usaasa

Universal Service and Access Agency of South Africa

ANNUAL REPORT 2019|20

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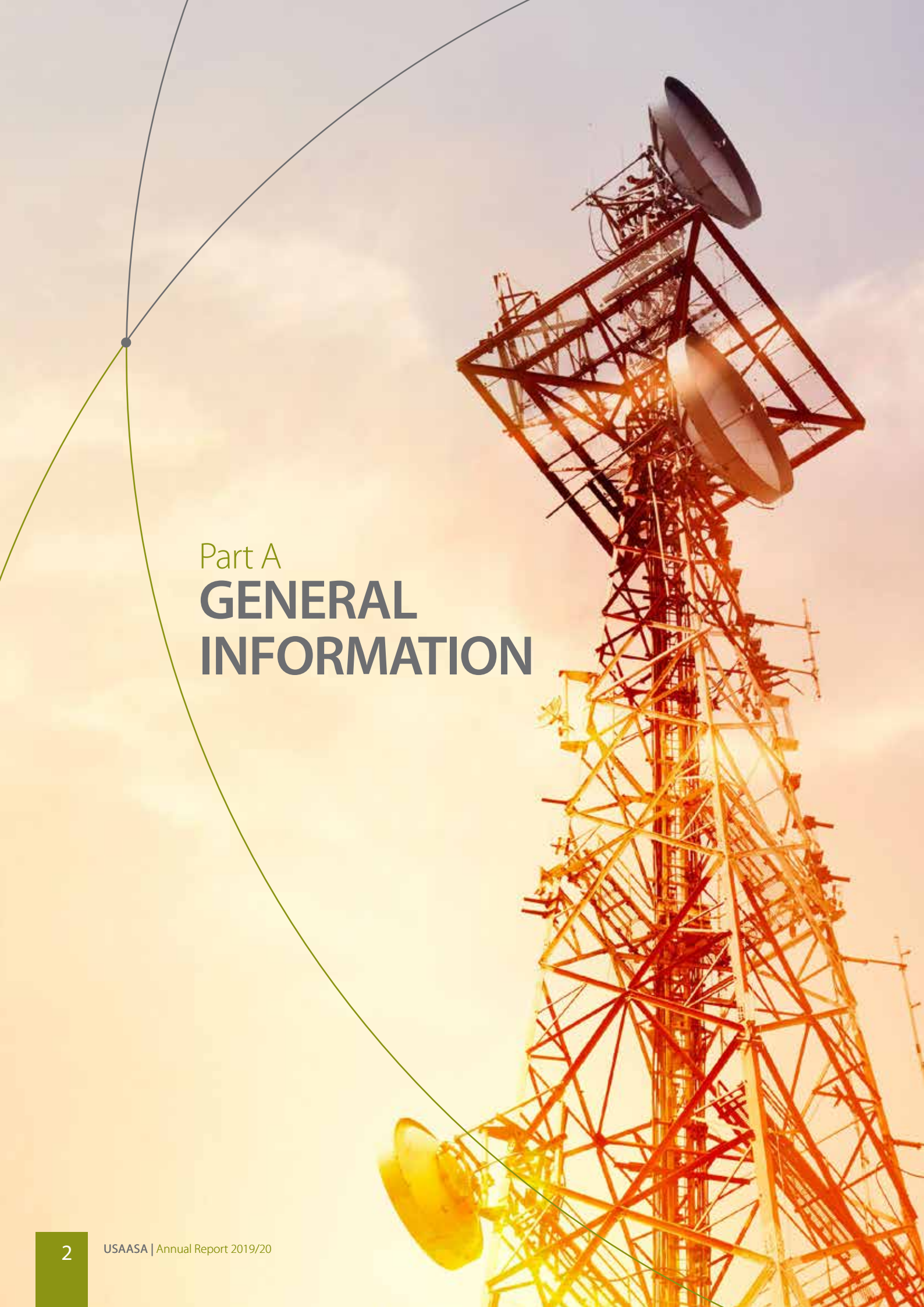

Part A

GENERAL INFORMATION

General Information

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COMPANY SECRETARY	Ms Selloane Motloung

Abbreviations and Acronyms

AGENCY	Universal Service and Access Agency of South Africa
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BARC	Board Audit and Risk Committee
BDM	Broadcasting Digital Migration
BBI	Broadband Infraco SOC
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DDF	Digital Development Fund
DOC	Department of Communications
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DRP	Disaster Recovery Plan
DTPS	Department of Telecommunications and Postal Services
DTT/DTTV	Digital Terrestrial Television
EC	Executive Caretaker
ECA	Electronic Communications Act
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ESA	Employment Services Act
Exco	Executive Committee
FDI	Foreign Direct Investment
FUND	Universal Service and Access Fund
GDP	Gross Domestic Product
HOD	Head of Department
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IT	Information Technology
IMF	International Monetary Fund
KPI	Key Performance Indicator
KRA	Key Result Area
KZN	KwaZulu-Natal
Mbps	Megabits Per Second
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-term Strategic Framework
NDP	National Development Plan
NEMISA	National Electronic Media Institute of South Africa
OD	Organisational Development
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PMDS	Performance Management and Development System
PMU	Project Management Unit
PWD(s)	People With Disability/ies
Q	Quarter
RSA	Republic of South Africa
SA	South Africa
SAPO	South African Post Office
SIP	Strategic Integrated Project
SITA	State Information Technology Agency
SMART	Specific, Measureable, Achievable, Realistic and Time-bound
SMME	Small, Medium and Micro Enterprise
SONA	State of the Nation Address
SOP	Standard Operating Procedure
SP	Strategic Plan
STB(s)	Set-Top-Box(es)
SWOT	Strengths, Weaknesses, Opportunities, Threats
TV	Television
USAASA	Universal Service and Access Agency of South Africa
USAF	Universal Service and Access Fund
.ZADNA	za Domain Name Authority

Foreword by the Administrator

OVERVIEW OF THE OPERATIONS OF THE AGENCY

USAASA is a public body as confirmed by Schedule 3A of the Public Finance Management Act 1 of 1999. The existence, functions, duties and mandate of the Agency are governed by sections 80 – 91 of the Electronic Communications Act 36 of 2005 ("the ECA") which came into operation on 19 July 2006. The new amendments to ECA, which have a direct bearing on governance of the Agency, came into operation on 21 May 2014.

The main aim and objective of USAASA is to ensure accessibility, affordability and availability of such universal services within the shortest possible walking distances from such communities.

The Agency, which is the administrator of the Universal Service Access Fund, was placed under the management and control of the Executive Caretaker and Accounting Authority (EC). Placing the entity under the management and control of the EC was furthermore to assist in overseeing the seamless rollout of a new delivery model that encompassed the direct appointment of local decoder installers.

I was appointed as the Executive Caretaker of USAASA to implement the revised broadcasting digital migration model. I assumed my duties and responsibilities on 28 January 2020 and one of the key priorities of my tenure was to develop the USAASA Strategic Plan (2020-25) and Annual Performance Plan (2020-21) that was to respond to the sustainable broadband deployment in underserviced areas and the fast-tracking of the broadcasting digital migration programme.

In my role as Executive Caretaker, I've made sure not only to function within the parameters of my appointment mandate but also in respect of the mandate given to the Agency even prior to my appointment, the mandate that focuses on the rollout of adequate Information and Communication Technology (ICT) infrastructure to enable universal access to under-serviced areas in South Africa, furthermore to facilitate broadband connectivity to under-serviced areas and thereby contributing to the reduction of poverty and unemployment in South Africa, and finally, to promote and pursue the goal of Universal Access and Services and contribute to the sharing and preservation of information in order to build South Africa's sustainable knowledge society.

MY APPOINTMENT AS EC

My arrival at USAASA followed a number of key events that led to the eventual need for the appointment of an EC to assist in the stabilisation of the Agency and the Universal Service and Access Fund (USAF).

There were several foundational and historical issues that obstructed the optimal functioning of USAASA and therefore the fulfilment of its mandate, the first of these was a clear Leadership and Management crisis following the dissolution of the USAASA board in August of 2018 and once again in 2019. The crisis was further exacerbated by the departure of the then CEO in May of 2019 and his subsequent replacement by three acting CEOs leading up to the period of my appointment on 28 January 2020.

The Leadership and Management crisis at USAASA paralysed the Agency to the extent that it was rendered incapable of delivering on its targets. The lack of delivery by the Agency in the Broadcast Digital Migration Programme (BDM) moved the Department of Telecommunications and Postal Services to directly intervene on a number of occasions where it attempted to restart the process of installing set-top boxes.

The crippling effects posed by these challenges contributed to a large extent to the ineffective application of broadband connectivity to underserviced areas and also resulted in the inefficient application of the infrastructure subsidy, which led to inefficient expenditure and use of funds by the Agency and also to the long term sustainability of the subsidised network.

All of this culminated to various disciplinary actions which further impacted on the Agency's ability to function effectively.

IDENTIFYING THE KEY CHALLENGES

Soon after taking up the role of administrator of the Agency, it was immediately evident that the successful fulfilment of my appointment mandate would depend on a process that would be aimed at defining and addressing the fundamental issues and challenges to enable the Agency to find its way back to a place of optimal functionality.

After engaging all stakeholders concerned and beginning to address many of these foundational difficulties through multi-level consultation, I was able to identify the following key challenges mentioned below:

- Lack of a clear strategic direction of the Agency;
- Instability of the management team resulting from many vacant key positions whilst in other instances there was a higher than usual number of individuals "acting" in key positions;
- Unresolved litigations and other legal matters with material consequences for the Agency;

Like slavery and apartheid, poverty is not natural. It is people who have made poverty and tolerated poverty, and it is people who will overcome it. And overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life.

- Nelson Rolihlahla Mandela

- A broadband connectivity model that was unsustainable and ineffective;
- Stalling of the Broadcast Digital Migration (BDM) installation of set-top boxes;
- A range of other administrative matters inhibiting the optimal functioning of the Agency.

USAASA was lacking in leadership and direction, as well as unstable management, which lead to the paralysis of the Agency, resulting in an inability to deliver on its targets.

KEY INTERVENTIONS EMPLOYED TO ADDRESS CHALLENGES

In the financial year under review, we have primarily focused on remodelling the business operations, stabilisation of the Agency's management team, and strategically set out achieve the key priority projects such as the broadband infrastructure roll-out in under-serviced areas and the fast-tracking of the rollout of the Set-Top-Boxes in qualifying households to achieve the goals of the BDM Policy.

In providing leadership and direction to the Agency, I was able to focus on the reviewing and redirecting of the broadband connectivity model.

One of the performance inhibitors affecting the Agency that I identified and set out to address was a large number of unresolved litigations and legal matters stemming from the years prior to my appointment and ongoing in the year under review. The sheer prevalence and magnitude of these legal matters would have left the Agency in a state of financial unsustainability had they been left unaddressed.

Other key interventions involved the optimisation of reporting to the Department of Telecommunications and Postal Services as well as the Parliamentary Portfolio Committee, and the finalisation and submission of Annual Performance targets and strategic plans for the coming year.

FUTURE PLANS OF THE AGENCY

The focus of the Agency in the medium-term will be to change the Universal Service and Access Fund (USAF) into a new Digital - Development Fund (Digital-DF) responsible for providing support to achieve the National Integrated ICT Policy White Paper, 28 September 2016, objectives.

NEW OR PROPOSED ACTIVITIES

The revised activities will be focused on the new 2020-25 USAF Strategic Plan and the achievement of the annualised targets for 2020-21 USAF Annual Performance Plan and the related budget.

SUPPLY CHAIN MANAGEMENT

The Fund did not conclude unsolicited bid proposals during the period under review. All the bid proposals were executed in line with the approved Procurement Plan and the budget allocation as per the approved USAF Annual Performance Plan 2019-2020 by Parliament. The SCM unit currently does not experience any significant challenges.

EXEMPTIONS AND DEVIATIONS RECEIVED FROM THE NATIONAL TREASURY

The Fund did not request any exemption from the PFMA / Treasury Regulations or from financial reporting requirements during the financial year.

ADDRESSING AUDITOR-GENERAL OF SOUTH AFRICA MATTERS FROM THE PREVIOUS FINANCIAL YEAR

The 2019-2020 external audit by the AGSA resulted in an unqualified audit opinion with material findings of non-compliance for USAASA. Management has ensured that action plans are developed and implemented to address 2019-2020 AGSA audit findings and these plans continued to be tracked by the Executive Management Committee (EXCO) and Internal Audit, with progress updates tabled to the Board Audit and Risk Committee (BARC) on a quarterly basis. Efforts continue towards the achievement of a clean audit by the end of the 2020-2021 financial year.

THE YEAR AHEAD

The Fund will be remodelling its business operations to achieve the key priority projects such as the broadband infrastructure roll-out in under-serviced areas and the fast-tracking of the rollout of the Set-Top-Boxes in qualifying households to achieve the goals of the Broadcasting Digital Migration Policy.

CONCLUSION

It has been a difficult and eventful year within the Agency that started in a very uncertain way. It was rewarding to spearhead and participate in the initial stages of the rehabilitation of the Agency. I am looking forward to the future as we continue to pursue our strategic goals as guided by the ECA, and our responsibility to ensure the expansion of broadband services in underserviced areas and the provision of universal access to digital broadcasting by poor TV-owning households earning a total income of below R3200 a month.

The Agency continues to play an important role in improving the lives of the people of South Africa, through the leveraging of Information and Communications Technologies (ICTs) as a critical enabler of economic activity in an increasingly networked world. We are committed to achieving the mandate of the agency and working towards the achievement of the 2020-25 USAASA Strategic Plan

In all that we have done to remedy the historical challenges that the Agency was marred with, I am cautiously optimistic about the sustainable future of the Agency and the Fund. I believe that we have begun to realign the values of Batho Pele, Integrity, Accountability, Innovation, and most notably Transparency and Teamwork

I would like to express my sincere gratitude to Minister Stella Ndabeni-Abrahams for her unwavering support and commitment to her vision for a connected South Africa; the management and staff for their sterling role and commitment to improving the quality of life for the indigent households and impoverished communities residing in underserved areas. Also our governance structures and stakeholders, the Board Audit and Risk Committee, Parliamentary Committees and government departments for their invaluable contributions to the work of the Universal Service Access Agency of South Africa.

Mr. Basil Ford
Executive Caretaker
Universal Service and Access Agency of South Africa

Statement of Responsibility and Confirmation of Accuracy for the Annual Report

The Board of Directors are legally bound to ensure that full and proper records of USAASA's financial affairs are kept and for the preparation and integrity of the annual financial statements.

The external auditors are engaged to conduct an audit and express an independent opinion on the financial statements.

The USAASA annual financial statements have been prepared in terms of Generally Recognised Accounting Practice and are in line with USAASA's accounting policies and supported by reasonable and prudent judgments and estimates.

The Board of Directors acknowledge that they are ultimately responsible for the systems of internal financial control and that they place reliance on BARC to oversee management's implementation of sound internal control systems, procedures, policies and approval frameworks to maintain a strong control environment. The directors are not aware of any material breakdown in the functioning of these controls, procedures and systems during the year under review.

The Board of Directors are of the opinion, based on the information and explanations given by management and Internal Audit Activity, that the system of internal control provides reasonable assurance and that the financial records may be relied upon in preparing the annual financial statements.

The Board of Directors have every reason to believe that the annual financial statements, which were prepared on a going concern basis, fairly present the financial results of the Fund and its position at the end of the financial year and that the Fund will be a going concern for the year ahead. The annual financial statements of USAASA for the year ended 31 March 2020, as set out on pages 62 to 90 were approved by the Accounting Authority on 30 September 2020 and signed on its behalf by:

Mr. Basil Ford
Accounting Authority
Universal Service and Access Agency of South Africa
Date:

Strategic Overview

USAASA VISION
Universal access and service to ICT for all

USAASA MISSION
To promote and pursue the goal of Universal Access and Service, and to contribute to the sharing and preservation of information in order to build South Africa's sustainable knowledge society; 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 universal access to under-serviced areas in South Africa. • Facilitate ICT service to underserviced areas and thereby contributing to the reduction of poverty and unemployment in South Africa.

USAASA 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.

USAASA STRATEGIC GOAL	
STRATEGIC PLAN GOAL 3:	An optimally functioning USAASA that effectively delivers against its mandate.

The strategic goal is framed as a statement that describes the outcome expected in the universal service and access sector as a result of USAASA intervention, in alignment with the National Outcomes and the relevant sector policy and strategy frameworks. The goal reflects the primary outcome of USAASA, which is to effectively manage USAF.

In turn, the above strategic framework and strategic goal informs the alignment to the delivery programme structure of the USAASA and the development of strategic objective targets, performance indicators and annual and quarterly performance data, as outlined in the rolling Annual Performance Plans over the period of the Strategic Plan to 2019/20. The focus is on ensuring that the specified goal is specific and measurable, and implementation programmes and projects can be delivered and reported upon.

Developed in the final year of the 2014-2019 electoral cycle and implementation of the aligned 2014-2019 Medium-term Strategic Framework (MTSF), during the period between August 2018 and January 2019, the USAASA Board and Management Team embarked on a process to critically examine progress in terms of its strategic posture and direction in line with its mandate, and the shifts in the environment which have an impact on its planning and programme delivery.

Arising from this planning process and in line with the legislative requirements in terms of the Public Finance Management Act (PFMA), the Treasury regulations and other legislative prescripts, the USAASA has developed this 2019/20 Annual Performance Plan as the final plan for implementing the goals and strategic objectives outlined in the 2015-2020 Strategic Plan, as updated; which is rolled over for one further year to 2019/20, as a "transitional plan" pending the new electoral mandate arising from the National and Provincial Elections in 2019, and the new 5-Year National Development Plan Implementation Plan for 2019-2024 (MTSF).

Reflected in this Annual Performance Plan (APP) are then the 2019/20 planning priorities – themed as a "final push" - and the 2019/20 and MTEF performance indicators, annual targets and budget allocations for performance against the strategic goals, strategic objectives and strategic objective targets of the current Strategic Plan.

Legislative and Other Mandates

CONSTITUTIONAL MANDATES

The Constitution of South Africa (1996) describes the Bill of Rights as a cornerstone of democracy in South Africa and states that: "It enshrines the rights of all people in our country and affirms the democratic values of human dignity, equality and freedom". Section 16 of the Bill of Rights is one of the sections underpinning the higher guiding principle of USAASA's mandate to provide access and service that will ensure freedom of expression for the people of South Africa:

16. FREEDOM OF EXPRESSION

1. Everyone has the right to freedom of expression, which includes –
   a. Freedom of the press and other media;
   b. Freedom to receive or impart information or ideas;
   c. Freedom of artistic creativity; and
   d. Academic freedom and freedom of scientific research.

