk management system that focuses on identifying and treating risks to attain maximum sustainable value for all the organisation's activities. The risk management system marshals the understanding of the potential upside and downside of all those factors which can affect 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.

USAASA conducted 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 risks and business longevity risks. Business risks are those risks that affect or are created by an organisation's business strategy and strategic objectives or 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 survival in the long-term; the critical consideration is value creation sustainably.

Operational objectives underpin operational risk assessment, and so are project risks assessed concerning the uncertainties which 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 upward 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.

A risk profile report is compiled every quarter and presented to BARC. A combined assurance map is embedded into the risk profile reporting template, 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.

BARC provides ongoing oversight to ensure that it supports the organisation in setting and achieving its strategic, operational and project objectives. BARC sets the direction for how the organisation should 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, namely, clearly defined objectives and organisational structure aligned to the defined objectives, clear boundaries between hierarchical levels, and a risk-aware culture at all levels within the organisation.

## 6. INTERNAL AUDIT UNIT

### 6.1 KEY ACTIVITIES AND OBJECTIVES OF THE 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 BARC complying with and operating per regulations and instructions prescribed in terms of section 76 and 77 of the Act.

Sections 27.2.6 and 27.2.27 of the Treasury Regulations (TR) states that Internal Audit must be conducted per the standards set by the Institute of Internal Auditors South Africa. Furthermore, the Internal Audit must prepare, in consultation with and for approval by BARC, a rolling three year Strategic Internal Audit Plan based on the risk assessment of critical risks inherent to the institution, having regard to its current operations, those proposed in its strategic plan and its risk management strategy respectively.

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

Internal audit assessments included evaluating whether:

- Risks relating to the achievement of USAASA's strategic objectives are appropriately identified and managed.
- The actions of USAASA's officers, directors, employees, and contractors comply with USAASA's 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 USAASA.
- Information and the means used to identify, measure, analyse, classify, and report such information is reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The CAE reported periodically to Executive Management and BARC regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance were relative to its plan.
- The internal audit activity's conformance with the Institute of Internal Auditors South Africa's Code of Ethics and Standards and action plans that addresses any 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 Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management may be unacceptable to USAASA.

### 6.2 COMBINED ASSURANCE

King IV requires that the Committee ensure a combined assurance model that is applied to provide a coordinated approach to all assurance activities. This repositioned risk-based approach to assurance provision is conducted to address 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 BARC. As of year-end, progress reports on the Implementation of the Combined Assurance were served before the Committee.

These reports indicated assurance coverage and integrated efforts from various assurance providers within USAASA, including Internal Audit Activity, Risk Activity and the AGSA. These reports reflect the assurance coverage from USAASA's divisions, Performance and Monitoring in the current financial year.



The scope of internal audit activities encompasses as stipulated in the Charter, approved by the BARC require that:

- The Internal Audit should have unlimited access to the information, records, property and personnel of the Agency.
- They should have full and unrestricted access to Board Audit and Risk Committee and the chairperson of the USAASA Board.
- They should obtain the cooperation of personnel from all divisions of the organisation where they perform their duties, but is not limited to, objective examinations of evidence to provide independent assessments to the Board and Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for USAASA.

## 7. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal auditing is an independent and objective assurance and consulting activity that is guided by a policy of adding value to improve the operations of the Entity. The Internal Audit Unit assists the Organisation in accomplishing its objectives by bringing a systematic and disciplined approach (risk-based audit approach) to evaluate and improve the effectiveness of the Organisations' Governance, Risk Management and internal control.

Internal Audit Unit conducts assessments on payments/ transactions incurred by the Organisation to identify matters of non-compliance to applicable laws, prescripts and regulation, which assist in improving the internal control environment through amendment of policies, creation/ revision of procedures and or checklists, and raising of awareness and education. The Internal Audit Unit maintains registers on irregular expenditure, fruitless and wasteful expenditure, and losses resulting from criminal conduct and expenditure not complying with the operational policies of USAASA.

The Unit is also responsible for co-ordinating both internal and external audits, co-ordination of responses on audit findings, consolidation of audit action plans designed to address internal control weaknesses identified by the AGSA. The audit outcomes implementation plans were submitted to the NT.

The Internal Audit Unit continuously strives to improve the financial controls and processes in order achieve effective ways to make better the operations, through its contributions in policy reviews, internal control reports on non-compliance and recommendations

### 7.1 BOARD AUDIT AND RISK COMMITTEE

BARC is established as a statutory committee in terms of section 51(1)(a)(ii) and section 77 of the PFMA and Treasury Regulations. BARC performs an oversight and advisory role to the NT and is accountable to the Accounting Authority, Executive Authority and the public to properly consider and evaluate all matters as per its terms of reference.

The purpose of BARC is to assist the Accounting Authority in fulfilling its oversight responsibilities and the CEO in fulfilling executive duties regarding the financial reporting process, the management of risk, the system of internal control, the audit process, and the USAASA's process for monitoring compliance with laws, regulations and code of conduct. The BARC also has a primary responsibility to the public to form an opinion on the effectiveness of those issues within its ambit, and communicates this in the Annual Report in terms of the Treasury Regulations.

BARC members were reappointed on the 22 February 2022, following the conclusion of one year in office subject to reappointment by the Shareholder at the Annual General Meeting. The Audit Committee has a total of four Non-Executive Management members and a representative of the AGSA as a standing invitee. The CEO, CFO, CAE and Risk Manager are permanent invitees to the Committee meetings.

The names, qualification and attendance of the meetings are highlighted in the below table:

<b>NAME</b>	<b>MR SIMPHIWE THOBELA</b>
<b>Designation</b>	Board Member
<b>Date appointed</b>	22 February 2021
<b>Date resigned/Termination</b>	N/A
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• BCom Logistics.</li> <li>• Master in Town and Regional Planning.</li> <li>• Certificate in Strategic Planning and Change Management.</li> <li>• Certificate in Local Economic Development.</li> <li>• Certificate in Municipal Supply Chain Management.</li> <li>• Post Graduate Diploma in Public Management.</li> <li>• Snr Manager Program (NQ7).</li> </ul>
<b>Areas of Expertise</b>	<ul style="list-style-type: none"> <li>• Governance.</li> <li>• Strategic Planning.</li> </ul>
<b>Board Directorship</b>	<ul style="list-style-type: none"> <li>• Chairperson – Air Traffic and Navigation Services (ATNS).</li> <li>• Chairperson – Media, Information and Communication Technology Sector (MICT-SETA).</li> <li>• Magwa Tea Estate.</li> </ul>
<b>Other Committees</b>	<p>From 1 March 2021- to 7 February 2022</p> <ul style="list-style-type: none"> <li>• Board Audit and Risk Committee – Chairperson.</li> <li>• Operations Committee – Committee Member.</li> <li>• HR and Remuneration Committee – Committee Member.</li> </ul> <p>From 8 February 2022 – to 31 March 2022.</p> <ul style="list-style-type: none"> <li>• Board Audit and Risk Committee – Chairperson.</li> <li>• Remunerations Committee – Member.</li> </ul>
<b>No. of meetings attended</b>	8 out of 8

<b>NAME</b>	<b>MR TALELANI ENOS RAMARU</b>
<b>Designation</b>	Board Member
<b>Date appointed</b>	22 February 2021
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• BCom Accounting.</li> <li>• Post Graduate Diploma Management.</li> <li>• Professional Certificate in Public Development Management.</li> <li>• Post Graduate Advanced Certificate in Forensic and Investigative Auditing.</li> <li>• Post Graduate Strategic Management and Corporate Governance.</li> </ul>
<b>Areas of Expertise</b>	<ul style="list-style-type: none"> <li>• Financial Management.</li> <li>• Accounting.</li> <li>• Auditing.</li> </ul>
<b>Board Directorship</b>	<ul style="list-style-type: none"> <li>• Executive Board Member – National Labour and Economic Development Institute.</li> <li>• Audit and Risk Committee Member – Ditsela Training Institute.</li> <li>• Trustee – COSATU Provident Fund.</li> </ul>
<b>Other Committees</b>	<p>From 1 March 2022 to 7 February 2022.</p> <ul style="list-style-type: none"> <li>• HR and Remuneration Committee – Chairperson.</li> <li>• Board Audit and Risk Committee – Committee Member.</li> <li>• Social and Ethics Committee – Committee Member.</li> </ul> <p>From 08 February 2022- to 31 March 2022.</p> <ul style="list-style-type: none"> <li>• HR and Remuneration Committee – Chairperson .</li> <li>• Board Audit and Risk Committee – Member.</li> </ul>
<b>No. of meetings attended</b>	• 8 out of 8

