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Universal Service and Access Fund

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Universal Service and Access Fund

The Universal Service and Access Fund is established under the ECA to finance community ICT projects that seek to bring both basic and advanced communications services closer to the poor communities in dire need of those services.

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PART A
General Information

1. General Information

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2. List of Acronyms/Abbreviations

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ASO	Analogue Switch Off
BBI	Broadband Infraco SOC
BDM	Broadcasting Digital Migration
CEO	Chief Executive Officer
COVID-19	Coronavirus Disease of 2019
DCDT	Department of Communications and Digital Technologies
DDF	Digital Development Fund
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
EC	Eastern Cape
ECA	Electronic Communications Act, 2005 as Amended by Act No. 1 of 2014
EXCO	Executive Committee
FS	Free State
GDP	Gross Domestic Product
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
KZN	KwaZulu-Natal
MP	Mpumalanga
MTBPS	Medium-Term Budget Policy Statement
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NC	Northern Cape Province
NT	National Treasury
NW	North–West Province
LP	Limpopo
PFMA	Public Finance Management Act
PMDS	Performance Management and Development System
SA	South Africa
SABC	South African Broadcasting Corporation SOC
SAPO	South African Post Office SOC
SCM	Supply Chain Management
SDIC	State Digital Infrastructure Company
SITA	State Information Technology Agency
SMME	Small, Medium and Micro Enterprise
SOC	State Owned Company
SONA	State of the Nation Address
STB(s)	Set-Top Box(es)
TR	Treasury Regulations
TV	Television
USAASA	Universal Service and Access Agency South Africa
USAF	Universal Service and Access Fund

3. Foreword by Interim Chairperson

3.1 Introduction

On behalf of the Board, it gives me great pleasure to present the Annual Report of the Universal Service and Access Fund (USAF) for the 2022/23 financial year.

The Universal Service and Access Fund (Fund) is established in terms of section 87(1) of the ECA, 2005. The main role of the Fund is to facilitate bridging of the digital access gaps which is a new form of social inequality derived from the unequal access to the new ICTs by gender, territory, social class, and so forth. USAF is under the oversight of the Board created in terms of section 80(3) and directly accountable to Parliament through the Ministry for Communications and Digital Technologies.

In terms of Section 88 of the ECA, the Fund is required to:

a) Provide for the assistance of needy persons towards the cost of the provision to, or the use by, them of broadcasting, electronic communications network services and electronic communications services;

b) Provide assistance to any electronic communications network service licensee to finance the construction or extension of electronic communications networks in under-serviced areas as prescribed;

c) Provide assistance to schools and colleges as defined in or established, declared or registered in terms of the South African Schools Act, 1996 (Act No. 84 of 1996), and the Further Education and Training Colleges Act, 2006 (Act No. 16 of 2006), respectively, for the procurement of broadcasting and electronic communications services and access to electronic communications networks: Provided that –

   i) in the case of independent schools and private colleges –

   ii) They are registered with the Commissioner for Inland Revenue as public benefit organisations in terms of section 10(1) (cN) of the Income Tax Act, 1962 (Act No. 58 of 1962); and

   iii) They are registered with their provincial Departments of Education or the National Department of Education (as the case may be) for the receipt of state subsidies;

d) Provide for the establishment and operation of community centres, including training of and the payment of allowances to personnel of centres, where access can be obtained to electronic communications network services, electronic communications services and broadcasting services.

e) Provide assistance as may be prescribed by regulation by the Minister, with the concurrence of the Minister of Finance.

USAF continues to play a pivotal role by contributing towards the achievement of Sustainable Development Goals-2030 Agenda and NDP universality policy goals that affect universal service and access. This is contributed through a coordinated approach to subsidising the connectivity of underserved/ underserviced communities in the townships and deep rural areas with ICTs thereby contributing to universal access to broadcasting and communication infrastructure and services. This continue to be a key focus for the Fund in the medium- to long-term. By subsidising connectivity to educational institutions and primary healthcare facilities, and the provisioning of Free Wi-Fi hot spots, USAF is contributing to the connectivity of communities and bringing SA one step closer to achieving its vision as captured in the NDP of "a connected SA and deployment of a full range of government, educational, and information services by 2030".

USAF activities directly contribute to the implementation of the Apex Priority 2: the Economic Transformation and Job Creation, of the Revised MTSF 2019-2024.

The Priority Projects are as follows:

- Broadcasting Digital Migration (BDM) Programme: Funding/ Subsidising the migration of qualifying households from analogue to digital television – this will contribute to freeing the high demand spectrum that was allocated for analogue broadcasting for auction to industry interested players to support/contribute to the country's digital economy.
- Broadband connectivity programme: at least 80% of the population must have access to the internet by

2024. USAF will play the role of funding/subsidising connectivity projects in identified districts to ensure access to broadband/communication infrastructure and services by the marginalized and underserved communities in townships and deep rural areas throughout the country.

USAF further contributes to the following two impact outcomes on Revised MTSF 2019-2024

- Unemployment reduced to 20-24% with two million new jobs, especially for the youth.
- Economic growth of 2-3% percent and growth in levels of investment to 23% of GDP.

3.2 High-level Overview of USAF's Strategy and Contribution in the Digital Economy

The rationalisation of the ICT SOEs which finds expression in the National Integrated ICT Policy White Paper approved by the Cabinet on 28 September 2016, has introduced major reforms within the South African ICT sector market landscape. The main objective of the rationalisation is to move away from the fragmented mode of service delivery to a more consolidated approach.

Broadcasting Digital Migration (BDM)

BDM is a large and multi-faceted government programme managed and coordinated by the DCDT through key SOEs and other stakeholders. These include Sentech (national broadcast signal distributor), USAASA, SAPO, SABC, ICASA, and other commercial broadcasters. In 2006, SA agreed to ITU Regional Agreement in Geneva determining the countries that must migrate from Analogue to Digital TV by 17 June 2015. As such South Africa has started with the process of migrating broadcasting signals from analogue to digital television.

During SONA 2021, the State President made a pronouncement on the critical contribution the project will have on socio-economic development and growth. He therefore emphasised the urgency within which the migration should be completed. The President further emphasised the fact that the completion of BDM is vital for SA to have the ability to effectively harness the enormous opportunities presented by technological changes and innovations.