The right to free expression has been interpreted as a right to the resources, facilities and infrastructure. It follows that the right to have access to telecommunication resources, facilities and infrastructure is a basic right in South Africa. In addition, Section 32 of the Bill of Rights also describes the "Right to information" and if access is limited due to a lack of ICT resources, facilities and access, this right cannot be fulfilled.

LEGISLATIVE MANDATES

The existence, functions, duties and mandate of the Agency are governed by sections 80 – 91 of the Electronic Communications Act 36 of 2005 ("the ECA") which came into operation on 19 July 2006. The new amendments to ECA, which have a direct bearing on the governance of the Agency, came into operation on 21 May 2014.

The Agency is a public body as confirmed by Schedule 3A of the Public Finance Management Act 1 of 1999.

The ECA establishes a Board of the Agency (appointed by the Minister of Telecommunications and Postal Services). The Board, in turn, appoints a Chief Executive Officer (CEO) in concurrence with the Minister. The Agency is under the direction and control of the CEO and it is funded by money appropriated by parliament.

The ECA also established the Universal Service and Access Fund ("the Fund") which is financed by contributions from electronic communications service, electronic communications network service and broadcasting service licensees. The money in the Fund must be utilised for specific subsidies to needy persons, underserviced areas and educational institutions.

In terms of the ECA the Agency, must: strive to promote the goal of universal access and universal service:

• encourage, facilitate and offer guidance in respect of any scheme to provide universal and access, universal services or telecommunication services in terms of the Reconstruction and development Plan (RDP);	• foster the adoption and use of new methods of attaining universal access and universal service;
• make recommendations to enable the Minister to determine what constitutes universal access, universal service and under-serviced areas;	• conduct research into and keep abreast of developments in the Republic and elsewhere on information communication technology, electronic communications services and electronic communications facilities;
• continually survey and evaluate the extent to which universal access and service have been achieved;	• make recommendations to the Minister in relation to policy on any matter relating to universal access and universal service;
• advise the Authority (ICASA) on any matter relating to universal access and universal service;	• continually evaluate the effectiveness of this Act and things done in terms thereof towards the achievement of the goal of universal access and universal service;
• manage the Universal Service and Access Fund (USAF) in accordance with the provisions of the Act;	• submit annual reports in its operations, budget and expenses to the Minister;
• utilise the USAF exclusively for the payment of certain subsidies; and	• provide incentives to network licensees to construct, operate and maintain networks in areas declared under-serviced by ICASA.

In terms of the most recent amendments to the ECA (2014), the distinction between public and independent schools and between public and private colleges has fallen away and the scope of application for USAF subsidies has been increased to include provision to independent schools, private colleges and primary health care facilities; in addition, USAASA is subjected to the Public Finance Management Act to improve its governance.

The amendments also seek to ensure there is consistency in terms of provisions relating to universal access, universal service and needy persons. Finally, the Minister of Telecommunications and Postal Services, acting with the concurrence of the Minister of Finance, may prescribe additional uses of money held in USAF.

The National Integrated Information and Communication Technologies (ICT) Policy White Paper that was approved by Cabinet on 28 September 2016 makes recommendations with respect to new or amended legislation arising from the White Paper.

POLICY MANDATES

The most significant proposal with respect to universal service and access relates to the creation of a Digital Development Fund which would replace USAASA and USAF. It would exclude the policymaking and regulation-making functions currently with the Agency, and the Fund would be responsible in the main for identifying, awarding, and managing projects.

MEDIUM-TERM STRATEGIC FRAMEWORK

The next five years Medium Term Strategic Framework (MTSF) priorities are:

1) Creation of more jobs, decent work, and sustainable livelihoods for inclusive growth;
2) Rural development, land reform, and food security;
3) Education;
4) Health; and
5) Fighting crime and corruption.

These priorities are supported by various strategies. USAASA is directly impacted by the first priority, related to economic growth and job creation through industrialisation and infrastructure expansion.

USAASA directly operates in the ICT space, and it is further indicated in the priorities that there is a need to expand access rapidly the use of ICT infrastructure through:

- Investing in a comprehensive plan to expand broadband access throughout the country and substantially reduce the cost of communication;
- Connect all schools, public health, and other government facilities through broadband by 2020, and at least 90% of communities should have substantial and superfast broadband capacity by 2020;
- Support and develop Free-Wi-Fi areas in cities, towns and rural areas.

NATIONAL DEVELOPMENT PLAN

The National Development Plan (NDP) aims to eradicate poverty, increase employment and reduce inequality by 2030. The NDP encompasses other critical policy instruments, which are also driving governments' policy agenda, and these are:

- The New Growth Path (NGP), which focuses on economic development;
- The National Infrastructure Plan, which guides the roll-out of infrastructure and includes the Presidential Infrastructure Coordinating Commission (PICC) launched the Strategic Integration Project (SIP-15);
- Industrial Policy Action Plan, which supports the re-industrialisation of the economy.

NDP goals that have an influence on USAASA's strategy and work include:

- Implementation of an integrated e-strategy for the country;
- 100% broadband penetration by 2020 (>2mbs);
- By 2030 deployment of a full range of government, educational, and informational services.

NEW GROWTH PATH STRATEGIES

Jobs Driver 3: Seizing the potential of new economies. Technological innovation opens the opportunity for substantial employment creation.

New Growth Path targets the creation of 100,000 new jobs by 2020 in the knowledge-intensive sectors of ICT, higher education, healthcare, mining-related technologies, pharmaceuticals and biotechnology.

SOUTH AFRICA'S BROADBAND POLICY: SOUTH AFRICA CONNECT

In terms of the Electronic Communications Act, 2005 (Act No.36 of 2005), the Department of Communications of South Africa published a policy document "South Africa Connect: Creating Opportunities, Ensuring inclusion: South Africa's Broadband Policy". This was gazetted on 6 December 2013.

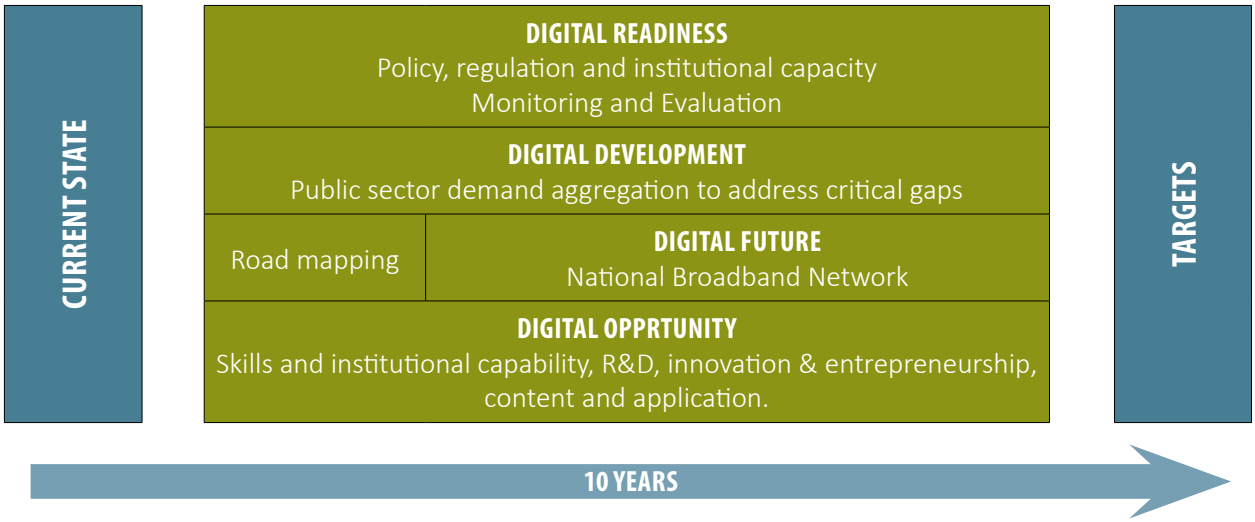
TARGET	PENETRATION MEASURE	BASELINE (2013)	BY 2016	BY 2020	BY 2030
Broadband access in Mbps user experience	% of population	33.7% Internet access	50% at 5Mbps	90% at 5Mbps 50% at 100Mbps	100% at 10Mbps 80% at 100Mbps
Schools	% of schools	25% connected	50% at 10 Mbps	100% at 10Mbps 80% at 100Mbps	100% at 1Gbps
Health facilities	% of health facilities	13% connected	50% at 10Mbps	100% at 10Mbps 80% at 100Mbps	100% at 1Gbps
Public sector facilities	% of government office		50% at 5Mbps	100% at 10Mbps	100% at 100Mbps

SA Connect is a four-pronged strategy, consisting of 4 "sub-strategies" which will move the country from the current state to achieving its targets over the next ten years. The four prongs or 'sub-strategies' of SA Connect are:

FOUR KEY STRATEGIC PILLARS	DIGITAL READINESS	DIGITAL DEVELOPMENT	DIGITAL FUTURE	DIGITAL OPPORTUNITY
	Enabling policy and regulatory frameworks; institutional capacity	Public sector demand aggregation to address critical gaps	National Broadband Network	Demand Stimulation

Each of the strategies is depicted in the diagram below.

Figure 3: SA Connect Strategies [1]



SA Connect guides the ICT sector as a whole, and USAASA in particular, in terms of the approach that must be taken to promote broadband deployment, usage and uptake in the country.

1 Source: DTPS, 2014

Planned Policy Initiatives

ICT POLICY REVIEW

The ICT Policy review process was guided by three main institutional frameworks which guided the research and review of all existing policy. The table below unpacks each institutional framework into focus areas.

The National Integrated Information and Communication Technologies (ICT) Policy White Paper that was approved by Cabinet on 28 September 2016 will have implications on Universal Service. It proposes the revision of services and access based on the outcome of the research conducted to support the policy revision. The White Paper further suggests that USAASA should be reformulated into a Digital Development Fund and stipulates contributions by licensees into the fund. Lastly, the report revises the USAASA institutional framework.

The establishment of a Digital Development Fund will effectively remove USAASA's policy making and regulatory functions, leaving the organisation to focus on funding and project management. The motivation behind this shift in institutional framework is to allow USAASA to focus on its main priority which is service and access delivery to the nation.

SA CONNECT: 4 - PRONGED STRATEGY

SA Connect guides the ICT sector as a whole, and USAASA in particular in terms of the approach taken to promoting broadband deployment, usage and uptake. In all the work that USAASA does, it asks itself, 'how does this contribute to meeting the SA Connect targets?' A further consideration is, in what area of SA Connect is the Agency doing the most work? The pillars of USAASA's 2014 – 2019 strategy all take forward SA Connect.

The SA Connect Strategy can be summarised into two main interventions, the demand side intervention, and the supply side intervention.

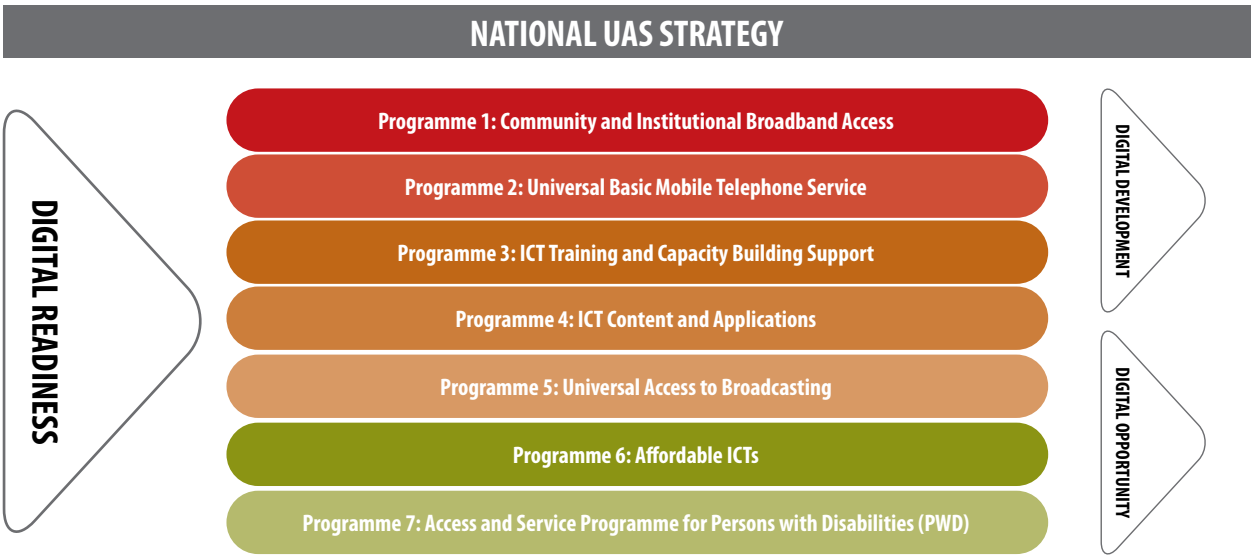
- The supply intervention focuses on infrastructure development through private-public investment, creating completion in the industry, building an access or core network, encouraging and facilitating infrastructure sharing, coordinating building programmes for efficiency, and promoting universal access through efficient spectrum allocation and use.
- The demand side intervention focuses on driving uptake and usage through the provision of affordable services and devices, using the government as an anchor tenant for the core network, aligning the regulatory framework, facilitating ICT skills development and e-literacy, and enabling the development of local content, applications, and niche manufacturing.
- The SA Connect targets are reviewed periodically and supplemented by pricing and quality of service targets as well as speed of installation and fault repair – this review is the domain of ICASA.

SUPPLY SIDE / INFRASTRUCTURE	DEMAND SIDE / UPTAKE AND USAGE	INDUSTRY GROWTH
• Spectrum policy • Open access and facilities sharing - OAWN and OAFN • Rapid development • Competition • Account separation • Interconnection • Numbering • Licensing framework • Universality - Availability, accessibility, interoperability, quality	• E-Government • Universal access - Affordability, e-literacy, awareness, relevance, language • E-commerce • Competition • Applications and services • Trust and security • Other content	• Research & Development • Manufacturing • B-BBEE • Skills development • Green ITC • E-waste

NATIONAL UNIVERSAL ACCESS AND SERVICE STRATEGY (UAS)

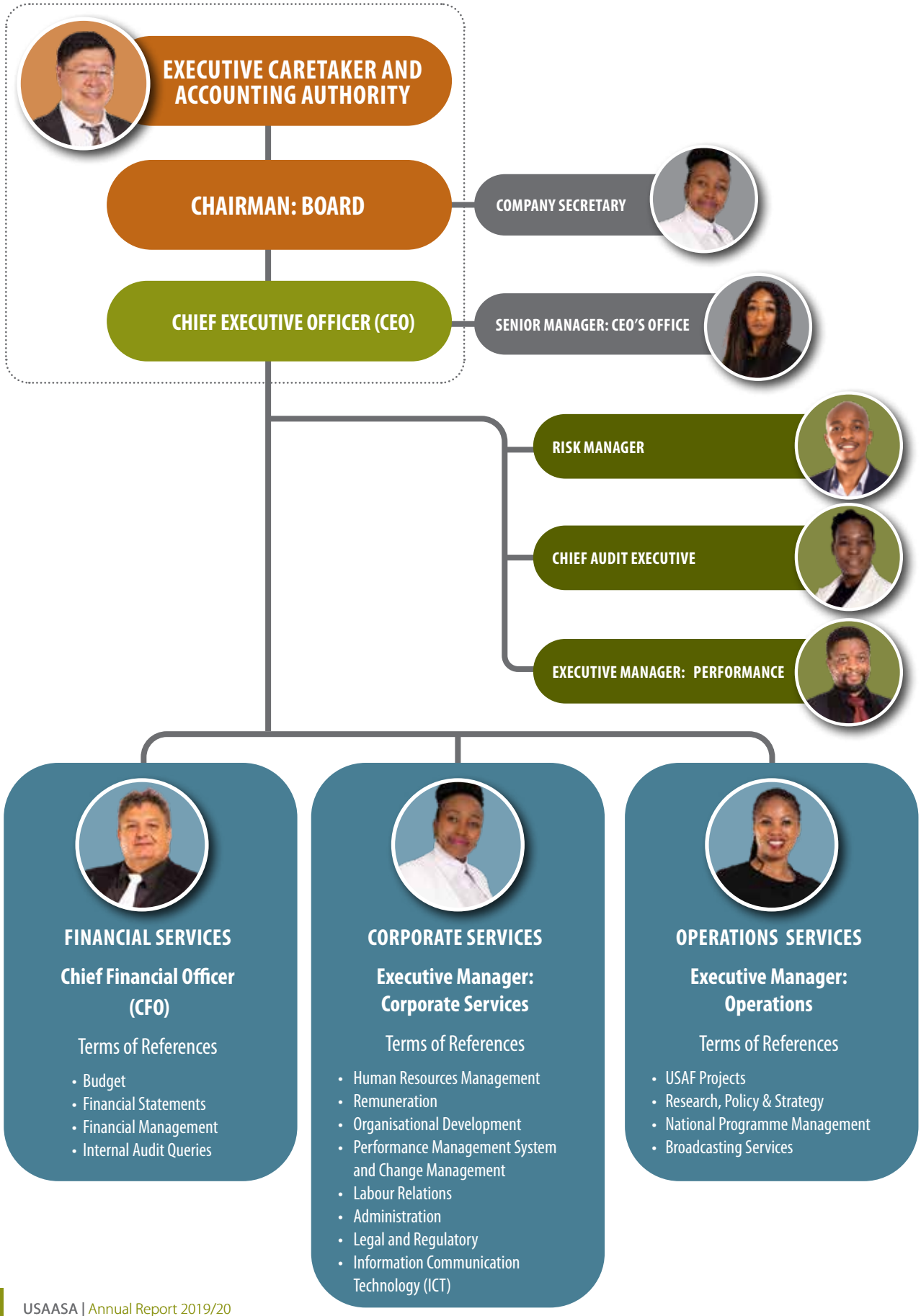
This is depicted below highlighting seven programmes that USAF must implement in effecting this strategy:

Figure 4: National UAS Strategy



Considering the revisions made by the policy review process, the national UAS strategy would be guided by the digital readiness inputs such as policy, regulations and institutional capacity. The relevant strategic programmes would facilitate digital development and digital opportunity of the SA Connect Strategy.