<b>NAME</b>	<b>MS MAPULENG MOROPA</b>
<b>Designation</b>	Member of the Board of Directors
<b>Date appointed</b>	22 February 2021
<b>Date resigned/Termination</b>	N/A
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Master in Business Administration (MBA)</li> <li>• Programme in Management Development (PMD)</li> <li>• BSc Information Technology</li> </ul>
<b>Areas of Expertise</b>	<ul style="list-style-type: none"> <li>• Strategy design and implementation</li> <li>• Business process design and re-engineering</li> <li>• Retail and Commercial Banking</li> <li>• Operations Management</li> <li>• Project Management</li> <li>• Sales Management</li> <li>• Risk management and compliance</li> <li>• Business performance improvement</li> <li>• Entrepreneurship and Business Management</li> <li>• Relationship management</li> <li>• Stakeholder Engagement</li> <li>• Broadband Infrastructure/Network implementation and maintenance</li> <li>• Surveillance and access control technology installation and maintenance</li> </ul>
<b>Board Directorship</b>	<ul style="list-style-type: none"> <li>• USAASA Board (28/08/18 – 29/11/19);</li> <li>• Non-executive director and Board member Thornburg Holding March 2014 to 2017</li> <li>• Director Battlebay Holdings (Pty) Ltd – 2011 to date</li> <li>• Member of the Black Industrialist Advisory Panel: DTI – March 2013 to March 2017</li> <li>• Executive Director, M&amp;H Distributors – Jan 2015 to date</li> <li>• Director, Ingwesat (Pty) Ltd – July 2017 to date</li> </ul>
<b>Other Committees</b>	<ul style="list-style-type: none"> <li>• From 1 March 2021 to 7 February 2022</li> <li>• Operations Committee – Chairperson</li> <li>• HR and Remuneration Committee – Member</li> <li>• Social and Ethics Committee – Member</li> <li>• From 8 February 2022 to 31 March 2022</li> <li>• HR and Remuneration Committee – Member</li> <li>• Board Audit and Risk Committee – Member</li> </ul>
<b>No. of meetings attended</b>	8 out of 8

<b>NAME</b>	<b>MS BUHLE TONISE</b>
<b>Designation</b>	Board Member
<b>Date appointed</b>	22 February 2021
<b>Date resigned/Termination</b>	N/A
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Matric</li> <li>• LLB</li> <li>• Practical Legal Training (Commercial Law)</li> </ul>
<b>Areas of Expertise</b>	<ul style="list-style-type: none"> <li>• Contract Management and Commercial Law</li> <li>• Corporate Law</li> <li>• Governance</li> </ul>
<b>Board Directorship</b>	<ul style="list-style-type: none"> <li>• Deputy Chairperson of the Eastern Cape Arts and Culture Council.</li> </ul>
<b>Other Committees</b>	<p>From 1 March 2021 to 7 February 2022</p> <ul style="list-style-type: none"> <li>• Social and Ethics Committee – Chairperson</li> <li>• Operations Committee – Committee Member</li> <li>• Board Audit and Risk Committee – Committee Member</li> </ul> <p>From 8 February 2022 – to 31 March 2022</p> <ul style="list-style-type: none"> <li>• HR and Remuneration Committee – Member</li> <li>• Board Audit and Risk Committee</li> </ul>
<b>No. of meetings attended</b>	8 out of 8



## 8. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

BARC ensured that the management of USAASA had the necessary checks and balances in place to ensure compliance with pertinent laws and regulations, that it is conducting its affairs ethically, and that it is maintaining adequate controls against possible conflicts of interest and fraud. The specific steps involved in carrying out this responsibility include the following:

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

operations and monitor and review the extent to which the organisation is complying with such rules, regulations, and laws.

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

## 9. FRAUD AND CORRUPTION

USAASA has a fraud prevention plan in place, and have made progress in implementing the Code of Conduct, training and awareness of the Whistle-Blowing Policy and Fraud Prevention Policy, Information Security and have also conducted the Corruption Risk Assessment. USAASA has established the mechanisms for the reporting of fraud and corruption which are outlined in the Whistle-Blowing Policy.

Furthermore, USAASA subscribes to the National Anti-Corruption Hotline, administered by the Office of Public Service Commission, to encourage the officials to make confidential



disclosures through the above-mentioned hotline. To date, USAASA has not received any cases from whistle-blowers that are recorded in the Fraud and Corruption Allegations register.

#### 10. MINIMISING CONFLICT OF INTEREST

In order to promote a professional, ethical, dynamic, competitive and customer-focused working environment, the Office of the Company Secretary facilitates the disclosure of financial interests by the various designated categories of employees (junior staff, middle management service, senior management service and executives), Board of Directors including temporary staff and fixed-term contract employees and the officials in Finance and Supply Chain Management.

To further assist and enhance the ethical culture in the Organisation, all employees are required to obtain approval to perform any remunerative work outside the employment of USAASA and disclose all business interests. The Company Secretary provides appropriate guidance to management and staff on all matters that may involve a conflict of interest.

Furthermore, as a standard practice within the Organisation, participants are required to disclose their conflict of interest regarding the issues on the agenda for discussions during the USAASA's committee meetings, and such declarations of conflict of interests are recorded.

BARC ensured that the management of USAASA had the necessary checks and balances in place to ensure compliance with pertinent laws and regulations, that it is conducting its affairs ethically, and that it is maintaining adequate controls against possible conflicts of interest and fraud.

#### 11. CODE OF CONDUCT

All USAASA employees have signed the Agency Code of Ethics and conduct. This code forms part of their appointment contracts. Staff in the Supply Chain Management unit and members of the Bid Adjudication Committee have also signed a Code of Conduct. Processes are in place to address any breaches through the Disciplinary Code, the Fraud and Corruption Strategy and Plan, and the Whistle-Blowing Policy.

#### 12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

An Occupational Health and Safety is of utmost importance to USAASA as an employer and public body. The Agency implemented a healthy and safety programme including COVID-19-related occupational health and safety matters, to ensure compliance with the Occupational Health and Safety Act 85 of 1993 and other relevant the Regulations for health and safety of all employees, contractors and visitors.

#### 13. SOCIAL RESPONSIBILITY

USAASA does not have a dedicated social responsibility programme as an obligation to act for the benefit of society at large as USAASA's programme is intended for the public good.



## 14. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2022.

### 14.1 LEGISLATIVE REQUIREMENTS

The Audit Committee herewith presents its report for the financial year ended 31 March 2022, as required by Treasury Regulation 3.1.13 read with section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999).

### 14.2 THE AUDIT COMMITTEE'S RESPONSIBILITIES

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

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

### 14.3 RISK MANAGEMENT

Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and implementation of effective internal controls. The Internal Audit Unit was guided by the consolidated risk profile provided by the Enterprise Risk Management Unit, all key audit focus areas including managements' inputs in the formulation of its three-year Strategic and Annual Plans. The Committee relied on the Internal Audit Unit and AGSA to provide assurance on the effectiveness of the risk management system. The system of risk management needs improvement.

### 14.4 INTERNAL AUDIT

The Accounting Authority is obliged, in terms of the Public Finance Management Act, 1999, to ensure that the Entity has a system of Internal Audit under the control and direction of BARC. BARC is satisfied that the Internal Audit function has properly discharged its functions and responsibilities during the year under review.