Like other critical and large national projects, the migration was exposed to and delayed by project implementation risks and/or challenges that are outside USAASA or the Department's control such as litigations brought by some public broadcasters, various disasters experienced by the country during the implementation period such as COVID 19 global pandemic, July 2021 riots in some parts of the country, 2022 flooding in some parts of the country, etc. Considering the impact of these risks, the country needed to start a phased switch-off approach to analogue television transmitters that will be implemented on a province-by-province basis to fast track the programme. As such a holistic review of the current BDM service delivery model was undertaken by USAASA to fast track the completion of the digital migration project in collaboration with the abovementioned key strategic role players.

Broadband Project

The NDP requires all schools, health facilities and social institutions to be connected, and individual citizens to have affordable access to information services and a voice of their own.

Another project pronounced by the State President was the SA Connect Programme. The programme is intended to rollout broadband to schools, hospitals, police stations and other government facilities. Phase One (1) rollout was aimed to connect 970 government facilities however, it never reached the timeliness set by NDP on extended broadband penetration of 100% by 2020, between the medium term: 2015-2020. The State President's pronouncement on SA Connect placed emphasis on an expedited response to the growing need for South Africans to participate in the digital economy including the need to review the delivery model of SA Connect Phase 2.

This project represents a large multi-player programme and cross-cutting project of government and the industry as large. As such there are various strategic role players contributing towards the achievement of the MTSF and NDP regarding the provision of broadband / internet connectivity to the marginalised and underserviced communities, particularly in the townships and deep rural areas throughout the country. Similarly, the programme/project is managed and coordinated by the DCDT through key SOEs and other stakeholders within the Industry.

Following the approved deviation by NT, the Agency has forged strategic relations with Broadband Infraco (BBI) to rollout broadband connectivity on behalf of USAASA in OR Tambo District Municipality, Eastern Cape and Pixley Ka Seme District Municipalities (Kareeberg and Renosterberg Local Municipality, Northern Cape).

As such, USAASA contributes towards the achievement of the SA Connect Programme by providing funding/subsidising broadband connectivity infrastructure and services in the abovementioned identified two (2) districts. By the 31st of March 2023, the required infrastructure was procured and delivered, and the respective work commenced to connect the identified sites in the districts mentioned above.

With the delays that were experienced as detailed in Part B of this annual report, USAASA was not able to execute the subsidisation of the broadband services in the current financial year. The Board, relevant Board Committees as well as the Executives are regularly engaging the relevant implementing entity to implement interventions that will assist with fast tracking the implementation of the project in the coming year.

3.3 Strategic Relations

Strategic relations are essential towards ensuring the seamless execution of government's mandate. Following the adoption by Cabinet on 30 September 2021, strategic relations were facilitated and entered into with various strategic role players and implementing entities in collaboration with the leadership of the Department.

3.4 Challenges Faced by the Board

The complexities experienced with the present contractual relationships with the appointed SOEs that are carrying out USAF's key priority projects, led into undesirable operational performance. Furthermore, the legal disputes / litigations that were brought by some institutions with regards to the BDM project led to significant delays in the delivery of the project.

The uncertainties around the disestablishment of USAASA and the future of USAF had also contributed to the number of challenges that were experienced by the Board. The Board was not able to appoint employees in leadership/executive positions due to the moratorium that was placed on USAASA pending the finalisation of the disestablishment of USAASA and determination of the future of USAF.

The Board suffered a loss, when one of its members and Chairperson of the Human Resource and Remuneration Committee (REMCO), Mr Talelani Ramaru passed away in April 2023. The passing of Mr Ramaru has a profound impact on the Board members and will cause some disruptions in the effective functioning of the committees, particularly REMCO.

The Board member's passing left the Board with a vacuum specifically in his area of expertise, knowledge, and skills in the Agency. His absence will have an impact on the discussions and decisions as he chaired REMCO, and formed an integral part of the Board Audit and Risk Committee and the board. The impact will also be felt when determining and confirming quorums in the various Commitees meetings.

3.5 The Strategic Focus Over the Medium- to Long-Term Period

The strategic direction and mandate of USAF is provided for in the relevant enabling legislation, ECA under Section 87. Due to the rapid changes in digital technologies and digital economy, the mandate of the entity will be refined through the amendment of the ECA that is currently underway from the Department. Currently USAASA is mandated to subsidise projects and programmes that are exclusively for the payment of subsidies:-

- for the assistance of needy persons towards the cost of the provision to, or the use by, them of broadcasting and electronic communications services;
- to any broadcasting service licensee and electronic communications network service licensee for the purpose of financing the construction or extension of electronic communications networks in under-serviced areas as prescribed;
- to public schools and public further education and training institutions for the procurement of broadcasting and electronic communications services and access to electronic communications networks; and
- for the establishment and operation of broadcasting services and for the establishment and operation, including training of and the payment of allowances to personnel of centres where access can be obtained to electronic communications networks.

As indicated above, USAF's role was clarified during the approval of the revised BDM model. Per the revised model, USAF's role is now the provision of funding/subsidy towards the implementation of the mandate provided for in the ECA as articulated in the above paragraph. As such USAF will be utilised to fund key strategic projects and/or interventions initiated for the execution of the abovementioned mandate of the entity in the medium- to long-term period.

It should be noted that the Department is currently reviewing the ECA including the future of USAF. The review is expected to take a bit longer to be concluded. By the time this annual report was finalised, the review of the ECA including determination of the future of USAF was not yet finalised. USAF will therefore still be able to deliver on its mandate and meet its legal obligations in the foreseeable future.

3.6 Acknowledgements

The Board would like to express its sincere gratitude to Ministers Khumbudzo Ntshavheni and Mondli Gungubele, and the Deputy Minister Philly Mapulane for their unwavering support and vision to lead the country into a fully digitalised connected RSA in support of the GDP and contribution to the socio-economic wellbeing of the country's citizens. We also like to express our sincere gratitude to the Parliamentary Portfolio Committee on Communications, respective Boards of SOEs reporting to the Ministry, USAASA management and the beneficiaries at large whom we strive to serve.

To this end, USAASA management, under the guidance and oversight of the Board, is steadfastly determined to deliver on our mission and vision, with a sense of renewed commitment and determination, that will continue forward far into the future as demonstrated by the current improvements in the financial and performance reporting systems, and the move in the right direction in audit results for the entity, i.e., from disclaimer audit opinion in the 2021/22 financial year to a qualified audit opinion in the current financial year. Through dedication, support and teamwork, USAASA management and staff can realise the Fund's strategic goals.

The Board would also like to welcome our new Board member, Ms Boitumelo Mabusela, who came at a pivotal period in the Agency and brought with her renewed energy and set of skills. We look forward to the impactful work ahead of us.