Organisational Structure



Executive Management

Left to right: Frik Nieman (Interim Chief Financial Officer); Mary-Ann Ratlhogo (Acting Senior Manager: Office of the CEO); Trevor Nivi (Senior Manager : Research and Strategy); Basil Ford (Executive Caretaker); Chwayita Madikizela (Executive Manager: Operations) ; Selloane Motloung (Company Secretary and Acting Executive Manager: Corporate Services); Hilda Ramosebudi (Acting Chief Audit Executive); Lavhelesani Netshidzivhani (Risk Manager); Keitumetse Hlahatsi (Brand Communications Specialist); Sipho Mngqibisa (Executive Performance Management); and Willem Olivier (Senior Manager: Legal Services).

Board Audit & Risk Committee

PHUTI PHUKUBJE
CHAIRPERSON

MBASE METUSE

BUHLE TONISE

Part B

PERFORMANCE INFORMATION

Auditor's Report: Predetermined Objectives

The AGSA 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 58 of the Report of the Auditors Report, published as Part E: Financial Information.

Situational Analysis

As an update to the detailed situational analysis reflected in the Strategic Plan of the Universal Service and Access Agency of South Africa (USAASA), which has been extended by one year to the end of the 2019/20 financial year through an addendum to this APP, discussed below are the salient external and internal environment shifts influencing USAASA's performance and the 2019/20 performance plan and targets.

THE MACRO ENVIRONMENT

USAASA executes its mandate in an extremely complex environment, which affects not only the Agency directly in its pursuit of making the desired impact but also the success rate of the ICT sector segment that it seeks to impact positively. This section broadly explores the critical external dependencies that make the implementing environment complex, with mixed signals that, in turn, make forecasting the future increasingly difficult.

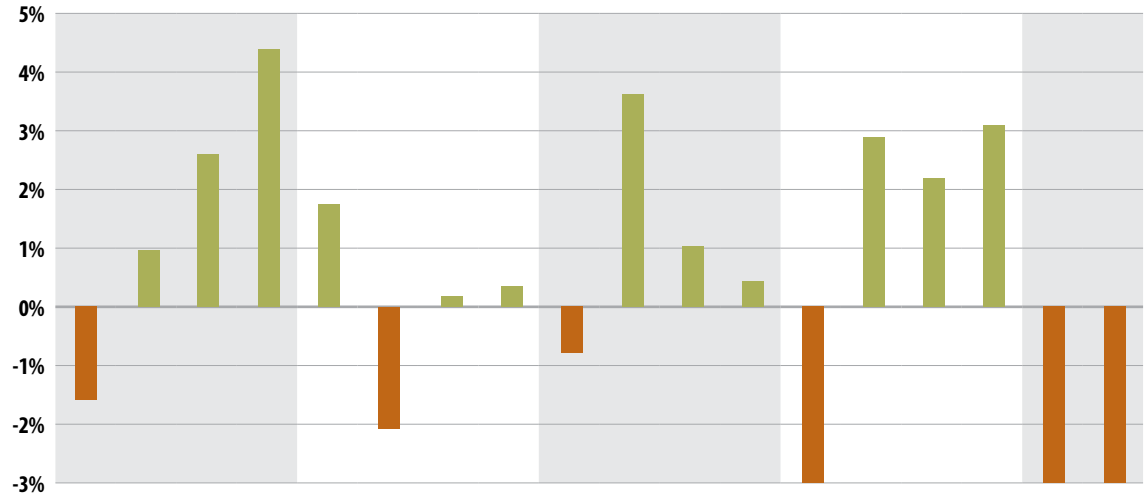
South Africa's macroeconomic environment has mostly been under pressure for the period of USAASA's strategic plan, characterised by a lower than expected growth rate, high structural unemployment, among the highest inequality levels in the world, and unsustainable poverty levels. The MTSF 2014-2019 period has fallen far short of the trajectory required by the National Development Plan to reduce unemployment to 6%, eliminate poverty, and sharply reduce inequality by 2030.

The figure below reflects that six of the eighteen quarters since the beginning of 2014 reflected negative economic growth, with quarter-on-quarter growth peaking at 4.4% in the 4th quarter of 2014. As at the end of Q2 2018, the economy had slipped into a technical recession following two consecutive quarters of negative growth, at -2.6% and -0.7% in Q1 and Q2 2018, respectively.

While South Africa's population has increased by 4.1%, from 55 million people in 2014 to 57.4 million[1] in 2018, the economy has not grown at a sufficient enough rate to absorb the increasing number of the economically active population. The increase in the unemployment rate from 25.5% in Q2 2014 to 27.2% in Q2 2018 attests to the challenge of low economic growth. A total of 6.1 million South Africans of working age, out of a labour force of 22.4 million people were unemployed by Q2 2018. Particularly concerning is that 39.3% of young people aged between 15 and 34 years were not in employment, education or training by the end of Q2 2018[2], reflecting a worsening trend. Radical intervention is thus required, considering the NDP target of 14% unemployment by 2020 and 6% by 2030.

SOUTH AFRICAN ECONOMIC GROWTH OVER TIME

QUARTER-ON QUARTER IN GROSS DOMESTIC PRODUCT (GDP)



	14/1	14/2	14/3	14/4	15/1	15/2	15/3	15/4	16/1	16/2	16/3	16/4	17/1	17/2	17/3	17/4	18/1	18/2
GDPp Q/Q	-1,6	1,0	2,6	4,4	1,7	-2,1	0,2	0,3	-0,8	3,6	1,0	0,4	-0,5	2,9	2,3	3,1	-2,6	-0,7

Seasonally adjusted and annualised Source: Gross domestic product (GDP), 2nd quarter 2018

1 Statistics South Africa, Mid-Year Population Estimates, 23 July 2018

2 Statistics SA, Quarterly Labour Force Survey, Quarter 2, 2018

This is compounded by South Africa being rated as one of the most unequal societies in the world and, while extreme poverty rates are reducing (the number of people living on less than $1.90 per day), the level of overall poverty (those living on less than $5.50 per day) remains unsustainably high[3]. Further challenges include the depreciating Rand/Dollar exchange rate, from under R12.00 to the Dollar in 2014 to over R14.00 to the Dollar in 2018. Record level fuel price increases, from R13.00 per litre at the beginning of 2014 to around R17.00 per litre in October 2018, is a lead indicator of the inflationary pressures of the economy.

Despite these challenges, South Africa remains a top destination for foreign direct investment (FDI), attracting the bulk of FDI projects destined for the continent, at a share of 20.6% of all FDI in 2015. However, prevailing political uncertainty, weak consumer and business confidence, and weak domestic demand continue to restrain; and the heightened risk premium has seen a decline in investment by over 3.9% by 2017.

Low economic growth has also meant a strain on the fiscus. Over the period since 2014, government has had to follow a path of measured fiscal consolidation by reducing spending. By 2017 and continuing into 2018, a sharp deterioration in revenue collection and further downward revisions to economic growth projections severely eroded the government's fiscal position. With few options, the VAT rate was increased from 14% to 15% as from April 2018.

ECONOMIC STIMULUS PACKAGE – SPECTRUM ALLOCATION AND DIGITAL MIGRATION

- To unlock value in the telecommunications sector by expediting the process of high demand radio spectrum allocation to enable licensing, which in turn will increase competition, promote investment and reduce data costs.
- Reduced data costs will provide relief for poorer households and increase the overall competitiveness of the South African economy.
- To fast-track the digital migration programme.

Following the election of Cyril Ramaphosa as the President of South Africa unopposed in the National Assembly on 15 February 2018, and his subsequent first State of the Nation Address (SONA), the overall sentiment in South Africa has improved. Positive sentiment and business/investor confidence is vital for private sector investment in infrastructure development. This has been supported by the economic stimulus package announced by the President in September 2018, which includes a strong focus on investment in infrastructure through the establishment of a R400 billion public/private infrastructure fund and the President's drive to generate $100 billion in private sector investment over the medium-term. Despite the initial positive sentiment resulting from a favourable reaction to the leadership changes in the governing party, the International Monetary Fund (IMF) has downgraded SA's GDP expansion forecast for 2018, joining the World Bank and the SA Reserve Bank in lowering growth projections. In its October 2018 World Economic Outlook Report[4], the IMF has estimated that the economy would grow by 0.8% in 2018, down from the April 2018 estimate of 1.5%. Economic expansion is projected at 1.4% in 2019, noting that while measures to tackle corruption, to strengthen procurement and eliminate wasteful expenditure were welcomed, further reforms are needed to increase policy certainty, improve the efficiency of state-owned enterprises, enhance flexibility in the labour market, improve basic education, and align training with business needs. The IMF further adds that uncertainty in the run-up to the 2019 general election was also negatively impacting growth.

The implication of this challenging macroeconomic environment is that USAASA needs to deploy its limited resources optimally in pursuit of its mandate, requiring efficiency, effectiveness and economy in its operations and management. This 2019/20 APP for the MTEF is particularly important as the final push of the approved 2016-2020 Strategic Plan and thus the need to maximise outputs to achieve the envisaged outcomes of the strategic plan.

3 World Bank, 2018

4 International Monetary Fund, World Economic Outlook Report, October 2018

Performance Delivery Environment

Discussed in detail in the USAF Strategic Plan, the policy and strategy mandates informing the focus and operations of the organisation remain as follows:

POLICY	KEY POLICY TARGETS	PROGRESS (2018)
SDGs – Connect 2020 Global Goals and Targets: GOAL 2: Inclusiveness – Bridge the digital divide and provide broadband for all	• 55% of houses in the developing world should have access to the internet. • 50% of individuals in the developing world should be using the internet. • 40% affordability gap between developed and developing countries should be reduced by 40%. • 5% broadband services should cost no more than 5% of average monthly income in developing countries. • 90% of the rural population should be covered by broadband services. • Gender equality among internet users should be reached. • Enabling environments ensuring accessible ICT for PWD's should be established in all countries.	• National Integrated ICT Policy White Paper gazetted on 3 October 2016[5] . • National e-Strategy 2017-2030 (Digital Society South Africa) gazetted on 10 November 2018[6]. • 11% of households with broadband internet access[7]. • 9.5% of households with access to the internet at home and 59.3% with access to the internet anywhere (home, work, mobile devices, internet cafes or educational facilities)[8]. • 99% population coverage for 3G and 77% population coverage for 4G/LTE[9]. • 54% of individuals using the internet, of which[10]: – 2.84% fixed broadband access and 58.82% mobile cellular access. • Number of schools connected to the internet, based on obligations imposed by ICASA increased from 2 862 in 2016 to 5 268 in 2017[11]. • Persons employed in the telecommunications sector has trended as follows[12]: – 2015: 30 951 (40.3% female); – 2016: 26 669 (36% female); – 2017: 30 881 (36.7% female). • Network Readiness Index: SA ranked 65 of 139 countries in 2016, marginal improvement since 2014 (second to Mauritius)[13].
National Development Plan, Vision 2030	• Implementation of an Integrated e-Strategy for the country. • 100% broadband penetration by 2020 (>2mbs). • By 2030 deployment for a full range of government, educational and informational services.	
MTSF 2014-2019 – Outcome 6	• Invest in a comprehensive plan to expand broadband access throughout the country and substantially reduce the cost of communication. • Connect all schools, public health and other government facilities through broadband by 2020, and at least 90% of communities should have substantial and superfast broadband capacity by 2020. • Support and develop free Wi-Fi areas in cities, towns and rural areas.	
DTPS Strategy Plan 2015-2020	Support the mandate of the DTPS through: • The promotion of universal service and access to communications technologies and services in under-serviced areas. • Offering guidance on evaluating, monitoring and implementing schemes which serve to improve universal access and service in under-serviced areas.	

5 Government Gazette RSA, No. 40325, National Integrated ICT Policy White Paper), 3 October 2016

6. Government Gazette RSA, No. 41242, National e-Strategy (Digital Society South Africa), 10 November 2017

7 After Access Survey 2017, cited in The State of ICT in South Africa, researchICTafrica.net, Gillward.A et.al, July 2018

8 After Access Survey 2017, cited in The State of ICT in South Africa, researchICTafrica.net, Gillward.A et.al, July 2018

9 Stats SA General Household Survey 2016, cited in The State of ICT Sector Report, ICASA, March 2018

10 ITU IDI Report 2017, cited in The State of ICT in South Africa, researchICTafrica.net, Gillward.A et.al, July 2018

11 The State of ICT Sector Report, ICASA, March 2018

12 The State of ICT Sector Report, ICASA, March 2018

13 WEF, 2016, cited in The State of ICT in South Africa, researchICTafrica.net, Gillward.A et.al, July 2018

POLICY	KEY POLICY TARGETS	PROGRESS (2018)
DOC Strategy Plan 2015-2020	Collaborate and support the DOC Broadcasting Digital Migration Programme: • Disburse subsidised STB's to approximately five million TV-owning households that are considered needy and deserving. • From 2018/19, arising out of the Cabinet decision (October 2018), this project is now replaced with the issuing of vouchers to qualifying needy households, rather than the supply of set-top boxes.	
New Growth Path – Jobs Driver 3	100 000 new jobs by 2020 in the knowledge intensive sectors of ICT, higher education, healthcare, mining related technologies, pharmaceuticals and biotechnology.	
PICC SIP 15	100% access to digital ICT to all South Africans by 2020, as a driver of new economic opportunities and digital equity.	
National Broadband Policy	• Broadband must reach a critical mass of South Africa. • Access to broadband must be affordable. • Demand-side skills must be developed so broadband services can be used effectively. • Supply-side skills must be developed, so that the economic and innovative potential of broadband can be exploited.	
SA Connect Strategy	By 2020: • Broadband access in Mbps user experience - 90% of population at 5Mbps, 50% of population at 100Mbps. • Schools - 100% at 10Mbps, 80% at 100Mbps. • Health facilities - 100% at 10Mbps, 80% at 100Mbps. • Public sector facilities - 100% at 10Mbps.	

USAASA's responsibility in terms of the broadband mandate is limited to the roll-out of broadband to underserviced areas. In this regard, in 2012, a total of 195 (out of 226) underserviced local municipalities were identified across seven priority provinces.

The DTPS has further prioritised the eight NHI pilot sites in the following municipalities: Dr. Kenneth Kaunda; Gert Sibande; OR Tambo; Pixley ka Seme; Thabo Mofutsanyane; Umgungundlovu; Umzinyathi; and Vhembe.

The key broadband deliverables include:

1) Construct or upgrade the backhaul infrastructure;
2) Connect a total of 1 295 sites by 2020;
3) Connect government facilities, such as local municipal offices;
4) Enable and facilitate the adoption of e-Health, e-Education, e-Agriculture and e-Government;
5) Roll-out of Wi-Fi hotspots;
6) Create opportunities for local SMME's.

To date, USAASA has completed the roll-out of broadband infrastructure at:

1) 165 broadband sites in the three years prior to the 2016/17 financial year;
2) 295 sites in the OR Tambo District Municipality during the 2016/17 financial year;
3) 76 and 199 broadband sites in the underserviced municipalities of Impendle Local Municipality (KZN) and Nyandeni Local Municipality (EC), respectively in 2017/18.

A further two municipal areas in the OR Tambo District Municipality are targeted for completion in 2018/19. This means that there has been a +100% increase in terms of the broadband sites that need to be maintained by USAASA, although there has not been any increase in budget or human resources capacity in order to enable the Agency to deliver on its legislated functional and national policy mandates.

Furthermore, the implementation of the Broadcasting Digital Migration (BDM) Policy - which mandated USAASA to subsidise

around 5 million qualifying, needy households (earning below R3200 a month) for the acquisition of the set-top-boxes (STB's) – has created a challenge in terms of the additional reporting responsibility to the Department of Communications (DOC), as the DOC is responsible for the administration of the BDM Policy and the overall oversight of the BDM programme implementation. Despite the requirement emanating from a National Policy, USAASA has not been adequately resourced to deal with reporting duties emanating from the procurement and installation of the set-top-boxes.

In addition, a lack of cooperation on the part of the South African Post Office - specifically a failure to support systems integration as USAASA's distribution partner in the BDM project - has resulted in DTT inventory going missing, due to the inability to implement effective stock control measures. This is a root cause of one of the audit findings issued by the Auditor-General on USAASA's and USAF's 2017/18 financial statements.

From 2018/19 onwards, arising out of the Cabinet decision (October 2018), this project is now replaced with the issuing of vouchers to qualifying needy households, rather than the supply of set-top boxes, although it is necessary to still distribute the remaining inventory.

The alignment of the USAASA and the USAF activities to the South Africa Connect Policy, 2013 Phase 1 Implementation Plan has posed a direct challenge on the organisations' capacity requirements and organisational structure. More specifically, as discussed in the macroeconomic environment section above, and emphasised by President Cyril Ramaphosa in the 16 February 2018 SONA, "public finances have been constrained, limiting the ability of government to expand its investment in economic and social development".

Organisational Environment

As acknowledged in the USAASA 2017/18 Annual Report, the organisation has been through a particularly tumultuous period. As part of the 2019/20 planning process, the newly appointed transitional Board directed that the organisation carefully assesses its internal strengths and weaknesses, and external opportunities and threats, as the platform off which to plan and prioritise in developing the 2019/20 APP.

The detailed SWOT analysis is available separately, but key issues arising from the analysis are reflected below, as they inform priorities for 2019/20 planning.

In planning for 2019/20 and the MTEF, USAASA has taken cognisance of the low economic growth environment, the constraints on the fiscus and thus the harsh reality that there is no additional funding available from the fiscus. Furthermore, after paying salaries and operational costs, the organisation only has ±40% of its budget available for its core business of supporting universal ICT access and services.

In this context, in terms of the USAASA strategic goal, which is: "An optimally functioning USAASA that effectively delivers against its mandate", USAASA's performance has worsened from 67% in the 2016/17 financial year to 42% in 2017/18. However, performance as at end Q2 2018/19 is reported at 100% achievement of targets, including:

1) 73% of risks detailed in the Risk Management Plan mitigated;
2) 100% utilisation of the functioning SAP ERP modules;
3) Impact study assessment conducted; and
4) Draft Costed Transition Plan from USAASA/USAF to DDF Framework finalised.