BARC is satisfied that the Internal Audit function maintains an effective internal quality assurance programme that covers all aspects of the Internal Audit activity and that, as determined during 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 for the period 1 April 2021 to 31 March 2022

The following internal audit work was completed during the year under review:

TYPE OF AUDIT	NUMBER	FREQUENCY
Performance Information	Four Audits (Q4 – 2020/2021, Q1, Q2 and Q3)	Quarterly
Interim Financial Statements	Four Audits (Q4 – 2020/2021, Q1, Q2 and Q3)	Quarterly
Financial Management	Four Audits (Q4 – 2020/2021, Q1, Q2 and Q3)	Quarterly
SCM Below and Above Threshold	Three Audits (Q4 – 2020/2021, Q1 and Q2)	Quarterly
Human Resources	Three Audits (Q4 – 2020/2021, Q1 and Q2)	Quarterly
Administration	Four Audits (Q4 – 2020/2021, Q1, Q2 and Q3)	Quarterly
Legal Fees	One Q1	Once-off review
ICT	One Q4	Quarterly
Stakeholder Engagement	Two Audit (Q2 and Q3)	Quarterly
AGSA Implementation Plan	Two Audits Q3 and Q4	Quarterly
<b>Total</b>	<b>28</b>	

#### 14.5 THE EFFECTIVENESS OF INTERNAL CONTROLS

In line with the PFMA, 1999, Internal Audit 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 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 system of internal control for the reporting period was not entirely adequate and effective.

#### 14.6 IN-YEAR AND END-YEAR REPORTING

BARC has consistently reviewed USAASA financial and non-financial management and reporting practices in the financial year under review and ensured monthly and quarterly reporting has been done in accordance with requirements of the PFMA. The public entity has submitted the quarterly reports to the Executive Authority.

#### 14.7 EVALUATION OF ANNUAL FINANCIAL STATEMENTS AND THE ANNUAL PERFORMANCE INFORMATION

BARC has evaluated the Annual Financial Statements (AFS) and the Annual Performance Information for the year ended 31 March 2022 and duly recommended them for the Accounting Authority's approval prior to being submitted to the AGSA for audit. Subsequently the material misstatements corrected in the AFS were reviewed when the management report of the AGSA was discussed with the Audit Committee. BARC has discussed the external audit outcomes on the reporting on pre-determined objectives to be included in the Annual Report with the AGSA and the Accounting Authority.

#### 14.8 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:

Travel expenditure and staff debtors could not be resolved during the audit due to the difficulty in locating source documents as a result of poor records management. USAASA is currently busy implementing improvement controls to ensure that records are easily accessible for audit by introducing audit files that are created and maintained on a monthly basis.

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



**Mr Simphiwe Thobela**

Chairperson of the Audit Committee  
Universal Service and Access Agency of South Africa

## 15. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:

CRITERIA	RESPONSE YES / NO	DISCUSSION
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	No measures have been taken to comply
Developing and implementing a preferential procurement policy?	No	No measures have been taken to comply
Determining qualification criteria for the sale of state-owned enterprises?	No	No measures have been taken to comply
Developing criteria for entering into partnerships with the private sector?	No	No measures have been taken to comply
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	No measures have been taken to comply



**PART D**

# **HUMAN RESOURCES MANAGEMENT**



## 16. OVERVIEW OF THE HUMAN RESOURCES

The Corporate Services Directorate, which also includes Human Resources Management and Development is acknowledged as a strategic partner and plays a vital role in the achievement of USAASA's strategic outcomes and predetermined objectives by the Accounting Authority, through rendering effective and efficient Human Resources (HR) advice and services. HR, is an essential service that continues to play its pivotal role amidst the COVID -19 epidemic, lockdowns and regulations by ensuring a safe working environment and adherence to all government regulations without compromising the performance delivery environment and service delivery. As at the end of 31 March 2022, the Agency has not recorded any loss of life due to the COVID-19 pandemic. Furthermore, organisational support was provided through recruitment and selection, performance management, human resources development and capacity-building initiatives.

The current organisational structure of USAASA provides for 56 approved positions, 50 which were filled and six were vacant on 31 March 2022. This excludes the positions in respect of the five Board Members that are appointed by the Minister as Accounting Authority in terms of section 49(1) of the PFMA. A total number of 40 District Coordinators were hired on a fixed-term contract of twelve months in Eastern Cape (EC), Free State (FS), KwaZulu-Natal (KZN), Limpopo (LP), Northern Cape (NC), North-West (NW) and Mpumalanga (MP) to conduct proactive registrations at community grass root level, mass mobilisation and creation of awareness.

The employee attrition rate for the reporting period was eleven percent , whereas the vacancy rate was recorded at ten percent for the same period ending 31 March 2022. The status of people with disability is at 0% and women in senior management is at 38%, which is below the Cabinet-set target limits for public service. During the reporting period there was one dismissal case of abscondment and six suspended employees that were going through a disciplinary process.

The 90% of the workplace skills plan was implemented to ensure a highly skilled workforce capable of delivering the predetermined objectives on tabled annual performance plans. There was also additional training on women empowerment, Internal Audit and POPI Act.

USAASA has an approved Performance Management and Development Policy for all employees excluding the Board of Directors, which their performance management system is governed by the Minister. In addition, contact points, between the organisational performance and the respective individual employee performance have been established to enable the individual employee performance to inform the organisational performance. The organisation has adopted the DPSA performance management and development system. During the reporting period, there was no performance bonus paid to the employees of the Entity as the performance threshold of 80% of achievement of the annual targets was not attained by the Entity.

USAASA supports a healthy working relationship with organised labour to promote good relations with employees. Various consultations have been taking place at the Labour Forum and these will continue going forward.



## 16.1 HUMAN RESOURCE OVERSIGHT STATISTICS

USAASA provides the following key information on the human resources component within the employment environment of the Entity. All the financial amounts reflected in the below tables agree with the amounts disclosed in the Audited Annual Financial Statements.

### 16.1.1 PERSONNEL RELATED EXPENDITURE

The following tables summaries the draft audited personnel related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- Amount spent on personnel.
- Amount spent on salaries, homeowner's allowances and medical aid.

### 16.1.2 PERSONNEL COST BY PROGRAMME/ACTIVITY/OBJECTIVE

PROGRAMME/ ACTIVITY / OBJECTIVE	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL COSTS (R'000)	PERSONNEL EXP. AS A % OF TOTAL EXP. (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
CEO's Office	14,709	13,312	90%	8	1,664
Corporate Services	23,554	9,405	40%	15	627
Finance & SCM	10,279	10,007	97%	10	1,001
Operations	33,173	26,295	79%	59	446
<b>Total</b>	<b>81,715</b>	<b>59,019</b>	<b>72%</b>	<b>92</b>	<b>642</b>

### 16.1.3 PERSONNEL COST BY SALARY BAND

PROGRAMME/ ACTIVITY / OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
District Coordinator	9,251	16%	36	257
Professional Qualified	12,348	21%	12	1,029
Senior Management	14,036	24%	13	1,080
Skilled	18,512	31%	26	712
Top Management	4,507	8%	3	1,502
Unskilled	364	1%	2	182
<b>Total</b>	<b>59,019</b>	<b>100%</b>	<b>92</b>	<b>642</b>

The following items below are reported as part of employee related costs, however due to their nature they are recorded outside of the payroll and hence form part of reconciling items.

Management fee	674
Worksmen's compensation & Leave Prov	217
Provision for Annual Bonus	(98)
Employee related Costs AFS	59,812

### 16.1.4 PERFORMANCE REWARDS

PROGRAMME/ ACTIVITY / OBJECTIVE	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	0	0	0%
Senior Management	0	0	0%
Professional qualified	0	0	0%
Skilled	0	0	0%
Semi-skilled	0	0	0%
Unskilled	0	0	0%
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0%</b>

Bonuses were not paid due to the underperformance of USAASA

#### 16.1.5 TRAINING COSTS

PROGRAMME/ ACTIVITY / OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE
COVID- 19 Disaster Management	56 398 769	12 250	0.02%	7	1750
Report Writing	56 398 769	16 539	0.03%	18	919
Project Management	56 398 769	88 000	0.16%	40	2 200
Risk Management	56 398 769	110 124	0.20%	12	9 177
Women Empowerment	56 398 769	137 988	0.24%	12	11 499
POPIA Training	56 398 769	78 982	0.14%	98	806
Internal Audit training	56 398 769	28 720	0.05%	18	1 596
SAP Finance training	56 398 769	7 323	0.01%	1	7 323

Service providers were procured before 31 March 2022, for the following training initiatives:

- Monitoring and Evaluation
- BID committees training for Supply Chain Management
- Microsoft AZURE104

This training however could not take place due to the mass rollout of the Broadband Digital Migration of the Minister.