USAF remains committed to achieving demonstrable and sustainable outcomes that makes a considerable positive impact in the lives of the ordinary citizens of the country particularly those residing in poor/underserved/underserviced areas/communities in townships, and rural areas.

Ms Daphne Kula-Rantho
Interim Chairperson of the Board
Universal Service and Access Agency of South Africa

4. FOREWORD by the Acting Chief Executive Officer

4.1 Overview of the Operations of the Agency

I am pleased to present the Annual Report of the Universal Service and Access Fund (USAF) for the 2022/23 financial year . This report presents the results of our efforts in advancing the Fund's mandate and the emphasis on our strategy for the 2019-2024 MTSF cycle.

The Fund's mandate of the Fund is based on funding projects/programmes that are exclusively contributing towards two strategic pillars: universal access to (1) Broadcasting and (2) Broadband infrastructure and services throughout the country. To reach this mandate, the Funds is currently funding/subsidising two (2) apex government priorities, namely, BDM and broadband connectivity under Economic Transformation and Job Creation in terms of the Revised MTSF 2019-2024.

In the previous reporting period, there were reforms introduced to the BDM programme resulting in significant changes in the delivery model of the BDM programme. The performance delivery environment was severely affected, which led to delayed implementation of the funded programmes in the approved USAF APP targets. These changes and the delays that were caused by the reforms in the previous financial year had a rippling effect on the current financial year's APP targets, i.e., targets that were not completed in the previous financial year overlapped into the current financial year.

Under the new delivery model, entities with the mandate to deliver the abovementioned government strategic and priority projects were identified and appointed as the delivery arms of the two (2) projects. USAF was therefore appropriately identified as the projects funder in accordance with the enabling legislation as indicate in the above paragraphs. To properly manage this shift, Tripartite agreements (MSAs) were entered into between the Department and the identified relevant implementing entities for the two (2) projects. Under the current period under review, the following strategic working relationships were entered into with the identified implementing agencies:

a) Broadcasting Digital Migration – Sentech for installation of STBs that are procured and stored at SAPO warehouses and branches, after-installations (after-market) care centre services including call centre and assembly of loose components.
b) Broadcasting Digital Migration – SABC for awareness campaigns through various platforms including community TV and Radio platforms, social media platforms, etc.
c) Broadcasting Digital Migration – SAPO for warehousing and distribution costs. Although warehousing and distribution costs were incurred under USAASA, the service was essential for the rollout of the BDM project considering the proximity of SAPO to the beneficiaries. For proper project costing and accountability, these costs forms part of the total costs of the project/service delivery.
d) Broadband connectivity – BBI for connectivity of broadband/internet for access by communities in identified districts throughout the country particularly in marginalised areas in the townships and deep rural areas. Thereby contributing to the MTSF target of ensuring that SA Citizens have universal access to internet and services.

These strategic relationships were formed based on each of the entity's mandate as included in the relevant entity's enabling legislation. Similar to many large, multi-faceted, complex and cross-cutting projects, these strategic relationships came with various new risks and challenges, new opportunities, etc that the entities had to manage both at entity-level and at a strategic Portfolio level. As a funder USAASA was therefore tasked with ensuring all the relevant PoE for the activities that each entity is involved with is supplied in the manner as stipulated in the Tripartite agreements before any payment was made by the Fund for the work done. This is vital and in line with the relevant governance principles and policies of the Fund including compliance with the relevant governmentwide policies and prescripts. Below are the main project risks under the current model:

1) Dependency on implementing entities control environment and implemented systems of controls for the

delivery of high quality and credible services, accurate and complete reporting, project management, etc. These include controls relevant to prevent, detect and address issues of fraud and corruption, irregular, and fruitless and wasteful expenditure, misrepresentation/false reporting, etc. in the implementation of the two (2) projects.

2) Project delays beyond acceptable levels. Both projects were already beyond the planned timelines or projects schedules. These projects were already way behind and outside the acceptable time limits.
3) Reputation damage by the implementing entities and/or the third parties involved in the project. This is the case were any of the entities or third parties involved in the project conduct the project work in an unethical manner, provide poor workmanship, priorities their own interests instead of the interest of the state and the beneficiaries we serve, etc. General perception attached to government projects may also affect the projects and the reputation of the entity.

To manage the above risks and challenges, and exploit the opportunities presented, the following are the main mitigations that were and will continue to be implemented:

1) Project Steering committee meetings were established to monitor progress and address any bottlenecks.
2) Payments were only made after receipt of invoices for work done that is supported by PoE that was verified as valid, accurate and complete. Where PoE is lacking or is not valid, accurate and/or complete, invoices were referred back for additional PoE or revision of the invoice to agree to the validated PoE.
3) Projects implementation monitoring and oversight by the relevant entities' governance structures, monitoring and evaluation by the appointed district coordinators, and sites visits by the relevant authorities including the PCC to ensure proper accountability.

Certified funding for these two projects in USAF was just over R200 million during the year under review while R121 million was incurred on warehousing and distribution costs in USAASA, bringing the total funding incurred during the year to R321 million. This is an increase in the project spending of about 844% from the total verified work and incurred funding of R34 million in the previous financial year. This is a great achievement for the entity considering the environment in which the entity operated that was negatively impacted by law suites/litigations and projects delays.

4.2 General Financial Review

USAF is a Schedule 3A listed public entity that is established in terms of Section 80(1) of ECA to promote universal access and universal service goals in the underserviced areas of SA. The entity is wholly dependent on transfers received from the Department of Communications and Digital Technologies in line with the appropriation of budget through the Estimate of National Expenditure (ENE) Framework of government for the continued funding of its key projects.

As a Schedule 3A entity, USAF is required to prepare its financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. This standard required financial statements to be prepared in accordance with the accrual basis of accounting.

Included in the annual report is the set of audited annual financial statements that are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent records, reports and other portfolio of evidence, judgements and estimates that are subjected to an independent audit by the AGSA. From the AGSA's opinion for the current financial year, it can be deduced that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material errors or misstatement.

Going Concern

Those Charged with Management, Leadership, and Oversight of the entity have reviewed the entity's cash flow forecast for the MTEF period as entailed in the Appropriation Bill. In the light of this review and the current financial position of USAASA , they are satisfied that the entity has adequate financial resources to continue operating for the foreseeable future. As such USAASA's audited annual financial statements are prepared on the basis that the entity is a going concern with approved ENE budget and Annual Performance Plan. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

As at 31 March 2023, the entity had an accumulated surplus of R3,7 billion and that the entity's total assets exceed its liabilities by R3,7 billion. The ability of the entity to continue as a going concern is dependent on several factors. The most significant of these is that the members continue to oversee budget and financial management processes to ensure adequate budget is made available for the entity's operations.