Beyond these specific performance indicators, there remain vital areas of performance that need to be addressed, including:

1) APP not aligned to the culture of the organisation and the principles of SMART (specific, measureable, actionable, realistic and time-bound), and not effectively cascaded into operational plans and performance contracts across the organisation;
2) Challenges relating to the implementation of the SAP system; a lack of buy-in to the system by key stakeholders being the major constraint;
3) Poor execution of procurement plans, a lack of contract management of the appointed service providers and heavy reliance on the network monitoring systems of the service providers;
4) Poor planning and lack of detailed databases of the sites deployed in prior years, in order to inform decision making;
5) Inadequate data (Portfolios of Evidence) being submitted to substantiate the claimed connectivity targets and performance claims; and
6) Lack of a monitoring mechanism for allocated set-top-boxes for installation to registered users, and also a failure by the Agency in monitoring the Service Level Agreement entered into with SAPO for distribution of the set-top-boxes.

In response, priorities informing the 2019/20 APP are as follows:

1) In the area of strengthened business planning, performance monitoring and management, as well as risk management, USAASA must:
   a) Strengthen MTEF aligned demand/procurement planning and supply chain management;
   b) Strengthen the processes around the appointment of suppliers and the soundness of Service Level Agreements and contract management processes;
   c) Ensure that the service providers it appoints are not only reliable and competent, but also that they are duly monitored; and
   d) With the aim of achieving a clean audit for the 2019/20 financial year and beyond, continually improve in crafting proper and well-informed performance targets and ensuring their regular monitoring, in order to identify project bottlenecks at an early stage and notify management and staff accordingly.
2) Strengthen the engagement and buy-in of all staff in planning and performance management issues by:
   a) Sharing the details of the Annual Performance Plan (APP), monthly and quarterly expected outcomes with all staff in all divisions by Heads of Department's (HOD's) and ensuring the alignment of Exco's performance agreements to the approved APP's;
   b) Involving staff in the development of monthly and quarterly reports; and
   c) Rating performance against outcomes and not against the attendance register.
3) Implement systems to ensure reporting that meets high standards and expectations both for purpose of improved performance and compliance reporting;

4) Inculcate the culture of consequence management in order to promote taking personal and individual ownership and responsibility for delivering performance results;

5) Entrench risk management processes and practices in all spheres of the business of USAASA with a particular focus on these specific areas of priority;

6) Strengthen the formalisation of the Combined Assurance approach, including strengthening collaboration with the DTPS in matters of risk and fraud risk governance;

7) Pay special attention to the management of emerging risks, e.g. bulk installations, broadband connectivity payments, control over escalating legal and travel costs drivers;

8) Improve risk ownership, including the reduction of risks to acceptable levels and optimise the Independent Risk Management Committee [the Committee has just been strengthened by the appointment of an independent chairperson];

9) Conduct normal audit reviews, but putting emphasis, jointly with Risk Management, on root cause analysis for repeat audit findings;

10) In the area of development and management of internal business processes and systems (including technology), USAASA must:

    a) Develop and implement all relevant policies and procedures and Standard Operating Procedures (SOP's), and enforce compliance across the board to improve the performance culture and productivity – supported by other relevant OD mechanisms;

    b) Ensure implementation of the Disaster Recovery Plan (DRP) – also applicable to risk management processes – and to strengthen in-house system support with the utilisation of the SAP ERP system;

    c) Coordinate ICT planning and support and improve its governance; and

    d) Implement a project management framework, policies and technology - supported by a reliable management information system and in-house network monitoring system.

11) In the area of creating a robust human capital management environment, USAASA must:

    a) Implement an effective performance management system (PMDS) that recognises, rates and incentivises good performance against outcomes and not against the attendance register;

    b) Adopt a properly balanced scorecard approach to enforce buy-in of performance requirements and expectations at individual level, and enforce consequence management across the board;

    c) Support skills development and career pathing to enhance critical intellectual capacity through inter alia, a timeous submission of organisational and divisional training needs;

    d) Seek to address concerns human capital management issues to harmonise the working environment in a bid to improve staff morale and thus organisational performance; and

    e) Allow all staff members, on a rotation basis, to visit the Agency' projects in order to keep them engaged and feeling recognised for their individual contributions.

12) In the area of continuous improvement of stakeholder management, USAASA must:

    a) Develop and maintain strong partnerships with sister companies like BBI, SITA, ICASA, NEMISA (INesi), ZADNA, and Sentech; and strengthen relationships with client municipalities;

    b) Train Exco and Senior Management on stakeholder engagement and management, particularly media communications;

    c) Vigorously promote collaborative internal working relationships;

    d) Adopt mechanisms to regularly monitor the effectiveness of its stakeholder management efforts in order to make necessary interventions and timeously; and

    e) Build the reputation and credibility of USAASA, and focus on strategy implementation and strengthened performance, through improved efficiencies and effective stakeholder and partnerships management.

While the 2019/20 APP attempts an initial consideration of USAASA's longer-term outcomes and impact (through the inclusion of APP Table A and Strategic Objective 5-year targets), it is restricted by the current framing of the Strategic Plan, and the decision not to revise the strategic plan at this point.

Clearly, more work is required in defining impact and outcomes, to be taken forward in the next planning cycle, which will include the development of a new 5-year Strategic Plan for the period 2020/21-2024/25.

Key Policy Developments and Legislative Changes

LEGISLATIVE MANDATES

As detailed in the USAASA Strategic Plan, the establishment mandate of USAASA remains Sections 80 – 91 of the Electronic Communications Act 36 of 2005.

There have been no significant changes to the legislative mandate, and it is recognised that USAASA must comply with all National and Provincial legislation and regulations, and all municipal bylaws, applicable to its functions.

EMERGING POLICY CONSIDERATIONS

1) The 2019 Electoral Manifesto and 2019-2024 MTSF/5-Year NDP Implementation Plan:
   a) With 2019 being the year of National and Provincial Elections and in the absence of, at the time of development of this draft APP in 2018, the new Electoral Manifesto and/or 2019–2024 Medium-term Strategic Framework, this 2019/20 Annual Performance Plan is fundamentally transitional in nature;
   b) It is realised that this APP may need to be revised, and/or completely overhauled, post the availability of the new strategic direction and priorities in 2019;
   c) At that time, a new 5-Year Strategic Plan (2020-2025) for the organisation will also be developed, to which the 2020/21 APP would need to align as "year one" of the strategy.
2) The National Integrated Information and Communication Technologies (ICT) Policy White Paper (September 2016), and the Government e-Strategy and Roadmap (November 2017):
   a) While not yet finalised or enacted, the policy direction proposes the creation of a "Digital Development Fund", which would replace the USAASA and redirect the USAF;
   b) The DDF would be responsible, in the main, for identifying, awarding and managing projects in the Universal Access and ICT space. The proposal further recommends removing "Policy Setting and Regulation" from the USAASA scope;
   c) It is recognised that this would have huge implications on the mandate, nature and scope of USAASA moving forward; however, this cannot be planned for at this stage.

A key feature of this Annual Performance Plan is, therefore, the need to maintain it as a dynamic document, and to ensure ongoing relevance and alignment with the policies, and strategies of the shareholder and various stakeholders.

Strategic Outcome Oriented Goals

PROGRAMME	STRATEGIC OBJECTIVES REFLECTED IN THE STRATEGIC PLAN AND/OR 2018/19 APP	REVISED STRATEGIC OBJECTIVES REFLECTED IN THE 2019/20 APP
SUPPORTING STRATEGIC GOAL 3: OPTIMALLY FUNCTIONING USAASA THAT EFFECTIVELY DELIVERS AGAINST ITS MANDATE		
Programme 1: Business Support	3.1: Improved risk management services.	3.1: Improved risk management services.
	3.2: Increased utilisation of the ICT System.	3.2. Responsive and integrated ICT systems (New)
	-	3.3. Compliance, sound financial management and internal controls (New)
Programme 2: Business Intelligence	3.3. Improved quality of reported APP performance	3.4. Improved quality of reported APP performance
	3.4. Facilitate a smooth transition from USAASA/USAF to DDF	-

Performance Information by Programme

PROGRAMME 1: BUSINESS SUPPORT

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

While supporting the delivery of USAF and its Strategic Goals, the organisational effectiveness focus of the Business Support Programme results in delivery against the following Strategic Goal outlined in the Strategic Plan:

Goal 3: Optimally functioning USAASA that effectively delivers against its mandate.

Strategic Objective 3.1: Improved risk management services.

Strategic Objective 3.2: Responsive and integrated ICT systems.

Strategic Objective 3.3: Compliance, sound financial management and internal controls.

PROGRAMME 1: STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2019/20

NO.	PERFORMANCE INDICATOR	AUDITED ACTUAL PERFORMANCE		ANNUAL TARGET	ANNUAL ACTUAL	MEDIUM TERM TARGETS		VARIANCE AND COMMENTS
		2017/18	2018/19	2019/20	2019/20	2020/21	2021/22	
SUPPORTING STRATEGIC GOAL 1: OPTIMALLY FUNCTIONING USAASA THAT EFFECTIVELY DELIVERS AGAINST ITS MANDATE								
SO 3.1: Improved risk management services	Enterprise risk maturity level improved	-	New indicator	Conduct an enterprise risk maturity assessment to establish a baseline	60% of the Business Risk Action Plans as per the risk register were implemented during the financial year and this is the output towards the enterprise risk maturity level improvement.	1 Level improvement from 2019/20 baseline	2 Level improvement from 2019/20 baseline	**Target not met** The indicator is at a strategic level and business only implemented the percentage of business risks action plans detailed in risk registers implemented and this is one of the inputs of the enterprise risk maturity level improvement. The Agency for 2020/21 financial has a dedicated key performance indicator on assessment to establish the baseline level for organisational risk maturity.
SO 3.2: Responsive and integrated ICT systems	ICT governance maturity level improved	-	New indicator	Conduct ICT governance maturity assessment to establish a baseline	The ICT Master plan benchmark report was developed by year-end and it is the output towards the ICT governance maturity level.	1 Level improvement from 2019/20 baseline	2 Level improvement from 2019/20 baseline	**Target not met** The indicator is at a strategic level and the business only developed the ICT Master plan benchmark report and this of the input of the ICT governance maturity level.
SO 3.3: Compliance, sound financial management and internal controls	External audit outcome on previous year's financial information	New indicator	Unqualified audit opinion for 2017/18	Unqualified audit opinion for 2018/19	USAASA received an unqualified audit opinion for the 2018/19 financial year	Clean audit opinion for 2019/20	Clean audit opinion for 2020/21	**Target met**

PROGRAMME 1: 2019/20 ANNUAL PERFORMANCE TARGETS

RISK MANAGEMENT

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS					
STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	PLANNED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/20	COMMENT ON DEVIATIONS
Improved risk management services	Percentage implementation of the Business risk action plans as per the risk register	50% implementation of the Business risk action plans as per the risk register	Achieved. Cumulative 60% of the Business Risk Action Plans as per the risk register were implemented during the financial year	Not Applicable	Not Applicable

INFORMATION TECHNOLOGY

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS					
STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	PLANNED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/20	COMMENT ON DEVIATIONS
Responsive and integrated ICT systems	Approved ICT Master plan benchmark report	Develop an ICT Master plan benchmark report for Board approval	Achieved. The developed ICT Master plan benchmark report was approved by the Board as planned	Not Applicable	Not Applicable

FINANCE

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS					
STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	PLANNED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/20	COMMENT ON DEVIATIONS
Compliance, sound financial management, and internal controls	Percentage of valid invoices paid within 30 days from the date of receipt	100% of valid invoices paid within 30 days from date of receipt	Not Achieved. 100% of the valid invoices were paid within 30 days from the date received by USAF and however, USAASA only paid 98 of the valid invoices within 30 days period	USAF paid 100% of the invoices received within 30 days from the date of receipt through the 4 quarters of 2019- 2020 Financial Year. USAASA paid 100% of the invoices received in the first 3 quarters of the Financial Year 2019-2020 and in the last quarter it only managed to pay 98% of the valid invoices within 30 days period from the date of receipt	The controls around the management of invoices will be tightened to ensure strict adherence to the National Treasury on 30-day payment
Compliance, sound financial management, and internal controls	Approved multi-year (MTEF aligned) Demand Plan	Board approved the 2020 - 2023 Demand Plan by Q4	Achieved. The USAASA 2020-2023 Demand Plan was approved by the Board as planned	Not Applicable	Not Applicable

PROGRAMME 2: BUSINESS INTELLIGENCE

The purpose of Programme 2: Business Intelligence is to promote effective and efficient service delivery of universal services and access in underserved and underserviced areas through planning, monitoring, reporting and evaluation, and research.

The core delivery focus of the Business Intelligence Programme results in delivery against the following USAASA Strategic Goals and their aligned strategic objectives:

Goal 3: Optimally functioning USAASA that effectively delivers against its mandate.

Strategic Objective 3.4: Improved quality of reported APP performance.

The purpose of Programme 2: Business Intelligence is to promote effective and efficient service delivery of universal services and access in underserved and underserviced areas through planning, monitoring, reporting and evaluation, and research. The core delivery focus of the Business Intelligence Programme results in delivery against Strategic Goal 3: Optimally functioning USAASA that effectively delivers against its mandate, supported by strategic objective Improved quality of reported APP performance.

PROGRAMME 2: STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2019/20

PERFORMANCE MONITORING AND REPORTING

NO.	PERFORMANCE INDICATOR	AUDITED ACTUAL PERFORMANCE		ANNUAL TARGET	ANNUAL ACTUAL	MEDIUM TERM TARGETS		VARIANCE AND COMMENTS
		2017/18	2018/19	2019/20	2019/20	2020/21	2021/22	
SUPPORTING STRATEGIC GOAL 1: OPTIMALLY FUNCTIONING USAASA THAT EFFECTIVELY DELIVERS AGAINST ITS MANDATE								
SO 3.4: Improved quality of reported APP performance	External audit conclusion on previous year's non-financial performance information	New indicator	Zero (0) material findings for 2017/18	Zero (0) material findings for 2018/19	There were no material findings raised on the usefulness and reliability of the selected programme for the financial year under review	Zero (0) material findings for 2019/20	Zero (0) material findings for 2020/21	Target met

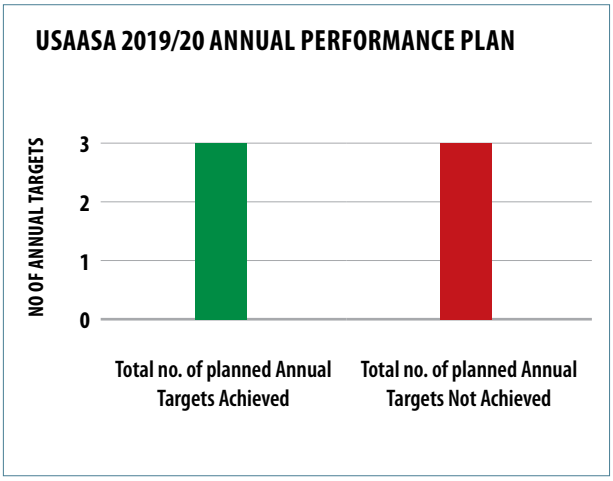
PROGRAMME 2: 2019/20 ANNUAL PERFORMANCE TARGETS

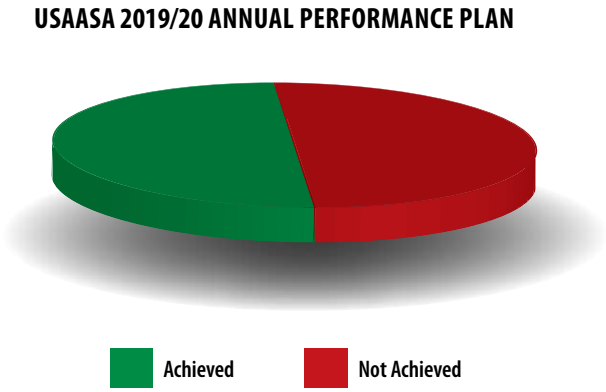
RESEARCH

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS					
STRATEGIC OBJECTIVES	PERFORMANCE INDICATOR	PLANNED TARGET 2019/20	ACTUAL ACHIEVEMENT 2019/20	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/20	COMMENT ON DEVIATIONS
Improved quality of reported APP performance	Approved multi-year (MTEF aligned) Research Plan implemented	4x Quarterly reports on the implementation of the 2019-2022 Research Plan, submitted to Exco	Not Achieved. The 4x quarterly reports on the implementation of the 2019-2022 Research Plan were submitted to EXCO, however, they did not include all the planned activities for the current financial year	The final report on the implementation of the 2019-2022 Research Plan submitted only included the Evaluation Study and excluded Baseline Study as approved by Board	The Baseline Study was not included in Q4 which is a variation from the Board approved 2019-2020 Research Plan. The amended Final report on the implementation of 2019-2022 including the Baseline Study will be submitted to Exco by 31 May 2020 for approval
		2020-2023 Research Plan approved by Exco by Q4	Not Achieved. The 2020-2023 Research Plan submitted was not approved by EXCO as it did not include a detailed plan of activities to be implemented	The draft Research Plan 2020-2023 did not have a measurable plan and activities to be reported	The amended Research Plan 2020-2023 including a detailed plan of activities to be implemented will be submitted to Exco by 31 May 2020 for approval

Summary of USAASA Performance

The below graphs depict the Agency's achieved annual targets against the planned annual targets in the 2019/20 approved Annual Performance Plan. Three (3) of the six (6) planned targets were achieved, being 50% of the total planned targets, and Three (3) of the six (6) planned targets were not achieved, being 50% of the total annual planned targets.





Strategy to Overcome Areas of Underperformance

A. 100% OF VALID INVOICES PAID WITHIN 30 DAYS FROM DATE OF RECEIPT

The Agency will be developing a Procedure Manual for Creditors Payments. The aim of this manual will be to provide guidelines in terms of payment processes to comply with legislation in terms of payment of creditors within 30 days from the date of the receipt of invoice. The Performance Agreements of all the programme managers and executives will include the key performance indicator on payment of the invoices within 30 days from the date of receipt.

B. MISSED RESEARCH TARGETS

A Budget Committee will be reconstituted that will monitor monthly budget expenditure and it will be convened on a monthly basis. The Terms of Reference for the Committee will also be extended on non-financial performance and it will track progress done against the monthly targets in terms of the Annual Operational Plans and the progress against the quarterly target. The USAASA Employee Performance Management and Development System will be reviewed to include the remedial and disciplinary steps against the poor performance outcomes on in-year and end-year reporting. The responsible indicator programme shall be held accountable for poor performance outcomes.