#### 16.1.6 EMPLOYMENT AND VACANCIES

PROGRAMME/ ACTIVITY / OBJECTIVE	2021/2022 NO. OF EMPLOYEES	2021/2022 APPROVED POSTS	2021/2022 VACANCIES	% OF VACANCIES
Chief Executive Officer	0	1	1	100%
Chief Financial Officer	1	1	0	0%
Executive Managers	2	3	1	33%
Senior Managers	13	13	0	0%
Managers	12	14	2	14%
Administrative Officers	24	26	2	7%
Administrative Clerks	2	2	0	0%
Unskilled	2	2	0	0%
District Coordinator	36	40	4	10%
<b>Total</b>	<b>92</b>	<b>102</b>	<b>10</b>	

\*Acting Chief Financial Officer was seconded from the Department of Communications and Digital Technologies

PROGRAMME/ ACTIVITY / OBJECTIVE	2021/2022 NO. OF EMPLOYEES	2021/2022 APPROVED POSTS	2021/2022 VACANCIES	% OF VACANCIES
Top Management	3	5	2	40%
Senior Management	13	13	0	0%
Professional qualified	12	14	2	14%
Skilled	26	28	2	7%
Unskilled	2	2	0	0%
District Coordinator approved posts	36	40	4	10%
<b>TOTAL</b>	<b>92</b>	<b>102</b>	<b>10</b>	

### 16.1.7 EMPLOYMENT CHANGES

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT THE END OF THE PERIOD
Top Management	3	1	1	3
Senior Management	10	4	1	13
Professional qualified	12	1	2	12
Skilled	29	0	3	26
Semi-skilled (DC)	0	40	4	36
Unskilled	2	0	0	2
<b>Total</b>	<b>56</b>	<b>46</b>	<b>11</b>	<b>92</b>

### 16.1.8 REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	0	0%
Resignation	9	81%
Dismissal	1	9%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	1	10%
<b>Total</b>	<b>11</b>	<b>100%</b>

### 16.1.9 LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	1
Final Written warning	0
Dismissal	1
Suspensions	6
<b>Total</b>	<b>8</b>

- One disciplinary case emanates from the 2020-2021 financial year and was finalised including a written warning was issued.
- One abscondment disciplinary hearing was done in absentia and a ruling and sanction of dismissal were applied.
- Six suspensions emanating from the 2020-2021 financial year commenced but not finalised, and is still ongoing.



#### 16.1.10 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	2		0	1	0		0	1
Senior Management	8	0	0	0	0	0	1	1
Professional qualified	12	0	0	1	0	1	0	0
Skilled	7	0	0	1	0	0	0	0
District Coordinators	19	0	2	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>48</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	1	1	0	1	0	0	0	0
Senior Management	3	1	1	1	0	0	0	0
Professional qualified	2	0	0	1	0	1	0	0
Skilled	19	0	0	1	0	1	0	1
District Coordinators	14	0	1	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>41</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1</b>

USAASA does have an Employment Equity Plan that was approved by the Board of Directors; however it was not submitted to the Department of Labour due to the Board resolution and signed document that was never returned to HR for submission.

LEVELS	DISABLED STAFF			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	-	0	-
Senior Management	0	-	0	-
Professional qualified	0	-	0	-
Skilled	0	-	0	-
Semi-skilled	0	-	0	-
Unskilled	0	-	0	-
<b>TOTAL</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>

No progress was made due to the Moratorium on the filling of posts, and the announcement of the dissolution of the Agency.

**PART E**

# **ANNUAL FINANCIAL STATEMENTS**



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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### QUALIFIED OPINION

1. I have audited the financial statements of the Universal Services and Access Agency of South Africa set out on pages 58 to 85 which comprise the statement of financial position as at 31 March 2022, the 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 effects and 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 Universal Service and Access Agency of South Africa as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### BASIS FOR QUALIFIED OPINION

#### RECEIVABLES FROM EXCHANGE TRANSACTIONS

3. I was unable to obtain sufficient appropriate audit evidence for other receivables due to the status of accounting records. I was unable to confirm the other receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to other receivables stated at R1 868 000 in note 4 to the financial statements. The amount was further included in note 16: related parties.
4. Staff debt/advances was materially misstated by R967 512 due to the cumulative effect of individually immaterial uncorrected misstatements in staff debt/advances due to the status of accounting records. Consequently, I was unable to determine whether any adjustment was necessary to staff debt/advances stated at R4 026 000 in note 4 to the financial statements.

### CONTEXT FOR THE 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 auditor-general's responsibilities for the audit of the financial statements section of my report.
6. I am independent of the public 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.

### MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.
9. I draw attention to note 17 to the financial statements, which indicates that the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern, describes the events or conditions, along with other matters as set forth in note 17 that may cast significant doubt on the public's ability to continue as a going concern and how the public entity is responding to them. My opinion is not modified in respect of this matter.

### EMPHASIS OF MATTER

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### RESTATEMENT OF CORRESPONDING FIGURES

11. As disclosed in note 20 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2022.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

12. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP, 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.
13. 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 intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

## AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

14. 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.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### INTRODUCTION AND SCOPE

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 1 – Business Support	24 – 27

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
  - Programme 1- Business Support

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### INTRODUCTION AND SCOPE

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

22. The material findings on compliance with specific matters in key legislation are as follows:

#### ANNUAL FINANCIAL STATEMENTS

23. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of current liabilities and expenditure identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

#### EXPENDITURE MANAGEMENT

25. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R140 000, as disclosed in note 13 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by the incurrence of penalties and interest charges on late payments.
26. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R17 447 000 as disclosed in note 14 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management processes.

#### CONSEQUENCE MANAGEMENT

27. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure and fruitless and wasteful expenditure were not performed.

#### OTHER INFORMATION

28. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

29. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

30. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or our 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.

#### INTERNAL CONTROL DEFICIENCIES

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

33. Management did not effectively implement the audit action plan. Internal control deficiencies identified in the prior year were not addressed, resulting in some material corrections to the financial statements.

34. Management did not implement proper record keeping to ensure that complete, relevant and accurate information for staff debt/advances is accessible and available to support financial statements.

35. Management did not develop and implement a compliance checklist to monitor compliance with legislation, including procurement legislation.

36. 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.

### OTHER REPORTS

37. I draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the entity's financial statements, reported performance information and compliance with applicable legislation and other related matters. The reports noted do not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation. The summarised other reports will be included in the auditor's report as follows:

38. The previous board instituted a forensic investigation in January 2020 on the SAP support and maintenance services to ascertain facts on the matters around the SAP support and maintenance provision or the lack thereof. A forensic investigation is being conducted by National Treasury, and at the date of the audit report, the investigation has not been concluded.

*Auditor - General*

Pretoria

31 July 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-General’s responsibility for the audit

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

### FINANCIAL STATEMENTS

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

exists relating to events or conditions that may cast significant doubt on the ability of the Universal Services and Access Agency of South Africa 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 an 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

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to 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.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Notes(s)	31 MARCH 2022 R'000	31 MARCH 2021 R'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Receivables from exchange transactions	4	7 570	2 585
Cash and cash equivalents	5	313 134	229 626
		<b>320 704</b>	<b>232 211</b>
<b>NON-CURRENT ASSETS</b>			
Property & equipment	2	1 156	202
Intangible assets	3	1	2
		<b>1 157</b>	<b>204</b>
<b>Total Assets</b>		<b>321 861</b>	<b>232 415</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	11 427	12 935
Provisions	6	2 740	3 434
<b>Total Liabilities</b>		<b>14 167</b>	<b>16 369</b>
<b>NET ASSETS</b>		<b>307 694</b>	<b>216 046</b>
<b>Accumulated surplus</b>		<b>307 697</b>	<b>216 047</b>