It should be noted that the Department is currently busy with the process of amending the Fund's enabling document, the ECA and the future of the Fund. This process may take longer to complete and as such we are not certain of the date on which the process will be finalised. In accordance with the transfer of function as outlined in the PFMA, the entity can only be deregistered as a Schedule 3A entity from the date when the ECA amendments are finalised and approved by the relevant authorities/legislature. As such USAASA was not certain of the future of the Fund as at 31 of March 2023. Furthermore, nothing came to the attention of the entity's Leadership and Accounting Authority between the end of the financial year and the date of this Annual Report.

Accounting Policies

As a Schedule 3A entity, USAASA is required to comply with the PFMA and related regulations, guidelines, practice notes, etc. The financial management of USAASA is therefore governed by the principles and practices provided in the PFMA, Treasury Regulations, Practice Notes, Circulars, etc. The audited annual financial statements were prepared in accordance with these prescripts and as prescribed in the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board (ASB) as the prescribed framework by National Treasury.

Financial Performance

The Agency received an approved appropriation allocation of R126 million. Interest amounting to R159 million was earned throughout the year. Thus, USAASA's total revenue for the year under review amounted to R285 million representing a decrease of R918 million from the previous financial year's total revenue of R1,204 billion. Total expenditure for the current year was R210 million, an increase of R173 million compared to the total expenditure in the previous financial year of R37 million. As such, USAASA made a surplus for the year of R76 million, representing a decrease of R1,091 billion from the surplus of R1,167 billion in the previous financial year.

The main reason for the increased spending was due to the improvements in the level of implementation of the two (2) projects in the current year under review. To provide for the improved level of implementation, USAF has obtained an approval from the National Treasury to retain funds that were appropriated in the previous financial years amounting to R2,876 billion specifically for the two key USAF priority projects.

Another key cost driver in USAF was project travel expenditure by district coordinators for projects monitoring and evaluation in the various districts in which the entity operates throughout the country. Compared to the previous financial year, there was more travelling undertaken. The increase was as a result of the need to conduct thorough monitoring and evaluation. This is a critical step in the right direction for the entity to take stock of the work done so far in terms of the quality of the services received by the beneficiaries as well as to verify credibility of the work reported and invoiced. Issues that are identified are considered in various project governance structures for interventions and improvements. Total costs incurred for travel during the year under review amounted to R6,8 million. The cost is considered reasonable and justifiable considering the magnitude of the projects and the relevant risk exposures managed through this process.

4.3 Capacity Constraints and Challenges Facing USAF

USAASA continued to have the highest vacancy rate in the leadership roles for executive and senior management. USAASA was bleeding capacity constraints in the year under review in almost all units including vacancies that could not be filled in some critical areas relating to the core activities of USAF due to the pending disestablishment and moratorium on permanent or medium- to long-term appointments.

The capacity constraints had a negative impact on the effective implementation of effective project management systems and processes of the entity including but not limited to conducting 100% stock count to determine the opening and closing balances of the inventory stored at SAPO warehouses and Branches countrywide. These challenges led to the unacceptable qualified audit opinion in the current year albeit an improvement from the previous year's disclaimer audit opinion. The capacity constraints meant employees had to carry out duties that are outside their formal duties to achieve the entity's APP targets and mandate.

To manage the capacity constraints and the related challenges, USAASA has appointed some employees to act in senior and executive positions, including appointment of employees under short-term contracts in key positions to ensure that key processes are executed with the limited resources. Most senior and executive positions were therefore filled by employees that were appointed as acting or on short-term contracts.

4.4 Discontinued Activities

Although the annual targets relating to the achievement of B-BBEE targets and the reduction of irregular, and fruitless and wasteful expenditure were not included in the current year Annual Performance Plan (2022/23 APP), there were no activities that were discontinued in USAF. USAF continued to manage compliance with the B-BBEE and the prevention, investigation and addressing of irregular, fruitless and wasteful expenditure in line with the operational plans of the entity. The entity continued with the implementation of the two (2) key priority projects, BDM and broadband. There are no plans to discontinue any activities in USAF in the next financial year until the projects are completed.

4.5 Proposed Activities

Beside the monitoring and evaluation target, USAF did not have any new or proposed key activities in the current period under review. It is however anticipated that the entity should focus on the impact of all the activities of the entity to gauge the level of impact on service delivery, i.e., focus should now be on conducting impact assessment of the projects so far.

4.6 Requests for Retention of Funds

USAF has submitted and obtained approval for retention of funds to cover the costs highlighted in the financial performance section above and other cost pressures. From the requested retention of funds of R2,876 billion, National Treasury approved the total amount requested. As such nothing was paid back to the National Revenue Fund in of the PFMA.

4.7 Supply Chain Management

USAASA has updated the SCM Policy in line with the updated PPPFA during the year under review.

There were no unsolicited bid proposals for the year under review in USAF. The dominant procurement strategy in USAF was procurement through 'other means' or deviations as most procurement were for services that approved in accordance with the approved funding model; USAF is not allowed to and has not procured anything outside the approved funding models for both BDM and broadband. Therefore, there was no procurement done in USAF following an open tender process. All the deviations were processed and approved in accordance with the relevant prescripts and policies.

SCM kept abreast of any changes in the relevant SCM laws and regulation. As such, procurement in USAF were done following all the relevant SCM procurement prescripts throughout the year. This is demonstrated by the reduction in the number of SCM audit finding in the current financial year audit.

USAF managed to pay service providers within 30 days except in the isolated incidents relating to items reflected in the annual performance report in PART B below; this is a critical socio-economic contributor considering the outcry with regard to the payment of service providers within 30 days, particularly the SMMEs that are appointed by the implementing entities. Preference was given to B-BBEE compliant companies when procuring goods and services especially for travel bookings; another socio-economic contributor to achieve the NDP and economic transformation targets in the country.

However, the SCM Unit has also experienced capacity constraints. This capacity constraints had a negative impact on the performance of the SCM Unit as it was not able to produce certain best practice reports that are key for proper and informed decision making.

4.8 Audit Report Matters in the Previous Year and how they would be Addressed

Root cause analysis was conducted on all the findings from the previous financial year followed by the development of a commensurate audit action plan to address such audit finding. Furthermore, an alignment was made between the audit action plan and the risk mitigation and other plans to ensure a consolidated approach is adopted to addressing the previous year's audit findings.