CHANGES TO PLANNED TARGETS

There were no changes to the planned targets during the financial

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/ ACTIVITY/ OBJECTIVE	2018/2019			2019/2020			COMMENTS
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	
PROGRAMME 1: BUSINESS SUPPORT							
Compensation of employees	51 318	47 780	3 538	53 865	50 179	3 686	Savings realised due to vacancies during the year
Goods and services, incl. Capex	50 888	56 988	- 6 100	33 863	39 556	- 5 693	The net-overspending is mainly attributable to non-cash items such as depreciation and amortisation on computer equipment, mobile communication devices and software items amounting to a total of 14 Million.
Corporate services	20 027	18 103	1 924	14 741	12 048	2 693	The area experienced high spending on consultants for SAP ERP system and labour related matters.
Communication and marketing	900	653	247	918	660	258	Stringent controls are placed to reduce avoidable expenditure as per the National Treasury Guidelines.
Information communication technology	5 166	21 108	- 15 942	5 245	19 106	-13 861	Main contributors to overspending are non-cash items such as depreciation and amortisation on computer equipment, mobile communication devices and software items amounting to a total of 14 Million.
Finance and supply chain management	1 696	974	722	1 789	1 405	383	Spending on the items such as tender advertisements and audit fees were lower than anticipated. This resulted in savings.
Board costs	1 936	1 732	204	1 975	866	1 109	There were less than anticipated meetings/ engagement occurred during the year due term of office for the Board of directors coming to an end in November 2019 and the Executive Caretaker appointed in January 2020.
Legal services	13 540	9 860	3 680	1 381	297	1 084	Savings realised due to fewer litigations during the period
Other goods and services	7 623	4 557	3 066	7 815	5 174	2 641	The implementation of cost-containment measures yielded desired results on spending such as travel, catering, conferences/workshops. The existence of the pandemic in Q4 regarding COVID 19 also contributed to less spending.
TOTAL EXPENSES:	**102 206**	**104 768**	**- 2 562**	**87 728**	**89 736**	**- 2 008**	
PROGRAMME 2: BUSINESS INTELLIGENCE							
Goods and Services							
Research	609	609	-	621	499	122	The spending is as per the research work done.
TOTAL EXPENSES:	**609**	**609**	**-**	**621**	**499**	**122**	

Part C

GOVERNANCE

INTRODUCTION

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

- Exercising a duty of utmost care to ensure reasonable protection of the assets and records of 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 to the financial interests of the state;
- Maintaining effective, efficient and transparent systems of the 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 prior to a final decision on each;
- Taking effective steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Agency; and
- Managing available working capital efficiently and economically.

The Board actively played its role in providing effective leadership based on the principles of honesty, professionalism, good governance and ethical business practices, and also exercised its oversight responsibility over financial and performance management and reporting, while ensuring compliance with all relevant legal prescripts and policy imperatives.

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.

PORTFOLIO COMMITTEES

The Board of the Agency is directly accountable to the Parliamentary Portfolio Committee on Telecommunications and Postal Services and, from time to time is required to provide updates on the state of its financial and non-financial performance to the committee. The Agency has a second responsibility to the Portfolio Committee on Communications which oversees the rollout of STBs by the Agency

The nature of USAASA projects has also attracted the attention of the Select Committee on Communications and Public Enterprises, resulting in a number of engagements with this committee during which the Agency was provided with a platform to outline the provincial footprint of its projects.

Portfolio Committee engagements for the 2019/20 financial year are outlined below:

DATE	PURPOSE
3 July 2019	Briefing on USAF & USAASA APP
10 July 2019	Budget Vote Speech
10 October 2019	ANC Study Group – USAF & USAASA Annual Reports
15 October 2019	Briefing on USAF & USAASA Annual Reports
03 December 2019	Briefing by Dept on Draft Amendment Bill

SCOPA RESOLUTIONS

There were no SCOPA resolutions adopted in the 2019/2020 financial year

EXECUTIVE AUTHORITY

The Minister of Telecommunications and Postal Services is the Executive Authority of the Agency and requires the Agency to provide organisational reports on the activities and financial affairs of USAASA to the Department on a quarterly basis as per the requirements of Section 65 of the PFMA. All the USAASA quarterly reports were submitted timeously, in accordance with the requirements of the National Treasury Framework for Managing Programme Performance Information (FMPPI), to the ICT Enterprise Development and SOC Oversight Branch of the Department of Telecommunications and Postal Service

THE ACCOUNTING AUTHORITY / BOARD

INTRODUCTION

The USAASA Board is the Agency's Accounting Authority in terms of the PFMA. It is the responsibility of the Board to provide strategic direction, leadership and stability to the Agency and to ensure good corporate governance. The role of the Board requires the members to maintain the highest standards of ethics, integrity and values, and represent the interests of the

Agency and the country. These responsibilities are set out in the approved Board Charter, which is reviewed as and when the Board deems fit.

The Board subscribes to the principles contained in the Code of Good Practice and Code of Good Conduct contained in the King Code on Corporate Governance Report (King VI) and it is committed to applying the principles of the PFMA and related regulation. The Board places a strong emphasis on achieving the highest standards of reporting. To ensure effective oversight over the activities of the organization, 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 & Ethics Committee; and
- Board Audit & Risk Committee.

With the powers conferred on it by legislation and, particularly, 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 the Agency, and to this end it has:

- Represented the Agency before the Minister and Parliament of the Republic of South Africa;
- Provided strategic direction to the Agency;
- Reviewed, approved and monitored the implementation of strategic plans and budgets for the Agency and Fund, and ensured consequence management was applied for non-performance;
- Played an oversight role in the identification and monitoring of key risks areas and key performance indicators of the Agency;
- Played an oversight role in relation to IT governance;
- Handled labour relations issues related to the position of CEO and implemented Public Protector remedial actions;
- Ensured that the Agency communicates with the shareholder and stakeholders transparently and promptly;
- Ensured the Agency complies with relevant laws, regulations and the code of business practice.

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 contained 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 organisation, the Board has organised itself into the following subcommittees, which meet every quarter and additionally as necessary:

- Human Resources and Remuneration Committee
- Operations Committees (formerly known as the Business Development Services Committee)
- Social and Ethics Committee
- Board Audit and Risk Committee

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

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- Handled labour relations issues related to the position of CEO and implemented Public Protector remedial actions;
- Ensured that the Agency communicates with the shareholder and stakeholders transparently and promptly;
- Ensured the Agency complies with relevant laws, regulations and the code of business practice.

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;
- 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.

COMPOSITION OF THE BOARD

NAME	**William Elias Huma**
DESIGNATION	Chairperson of the Board
DATE APPOINTED	28 August 2018
DATE RESIGNED/TERMINATION	29 November 2019
QUALIFICATION	• B Proc; • LLB (Bachelor of Laws; • LLM (Master of Laws); • LLD (Doctor of Laws) • Course work and oral examination passed cum laude (Thesis outstanding) Degree not yet conferred • Visiting research student • Research for the Doctor of Laws Degree • Graduate Diploma in Company Direction (Corporate Governance); • Marketing, Financial Management; • Company Law and Human Resources Management; • Financial Management (Finance for Non-Financial Managers); • Various Certificate of Attendance in Programme/Project Management; • Human Capital Management; • Performance Management Change; Management Consulting; Organisational Design and Organisation Development
AREAS OF EXPERTISE	Corporate and Business Strategy, Corporate and Business Performance Management, Corporate Governance Compliance, Risk Management, Regulatory Affairs, Human Capital Management, Marketing and Business Development, Business Process Improvement, Change Management, Project Management.
BOARD DIRECTORSHIP	• Chairperson of USAASA Interim Board (28/08/18 – 29/11/19) • Board Member of the National Lotteries Commission • Chairperson Audit Committee of the City of Ekurhuleni and its Entities • Chairperson – Audit and Risk Committee Office of the Chief Justice • Chairperson – Disciplinary Board of Rustenburg Local Municipality
OTHER COMMITTEES	• Chairperson of the Board Committee on Distribution / Grants Agencies • Member of the Audit & Risk Committee, Social and Ethics Committee, Nominations Committee and Review / Appeals Committee at National Lotteries Commission.
NO. OF MEETINGS ATTENDED	09

NAME	Ms Mapuleng Moropa
DESIGNATION	Member of the Board of Directors
DATE APPOINTED	28 August 2018
DATE RESIGNED/TERMINATION	29 November 2019
QUALIFICATION	• Masters in Business Administration (MBA) • Programme in Management Development (PMD) • BSc Information Technology
AREAS OF EXPERTISE	• Strategy design and implementation; • Business process design and re-engineering; • Retail and Commercial Banking; • Operations Management; • Project Management; • Sales Management; • Risk management and compliance; • Business performance improvement; • Entrepreneurship and Business Management; • Relationship management; • Stakeholder Engagement; • Broadband Infrastructure/Network implementation and maintenance; • Surveillance and access control technology installation and maintenance.
BOARD DIRECTORSHIP	• USAASA Board (28/08/18 – 29/11/19); • Non-executive director and Board member Thornburg Holding March 2014 to 2017; • Director Battlebay Holdings (Pty) Ltd – 2011 to date; • Member of the Black Industrialist Advisory Panel: DTI – March 2013 to March 2017; • Executive Director, M&H Distributors – Jan 2015 to date • Director, Ingwesat (Pty) Ltd – July 2017 to date.
OTHER COMMITTEES	• Operations Committee – Chairperson; • HR & Remuneration Committee – Member; • Social & Ethics Committee – Member; • Audit & Risk Committee – Member
NO. OF MEETINGS ATTENDED	09

NAME	Siyabonga Dube
DESIGNATION	Member of the Board of Directors
DATE APPOINTED	28 August 2018
DATE RESIGNED/TERMINATION	29 November 2019
QUALIFICATION	• FQE 1 and 2; • Bachelor of Accounting; • Post Graduate Diploma in Accounting
AREAS OF EXPERTISE	Financial Institution Services and Risk Advisory
BOARD DIRECTORSHIP	Serves on various structures of various unlisted companies and an institution of higher learning.
OTHER COMMITTEES	• Audit & Risk Committee – Chairperson • Operations Committee – Member
NO. OF MEETINGS ATTENDED	09

NAME	**Sihle Joel Ngubane**
DESIGNATION	Member of the Board of Directors
DATE APPOINTED	28 August 2018
DATE RESIGNED/TERMINATION	29 November 2019
QUALIFICATION	• National Diploma – Information Technology (IT); • National Diploma in Ministry; • Finance for Non-Financial Managers; • Public Finance Management and Administration (PFMA); • Financial Insights for Non-Financial Directors (IoDSA); • Oracle Certified Professional DBA; • Oracle Certified Applications DBA; • Database Securities; • Microsoft Certified Information Technology Professional; • MAP128 – WBS – (incomplete)
AREAS OF EXPERTISE	• Business Administration; • Business Performance Improvement; • Software, Hardware, Middleware, Networking (Oracle, IBM, Fujitsu, HP, SAP, Microsoft, CISCO) • Reports & Reports Development; • Software Programming; • Change & Problem Management; • Systems Development, Data Modelling, Oracle Designer; • IT Project Management; • User Training and Support; • Website Management; • EPMO – Enterprise Project Management Office Formation; • Leadership Principles & Leadership Styles; • Business Plan & Presentation Development; • Business Financials Analysis; • Strategic Management; • Contract Management.
BOARD DIRECTORSHIP	• Board Member - MICT-SETA • Chairperson of the Board - MICT-SETA • Chairperson of EXCO - MICT-SETA • Board Member - Advance Apps (Pty) Ltd • Board Member - Oracle Partner Advisory Board - ORACLE Corporation SA • Board Member - South African Post Office (SAPO) - 2013 • Chairperson - IT Governance Committee (SAPO) - 2013 • Committee Member - Postbank Committee (SAPO) - 2013 • Committee Member - Risk Committee (SAPO) - 2013 • Board Member - (SAPO) - 2015 (re-appointment) • Chairperson - Postbank Committee (SAPO) - 2015 • Chairperson - e-Docex - SAPO Subsidiary - 2015 • Committee Member - IT Governance Committee (SAPO) - 2015 • Committee Member - Strategic Turn-Around Plan Committee (SAPO) - 2015 • Managing Director- Sizavox (Pty) Ltd

OTHER COMMITTEES	• HR & Remuneration Committee – Chairperson; • Audit & Risk Committee – Member • Social & Ethics Committee - Member
NO. OF MEETINGS ATTENDED	08

NAME	Lucas Mello
DESIGNATION	Member of the Board of Directors
DATE APPOINTED	01 April 2019
DATE RESIGNED/TERMINATION	29 November 2019
QUALIFICATION	• National Teacher's Diploma; • Certificate in Project Management; • Public Finance Management Course • National Certificate Windows 95
AREAS OF EXPERTISE	Project Management
BOARD DIRECTORSHIP	• NEMISA Non-Executive Board Member (May 2013 to date); • BHRC SUG Committee Member; • Special Advisor to Premier of Limpopo (1 December 2013 to date)
OTHER COMMITTEES	• Social & Ethics Committee – Chairperson; • HR & Remuneration Committee – Member; • Operations Committee – Member
NO. OF MEETINGS ATTENDED	08

COMMITTEES

Since a Board cannot attend to all the matters effectively it is recommended that the establishment of the following committees:

- Audit & Risk Committee;
- HR & Remuneration Committee;
- Operations Committee; and
- Social & Ethics Committee

In the annual report provide the list to the members for each of these committees, the roles and responsibilities of these committees, the no. of meetings held during the year.

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Board Audit & Risk	7	3	S. Dube – Chairperson SJ Ngubane – Member M Moropa – Member
HR & Remuneration	4	3	SJ Ngubane – Chairperson M Moropa – Member L Mello – Member
Operations	4	3	M Moropa – Chairperson S Dube – Member L Mello – Member
Social & Ethics	4	3	L Mello – Chairperson M Moropa – Member SJ Ngubane – Member

REMUNERATION OF BOARD MEMBERS

NAME	RETAINER	REMUNERATION (BOARD / COMMITTEES FEES)	OTHER ALLOWANCE	OTHER REIMBURSEMENTS	TOTAL
Adv. WE Huma	R 14 262,45	R 54 693,38	R 109 693,38	R 4 277,74	R 182 926,95
Mr SJ Ngubane	R 10 696,84	R 83 714,41	R 49 323,84	R 4 277,85	R 148 012,94
Ms M Moropa	R 10 696,84	R 127 245,91	R 97 228,64	R 10 623,50	R 245 794,89
Mr S Dube	R 10 696,84	R 103 805,87	R 42 904,80	R 3 280,02	R 160 687,53
Mr L Mello	R 10 696,84	R 88 179,18	R 45 742,88	R 19 488,41	R 164 107,31
TOTAL	**R 57 049,81**	**R 457 638,75**	**R 344 893,54**	**R 41 947,52**	**R 901 529,62**

RISK MANAGEMENT

Risk management is concerned with the coordination of activities to direct and control an organisation with regard to risk. The Board has adopted an enterprise risk management process that is aligned with the Public Sector Risk Management Framework. Other works of reference include; SANS 31000:2009 and King IV Report on Corporate Governance. The features of this process are incorporated in the risk management framework and policy. Oversight for adequacy and effectiveness of risk management is delegated to the Board Audit and Risk Committee (BARC).

The Agency recognises that risk management must be integrated with business strategy and has accordingly increased efforts to ensure that risk-taking is fundamental to the achievement of strategic goals/objectives.

USAASA has, pursuant to the achievement of organisational objectives conducted strategic, operational and project risk assessments. The process entails the assessment of risks and opportunities (including new and emerging risks and opportunities), analysis and evaluation of the risks and opportunities and design and implementation of appropriate risk responses. Moreover, this was also followed by a structured coordination of combined assurance activities with a view to ensuring optimal assurance coverage.

USAASA had a Board Audit and Risk Committee (BARC) from quarter one through to quarter three; the term of the then Board ended during quarter three and this led to USAASA not having a BARC for the remainder of the year. The current BARC was only appointed towards the end of the fourth quarter of the 2019/20 financial year. It is noteworthy that the BARC is chaired by an independent non-executive director.

The (BARC) oversees risk management on an ongoing basis with a view to ensuring management of risk in a way that supports the organisation in setting and achieving its strategic objectives, operational goals and project objectives. The BARC has assumed the responsibility of risk management by setting the direction for how risk should be approached and addressed within USAASA. Risk profile reports covering strategic risks, operational risks, project risks, dependency risks, fraud risks, and emerging risks are reviewed by the BARC on a quarterly basis and advice provided in order to ensure effective and efficient risk management.

As part of the risk management system for the year under review, the Agency initiated a process whereby strategic risks are subdivided into longevity risks i.e. risks that affect the core purpose of an organisation. This includes risks that threaten the very survival of an organisation in the long term (The key consideration is Value creation in a sustainable manner) and business risks i.e. risks that affect or are created by an organisation's business strategy and strategic objectives/ outcomes/outputs. This process allowed for an approach whereby business risks and longevity risks would receive the necessary attention to ensure effective risk management. During the year under review, sixty percent (60%) of the business risks action plans were implemented which contributed to the overall performance of the organisation.

With the continued focus on risk maturity for the 2020/21 financial year, the objective is to enable the Agency to measure where it currently is, to set goals for where it wants to go, to devise means for getting there, and focusing on efforts for improvement in areas of identified weaknesses.

INTERNAL CONTROL UNIT

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 the Board Audit and Risk Committee complying with and operating in accordance with regulations and instructions prescribed in terms of section 76 and 77 of the Act.

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 Public Finance and Management Act and King IV Code on Corporate Governance. Internal Audit Activity will conduct audits to assist management in providing assurance on the effectiveness of the organisations' system of internal controls and performance.

SUMMARY OF AUDIT WORK DONE

The following internal audit projects, as approved and contained in the annual internal audit plan, were completed during the year under review:

- Quarterly audits on SCM: Below Threshold;
- Quarterly audits on SCM: Above Threshold;
- Quarterly audits on Financial Management;
- Quarterly Financial Statements;
- Quarterly audits on Performance Information;
- USAF Projects;
- BDM Inventory management (addressing BDM AG Findings for 2017/2018 and 2018/2019)
- Information Technology;
- Follow-up audits, including matters raised by the Auditor-General in the management letter; and
- A number of ad hoc assignments requested by the Management and Board Audit and Risk committee respectively.