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2022

	Notes(s)	31 MARCH 2022 R'000	31 MARCH 2021 R'000
<b>REVENUE</b>			
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Recoveries		-	36
Interest received - investment		8 360	3 981
		<b>8 360</b>	<b>4 017</b>
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			
Transfer Revenue			
Government grants & subsidies		177 055	261 385
		<b>177 055</b>	<b>261 385</b>
<b>Total Revenue</b>	8	<b>185 415</b>	<b>265 402</b>
<b>EXPENDITURE</b>			
Employee related cost	9	(59 812)	(50 463)
Bad Debts Written-Off		(36)	-
Legal fees		(420)	(2 697)
Depreciation and amortisation		(103)	(221)
Finance costs		(7)	(722)
Lease/rentals on operating lease		(5 683)	(4 887)
General Expenses	10	(15 654)	(9 104)
<b>Total Expenditure</b>		<b>(81 715)</b>	<b>(68 094)</b>
<b>Surplus for the year</b>		<b>103 700</b>	<b>197 308</b>

# STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes(s)	ACCUMULATED SURPLUS R'000	TOTAL NET ASSETS R'000
<b>Balance as at 1 April 2020</b>		<b>19 055</b>	<b>19 055</b>
Ajustments: Errors corrections		316	316
		<b>18 739</b>	<b>18 739</b>
<b>Changes in net assets</b>			
Surplus for the year		197 308	197 308
<b>Balance as at 1 April 2021</b>		<b>216 047</b>	<b>216 047</b>
Adjustment: Error Corrections		(50)	(50)
Unspent funds for 2020/21 surrendered to DCDT		(12 000)	(12 000)
<b>Restated Balance</b>		<b>203 997</b>	<b>203 997</b>
Surplus for the year		103 700	103 700
<b>Balance as at 31 March 2022</b>		<b>307 697</b>	<b>307 697</b>

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes(s)	31 MARCH 2022 R'000	31 MARCH 2021 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
Cash receipts from government		177 055	261 385
Cash paid to suppliers and employees		(88 515)	(69 325)
Cash generated from operations (excl. interest)	12	88 540	192 060
Recoveries from employees - Bursaries/Financial		-	36
Finance costs		(7)	(722)
<b>Net cash from operating activities</b>		<b>88 533</b>	<b>191 373</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income		7 976	3 930
Acquisition of property, plant and equipment		(1 002)	(31)
<b>Net cash from investing activities</b>		<b>6 974</b>	<b>3 899</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Unspent funds for 2020/21 surrendered to DCDT		(12 000)	-
<b>Net cash from financing activities</b>		<b>(12 000)</b>	<b>-</b>
<b>Total cash movements for 12 months</b>		<b>83 507</b>	<b>195 272</b>
Cash and cash equivalents at the beginning of the year		229 627	34 355
<b>Cash and cash equivalents at 31 March 2022</b>		<b>313 134</b>	<b>229 627</b>

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2022

	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
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>						
<b>REVENUE</b>						
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>						
Interest received	-	-	-	8 360	8 360	Interest received from short-term investment - Call Account (Note 8) not budgeted for.
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	177 055	-	177 055	177 055	0	All transfers received from DCDT (Note 8).
<b>Total revenue</b>	<b>177 055</b>	<b>-</b>	<b>177 055</b>	<b>185 415</b>	<b>8 360</b>	
<b>EXPENDITURE</b>						
Personnel	(62 268)	-	(62 268)	(59 812)	2 456	The underspending is as a result of some vacant positions that are not filled due to the moratorium placed by the EA (Note 9).
Legal fees	(1 186)	-	(1 186)	(420)	766	The underspending under legal services is as a result of invoices from Justice taking longer to be submitted for payment (Note 10)
Depreciation & amortisation	-	-	-	(103)	(103)	Non-cash expenditure incurred. This item is not budgeted for in line with government budgeting guidelines (Note 10).
Bad Debts Written-Off	-	-	-	(36)	(36)	
Finance cost	-	-	-	(7)	(7)	
Lease rentals on operating lease	(6 082)	-	(6 082)	(5 683)	399	
General expenses	(12 519)	-	(12 519)	(15 654)	(3 135)	Overspending was mainly due to travel costs that increased by almost 7 times the spending in the previous financial year. (Note 10)
SAPO Distribution costs	(95 000)	-	(95 000)	-	95 000	The non-spending on this item of the budget was due to work by SAPO (warehousing, distribution, etc not invoiced and submitted for payment.
<b>Total Expenditure</b>	<b>(177 055)</b>	<b>-</b>	<b>(177 055)</b>	<b>(81 715)</b>	<b>95 340</b>	
Surplus for the year	(0)	-	(0)	103 700	103 700	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>	<b>103 700</b>	<b>103 700</b>	

# ACCOUNTING POLICIES

## 1. STATEMENT OF COMPLIANCE

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The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

### 1.1 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.

### 1.2 SIGNIFICANT JUDGEMENTS

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

Significant judgements include:

#### LOANS AND RECEIVABLES

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

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

#### FAIR VALUE ESTIMATION

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

#### IMPAIRMENT TESTING

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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

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

#### PROVISIONS

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

#### USEFUL LIVES AND RESIDUAL VALUE OF PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

The entity's management determines the estimated useful lives and related depreciation charges for property, equipment and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the entity.

#### EFFECTIVE INTEREST RATE

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

#### PROVISION FOR IMPAIRMENT OF FINANCIAL INSTRUMENTS

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.

### 1.3 REVENUE RECOGNITION

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the useful life of the relevant asset by equal annual installments.

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

### 1.4 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

## MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### 1.5 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

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

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

### 1.6 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure as defined in section 1 of the PFMA “means expenditure which was made in vain and would have been avoided had reasonable care been exercised”.

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

Details of fruitless and wasteful expenditure are provided in note 13

### 1.7 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is:

“expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

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

Details of Irregular expenditure are provided in note 14.

### 1.8 INVESTMENT POLICY

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

## 1.9 FINANCE COST

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

## 1.10 STATEMENT OF MATERIALITY AND SIGNIFICANCE

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

## 1.11 TAX

### CURRENT TAX ASSETS AND LIABILITIES

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

## 1.12 FINANCIAL INSTRUMENTS

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

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

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

### CLASSIFICATION

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### FAIR VALUE MEASUREMENT CONSIDERATION

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic

methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### GAINS AND LOSSES

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### IMPAIRMENT AND COLLECTIBILITY OF FINANCIAL ASSETS

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

#### DERECOGNITION FINANCIAL ASSETS

The entity derecognises a financial asset only when:

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

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

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

#### FINANCIAL LIABILITIES

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

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

#### PRESENTATION

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.13 PROPERTY AND EQUIPMENT

Property and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property and equipment is initially measured at cost.

The cost of an item of property and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Property and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such

that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property and equipment have been assessed as follows:

<b>ITEM</b>	<b>DEPRECIATION METHOD</b>	<b>AVERAGE USEFUL LIFE</b>
Furniture and fittings	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Leasehold improvements	Straight line	5 years
Cellphones	Straight line	2 years

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

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

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

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

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

Items of property and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

## 1.14 INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract. An intangible asset is recognised when:

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

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

<b>ITEM</b>	<b>USEFUL LIFE</b>
Computer software	3 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

## 1.15 PROVISIONS

Provisions are recognised when:

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

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

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

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

## 1.16 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 14.

## 1.17 LEASES

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

### FINANCE LEASES - LESSEE

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

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

Any contingent rents are expensed in the period in which they are incurred.

### OPERATING LEASES - LESSEE

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

## 1.18 EMPLOYEE BENEFITS

### DEFINED CONTRIBUTION PLANS

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

### SHORT-TERM EMPLOYEE BENEFITS

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

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

## 1.19 INVENTORIES

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

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

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

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

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

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

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

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

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

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

## 1.20 SHARE CAPITAL / CONTRIBUTED CAPITAL

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

## 1.21 BUDGET INFORMATION

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

The approved budget is prepared on an accruals basis and cover the period of the 2021/2022 financial year.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amount.

Comparative information is not required.

## 1.22 RELATED PARTIES

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

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part. Where the entity has had related party transactions during the periods covered by the financial statements, disclosure is made of the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Related party transactions and outstanding balances or commitments owing between the reporting entity and related parties are disclosed in note 16 to the financial statements. Remuneration of key management personnel is disclosed in note 21.