For the current year under review, USAASA' s managed to implement 82% of the action plan activities/ milestones. Through the robust analysis of the root causes and development of the robust action plan, the entity was able to reduce the number of repeat findings. This is evidenced by the slight improvement in the audit outcomes with a movement from a disclaimer audit opinion in the previous financial year to a qualified audit opinion in the current financial year.

Although there is a positive movement in the audit outcomes in USAF, the issue of the inventory opening and closing balances is still unacceptably affecting the audit outcomes. This is one of the various risk exposures surrounding the BDM project that is outside the control of the entity; USAF is dependant on the control environment and the systems of internal controls implemented in SAPO to effectively manage the project risks to an acceptable level.

Plans to address the key BDM inventory project risks in the next financial year include:

a) Fast tracking the installations of the STBs warehoused as SAPO and depleting the stock to zero or returned and/or damaged stock.
b) Conducting 100% annual stock count of the stock left in SAPO and stock that is in the possession of installers that has not yet been installed by the end of the next financial year. This will assist with the following:-
    i. Comparison of all inventories procured as at the initial stages of the BDM program against current inventory.
    ii. Installed and verified inventory.
    iii. Identified damaged and/or obsolete inventory.
    iv. Returned inventory.
    v. Stolen or unaccounted for inventory.
    vi. Inventory in possession of installers.
c) Compiling inventory register/report with reconciliation of inventory to the opening and closing balances, request for write-off of damaged and unusable inventory, and investigating any differences and take the necessary actions for any missing and/or stollen inventory.
d) Determine the current values of all uninstalled or unaccounted inventory, in preparation for a possible write-off.

4.9 Events after the Reporting Date

No events were identified after the end of the reporting period to the date of issuing of this Annual Report.

4.10 Plans for the Future to Address Financial Challenges

USAASA will continue engaging the National Treasury to be allowed to reconsider USAASA's cost structure and thereby move all project related costs to USAF. These costs include warehousing and distribution costs, as these costs are going to be incurred in the future until the inventory stored at SAPO is depleted.

Furthermore, the entity will continue to assess the cost pressures each year and take such into account when completing and submitting the MTEF/MTEC budget revisions and estimates. This will allow USAF to engage the National Treasury to request the retention of funds accumulated from the surpluses gained in the previous financial years over a medium- to long-term period, e.g., requesting National Treasury to allow the entity to retain and use such funds over the MTEF period.

The entity will continue to implement effective systems of internal control and endeavour to improve the current control environment. This is done in accordance with Section 51 of the PFMA that requires the Board to ensure that the public entity has and maintains— (i) effective, efficient and transparent systems of financial and risk management and internal control. When properly implemented, USAF will continue to manage the exposure to project management risks and exploit any opportunities presented by the current project management structural arrangements.

The Board and its committees assisted by the established and functional management and governance structures will continue to monitor and oversee the operations of the entity. This is critical in ensuring that the entity's management is held accountable for any weaknesses identified in the control environment and/or the systems of internal controls implemented. This is required by the PFMA and other best practice protocols such as the King IV report.

4.11 Acknowledement

Let me express my sincere gratitude to Management that has steered the ship in this dire challenging time considering the amendment of the ECA and the pending disestablishment of USAASA that has caused the uncertainty around the future of USAF and engulfed the organisation. Equally, extending deepest appreciation to employees of USAASA who remained resolute in executing the mandate of the organisation. It is in this year that you raised beyond the call of duty working tirelessly to ensure that we deliver more services than expected with the limited resources, we improve systems of internal controls to improve the control environment particularly in relation to the management of subsidised projects and move from a disclaimer audit opinion to a qualified audit opinion.

I also like to express my deepest sincere gratitude to the Ministers, Deputy Minister, the Board, Acting Director-General and other leadership of the Department on your unwavering support the organisation has enjoyed.

The entity recently suffered the loss of a Board member, Mr Talelani Ramaru, who was the Human Resource and Remuneration Committee (REMCO) Chairperson and a member of the Board Audit and Riks Committee until the untimely moment of his death. Mr. Ramaru was professionally accomplished and was a person of remarkable integrity and warmth. His willingness to listen, support, and connect with the employees transcended the boardroom, leaving a positive influence on everyone he interacted with.

We find solace in knowing that Mr. Ramaru left behind a legacy that will continue to guide us as we navigate the path ahead. We acknowledge his contribution to the work accomplished during the financial year through USAF

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

Ms Chwayita Wendy Madikizela
Acting Chief Executive Officer
Universal Service and Access Agency of South Africa

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

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

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information, and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully

Ms Chwayita Wendy Madikizela
Acting Chief Executive Officer

Ms Daphne Kula-Rantho
Interim Chairperson of the Board

6. Strategic Overview

6.1 VISION

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

In response, USAF has the following vision

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

6.2 MISSION

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

6.3 VALUES

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

6.4 IMPACT STATEMENT

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

6.5 OUTCOMES

Outcome 1: Broadened access to broadcast digital services by qualifying households.

Outcome 2: Increased access to broadband in underserviced areas.

Outcome 3: A well-governed and high-performance organisation, delivering on its mandate.

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

Reflected in this Annual Performance Plan are the 2022/2023 planning priorities, outputs, performance indicators, annual targets and budget allocations for performance against the Outcomes of the Strategic Plan.

7. Legislative and other Mandates

7.1 Updated Legislative Mandates

The Universal Service and Access Agency of South Africa (USAASA) was established in terms of Section 80(1) of the Electronic Communications Act, 2005 (Act No. 36 of 2005 as amended by Act No. 1 of 2014) (ECA) to promote universal access and universal service goals in the under-serviced areas of South Africa.

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

Name of the Act	Purpose
Electronic Communications Act, 2005 (Act No. 36 of 2005)	To promote convergence in the broadcasting, broadcasting signal distribution and telecommunications sectors and to provide the legal framework for convergence of these sectors; to make new provision for the regulation of electronic communications services, electronic communications network services and broadcasting services; to provide for the granting of new licenses and new social obligations; to provide for the control of the radio frequency spectrum; to provide for the continued existence of the Universal Service Agency and the Universal Service Fund, and to provide for matters incidental thereto.
In executing its role, USAF is also guided, amongst others, by:-	
The Constitution of the Republic of South Africa,1996 (Act No. 108 of 1996)	The Constitution of South Africa is the supreme law of the Republic of South Africa. It provides the legal foundation for the existence of the Republic. It sets out the rights and duties of its citizens and defines the structure of the government.
The Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended)	To regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in the government; and to provide for matters connected therewith.
The Preferential Procurement Policy Framework Act,2000 (Act No. 5 of 2000)	The PPPFA regulates the procurement policy and framework of organs of state. Its purpose is to enhance the participation of Historically Disadvantaged Individuals (HDIs) and small, medium and micro enterprises (SMMEs) in the public-sector procurement system.
The Broad-Based Black Economic Empowerment Act,2003 (Act No.53 of 2003)	Broad-based black economic empowerment (BBBEE) is a government policy to advance economic transformation and enhance the economic participation of Black people (African, Coloured and Indian people who are South African citizens) in the South African economy.
The Infrastructure Development Act, 2014 (Act No.14 of 2014	The aim of the Infrastructure Development Act aims to provide for the facilitation and coordination of public infrastructure development which is of significant economic or social importance to the Republic; to ensure that infrastructure development in the Republic is given priority in planning, approval and implementation; to ensure that the development goals of the state are promoted through infrastructure development and to improve the management of such infrastructure during all life-cycle phases, including planning, approval, implementation and operations.