During the previous financial year, 2017/2018 and 2018/2019, the AGSA issued a qualification on the USAF Annual Financial Statements. This audit opinion was a result of unaccounted 57000 BDM un-redeemed inventory as at 31 March 2018 and 31 March 2019. It has come to the Internal Audit's attention that the quantity of inventory has increased after the financial year.

The previous Board Audit and Risk Committee put some mitigating controls in place to ensure that these 57000 unaccounted inventory are cleared. The commitment was made to the AGSA that these mitigating controls would have cleared. The senior manager in Operations was tasked with the responsibility of clearing these inventories. To this end and after the end of the financial year 2018/2019, there has not been any movement, hence the repeat qualification.

Internal Audit focused more attention on the assurance of unaccounted BDM Inventory, which led to the two qualified audit findings. The other areas where Internal Audit focused its energy was to the investigation of irregular expenditure, expenditure on the warehouse space utilization, sufficient walk-through test for AGSA implementation action plan, the connectivity in Mutale, Joe Morolong, Ratlou and Chief Albert Local Municipalities.

The following root causes were identified as having let to the occurrence of these unaccounted for inventories:

- The introduction of bulk installation by the Department;
- Non-reconciliation of SAPO reports by Operations;
- Lack of controls to mitigate possible risk exposures to bulk installation;
- Non-monitoring of returned inventory;
- The useful life-span of the returned inventory; and
- The incorrect perception from Operations that finance is the custodian of this inventory.

As at the annual reporting 2019/2020, a report has been issued to SAPO to address the Inventory Management discrepancies and thus made way to clear the qualification in 2019/2020.

The details of the planned activities that were kept on hold are:

- Quarterly audit review on operational plans;
- Financial Management Q3 expenditure, focus will only be on the follow-up audit from previous quarterly audit findings;
- Corporate service Q3 activities, focus will only on the follow-up audit from previous quarterly audit findings.

COMPLIANCE WITH LAWS AND REGULATIONS

BARC ensured that USAF management has the necessary checks and balances in place to ensure compliance with laws and regulations, that it is conducting its affairs ethically, and that it is maintaining effective 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 on conflicts of interest.
- Monitoring compliance with laws, regulations and policies;
- Reviewing Internal Audit's written reports on the scope of reviews of compliance, significant findings, resolutions and follow-up on findings and recommendations;
- Monitoring developments and changes in the law relating to responsibilities and liabilities of management, and monitoring and reviewing management performance in meeting its obligations; and
- Monitoring developments and changes in rules, regulations and laws relating to the organisation's operations, and monitoring and reviewing the organisation's compliance with these.

BARC shall continue to review USAF'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 proportionate and independent investigation of such matters and appropriate follow-up action

FRAUD AND CORRUPTION

The Agency has an approved Fraud Prevention Policy, as well as a Whistleblowing Policy.

The Agency has also established a reporting mechanism to empower whistle-blowers to report any suspected fraudulent activities. During the period under review, there were no cases of fraud and corruption reported.

MINIMISING CONFLICT OF INTEREST

The Agency has established control mechanisms to deal with conflicts of interest. All members serving in decision-making committees are required to disclose their interests. This helps to create awareness for members of the duty of being t in their dealing with matters that have the potential to create conflicts of interest. Secondly, members of decision-making committees are required to sign a declaration to indicate any conflict of interest that may arise in any matter that they deal with. Lastly, members of senior management, middle managers, Finance and Supply Chain Management officials are required to disclose their registrable financial interests as required by the Public Service Regulation, 2016.

CODE OF CONDUCT

All employees of the Agency 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 as well as the whistleblowing policy.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

An Occupational Health and Safety policy, policy statement as well as an emergency evacuation plan were approved. The Agency is striving to comply with the Occupational Health and Safety Act 85 of 1993 and other relevant Regulations

COMPANY SECRETARY

The Company Secretary ensures that the Board and its committees function optimally in line with legislation and corporate governance principles. Board members have unrestricted access to the advice/guidance and services of the Company Secretary on governance, legislative and regulatory requirements.

The Company Secretary assists the Board to compile the APP, agendas and meetings packs for Board and Board committee meetings. The Company Secretary also ensures that the Board's policies and instructions are communicated to the relevant people in the Agency and that management issues are referred to the Board where appropriate. The Company Secretary plays a key role in the induction of new directors, encompassing both directors' duties and responsibilities in general and specific matters pertaining to the Agency and its sector, and coordinates Board performance evaluation, identifies training requirements and facilitates ongoing programmes to keep directors well informed of Agency developments and pertinent matters.

ROLE OF EXCO

The USAASA Exco, under the leadership of the CEO, leads the divisions and business units of the Agency in accordance with organisational strategic objectives.

Members of this committee support the Board by driving the following key activities, inter alia:

- Demonstrating leadership in strategy implementation and in being accountable and transparent in coordinating and maintaining clear directives for USAASA's strategic objectives, guidelines, policies and procedures;
- Ensuring commitment across the organisation to achieving USAASA and USAF quarterly and annual performance targets outlined in the approved APP, and monitoring and evaluating the progress of deliverables; and
- Ensuring effective human resources, financial and risk management, and being accountable for implementing recommendations of internal audit, BARC, the AGSA, and the Board and its committees.

Exco remains accountable to the USAASA Board of Directors and is, therefore, directly involved in preparing and firming up submissions and recommendations on organisational matters tabled before the Board and its committees.

SOCIAL RESPONSIBILITY

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

INTERNAL AUDIT AND AUDIT COMMITTEES

We are pleased to present our Audit Committee report for the financial year ended 31 March 2020. The Audit Committee was established and constituted in terms of Section 77 of the Public Finance Management Act and Treasury Regulations. The members of the Board Audit and Risk Management Committee (BARC) were appointed on 30 March 2020, subject to reappointment by the Shareholder at the Annual General Meeting. The Audit Committee has a total of 3 (three) Non-Executive Management members, as well as a representative of the Auditor General of South Africa as a standing invitee. The Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, Risk Manager are permanent invitees to the Committee meetings.

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

NAME	**Ms Mapuleng Moropa**
DESIGNATION	Member of the Board of Directors
DATE APPOINTED	28 August 2018
DATE RESIGNED/TERMINATION	29 November 2019
QUALIFICATION	• Masters in Business Administration (MBA) • Programme in Management Development (PMD) • BSc Information Technology
AREAS OF EXPERTISE	• Strategy design and implementation; • Business process design and re-engineering; • Retail and Commercial Banking; • Operations Management; • Project Management; • Sales Management; • Risk management and compliance; • Business performance improvement; • Entrepreneurship and Business Management; • Relationship management; • Stakeholder Engagement; • Broadband Infrastructure/Network implementation and maintenance; • Surveillance and access control technology installation and maintenance.

BOARD DIRECTORSHIP	• USAASA Board (28/08/18 – 29/11/19); • Non-executive director and Board member Thornburg Holding March 2014 to 2017; • Director Battlebay Holdings (Pty) Ltd – 2011 to date; • Member of the Black Industrialist Advisory Panel: DTI – March 2013 to March 2017; • Executive Director, M&H Distributors – Jan 2015 to date • Director, Ingwesat (Pty) Ltd – July 2017 to date.
OTHER COMMITTEES	• Operations Committee – Chairperson; • HR & Remuneration Committee – Member; • Social & Ethics Committee – Member; • Audit & Risk Committee – Member
NO. OF MEETINGS ATTENDED	07

NAME	**Siyabonga Dube**
DESIGNATION	Member of the Board of Directors
DATE APPOINTED	28 August 2018
DATE RESIGNED/TERMINATION	29 November 2019
QUALIFICATION	• FQE 1 and 2; • Bachelor of Accounting; • Post Graduate Diploma in Accounting
AREAS OF EXPERTISE	• Financial Institution Services and Risk Advisory
BOARD DIRECTORSHIP	• Serves on various structures of various unlisted companies and an institution of higher learning.
OTHER COMMITTEES	• Audit & Risk Committee – Chairperson • Operations Committee – Member
NO. OF MEETINGS ATTENDED	07

NAME	**Sihle Joel Ngubane**
DESIGNATION	Member of the Board of Directors
DATE APPOINTED	28 August 2018
DATE RESIGNED/TERMINATION	29 November 2019
QUALIFICATION	• National Diploma – Information Technology (IT); • National Diploma in Ministry; • Finance for Non-Financial Managers; • Public Finance Management and Administration (PFMA); • Financial Insights for Non-Financial Directors (IoDSA); • Oracle Certified Professional DBA; • Oracle Certified Applications DBA; • Database Securities; • Microsoft Certified Information Technology Professional; • MAP128 – WBS – (incomplete)
AREAS OF EXPERTISE	• Business Administration; • Business Performance Improvement; • Software, Hardware, Middleware, Networking (Oracle, IBM, Fujitsu, HP, SAP, Microsoft, CISCO) • Reports & Reports Development; • Software Programming; • Change & Problem Management;

AREAS OF EXPERTISE (CONTINUED)	• Systems Development, Data Modelling, Oracle Designer; • IT Project Management; • User Training and Support; • Website Management; • EPMO – Enterprise Project Management Office Formation; • Leadership Principles & Leadership Styles; • Business Plan & Presentation Development; • Business Financials Analysis; • Strategic Management; • Contract Management.
BOARD DIRECTORSHIP	• Board Member - MICT-SETA • Chairperson of the Board - MICT-SETA • Chairperson of EXCO - MICT-SETA • Board Member - Advance Apps (Pty) Ltd • Board Member - Oracle Partner Advisory Board - ORACLE Corporation SA • Board Member - South African Post Office (SAPO) - 2013 • Chairperson - IT Governance Committee (SAPO) - 2013 • Committee Member - Postbank Committee (SAPO) - 2013 • Committee Member - Risk Committee (SAPO) - 2013 • Board Member - (SAPO) - 2015 (re-appointment) • Chairperson - Postbank Committee (SAPO) - 2015 • Chairperson - e-Docex - SAPO Subsidiary - 2015 • Committee Member - IT Governance Committee (SAPO) - 2015 • Committee Member - Strategic Turn-Around Plan Committee (SAPO) - 2015 • Managing Director- Sizavox (Pty) Ltd
OTHER COMMITTEES	• HR & Remuneration Committee – Chairperson; • Audit & Risk Committee – Member • Social & Ethics Committee - Member
NO. OF MEETINGS ATTENDED	07

NEW BOARD AUDIT AND RISK COMMITTEE

NAME	**Phuti Nehemia Phukubje**
DESIGNATION	Chairperson of the Audit and Risk Committee
DATE APPOINTED	30 March 2020
QUALIFICATIONS	• Matric • B Com (Accounting) • Diploma in Accounting • Hons/B Com Accounting /CTA • Hons/B Compt Accounting (incomplete) • Certificate in Business Leadership
AREAS OF EXPERTISE	• Auditing • Finance • Risk • Strategy • Compliance

BOARD DIRECTORSHIP	• Chairperson – Audit & Risk Committee at MDDA • Chairperson – Audit & Risk Committee at William Humphrey Art Gallery; and • Council Member – William Humphrey Art Gallery • Chairperson – Audit & Risk Committee at NEMISA • Member of the Audit & Risk Committee – Police Civilian Secretariat • Member of the Audit & Risk Committee – Department of Social Development.
INTERNAL OR EXTERNAL	External
IF INTERNAL, POSITION IN PUBLIC ENTITY	N/A
DATE RESIGNED / TERMINATED	To date
NO. OF MEETINGS ATTENDED	00*

NAME	**Ms Buhle Tonise**
DESIGNATION	Member of the Audit & Risk Committee
DATE APPOINTED	30 March 2020
QUALIFICATIONS	• Matric • LLB • Practical Legal Training (Commercial Law)
AREA OF EXPERTISE	• Contract Management and Commercial Law • Corporate Law • Governance
BOARD DIRECTORSHIP	Deputy Chairperson of the Eastern Cape Arts and Culture Council.
INTERNAL OR EXTERNAL	External
IF INTERNAL, POSITION IN PUBLIC ENTITY	N/A
DATE RESIGNED / TERMINATED	To date
NO. OF MEETINGS ATTENDED	00*

NAME	**Mbasa Metuse**
DESIGNATION	Member of the Audit & Risk Committee
DESIGNATION	• Matric • Bachelor of Social Science • Project Management Certificate
AREA OF EXPERTISE	• Governance; • Program Management; • Research; • Policy Development; and • Strategic Planning
BOARD DIRECTORSHIP	• Board Member at FASSET (Finance and Accounting Services Sector Ed-ucation and Training Authority) • Board Member at Mayibuye Transport Corporation (EC Department of Transport) • Board Member at the National Heritage Council • Member of Council King Hintsa TVET College • Board Member at ASPIRE (Economic Agency Amatole District Munici-pality) • Executive Chairman: Itsamaya Holdings (PTY) LTD • Chairperson of Repositioning and International Relations (NHC) • Chairperson Board HR and Remuneration Committee (MTC)

BOARD DIRECTORSHIP (CONTINUED)	• Chairperson of the HR Committee KHC • Chairperson of Student Accommodation Project ADHOC Committee - KHC • Member of Board Finance and Investment Committee (MTC) • Board Governance Committee (MTC) • Member of Finance Committee - ASPIRE • Member of Physical Infrastructure & Planning Committee – KHC • Member of the Research and Innovation Committee – KHC
INTERNAL OR EXTERNAL	External
IF INTERNAL, POSITION IN PUBLIC ENTITY	N/A
DATE APPOINTED	30 March 2020
DATE RESIGNED / TERMINATED	To date
NO. OF MEETINGS ATTENDED	00*

* There were no Committee meetings scheduled during this period – Members were appointed on 30 March 2020.

Report of the Board Audit and Risk Committee

BOARD AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Board Audit and Risk Management Committee reports that it has complied with its responsibilities arising from Section 38(1), 76(4) (d) and Section 77 of the Public Finance Management Act and Treasury Regulations 3.1.13.

The Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and furthermore has discharged all its responsibilities as contained therein.

The Committee performed the following duties during the year in accordance with section S94 (7) of the Companies Act 71 of 2008:

- nominated the external auditor for appointment by the shareholder;
- determined the fees to be paid to the auditors and the auditor's terms of engagement;
- determined the nature and extent of any non-audited services;
- pre-approved any proposed agreement with the auditor for the provision of non-audit services to the company;
- prepared a report, to be included in the annual financial statements for the financial year;
- made submissions to the Board on matters concerning the company's accounting policies, financial control, records and reporting; and
- performed other oversight functions determined by the Board.

KEY ACTIVITIES

THE EFFECTIVENESS OF INTERNAL CONTROLS

The Committee is responsible for overseeing the Internal Audit Activity, preserving its independence and ensuring that it has the necessary resources and authority to enable it to fulfil its duties. The Acting Chief Audit Executive reports functionally to the Committee and has quarterly meetings with the Chairperson of the Committee independently of management.

The Committee annually reviews and approves internal audit coverage plan and monitors the performance of the internal audit function on a quarterly basis. The Committee has reviewed the written assessment performed by Internal Audit on the design, implementation and effectiveness of internal financial controls and risk management of the company.

Our review of the findings of the work from Internal Audit Activity, which was based on risk assessments conducted in the public entity revealed certain weaknesses, which were then communicated to the Executive Management of the Public Entity. A significant improvement with regards to compliance with prescripts, general internal control environment and governance has been recorded during the period under review. This has also been corroborated by the Auditor General's key controls review conducted over the period.

APPROVED POLICIES / STRATEGIES

In the financial year under review, the Committee recommended policies to the Board for final approval to strengthen and improve the internal control environment. These included:

- Supply Chain Management Policy;
- Materiality Framework;
- Delegation of Authority Policy;
- Risk Management Framework;
- Risk Management Strategy; and
- Risk Management Implementation Plan.

COMPLIANCE TO LAWS, RULES, CODES AND STANDARDS

The non-compliance register aimed at identifying control weaknesses in relation to compliance with laws, regulation and standards remains one of the tools utilized by the Committee to detect areas requiring intervention from an assurance perspective. The register identifies transgressors and ensures that consequence management is applied to perpetual and repetitive transgressors. This detailed non-compliance register is reviewed at every Committee meeting as an agenda item on the finance reports. Since the implementation of the revised, now detailed non-compliance register, non-compliance to prescripts has improved tremendously. An assertion supported by the internal audit reports presented to the Committee on SCM below and above the threshold, Financial Management audits and audits on Interim Financial statements.

IN-YEAR MONTHLY / QUARTERLY REPORTING

The Committee performed the following duties on reporting:

- Reported formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- Made recommendations to the Board deemed appropriate on any area within its remit where action or improvement is required.
- Compiled reports of its activities which were included in the Agency's annual report.
- The Public Entity has submitted monthly and quarterly reports to the Executive Authority as required by legislation. These reports have been reviewed by the Committee during the year

.

INTEGRATED REPORTING

The Committee, in its oversight role, reviewed the Agency's value-add on the mandate of the Agency. The Agency continues to provide Broadband Infrastructure in various under-served communities and ICT equipment to various schools and clinics, however, there is insufficient monitoring of usage thereof.

RISK MANAGEMENT

The entity identified the top ten (10) Corporate Strategic Risk profile that was developed and approved by the Board quarterly in the reporting period. The development of the top ten (10) Corporate Strategic Risk profile was as a result of the divisional risk assessment workshops held, which produced the individual Divisional Risk profiles for USAASA. In addition to the workshops held, the Risk Management Committee chaired by the CEO made iterations and reviewed the same to ensure alignment with the Corporate Strategic Risks, more specifically the top ten (10) risks facing the organisation.

USAASA is committed to pursuing high standards of Corporate Governance and Acceptable Risk Management Knowledge, Concepts and Practices and constantly seeks to apply the Public Sector Risk Management Framework and King III Report on Corporate Governance.

USAASA is committed to pursuing high standards of Corporate Governance and Acceptable Risk Management Knowledge, Concepts and Practices and constantly seeks to apply the Public Sector Risk Management Framework and King III Report on Corporate Governance. Other works of reference include, but are not limited to; International Standards on Risk Management (ISO 31000), South African National Standards (SANS) for Risk Management, etc. USAASA's operations derived from its mandate and strategy expose it to strategic risks, operational risks, financial risks and regulatory risks. The Board Audit and Risk Committee (BARC) have reviewed and approved the policies for managing each of these risks.