## 1.23 EVENTS AFTER THE REPORTING DATE

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

- 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 Events after the reporting date will be identified and recorded in accordance with the relevant GRAP standards.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. PROPERTY, PLANT AND EQUIPMENT

	2021/22			2020/21		
	Cost / Valuation R'000	Accumulated Depreciation and impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated Depreciation and impairment R'000	Carrying value R'000
Computer Equipment (a)	9 178	(8 189)	989	8 189	(8 162)	27
Furniture and fixtures	2 635	(2 633)	1	2 635	(2 634)	1
Motor Vehicles	898	(866)	32	898	(834)	64
Office equipment	951	(817)	134	884	(774)	110
Leasehold improvements	1 980	(1 980)	-	1 980	(1 980)	-
Cell phones	727	(727)	-	727	(727)	-
<b>Total</b>	<b>16 368</b>	<b>(15 211)</b>	<b>1 156</b>	<b>15 313</b>	<b>(15 111)</b>	<b>202</b>

(a) The increase in computer equipment is due to the procurement of 50 new laptops towards the end of the financial year (delivered in March 2022). No depreciation was charged as these laptops were delivered on the 23rd of March 2022 and as such the depreciation date was set for 01 April 2022.

RECONCILIATION OF PROPERTY AND EQUIPMENT - 31 MARCH 2022	Opening Balance R'000	Additions R'000	Depreciation for the 12 months R'000	Closing Balance 31-Mar-22 R'000
Computer Equipment	27	989	(26)	990
Furniture and fixtures	1	-	-	1
Motor Vehicles	64	-	(32)	32
Office equipment	110	67	(43)	134
	<b>202</b>	<b>1 056</b>	<b>(102)</b>	<b>1 156</b>

RECONCILIATION OF PROPERTY AND EQUIPMENT - 31 MARCH 2021	Opening Balance R'000	Additions R'000	Depreciation for the 12 months R'000	Closing Balance 31-Mar-21 R'000
Computer Equipment	131	-	(105)	27
Furniture and fixtures	1	-	-	1
Motor Vehicles	96	-	(32)	64
Office equipment	137	31	(58)	110
	<b>365</b>	<b>31</b>	<b>(194)</b>	<b>202</b>

### 3. INTANGIBLE ASSETS

	2021/22			2020/21		
	Cost / Valuation R'000	Accumulated Depreciation and impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated Depreciation and impairment R'000	Carrying value R'000
Computer Software	46 295	(46 294)	1	52 037	(52 035)	2

	Opening Balance 01-Apr-21 R'000	Amortisation for the 12 months R'000	Total 31-Mar-22 R'000
RECONCILIATION OF INTANGIBLE ASSETS - 31 MARCH 2022			
Computer software	2	(1)	1

	Opening Balance 01-Apr-20 R'000	Amortisation for the 12 months R'000	Total 31-Mar-21 R'000
RECONCILIATION OF INTANGIBLE ASSETS - 31 MARCH 2021			
Computer software	28	(26)	2

### 4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	31 MARCH 2022 R'000	31 MARCH 2021 R'000
Staff debts / Advances (a)	4 026	409
Prepayments	467	711
Office rent deposits	256	256
Other receivables	1 868	641
Accrued Income - Investment income	953	568
	<b>7 570</b>	<b>2 585</b>

(a) Staff debts/advances consists of advances paid to employees to cover expenditure that is not covered by the normal procurement activities like procuring through petty cash; petty cash is limited to R 3 000. Due to the move for remote working, petty cash was not utilised that much in the previous financial year. The significant portion of staff debts / advances is made up of operational travelling that took place towards the end of the year for BDM/DTT administration. Most travelers could only return and settle their advances after year end.

### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:		
Bank balances	581	434
Short-term deposits	312 553	229 192
	<b>313 134</b>	<b>229 626</b>

## 6. PROVISIONS

	Opening Balance 01-Apr-21 R'000	Additions/ Utilised R'000	Closing Balance 31-Mar-22 R'000
<b>RECONCILIATION OF PROVISIONS - 31 MARCH 2022</b>			
Annual bonus - 13th cheque	376	(98)	278
Leave	2 246	35	2 281
Other	103	(103)	-
Workman compensation	710	(528)	182
	<b>3 434</b>	<b>(694)</b>	<b>2 740</b>
<b>RECONCILIATION OF PROVISIONS - 31 MARCH 2021</b>			
	Closing Balance 01-Apr-20 R'000	Additions/ Utilised R'000	Closing Balance 31-Mar-21 R'000
Annual bonus - 13th cheque	375	1	376
Leave	730	1 516	2 246
Other	4 307	(4 205)	103
Workman compensation	438	272	710
	<b>5 850</b>	<b>(2 416)</b>	<b>3 434</b>

## 7. TRADE AND OTHER PAYABLES

	31 MARCH 2022 R'000	31 MARCH 2021 R'000
Trade payables	484	2 940
Accruals	10 943	9 996
	<b>11 427</b>	<b>12 935</b>

## 8. REVENUE

	31 MARCH 2022 R'000	31 MARCH 2021 R'000
Recoveries	-	36
Interest received - Investment income	8 360	3 981
Government grants & subsidies	177 055	261 385
	<b>185 415</b>	<b>265 402</b>

The amount included in revenue arising from exchange of goods or services are as follows:

	31 MARCH 2022 R'000	31 MARCH 2021 R'000
Interest received - investment (a)	8 360	3 981

- (a) Interest earned for the current year increased by 110%. The increase was due to the increase in the amount invested during the current year. The increased balance is as a result of low spending rate. Unspent funds were invested at an average rate of 3.5% for the year.

The amount included in revenue arising from non-exchange transactions are as follows:

	31 MARCH 2022 R'000	31 MARCH 2021 R'000
Government grants & subsidies	177 055	261 385
	<b>177 055</b>	<b>261 421</b>

## 9. STAFF COST

	31 MARCH 2022 R'000	31 MARCH 2021 R'000
<b>WAGES AND SALARIES</b>		
- Basic salaries	53 803	45 264
- Other non-pensionable allowance	3 137	2 881
<b>SOCIAL CONTRIBUTIONS (EMPLOYER'S CONTRIBUTIONS)</b>		
- Medical aid	217	252
- Unemployment insurance fund	198	105
- Provident fund	2 457	1 961
	<b>59 812</b>	<b>50 463</b>

## 10. GENERAL EXPENSES

Advertising	22	1
Auditors remuneration	1 209	917
Bank charges	33	50
Board and committee fees	1 594	673
Catering & refreshments	84	15
Conferences and seminars	580	15
Consulting and professional fees	455	1 094
Domestic services	287	125
Electricity and municipal services	986	1 137
Employee Wellness	31	49
Information and Telecommunication costs	2 891	3 447
Insurance	41	-
Marketing	247	-
Postage and courier	15	364
Printing, Stationary & Publication	296	310
Recruitment	347	32
Repairs and Maintenance	176	89
Royalties and license fees	210	324
Security	9	282
Subscription fees	7	5
Training & Development	449	17
Reverse Provision Expense	-	(556)
Travel	5 684	714
Telephone	2	-
	<b>15 654</b>	<b>9 104</b>

## 11. OPERATING SURPLUS

	31 MARCH 2022 R'000	31 MARCH 2021 R'000
Operating surplus for the 8 months is stated after accounting for the following:		
Travel (a)	5 684	714
Amortisation on intangible assets	1	26
Depreciation on property, plant and equipment	102	194
Employee costs (b)	59 812	50 463
Legal fees (c)	420	2 697
Lease/rentals on operating lease (d)	5 683	4 887

- (a) The increase in travel costs is due to the increase in travelling from September 2021 when the operations division were travelling to the various districts to provide administrative support on the work done by SAPO and Sentech regarding DTT/BDM. The travel was amplified when the Analogue Switch-Off date was fast approaching and gaining momentum.
- (b) The increase in employee costs is due to the appointment of 40 district coordinators to assist with the implementation of the BDM/DTT project, particularly assisting with registration of beneficiaries.
- (c) Legal fees decreased by 83% mainly due to the number of litigations instituted against USAASA on BDM and other operational matters that were not resolved or enrolled in courts during the year under review. Legal fees are borne by USAASA as USAF does not have budgets dedicated for legal fees which are administrative in nature. The expenditure only consists of legal expenditure and not payments for litigations awarded to claimants against USAASA.
- (d) Expenditure for operating leases consists of payments of rental for office accommodation Gauteng and Limpopo as well as payments for usage of leased printers. The increase of 16% represent the increase in rental costs for the offices. Due to the lack of contract, USAASA is currently incurring month to month accommodation expenses.