7.2 Updated Policy Mandates

The National Development Plan, Vision 2030 (NDP, 2012) is the national framework for broadly developing the South African economy and society. The NDP describes the critical role of innovation, research and development in fostering sustained competitiveness and profitability in the economy in the face of a world economy that is rapidly transforming into a knowledge and network economy. Evidence suggests that increasing public investment in innovation, research and development, and related infrastructure and access will enable South Africa's economic development, competitiveness and sustainable growth.

In turn, the Medium-Term Strategic Framework (MTSF) is a high-level strategic document and is the central organising framework to guide the rolling five-year implementation and monitoring of the NDP, Vision 2030.

7.3 Updates to Institutional Policies and Strategies

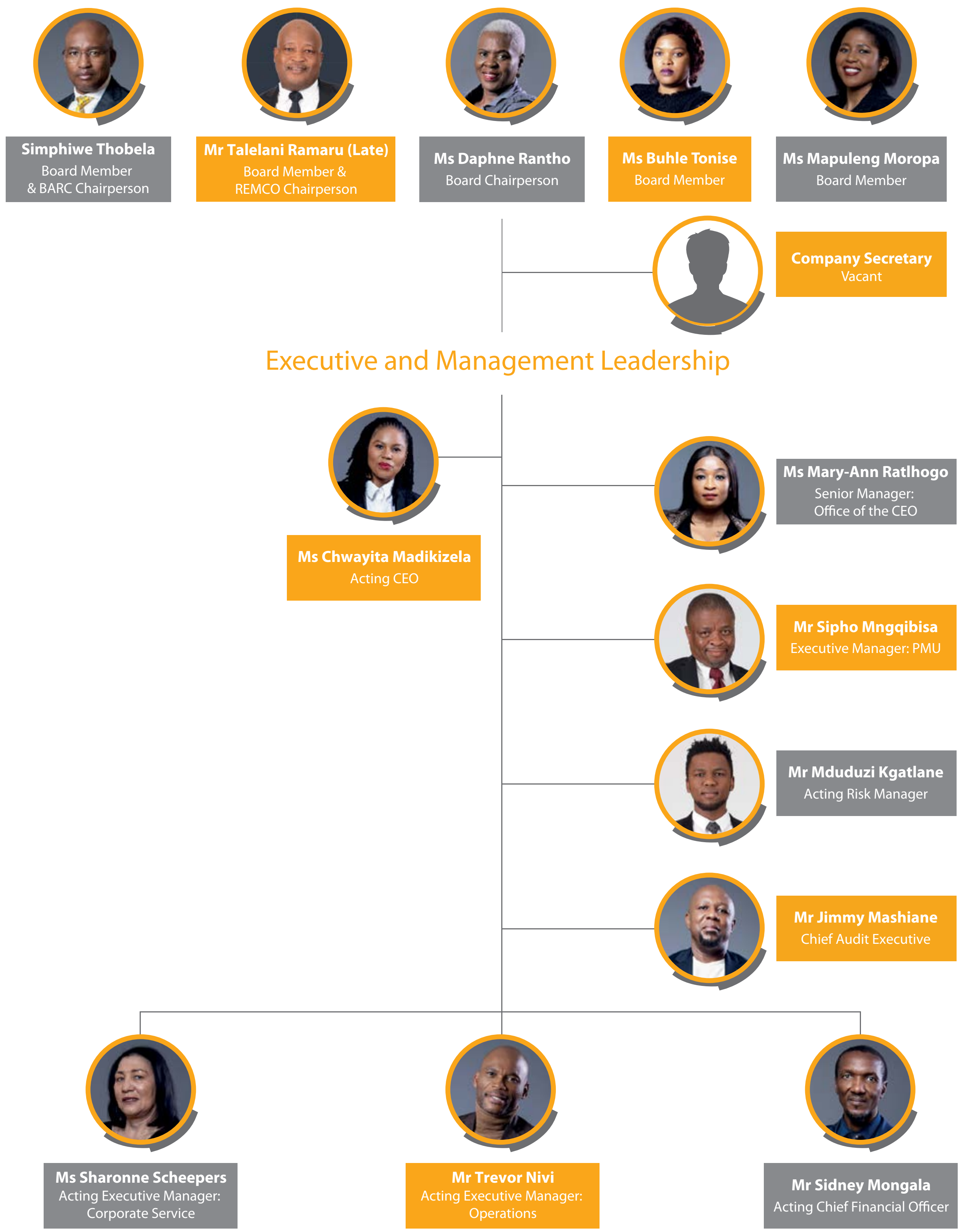
The Agency have a specific established policy through legislation, and its mandate is derived from the following policies:

Name of the institutional policies and strategies	Purpose
South Africa's Broadband Policy: South Africa Connect, 6 December 2013	In terms of the Electronic Communications Act, 2005 (Act No.36 of 2005), the Department of Communications and Digital Technologies published a policy document, "South Africa Connect: Creating Opportunities, Ensuring inclusion: South Africa's Broadband Policy". This was gazetted on 6 December 2013. 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 10 (ten) years. 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.
The National Integrated Information and Communication Technologies (ICT) Policy White Paper, 28 September 2016	The National Integrated Information and Communication Technologies (ICT) Policy White Paper that Cabinet approved on 28 September 2016 will affect Universal Service. It proposes the revision of services and access based on the research outcome to support the policy revision. The White Paper further suggests that USAASA should be reformulated into a Digital Development Fund and stipulates contributions by licensees into the Fund. Lastly, the report revises the USAASA institutional framework. Establishing a Digital Development Fund (DDF) will effectively remove USAASA's policymaking and regulatory functions, leaving the organisation to focus on funding and project management. The motivation behind this shift in the institutional framework is to allow USAASA to focus on its main priority: service and access delivery to the nation.
Broadcasting Digital Migration Policy For South Africa, August 2008	As a matter of policy, the government must consider the means to make STBs affordable and available to the poorest TV-owning households. The government has therefore decided, as mandated by section 88(1) (a) of the Electronic Communications Act to subsidise poor TV owing households through USAF [Universal Service and Access Fund]. This support by the government should be seen as part of its commitment to bridging the digital divide in South Africa.