Importantly, the agency prioritised the top ten risks due to the entity becoming aware of the importance of risk management for the success of both businesses of the entity and projects.

A summary of the main risk management activities carried out during the year ended 31 March 2020 includes:

- Risk management policies, including the methodology, were developed and approved by the Board Audit and Risk Committee and the Board of Directors.
- The risk management plan was developed and approved by the relevant committees. Strategic risk assessments were performed bi-annually with the members of the Executive team.
- Operational risk assessments were performed quarterly for each division within USAASA with divisional heads and key personnel.
- Combined assurance map was developed with participation from the first, second and third lines of defence. Project risk assessments were performed regularly throughout the year.

The risk profile report was compiled on a quarterly basis for presentation to the Risk management committee, Board Audit and Risk Committee and the Board of Directors. In the past year, we saw a gradual progress in the risk maturity level, management of risk and strategy and management of performance and risks.

COMBINED ASSURANCE

King III requires that the audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities. This repositioned risk-based approach to assurance provision is performed to address strategic, operational, and financial and sustainability issues in the quest to deliver value to the organisation.

Recognizing the limited resources available to the internal audit activity and the need for greater assurance required by the BARC and the Board, the Committee initiated a combined assurance process, which is now the responsibility of the Risk Manager.

The Combined Assurance Model was presented and approved by the Committee. As at year-end, two progress reports on the implementation of Combined Assurance served before the Committee. These reports indicated assurance coverage and integration efforts from various assurance providers within USAASA, including Internal Audit and Auditor General. In the next financial year, these reports will reflect the assurance coverage from USAASA's shareholder (DCDT), Performance and Monitoring, Legal Services and others.

EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the Annual Financial Statements prepared by the Public Entity as required by the PFMA, National Treasury Regulations and King III report on corporate governance. The internal audit work on the Annual Financial Statements conducted quarterly during the year under review has resulted in improved correctness, completeness and validity of financial reporting.

EXPERTISE AND EXPERIENCE OF THE FINANCE FUNCTION

The Committee has reviewed the expertise, competence and experience of the USAASA Finance function. Based on the self-assessment performed, the Committee is satisfied that the Chief Financial Officer and the finance management team have the appropriate expertise and experience.

INFORMATION TECHNOLOGY GOVERNANCE

The key threats that the Public Entity had to deal with in the previous financial year, which included the ERP system, the Disaster Recovery Plan and the off-site backup solution for the Public Entity have all been implemented. The IT control environment has therefore improved from the previous year's assessment and report. Consequently, the IT Governance risk exposures are within tolerable limits. It should however be reported that the current mitigations are not designed to eliminate risks completely however to manage the risk within accepted tolerance levels, therefore Internal Audit will continue to review mitigations introduced by management.

ETHICS AND COMPLIANCE

Ensuring that a robust ethics and compliance program is introduced by USAASA to keep abreast of new vulnerabilities to fraud and misconduct will remain on the radar for the new financial year.

There were no reports of suspected/alleged unethical conduct by employees of the Agency received from the Department of Telecommunications and Postal Services hotline and the Public Service hotline, except for the other investigation currently dealt by National Treasury and KPMG.

CONCLUSION

Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit, the Committee confirmed that:

- The internal controls of the Agency were effective in all material aspects throughout the year under review;
- These controls safeguarded the Agency's assets;
- Proper accounting records were maintained;
- Resources were utilised efficiently; and
- The skills, independence, audit plan, reporting and overall performance of the external auditors were acceptable.

Following our review of the financial statements for the year ended 31 March 2020, we are of the opinion that they comply with the relevant provisions of the PFMA and International Financial Reporting Standards and fairly present the results of the operations, cash flow and financial position of USAASA.

The Committee is satisfied that it has complied with its legal, regulatory and other responsibilities, in all material respects.

Mr. Phuti Phukubje
Chairperson of the Board Audit and Risk Committee
Universal Service and Access Agency of South Africa

Part D

HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The Human Resources (HR) Unit is acknowledged as a strategic partner and plays a vital role in the achievement of departmental goals by rendering effective and efficient HR advice and services. In doing so HR combined its technical expertise and functions to render services that are aligned to support the Agency objectives.

The following are the HR priorities:

- To invest in a cost-effective functional human resources system in order to automate the HR functions
- Workforce planning framework by embarking on a robust recruitment and selection process in order to attract and retain skilled employees and to keep the current workforce motivated.
- Currently under review to have a more user-friendly and effective Performance Management framework that can cultivate a performance-orientated workforce.
- Careways has been appointed to assist the management of the Agency on wellness issues. Also, help employees with various counselling and health advice

As at the end of the financial year 2019-20, Human Resources was in the process of reviewing and aligning all its policies to ensure it is compliant with the various laws and case studies. The following policies were prioritized:

- Performance Management,
- Internship, Education & Training,
- Recruitment & Selection and Disciplinary.

For the past three years, The Agency has been plagued with an unreliable HR system. Outdated HR policies were also a cause for concern.

Future HR plans/goals are as follows:

- Reliable HR system;
- Increased uptake of training opportunities;
- Streamlined HR processes;
- Updated user-friendly policies

2. HUMAN RESOURCE OVERSIGHT STATISTICS

The Agency provides the following key information on human resources. All the financial amounts agree with the amounts disclosed in the annual financial statements.

PERSONNEL COST BY SALARY BAND

PROGRAMME	PERSONNEL EXPENDITURE	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE
Top Management	R6 227 616	14.2	4	R1 556 904
Senior Management	R12 474 825	28.5	10	R1 247 483
Professional Qualified	R23 424 783	53.5	34	R688 964
Skilled	R1 658 340	3.8	4	R414 585
Semi-Skilled	-	-	-	-
Unskilled	R308 959	0.7	2	R154 479
Interns/Contractors	R2 911 436	-	12	R242 620
Employers contributions	R2 665 000	-	-	-
TOTAL	**R49 362 000**	**100**	**66**	**R4 305 035**

PERFORMANCE REWARDS

PROGRAMME	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
TOTAL	**0**	**0**	**0**

TRAINING COSTS

PROGRAMME	TRAINING EXPENDITURE (R'000)
Training and staff development	R22 570,00
CIA Training part 1	R8 522,00
Pearson Report Writing Skills Training	R40 500,00
Training and staff development	R23 000,00
Pearson Corporate - MS Projects Training	R66 800,00
Training and staff development	R16 700,00
Commerce Edge Enterprise & Supplier Dev	R9 717,50
Training and staff development	R35 285,50
Bursary x 6	R63 279,43
Total Cost	**R286 374,43**

EMPLOYMENT AND VACANCIES

PROGRAMME	2019/20 NO. OF EMPLOYEES	2019/20 APPROVED/ FUNDED POSTS	2019/20 VACANCIES	% OF VACANCIES
Top Management	2	5	3	60
Senior Management	9	12	3	25
Professional Qualified	14	14	0	0
Skilled	27	28	1	10.714
Semi-Skilled	0	0	0	0
Unskilled	2	2	0	0
Interns/Contractors	12	0	0	0
Total	**66**	**61**	**7**	**0**

Note: A selection and recruitment process for executive personnel was in the final stages when the Board of Directors was dissolved by the Minister. The Executive Caretaker & Accounting Authority personnel was then appointed by the Minister in line with the memorandum of the Cabinet in January 2020; for business continuity and smooth running of the Agency.

EMPLOYMENT CHANGES

PROGRAMME	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	4	2	4	2
Senior Management	11	0	2	9
Professional Qualified	12	2	0	14
Skilled	27	0	0	27
Semi-Skilled	0	0	0	0
Unskilled	2	0	0	2
Interns/Contractors	0	12	0	12
TOTAL	**56**	**16**	**6**	**66**

REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	0	0%
Resignation	4	67%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	2	33%
Other	0	0%
Total	**6**	**100%**

Note: Normal attrition process

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	0
Final Written Warning	2
Dismissal	0
Suspension	3

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

LEVELS	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	1	0	0	0	0	0
Senior Management	7	0	0	0	0	0	1	0
Professional Qualified	13	0	0	0	0	0	1	0
Skilled	1	0	0	0	0	0	0	0
Semi-Skilled	2	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**24**	**0**	**1**	**0**	**0**	**0**	**2**	**0**

Note: The Agency will target to recruit a more racially balanced workforce.

LEVELS	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	2	0	0	0	0	0	0	0
Professional Qualified	20	0	0	0	0	0	0	0
Skilled	3	0	0	0	0	0	0	0
Semi-Skilled	0	0	0	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
TOTAL	**27**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

LEVELS	DISABLED STAFF			
	African		Coloured	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	0	0	0
Skilled	0	0	0	0
Semi-Skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**

Note: The accessibility of the offices of the Agency for people living with disabilities makes it difficult to recruit disabled staff. A concise effort will be made when relocating to new premises to accommodate disabled staff.

USAASA	AVERAGE NO. OF EMPLOYEES
Interns/Contractors	12

Note: The USAASA structure currently has 54 permanent employees. The totals above exclude the 12 interns/contractors.

Part E

FINANCIAL INFORMATION

Report of the Chief Financial Officer

USAASA recorded a total expenditure of R92.126 million against a total budget of R85,394 million which means that a deficit of R6,732 million was recorded at year end. The mentioned expenditure includes an amount of R16.3 million in respect of Depreciation and Amortisation which is a non-cash item.

It must be highlighted that the computer and office equipment, furniture as well as vehicles have almost fully depreciated and the replacement of, in particular, the computer equipment will have to prioritised in the coming financial year. Seemingly, the software (intangible assets) will also be fully depreciated and the Agency will explore other systems that are less expensive to maintain.

The Agency is currently involved in a few legal matters and it was confirmed that the contingent liability at 31 March 2020 was estimated at R126.619 million. Should the outcomes be unfavourable to USAASA, funding will have to be sourced outside the appropriation of the Entity.

An amount of R32.196 million was recorded as Irregular Expenditure at 31 March 2020 of which R30.491 million stems from previous financial years. USAASA will deal with the Irregular Expenditure decisively in the following financial year and make sure that consequence management will be applied where required. A full-time BAC was already appointed to deal with these cases.

On the good news side of things, USAASA also received an unqualified audit outcome in the 2019/20 financial year to maintain the status quo. The unqualified report is based on 2 findings on non-compliance and no findings in respect of the Annual Financial Statements and Performance Information affected the final audit report.

My thanks go to the Board Audit and Risk Committee (BARC) for their solid direction, Executive Caretaker for his guidance and leadership, my USAASA colleagues for their commitment and support during the 2019/20 financial year. As the Interim Chief Financial Officer, I take no credit for the unqualified report for USAASA as it could only have been achieved through teamwork and support of EXCO members, Operations and Support Staff.

On our own, we can only try, but as a team, we can succeed.

Thank you

Mr. Frik Nieman
Interim Chief Financial Officer
Universal Service and Access Agency of South Africa

Report of the Auditor-General

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Universal Service and Access Agency of South Africa set out on pages 63 to 91, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Universal Service and Access Agency of South Africa (USAASA) as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with Standard of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Management Finance Act (Act no. 1 of 1999) (PFMA).

BASIS FOR OPINION

3. 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 this auditor's report.

4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the 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 codes.

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

EMPHASIS OF MATTERS

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

UNCERTAINTY RELATING TO THE FUTURE OUTCOME OF LITIGATION

7. With reference to note 16 to the financial statements, the public entity is the defendant in a number of lawsuits. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

RESPONSIBILITIES OF ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

8. The executive caretaker representing the board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa (Act 1 of 1999) (PFMA) ,and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the public 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

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

12. In accordance with the Public Audit Act of South Africa 2004 (Act No. 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 programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. 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 public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to 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.

14. 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 programmes presented in the annual performance report of the public entity for the year ended 31 March 2020:

PROGRAMME	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 2 – Business Intelligence	30

15. 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.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme.

OTHER MATTER

17. I draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

18. Refer to the annual performance report on pages 28 to 30 for information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

19. 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.

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

EXPENDITURE MANAGEMENT

21. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R283 000, as disclosed in note 22 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The fruitless and wasteful expenditure was caused by SARS penalties and interest charged on late payment of office rental.

CONSEQUENCE MANAGEMENT

22. 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 due to no investigations being instituted to investigate irregular expenditure and fruitless and wasteful expenditure.

OTHER INFORMATION

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report and the audit committee's report.

The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

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

25. In connection with my audit, my 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 otherwise appears to be materially misstated.

26. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

27. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

28. 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 opinion, and the findings on compliance with legislation included in this report.

29. Compliance matters have not been properly reviewed and monitored by the respective officials to ensure full compliance with regards to fruitless and wasteful expenditure.

30. Consequence management processes were not in all instances sufficient as the leadership did not take the appropriate action required in a timely manner for all irregular as well as fruitless and wasteful expenditure incurred by the entity.

OTHER REPORTS

31. I draw attention to the following engagements conducted by various parties which could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

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

Auditor-General

Pretoria
30 September 2020

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 programmes and on the public 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 public 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 use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, 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 USAF to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

Statement of Financial Position

AS AT 31 MARCH 2020

	NOTES	2020 R'000	2019 R'000
ASSETS			
CURRENT ASSETS			
Inventories	4	-	5
Receivables from exchange transactions	5	1 721	936
Cash and cash equivalents	6	34 355	21 081
		36 076	**22 022**
NON-CURRENT ASSETS			
Property and equipment	2	596	1 516
Intangible assets	3	29	15 251
Total Assets		625	16 767
		36 701	**38 789**
LIABILITIES			
CURRENT LIABILITIES			
Finance lease obligation	7	-	51
Trade and other payables	9	11 943	11 044
Provisions	8	6 244	2 447
		18 187	**13 542**
Total Liabilities		**18 187**	**13 542**
Net Assets		**18 514**	**25 247**
Accumulated surplus		**18 514**	**25 246**

Statement of Financial Performance

FOR THE YEAR ENDED 31 MARCH 2020

	NOTES	2020 R'000	2019 R'000
REVENUE			
REVENUE FROM EXCHANGE TRANSACTIONS			
Recoveries		514	125
Interest received - investment		1 931	1 707
Total revenue from exchange transactions		**2 445**	**1 832**
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
TRANSFER REVENUE			
Government grants & subsidies		82 949	80 074
Total revenue	10	**85 394**	**81 906**
EXPENDITURE			
Employee related costs	11	(49 362)	(47 169)
Legal fees		(297)	(9 860)
Depreciation and amortisation		(16 252)	(16 533)
Finance costs		(283)	(18)
Lease rentals on operating lease		(5 517)	(5 006)
Loss on disposal of assets and liabilities		-	(11)
Fair value adjustments		-	(4)
General Expenses	12	(20 415)	(28 944)
Total expenditure		**(92 126)**	**(107 545)**
Deficit for the year		**(6 732)**	**(25 639)**

Statement of Changes in Net Assets

FOR THE YEAR ENDED 31 MARCH 2020

	Accumulated Surplus R'000	Total Net Assets R'000
Balance at 01 April 2018	50 885	50 885
Changes in net assets		
Deficit for the year	(25 639)	(25 639)
Total changes	**(25 639)**	**(25 639)**
Opening balance as previously reported	29 722	29 722
Opening balance as previously reported	29 722	29 722
Adjustments		
Prior year adjustments	(4 476)	(4 476)
Balance at 01 April 2019 as restated*	**25 246**	**25 246**
Changes in net assets		
Deficit for the year	(6 732)	(6 732)
Total changes	**(6 732)**	**(6 732)**
Balance at 31 March 2020	**18 514**	**18 514**

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2020

	NOTES	2020 R'000	2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Grants		82 949	80 074
PAYMENTS			
Suppliers		(71 123)	(92 546)
Net cash flows from operating activities	14	**11 826**	**(12 472)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	2	(110)	(313)
Proceeds from disposal of property, plant and equipment	2	-	(1)
Purchase of other intangible assets	3	-	(79)
Other Income		-	125
Interest Income		1 893	1 768
Finance costs		(283)	(18)
Net cash from investing activities		**1 500**	**1 482**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(51)	(141)
Net increase/(decrease) in cash and cash equivalents		13 275	(11 131)
Cash and cash equivalents at the beginning of the year		21 081	32 215
Cash and cash equivalents at the end of the year	6	**34 356**	**21 084**

Statement of Comparison of Budget and Actual Amounts

FOR THE YEAR ENDED 31 MARCH 2020

Budget on Cash Basis	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
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Recoveries	-	-	-	514	514	Recoveries from former employees
Interest received - investment	900	-	900	1 931	1 031	Interest earned from short term Call account
Total revenue from exchange transactions	**900**	**-**	**900**	**2 445**	**1 545**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Transfers & subsidies received	82 949	4 500	87 449	87 449	-	Transfers received from DTPS including R4.5 mil retained surplus from 2018/19 financial year
Total revenue	**83 849**	**4 500**	**88 349**	**89 894**	**1 545**	
EXPENDITURE						
Personnel	(53 895)	-	(53 895)	(49 362)	4 533	Savings realised due to vacancies during the year
Legal fees	(1 381)	-	(1 381)	(297)	1 084	Savings realised due to fewer litigations during the period
Depreciation and amortisation	-	-	-	(16 252)	(16 252)	Non-cash flow item not budgeted for
Finance costs	-	(283)	(283)	(283)	-	Unanticipated costs
Lease rentals on operating lease	(5 500)	-	(5 500)	(5 517)	(17)	Overspending due to fluctuations on rental related expenditure such as electricity, water and utilities.
General Expenses	(23 073)	(4 217)	(27 290)	(20 415)	6 875	R4.2 mil of the approved retained surplus allocated to General Expenses.
Total expenditure	**(83 849)**	**(4 500)**	**(88 349)**	**(92 126)**	**(3 777)**	
Deficit before taxation	**-**	**-**	**-**	**(2 232)**	**(2 232)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(2 232)**	**(2 232)**	

Accounting Policies

1. STATEMENT OF COMPLIANCE

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 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 8 - 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.

1.2 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.

Revenue received via the National Revenue Fund forms part of the Department of Telecommunications and Postal Services budget vote.

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.

1.3 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.

1.4 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.

1.5 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 22.

1.6 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 23.

1.7 INVESTMENT POLICY

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

1.8 FINANCE COSTS

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.

1.9 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.

1.10 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.