## 12. CASH GENERATED FROM OPERATIONS

Surplus / (deficit) before taxation	103 700	197 308
<b>Adjustments for:</b>		
- Finance Costs	7	722
- Interest income	(8 360)	(3 981)
- Recoveries from employees - Bursaries/Financial	-	(36)
- Prior period adjustments (Legal Costs - cash movement)	-	(63)
<b>Other non-cash items:</b>		
- Depreciation & Amortisation	103	221
- Fair Value Adjustment - Receivables	-	29
- Bad Debts Written-Off	36	-
- Movements in provisions	(694)	(2 416)
<b>Changes in working capital:</b>		
- Receivables from exchange transactions (a)	(4 600)	(717)
- Payables from exchange transactions	(1 652)	992
	<b>88 540</b>	<b>192 060</b>

- (a) The increase in receivables from exchange transactions is due to the increase in travelling towards the end of the year to the beginning of the 2022/23 financial year. Thus, some advances paid for travelers could only be settled in April and May 2022 depending on the length of time for the advances.

### 13. FRUITLESS & WASTEFUL EXPENDITURE

31 MARCH 2022  
R'000

31 MARCH 2021  
R'000

#### RECONCILIATION OF FRUITLESS & WASTEFUL EXPENDITURE

Opening Balance beginning of year	1 111	389
Expenditure - current year	140	722
	<b>1 251</b>	<b>1 111</b>

Amounts disclosed on Fruitless and wasteful expenditure are annually cumulative.

#### ANALYSIS OF FRUITLESS AND WASTEFUL EXPENDITURE

INCIDENT	DISCIPLINARY STEPS/COMMENTS		
Interest Charges	Interest charged on late declarations and payments of PAYE and SDL to SARS.	7	138
Bank Overdraft	Interest paid on bank overdraft	-	4
SARS penalties & Penalties	Penalties charge due to late payments of PAYE and SDL to SARS.	133	580
		<b>140</b>	<b>722</b>

### 14. IRREGULAR EXPENDITURE

#### RECONCILIATION OF IRREGULAR EXPENDITURE

Opening Balance 1 April	35 336	32 196
Add: Irregular expenditure - current year	8 536	3 140
Add: Irregular expenditure - prior year	8 911	-
Less: Condoned or written off by relevant authority	(669)	-
<b>Irregular expenditure closing balance</b>	<b>52 114</b>	<b>35 336</b>

#### ANALYSIS OF IRREGULAR EXPENDITURE

INCIDENT	DISCIPLINARY STEPS/COMMENTS		
Non-compliance with SCM procedures	SCM processes was not followed, Extension of scope without following SCM process.	437	924
Non-compliance to SCM procedures	Expenditure beyond contract period (a)	16 387	1 957
Non-compliance to SCM	Non compliance as per National Treasury Regulations	623	52
Non-compliance with DPSA prescripts	As per public protector report (b)	(669)	207
		<b>16 778</b>	<b>3 140</b>

- (a) Irregular expenditure relating to expired contracts has increased drastically as a result of a number of contracts that expired during the year. These are the key contracts for USAASA's operations and hence the organisation continued to utilise these services after the contract have lapsed. USAASA is currently addressing these lapsed contracts, and will thereafter reduce the amount of irregular expenditure incurred on a monthly basis due to expired contract. Board and Board Committees are providing stringent oversight measures to manage these expenses.
- (b) The matter was judged not irregular by court and written-off by the Board during the current financial year, hence the reversal of the total irregular that was disclosed in the current and previous years.

## 15. COMMITMENTS

	31 MARCH 2022 R'000	31 MARCH 2021 R'000
<b>OPERATING LEASE COMMITMENTS</b>		
Polokwane Rental - Uhuru (contract for 60 months from 01/08/2018)	694	1 215
	<b>694</b>	<b>1 215</b>
<b>TOTAL FUTURE MINIMUM PAYMENTS DUE</b>		
ALREADY CONTRACTED FOR BUT NOT PROVIDED FOR		
- within 1 year	521	521
- in second to fifth year inclusive	174	694
	<b>694</b>	<b>1 215</b>
TOTAL OPERATIONAL COMMITMENTS		
Already contracted for but not provided for	<b>694</b>	<b>1 215</b>

Operating lease commitments relates to lease of office building in Polokwane. Currently USAASA Head Office does not have a lease contract; thus it is impossible to determine commitments as there is not contract value. The operating lease relating to the printers is based on a month to month contract and as such no commitments could be raised without a specific contract amount.

## 16. RELATED PARTY TRANSACTIONS AND BALANCES

### RELATIONSHIPS

Department of Communications & Digital Technologies - Administrative arm of shareholder

Entities within same control (controlled by DCDT):

- National electronic Media Institute of South Africa (NEMISA)
- South African Post Office (SAPO)
- Film & Publication Board (FPB)
- Sentech
- Independent Communications Authority of South Africa (ICASA)
- Broadband Infraco (BBI)
- Postbank
- South African Broadcasting Corporation SOC Limited (SABC)
- State Information Technology Agency (SITA)
- Domain Name Authority (.zadna)
- Universal Service Fund (USAF)

### BALANCES

USAF	1,328	-
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### TRANSACTIONS

Department of Communications & Digital Technologies	164 039	260 467
USAF	3 330	-

(a) Included in related party transactions with DCDT (The Parent Department) are deductions for the following:

- R12 million unspent funds for the 2020/21 financial year surrendered to DCDT to be surrendered to the National Revenue Fund.
- Payments of R1 million for claims by DCDT for salaries paid to employee seconded to USAASA as act as Chief Financial Officer (refer to note 21).

## 17. GOING CONCERN

The Annual Financial Statement have been prepared on a going concern basis of accounting. This basis presumes that government funds/grants 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.

It should be noted that the Department and USAASA have planned to and are currently implementing activities to disestablish USAASA. The dissolution is expected/planned to be finalised by the end of March 2023.

USAASA will still be able to deliver on its mandate and meet its legal obligations in the foreseeable future.

## 18. EVENTS AFTER THE REPORTING DATE

USAASA management has not identified any adjusting or non-adjusting event after reporting period date which would result in the financial statements being adjusted, or where such events required disclosure within the financial statements notes.

## 19. CONTINGENCIES

Possible liabilities from past events wholly dependent of finalisations, resolutions, settlements and court rulings (if already in court).

Only legal costs are included in USAASA while the actual claims are catered for in USAF. This is due to the fact that USAASA is managing the administrative activities of USAF.

	<b>Estimated Legal Costs R'000</b>
<b>LERATADIMA (VARIANCE) V USAASA (RE USAF PROJECTS DTT/BDM)</b>	
Leratadima as the manufacturer of the BDM equipment exercised the arbitration clause of the Supply and Delivery Agreement and instituted proceedings against USAASA.	(2 250)
<b>CZ ELECTRONICS V USAASA - ON APPEAL (RE USAF PROJECTS - DTT/BDM)</b>	
CZ Electronics as the manufacturer of the BDM equipment exercised the arbitration clause of the Supply and Delivery Agreement and instituted proceedings against USAASA.	(2 250)
<b>GROW MAKHOSIKATI (RE USAF PROJECTS - BROADBAND)</b>	
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 an USAASA Project Manager. Irregularities were identified in the invoices submitted for payment. Grow is claiming for non-payment.	(150)
<b>KST TRADING (RE USAF PROJECTS - DTT/BDM)</b>	
A summon for the payment of the escalation rate for installation fees paid by USAASA for the 2016/2017, 2017/2018 and 2018/2019 financial years, was issued.	(500)
<b>VBS BANK (RE USAF PROJECTS - DTT/BDM)</b>	
USAASA was served with a Notice of Motion alleging USAASA to be in breach of a letter of undertaking signed by the former CEO of USAASA, on 16 January 2016, whereby it is alleged that USAASA undertook to pay all invoices submitted by Leratadima Marketing Solutions (in liquidation) into a VBS Bank account. It is further alleged that as a result of USAASA breaching this undertaking, VBS Bank (in liquidation) suffered damages and are now claiming compensation for such.	(3 000)
<b>LERATADIMA MARKETING SOLUTIONS (IN LIQUIDATION) REPRESENTED BY WERKSMANS ATTORNEYS</b>	
Court ordered USAASA to pay all legal costs relating to the litigations judged in favour of Leratadima Marketing Solutions (in liquidation). As at the date of submission of this Financial Statements, the legal costs to be paid were not known and a reliable estimate could not be made as the amount is dependent on the State Attorneys reconciliations and taxations.	-
	<b>(8,150)</b>

## 19. CONTINGENCIES (CONTINUED)

### CONTINGENT ASSETS

The matters below represent matters wherein USAASA is the claimant.