8. Organisational Structure

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

USAF Board of Directors



PART B
Performance information

1. Auditor's Report: Predetermined Objectives

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide limited assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, without material findings being reported under the report on the audit of annual performance report section in the auditor's report.

Refer to pages 49 to 54 of the Report of the Auditors Report, published as Part E: Financial Information.

2. Overview of Performance

2.1 Service Delivery Environment

USAF through USAASA is executing its statutory public mandate under the regulatory complex administered by the Independent Communications Authority of South Africa (ICASA) that is mainly being a regulator. With the outdated regulatory framework introduced by the Electronic Communications Act, 2005 as amended by Act No. 1 of 2014, USAASA's relevance on the South African ICT sector landscape become irrelevant. With the National Integrated ICT White Paper, 2016 which introduced a lot of reform in the ICT sector and the Integrated White Paper proposed that USAASA to be dissolved and its policy advisory functions needed to be transferred to the Policy Maker (DCDT) and its regulatory advisory functions needed to be transferred to the Regulator. Currently, the Policy Maker is reviewing the Electronic Communications Act to determine where USAF will be transferred to.

The Funds' baseline budget has been substantially reduced, resulting in the scaling down of priority projects. USAF concentrated its focus of execution of the key priority projects such a Broadcasting Digital Migration and Broadband Connectivity which contributes towards the structural reforms intended for economy recovery.

The primary focus areas for Fund are the implementation of the BDM and extension of the broadband connectivity coverage which contributes towards the structural reforms intended for economic recovery.

The Agency needed to enter into strategic relations with various entities to support the Revised ASO Plan. After the approved deviation procurement procedure by NT, the Agency has forged multiple formal strategic relations with DCDT, Sentech, SAPO, SITA and the broadcast media players such as SABC

The entity has continued to experience challenges with the implementation of the BDM programme due to the delays in the installation of subsidised Set Top Boxes at qualifying households and the low registration rate for qualifying households which are eligible for subsidisation through the USAF. The entity has appointed Sentech as its implementing entity to manage the installation of STBs to qualifying households, resulting in the Analogue transmitters being switched off in the following provinces, (Free State (FS), Northern Cape (NC), North-West (NW) Mpumalanga (MP) and Limpopo(LP). The Analogue switch off in the Five (5) provinces of Free State, Northern Cape, North West, Mpumalanga and Limpopo took place and this enable the conclusion of a process of re-arranging spectrum in these 5 provinces thereby giving way for spectrum to be assigned for future digital services. As at the end of the reporting period only Eastern Cape, Gauteng, KwaZulu-Natal and Western Cape are yet to be switch-off.

As at the end of the reporting period, the Analogue Switch Off was extended twice, first by the High Court ruling to the 30 June 2022. The 30 June 2022 date coincided with the date ICASA had determined and announced as the end of the transition period for the broadcasting services and signal distributors to vacate the 800MHz – 700MHz band. On the 28th of June 2022 the Constitutional Court ruled that the Minister must provide enough opportunity for the beneficiaries to register and consult widely the interested parties and affected organisations before determining the date for the national switch-off.

In comparison to the previous financial years, significant progress under the reporting period has been realized through the subsidisation of Set Top Box installations to poor households earning a total income of not more than R3,500.

SA Connect was introduced in 2013 and it is a national broadband project identified to meet the NDP goals of a connected SA thereby creating an inclusive information society. Phase one (1) of the project, which served as a pilot phase, was aimed at connecting schools, health facilities government offices, Thusong Centres and the post offices, in eight identified District Municipalities, to broadband services.

With the State President, putting emphasis on the need for SA Connect to be expedited in response to the growing demand for South Africans to participate in the digital economy, the SA Connect Phase 2 was revised on 28 January 2022. In accordance with the revised SA Connect delivery model, in the next three years, 44 600 government sites, including schools, health facilities, libraries, Thusong Services Centres and traditional authority offices will be connected through licensed telecommunications service operators. More than 33 000 community Wi-Fi locations and broadband to households will be provisioned in the same period.

The Cabinet-approved Revised SA Phase 2 Model will be rolled out by using the SOEs such as BBI, SITA and Sentech including the industry at large. The government will utilise the existing capacity and source additional physical networks from the private sector.

Following the approved deviation procurement process by National Treasury, the Agency has forged a strategic relationship with the Broadband Infraco (BBI) in the period under review. BBI is rolling out broadband connectivity on behalf of USAASA in OR Tambo District Municipality in the Eastern Cape and Pixley Ka Seme District Municipalities in the Northern Cape.

2.2 Public entity's overall performance, outlining its key outputs, particularly relating to services rendered directly to the public

Targets	Key Outputs	Outcomes
100% funding of BDM installations by Sentech and other approved service providers for registered qualifying households.	A total number 58 380 installations were verified. However, at the end of the period under review, only 48 962 were funded by USAF, resulting in 83% funding.	Not Achieved
Develop a BDM monitoring and evaluation report on the migrated households through subsidy.	BDM monitoring and evaluation report on the migrated households was developed as planned in the period under review.	Achieved
Funding of the subsidised broadband connectivity to identified sites on service level agreement.	None of the identified sites were funded for broadband connectivity during the period under review.	Not Achieved
100% of valid invoices paid within 30 days from date of receipt.	Only 44% of valid invoices were paid within 30 days; 15 out of 34 valid invoices were paid because of delays in the finalisation of relevant contracts.	Not Achieved

2.3 Key Policy Developments and Legislative Changes

On 30 September 2021, the Cabinet adopted BDM Managed Integrated Model in line with the State President's pronouncement on the completion of digital migration that is vital to the country's ability to harness the enormous opportunities presented by technologic advancement. South Africa has started a phased switch-off of Analogue-TV transmitters. The household qualifying support has been revised from R3 200 to R3 500 per month to qualifying households eligible for subsidisation. The BDM pogramme implementation nationwide implementation whereby STB installations and ASO taking place simultaneously in all 9 provinces of South Africa, resulting in five provinces, namely, Free State, Northern Cape, Northwest, Limpopo and Mpumalanga being switched off.