1.11 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:

CLASS	CATEGORY
Loans and receivables	Financial asset measured at amortised cost

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

CLASS	CATEGORY
Trade and other payables	Financial liability measured at amortised cost

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

INITIAL MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

FAIR VALUE MEASUREMENT CONSIDERATIONS

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 UNCOLLECTIBILITY 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.

1.12 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:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
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 (see note).

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

1.13 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:

ITEM	USEFUL LIFE
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).

1.14 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.

1.15 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 16.

1.16 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.

1.17 EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PLANS

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

SHORT-TERM EMPLOYEE BENEFITS

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

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

1.18 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired 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.

1.19 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.

1.20 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 covers the period from 01/04/2019 to 31/03/2020.

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.

1.21 RELATED PARTIES

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

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

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

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

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 17 to the financial statements. Remuneration of key management personnel is disclosed in note 18.

1.22 EVENTS AFTER THE REPORTING DATE

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

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Events after the reporting date are provided in note 21.

Notes to the Audited Annual Financial Statements

2. PROPERTY AND EQUIPMENT

	2020			2019		
	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
Computer Equipment	8 189	(8 058)	131	8 189	(7 246)	943
Furniture and fixtures	2 635	(2 634)	1	2 635	(2 633)	2
Motor vehicles	898	(570)	328	898	(480)	418
Office equipment	852	(716)	136	742	(640)	102
Leasehold improvements	1 980	(1 980)	-	1 980	(1 980)	-
Cellphones	727	(727)	-	727	(676)	51
Total	**15 281**	**(14 685)**	**596**	**15 171**	**(13 655)**	**1 516**

RECONCILIATION OF PROPERTY AND EQUIPMENT - 2020	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Computer Equipment	943	-	(812)	131
Furniture and fixtures	2	-	(1)	1
Motor vehicles	418	-	(90)	328
Office equipment	102	110	(76)	136
Cellphones	51	-	(51)	-
	1 516	**110**	**(1 030)**	**596**

RECONCILIATION OF PROPERTY AND EQUIPMENT - 2019	Opening balance R'000	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Computer Equipment	1 917	313	(1)	(1 286)	943
Furniture and fixtures	65	-	-	(63)	2
Motor vehicles	63	-	-	355	418
Office equipment	210	-	(4)	(104)	102
Leasehold improvements	80	-	(5)	(75)	-
Cellphones	192	-	-	(141)	51
	2 527	**313**	**(10)**	**(1 314)**	**1 516**

3. INTANGIBLE ASSETS

	2020			2019		
	Cost / Valuation R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000
Computer software	46 295	(46 266)	29	46 295	(31 044)	15 251

RECONCILIATION OF INTANGIBLE ASSETS - 2020	Opening balance R'000	Amortisation R'000	Total R'000
Computer software	15 251	(15 222)	29

RECONCILIATION OF INTANGIBLE ASSETS - 2019	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Computer software	30 391	79	(15 219)	15 251

4. INVENTORIES	2020 R'000	2019 R'000
Inventories	-	5

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Fair value adjustment - Receivables	(29)	(29)
Staff debtors	7	12
Prepayments	695	528
Office rent deposits	265	293
Accrued Income - Investment income	170	132
Other receivables	613	-
	1 721	**936**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:		
Bank balances	282	269
Call Account	34 073	20 812
	34 355	**21 081**

7. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	-	51
less: future finance charges	-	-
Present value of minimum lease payments	**-**	**51**
Non-current liabilities	-	-
Current liabilities	-	51
	-	**51**

8. PROVISIONS

RECONCILIATION OF PROVISIONS - 2020	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
Annual Bonus - 13th Cheque	355	375	(355)	375
Leave	1 654	1 124	(1 654)	1 124
Workmen's compensation	438	-	-	438
Other provisions	-	4 307	-	4 307
	2 447	**5 806**	**(2 009)**	**6 244**

RECONCILIATION OF PROVISIONS - 2019	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Annual Bonus - 13th Cheque	324	355	(324)	-	355
Leave	1 832	1 654	(226)	(1 606)	1 654
Workmen's compensation	242	196	-	-	438
	2 398	**2 205**	**(550)**	**(1 606)**	**2 447**

The provision for Workmen's compensation in the year 2019/20 could not be determined as there are delays at the Department of Labour due to the COVID-19 pandemic.

9. TRADE AND OTHER PAYABLES

	2020 R'000	2019 R'000
Trade payables	780	1 798
Operating lease payables	5	5
Accruals	11 158	9 241
	11 943	**11 044**

10. REVENUE

Recoveries	514	125
Interest received - investment	1 931	1 707
Government grants & subsidies	82 949	80 074
	85 394	**81 906**

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

Transfer revenue		
Government grants & subsidies	82 949	80 074

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

Recoveries	514	125
Interest received - investment	1 931	1 707
	2 445	**1 832**

11. STAFF COSTS	2020 R'000	2019 R'000
Wages and salaries		
• Basic salaries	46 697	44 032
• Other non-pensionable allowance	910	828
• Workmen's compensation	-	196
• Leave provision adjustment	(539)	(177)
• Overtime pay	-	47
Social contributions (Employer's contributions)		
• Medical aid	268	292
• Unemployment insurance fund	104	106
• Provident Fund	1 922	1 845
	49 362	**47 169**
Number of employees	66	56

Training, bursaries and recruitment expenses were previously dislosed as part of employee related cost. They are currently disclosed separately under General expenses. Comparative figures are adjusted accordingly.

12. GENERAL EXPENSES		
Advertising	3	4
Auditors remuneration	970	840
Bank charges	57	39
Consulting and professional fees	5 301	12 608
Delivery expenses	-	19
Insurance	375	361
Conferences and seminars	327	138
Marketing	660	653
Postage and courier	71	54
Printing and publications	765	729
Repairs and maintenance	152	257
Research and development costs	499	609
Royalties and license fees	1 887	2 189
Security	338	322
Staff welfare	359	160
Subscriptions fees	42	65
Information and telecommunication costs	2 935	3 718
Training and development costs	286	553
Travel costs	3 286	2 602
Electricity and municipal services	1 007	1 014
Board and committee fees	860	1 732
Catering and refreshments	103	206
Employee wellness	43	-
Recruitment expenses	89	72
	20 415	**28 944**

Training, bursaries and recruitment expenses were previously dislosed as part of employee related cost. They are currently disclosed separately under General expenses. Training and bursaries are disclosed together as Training and development costs. Comparative figures are adjusted accordingly.

13. OPERATING SURPLUS (DEFICIT)

	2020 R'000	2019 R'000
Operating surplus (deficit) for the period is stated after accounting for the following:		
OPERATING LEASE CHARGES		
Premises		
• Contractual amounts	5 024	4 522
Plant and equipment		
• Contractual amounts	493	483
Lease rentals on operating lease		
• Contractual amounts	-	1
	5 517	**5 006**
Loss on sale of property and equipment	-	(11)
Amortisation on intangible assets	15 222	15 219
Depreciation on property, plant and equipment	1 030	1 314
Employee costs	49 362	47 169
Research and development	499	609

14. CASH GENERATED FROM (USED IN) OPERATIONS

Deficit	(6 732)	(25 639)
Deficit	(6 732)	(25 639)
Adjustments for:		
Depreciation and amortisation	16 252	16 533
Gain on sale of assets and liabilities	-	11
Fair value adjustments	-	4
Finance costs	283	18
Movements in provisions	3 797	49
Interest income	(1 893)	(1 768)
Other Income	-	(125)
Other Income	-	(125)
Changes in working capital:		
Inventories	5	-
Receivables from exchange transactions	(785)	1 616
Trade and other payables	899	(3 171)
	11 826	**(12 472)**

15. COMMITMENTS

OPERATING LEASE COMMITMENTS		
TOTAL FUTURE MINIMUM LEASE PAYMENTS DUE		
Already contracted for but not provided for		
• within one year	521	556
• In second to fifth year inclusive	1 259	1 779
	1 780	**2 335**

15. COMMITMENTS (CONTINUED)	2020 R'000	2019 R'000
TOTAL OPERATIONAL COMMITMENTS		
Already contracted for but not provided for	1 780	2 335

Operating lease commitments relates to lease of office building for the Head office and Regional Offices.

SERVICES CONTRACTS

At the reporting date the entity had outstanding commitments due to contracts with suppliers, which fall due as follows:

• within one year	572	815
• In second to fifth year inclusive	34	299
	606	**1 114**

16. CONTINGENCIES

LIABILITIES

The total amount for Contingent Liabilities is R126.619m (2018/19 - R129.369m)

1. MZUMBE EKHAYA V USAASA:

This matter is based on alleged breach of contract by USAASA. Mzumbe Ekhaya is seeking payment of R6.8m for damages or reinstatement of the consulting agreement. Potential liability, including arbitration expenses is R9.6m.

2. DUMA TRAVEL

Duma Travel issued summons against the Agency for services rendered and not been paid for. Potential liability R169k.

3. LERATADIMA

Leratadima as the manufacturer of BDM devices exercised the arbitration clause of the Supply and Delivery Agreement and instituted proceedings against USAASA. The claim is about R116 million for the foreign exchange rate variance relating to foreign components needed to manufacture DTT set top boxes and consequential damages for suspension of production by USAASA in June 2016. No legal representative appointed yet.

4. LABOUR MATTERS.

USAASA is engaged in a litigation with 8 employees who received increases in salary which USAASA is challenging. The legal counsel estimate the financial exposure of approximately R200K.

USAASA is engaged in another litigation with an employee who is challenging his dismissal. There is a review application pending. The legal counsel estimate the financial exposure of approximately R650K.

ASSETS

Total amount for contingent assets is R29K (2018/19 - R8.041K).

1. DIATLA TSE BORUTHO (DIATLA).

Recovery of VAT in the sum of R34k. Default judgment was granted against the defendant. Legal costs are estimated at R5K.

17. RELATED PARTIES

RELATIONSHIPS	
Department of Telecomunication and Postal services	Administritive arm of shareholder
Universal Access and Service Fund	Fund Management
South African Post Office - Doc Exch	Entity controlled by the same Shareholder

RELATED PARTY TRANSACTIONS	2020 R'000	2019 R'000
Department of Telecomunication and Postal Services	82 949	80 074
South African Postal Services - Doc Exch	31	33

18. REMUNERATION OF KEY MANAGEMENT

EXECUTIVE MANAGEMENT -2020	Salary R'000	Acting allowance R'000	Other allowances R'000	Total R'000
Ms. S.J. Motloung - Company Secretary (Appointed 11 December 2017)	1 454	-	-	1 454
Mr. Mngqibisa - Executive Manager: Performance Management (Appointed 01 October 2017)	1 333	16	120	1 469
Mr. M. Chowan - CFO (Appointed 17 October 2016 - Ended 16 October 2019)	776	-	33	809
Mr. S. Ndaba - Executive Manager: Operations (Appointed 01 January 2018 - Ended 31 May 2019)	255	-	-	255
Mr Lumko Mtinde - CEO (Appointed 25 May 2016 - Ended 24 May 2019)	269	-	17	286
Mr. T. Nivi - Acting Executive Manager: Operations (Appointed 18 June 2019 - Ended 31 October 2019)	-	42	-	42
Mr. W. Olivier - Acting Executive Manager: Corporate Services (Appointed 01 June 2017 - Ended 30 August 2019)	-	81	-	81
Ms. R. Mahloko - Acting Executive Manager: Performance (Appointed 04 November 2019 - Ended 03 February 2020)	-	155	-	155
Mr. L. Netshidzivhani - (Acting Executive Manager: Performance & Acting CEO (Appointed 01 November 2019 - Ended 27 January 2020)	-	198	-	198
Mr. SM. Sephiri - Acting CFO (Appointed 17 October 2019)	-	88	-	88
Mr T. Mvambo - Acting Executive Manager :Operation (Appointed 04 November 2019 - Ended 28 February 2020)	-	64	-	64
Mr. B. Ford - Executive Caretaker and Accounting Authority (Appointed 28 January 2020)	296	-	-	296
Dr. M. Boloka - Acting CEO (Appointed 23 August 2019 - Ended 31 October 2019)	248	-	-	248
Mr. P. Meshe - Acting Executive Manager: Corporate Services (Appointed 04 November 2019 - Ended 03 February 2020)	-	45	-	45
	4 631	**689**	**170**	**5 490**

18. REMUNERATION OF KEY MANAGEMENT (CONTINUED)

EXECUTIVE MANAGEMENT -2019	Salary R'000	Acting allowance R'000	Other allowances R'000	Total R'000
Ms. S.J Motloung - Company Secretary (Appointed 11 December 2018)	1 382	-	-	1 382
Mr. Mngqibisa - Executive Manager : PMU (Appointed 01 October 2017)	1 272	31	111	1 414
Mr. M. Chowan - CFO (Appointed 17 October 2016)	1 364	-	78	1 442
Mr. M.M. Ngidi - Corporate Services (Appointed 09 September 2015)	599	-	72	671
Mr. W. Olivier - Acting Executive Manager: Corporate Services (Appointed 01 June 2017)	-	184	-	184
Mr. S. Ndaba - Executive Manager: Operations (Appointed 01 January 2018)	1 456	-	2	1 458
Mr. L . Mtinde - CEO (Appointed 23 May 2016)	1 587	-	123	1 710
Ms . R . Mahloko - Acting Executive Manager : Performance (Appointed 14 May 2018 - Ended 07 September 2018)	-	225	-	225
	7 660	**440**	**386**	**8 486**

NON EXECUTIVE DIRECTORS	2020 R'000	2019 R'000
Mr. M. Cawe - Chairperson (Terminated 30 August 2018)	-	165
Mr. N. Nqandela (Resigned 15 August 2018)	-	65
Ms. L. Shandu (Terminated 30 August 2018)	-	156
Ms. T. Maloka (Terminated 30 August 2018)	-	45
Mr. L.C. Nene (Terminated 30 August 2018)	-	111
Mr. W. Huma (Terminated 21 August 2019)	183	245
Mrs. N. Kuttla-Ndlovu (Resigned 31 January 2019)	-	116
Ms. M. Moropa (Terminated 21 November 2019)	246	201
Mr. S.J Ngubane (Terminated 21 November 2019)	134	154
Mr. S.R Dube (Terminated 21 November 2019))	132	164
Mr. X. Stock (Terminated 30 August 2018)	-	65
Ms. J. Nkosi (Terminated 30 August 2018)	-	187
Mr .L. Mello (Terminated 21 November 2019)	164	-
	859	**1 674**

BOARD AND AUDIT RISK COMMITTEE		
Mr. L.C. Nene - Chairperson (Terminated 30 August 2018)	-	28
Ms. J. Nkosi (Terminated 30 August 2018)	-	26
Ms. T. Maloka (Terminated 30 August 2018)	-	18
Mr. X. Stock (Terminated 30 August 2018)	-	13
Mr.SR. Dube (Appointed 30 August 2018) - Chairperson	28	11
Mr. S.J. Ngubane (Appointed 30 August 2018)	14	9
Ms. M.Moropa (Appointed 30 August 2018)	24	4
Mr. PN. Phukubje (Appointed 30 March 2020)	-	-
Mr. MD Metuse (Appointed 30 March 2020)	-	-
Ms. B. Tonise (Appointed 30 March 2020)	-	-
	66	109

19. PRIOR PERIOD ADJUSTMENT

Expenses and related liabilities to an amount of R648k for the 2018/19 financial year were under stated.

An amount of R5.7m relating to the outstanding cost of the SAP system was initially disclosed as a commitment. However, in the year under review, this amount has been capitalised to the cost of the intangible assets and the related accumulated amortisation of R3.8m recognised.

The adjustment was effected as follows:

STATEMENT OF FINANCIAL POSITION	2020 R'000	2019 R'000
Increase in Property and equipment	-	1 914
Increase in Payables	-	(6 390)
Decrease in Accumulated Surplus	-	4 476
STATEMENT OF FINANCIAL PERFORMANCE		
Increase in amortisation expense	-	3 828
Increase in expenses	-	648
Decrease in surplus from Operations	-	(4 476)

20. RISK MANAGEMENT

LIQUIDITY RISK

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

INTEREST RATE RISK

The carrying amount of the Agency's financial assets at balance sheet date that are subject to interest rate risk is disclosed in note 6. The size of the Agency's position does not expose it to significant interest rate risk. Any risk is managed through the term structure utilised when placing deposits.

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

CREDIT RISK

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

21. EVENTS AFTER THE REPORTING DATE

During April 2020 there was a settlement agreement concluded with 2 senior employees of USAASA whom the Agency was engaged in litigation with. The employees were challenging their dismissals by claiming reinstatement. The total amount of settlement was R3.9m .

22. FRUITLESS AND WASTEFUL EXPENDITURE

	2020 R'000	2019 R'000
RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE		
Opening balance	106	88
Fruitless and wasteful expenditure – current year	283	18
	389	**106**

ANALYSIS OF FRUITLESS AND WASTEFUL EXPENDITURE

INCIDENT	DISCIPLINARY STEPS/COMMENTS		
1. Interest charges.	Fruitless and wasteful expenditure relates to the interest charged on late payment of office rental due to contract negotiations for extension	10	8
2. SARS Penalties and Interest.	SARS Penalties and Interest - PAYE returns	273	10
		283	**18**

23. IRREGULAR EXPENDITURE

OPENING BALANCE		
Add: Irregular Expenditure - current year	30 491	5 600
Irregular expenditure - current year	1 705	24 891
	32 196	**30 491**

ANALYSIS OF IRREGULAR EXPENDITURE

INCIDENT	DISCIPLINARY STEPS/COMMENTS		
1. Non compliance with SCM and Procedures	SCM process was not followed. Extention of Scope without following SCM process	-	20 151
2. Non compliance to SCM procedures	Expenditure beyond contract period	1 498	4 289
3. Non compliance to SCM procedures	As per SIU report - Refer to the narration below	-	255
4. Non compliance with DPSA circular	As per Public Protector report	207	196
		1 705	**24 891**

ANALYSIS OF EXPENDITURE AWAITING CONDONATION PER AGE CLASSIFICATION

Current year	1 705	24 891
Prior years	30 491	5 600
	32 196	**30 491**

During the period under review, 'Irregular expenditure', as defined in Section 1 of the PFMA, to the total value of approximately R1.54m emanated from expenditure beyond the contract period. The irregular expenditure amounting to R207k was due to non compliance with DPSA circular as per Public Protector report.

The Board resolved on the 30th April 2019 for an investigation to be conducted into the irregular and fruitless and wasteful expenditure.

The investigation has commenced.

Notes

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