	<b>Estimated Legal Costs R'000</b>
<b>LABOUR MATTER</b>	
Not effecting salary notches in accordance with the relevant prescripts and circulars. The Union (CWU) wrote to the former CEO on 2 March 2016 requesting that all other employees who did not receive notch increments be similarly awarded such notches benchmarked at the highest notch awarded (notch 12), by not later than 15 March 2016. Subsequent to such request not being granted by the ultimatum date, CWU declared a dispute and made referral to the CCMA. The previous Board solicited an investigative report by Werksmans Attorneys which report confirmed the irregularity hence the resolution to approach the Labour Court.	250
<b>LABOUR MATTER</b>	
Effecting notch progression for employees above their salary notches cealing. The matter is still under legal consideration to determining recovery, settlement and/or other ways to finalise this matter. A reasonable estimate of possible recovery is the difference between the current salary and the last notch (ceiling).	937
<b>USAASA V DIATLA TSE BORUTHO (DIATLA)</b>	
USAASA is claiming for VAT in the sum of R34 thousand. Legal cost are estimated at R5 thousand.	29
	<b>1,216</b>

## 20. PRIOR YEAR ADJUSTMENT

	<b>2021 R'000</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	
Decrease in expenses (depreciation)	(74)
Increase in expenses (travel expenses)	211
Increase in expenses (lagaal costs)	2,162
<b>Decrease in surplus for the year</b>	<b>2,299</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	
Increase in PPE	156
Increase in payables (trade payables)	(2,274)
Decrease in receivables	(88)
<b>Increase in accumulated surplus</b>	<b>(2,206)</b>
<b>STATEMENT OF NET ASSETS</b>	
Accumulated surplus (legal costs 2019/20)	111

The prior period adjustments were as a result of some journals being prepared and processed Off-SAP system, the incorrect calculation of depreciation on Office equipment over 3 years while the policy provide for write-off over 5 years and the recording of transactions in incorrect period. Comparative figures have been adjusted as necessary while amounts relating to years beyond the comparative year were recorded into Accumulated Surplus to restate the opening balances.

## 21. REMUNERATION OF KEY MANAGEMENT

EXECUTIVE MANAGEMENT 2022	Salary R'000	Acting Allowance R'000	Other allowances R'000	Total R'000
Chwayita Wendy Madikizela - acting CEO (Appointed 8 March 2021)	1 474	75	142	1 690
Martin Jimmy Mashiane - Chief Audit Executive	1 173	-	22	1 196
Selloane Julia Motloun - Board Secretary	1 474	-	22	1 496
Sharonne Elizabeth Scheepers - Acting Executive Manager: Corporate Services	1 173	96	22	1 292
Sipho Selby Mngqibisa - Executive Manager: Performance Management	1 474	-	22	1 496
Trevor Khathazile Nivi - Acting Executive Manager: Operations	1 156	117	22	1 296
Sidney Mongala - Acting CFO seconded by DCDT (Appointed 08 March 2022)	97	-	-	97
Frik Nieman - Interim CFO seconded by DCDT (Appointed 1 May 2020 to February 2022)	918	-	-	918
	<b>8 941</b>	<b>289</b>	<b>254</b>	<b>9 483</b>

EXECUTIVE MANAGEMENT 2021	Salary R'000	Acting Allowance R'000	Other allowances R'000	Total R'000
Mr B. Ford - Executive Caretaker and Accounting Authority (Appointed 28 January 2020 - 26 January 2021)	1 338	-	-	1 338
Ms C. Madikizela - Acting CEO (Appointed 8 March 2021)	-	5	-	5
Ms C. Madikizela - Executive Manager: Operations (Appointed 6 July 2020)	1 073	-	-	1 073
Mr T Nivi - Acting Executive Manager: Operations (Appointed 19 March 2021)	-	4	-	4
Ms SJ Motloun - Company Secretary and Acting Executive Manager: Corporate Services (Appointed 11 December 2017)	1 452	-	-	1 452
Ms H Ramemosibudi - Acting Chief Audit Executive (Appointed 1 May 2020)	-	512	-	512
Mr S Mngqibisa - Executive Manager: Performance Management (Appointed 1 October 2017)	1 332	-	120	1 452
Mr F Nieman - Interim CFO (Appointed 1 May 2020)	918	333	-	1 251
Mr SM Sephiri - Acting CFO (Appointed 17 October 2019 - 30 April 2020)	-	16	-	16
Ms S Scheepers - Acting Executive Manager: Corporate Services (Appointed 26 January 2021)	-	9	-	9
	<b>6 113</b>	<b>878</b>	<b>120</b>	<b>7 111</b>

The increase in Key Management Personnel of 33% is due to the change in the presentation by including the total salaries earned by employees in acting executive positions instead of reflecting only the acting allowance. Furthermore the increase is as a result of the normal increase in public sector salaries and wages for the 2021/22 financial year.

## 21. REMUNERATION OF KEY MANAGEMENT (CONTINUED)

	31 MARCH 2022 R'000	31 MARCH 2021 R'000
<b>BOARD, BOARD AUDIT AND RISK COMMITTEE (BARC), AND BOARD REMCO</b>		
Ms Daphne Zukiswa Rantho (Appointed 28 February 2021) - Board Chairperson	331	69
Ms Mapuleng Moropa (Appointed 28 February 2021) - Board, BARC and REMCO Member	330	84
Mr Talelani Ramaru (Appointed 28 February 2021) - REMCO Chair, Board and BARC Member.	348	50
Mr S Thobela (Appointed 28 February 2021) - BARC Chair, Board and REMCO Member.	499	22
Ms Buhle Tonise (Appointed 1 April 2020) - Board, BARC and REMCO Member	250	124
Mr P Phukubje (1 April 2020 - 27 January 2021) - Board Chairperson	-	129
Mr M Metuse (1 April 2020 - 27 January 2021) - Board and BARC Member	-	96
	<b>1 758</b>	<b>574</b>

\* Board fees in 2022 include expenses paid in relation to travel

The increase in Board fees of 206% is due to the changes in the Board constitution towards the end of the financial year. Thus the members had to attend induction and have a number of meetings to familiarise themselves with the operations of USAASA in the current financial year. Furthermore the changes in the lockdown restrictions to Level 1 led to Board and Board Committees holding some meetings physically; this increased the costs for their S&T compared to the previous financial year.

## 22. RISK MANAGEMENT

### 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. USAASA minimizes credit risk by depositing unused cash with into short-term investments (call account) with the bank the entity is banking with as applicable and competitive rate of interest.

### MARKET RISK

#### INTEREST RATE RISK

The carrying amount of USAASA's financial assets (investments) at year end that are subject to interest rate risk is disclosed in the notes relating to cash and cash equivalents.

The size of USAASA's position and the amounts invested does not expose it to significant interest rate risk. This short-term investment is sensitive to movements in interest rates which is the primary interest rate to which USAASA is exposed.

Management performs sensitivity analysis to determine the impact of the interest rate fluctuations on the balances invested in the short-term investment instruments and determined that the interest earned is increasing and the impact of the fluctuations is therefore considered to be negligible for both the current and prior financial years.

#### EXCHANGE RATE RISK

USAASA is not exposed to foreign exchange or currency fluctuation risks as the entity does not conduct business or operations in different currencies (exporting or importing).

#### LIQUIDITY RISK

Liquidity risk is the risk that USAASA will be unable to meet its financial commitments and debts when they are due and payable. USAASA has sufficient cash invested in short-term investment facilities that are available when required to meet our debts when they are due and payable. The risk is therefore managed through the cash balances held in the short-term investments. In addition, detailed cash flow forecast are regularly prepared and future commitments and credit balances are reviewed on an ongoing basis.









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