With the State President, Cyril Ramaphosa, putting emphasis on the need for SA Connect to be expedited in response to the growing demand for South Africans to participate in the digital economy, the SA Connect Phase 2 was revised on 28 January 2022. In the next three years, 44 600 government sites, including schools, health facilities, libraries, Thusong Services Centres and traditional authority offices will be connected through the licensed telecommunications service operators. More than 33 000 community Wi-Fi locations and broadband to households will be provisioned in the same period. The Cabinet approved the Revised SA Phase 2 Model which will be rolled out using the SOEs such as BBI, SITA and Sentech including the industry at large. The government will utilise the existing capacity and source additional physical networks from the private sector. The Entity has appointed BBI to provision broadband internet connectivity to a total number of 112 sites in Northern Cape and 300 sites in Eastern Cape.

SA Connect Phase 2

44 600

government sites will be connected through the licensed telecommunications service operators

33 000+

community Wi-Fi locations and broadband to households

112

sites in Northern Cape

300

sites in Eastern Cape

2.4 Progress towards Achievement of Institutional Impacts and Outcomes

Outcome	Progress towards achievements
Broadened access to broadcast digital services by qualifying households	At the end of the reporting period, the Analogue Switch-Off was extended twice, first by the High Court ruling to the 30 June 2022. The 30 June 2022 date coincided with the date ICASA had determined and announced as the end of the transition period for the broadcasting services and signal distributors to vacate the 700MHz to 800MHz band. In order to meet the announced ASO deadline of 30 June 2022, the Agency embarked on conducting door to door registrations as well as mass distribution of STBs to intensify registrations and installations. The Analogue switch off in the five (5) provinces of the Free State, Northern Cape, North West, Mpumalanga and Limpopo took place and this, which enabled the conclusion of the process of re-arranging spectrum in these five provinces, thereby giving way for spectrum to be assigned for future digital services..
Increased access to broadband in underserviced areas	With President Cyril Ramaphosa emphasising the need for SA Connect to be expedited in response to the growing demand for South Africans to participate in the digital economy, SA Connect Phase 2 was revised on 28 January 2022. In the next three years, 44 600 government sites, including schools, health facilities, libraries, Thusong centres and traditional authority offices will be connected through licensed telecommunications service operators. More than 33 000 community Wi-Fi locations and broadband to households will be provisioned in the same period. Cabinet approved the revised SA Phase 2 Model which will be rolled out using SOEs such as BBI, SITA, Sentech, and industry at large. The government will use existing capacity and source additional physical networks from the private sector. The entity has appointed BBI to provision broadband internet connectivity to 112 sites in Northern Cape and 300 sites in Eastern Cape.
A well-governed and high-performance organisation delivering on its mandate	USAF obtained a qualified audit opinion in the 2022/23 financial year. This is an improvement compared to the disclaimer audit opinion obtained in the 2021/22 financial year. This demonstrates an improvement in the control environment.

3. Institutional Programme Performance Information

3.1 Programme 1: Business Operations

3.1.1 Programme Purpose

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

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

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

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

In contributing toward the Universal Service and Access Fund of South Africa (USAASA) desired impact of **"Enhanced access to ICT and digital broadcasting services in identified underserviced areas"**, the Business Operations Programme delivers against the following Outcomes reflected in the Strategic Plan:

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

The 2022/2023 performance plan of Programme 1 is then reflected in the log frame tables below:

3.2 Originally tabled USAF APP 2022-23

Programme 1 - Business Support: Outcomes, Outputs Indicators and Annual Targets

Outcome	Outputs	Output Indicators	Audited Actual Performance			Estimated Performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
1: Broadened access to broadcast digital services by qualifying households	Funding of the subsidised installations by Sentech and other broadcasters for registered qualifying households	Approved funding for subsidised installations by Sentech and other approved service providers for registered qualifying households	-	-	-	-	100% funding of BDM installations by Sentech and other approved service providers for registered qualifying households	-	-

Programme 1 - Business Support: Outcomes, Outputs Indicators and Annual Targets contd.

Outcome	Outputs	Output Indicators	Audited Actual Performance			Estimated Performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
1: Broadened access to broadcast digital services by qualifying households	Funding of the subsidised installations by Sentech and other broadcasters for registered qualifying households	Established mechanism for monitoring and evaluation of the migrated households through subsidy	-	-	-	New Indicator	Develop a BDM monitoring and evaluation report on the migrated households through subsidy	-	-
2: Increased access to broadband in underserviced areas	Funding of the subsidised broadband connectivity funding to identified sites	Approved funding of subsidised broadband connectivity to identified sites	-	-	-	-	Funding of the subsidised broadband connectivity to identified sites on service level agreement	-	-
3: A well-governed and high-performance organisation, delivering on its mandate	Suppliers paid timeously for services rendered	Percentage (%) of valid invoices paid within 30 days from date of receipts	New indicator	100% of valid invoices paid within 30 days from date of receipt	-	100% of valid invoices paid within 30 days from date of receipt	100% of valid invoices paid within 30 days from date of receipt	-	-

3.3 Reporting against the tabled original USAF Annual Performance Plan 2022/23

3.3.1 Broadcasting Digital Migration

Achieved	Not Achieved

The outputs, performance indicators and the planned targets below were meant to achieve this objective as stated in the APP.

	2022/2023	2020/2021	2021/2022	2022/2023			
Output	**Output Indicator**	**Actual Performance**	**Actual Performance**	**Planned Annual Target**	**Actual Achievement**	**Deviation from Planned Target**	**Reasons for Deviations**
Outcome: Broadened access to broadcast digital services by qualifying households							
Funding of the subsidised installations by Sentech and other broadcasters for registered qualifying households	Approved funding for subsidised installations by Sentech and other approved service providers for registered qualifying households	New indicator	New indicator	100% funding of BDM installations by Sentech and other approved service providers for registered qualifying households	A total number 58 380 installations were verified, however, at the end of the period under review, only 48 962 were funded by USAF, resulting in 83% funding	Portfolio of Evidence for installations completed in quarter 4 were submitted late for verification and payment. The target was not phrased properly as it assumed the payment will be made in the same quarter and month in which the installations are completed	The target has been corrected in line with the processes that are followed; verification and payment processes

3.3.2 Broadcasting digital migration

Outcome: Broadened access to broadcast digital services by qualifying households							
Funding of the subsidised installations by Sentech and other broadcasters for registered qualifying households.	Established mechanism for monitoring and evaluation of the migrated households through subsidy.	New indicator	New indicator	Develop a BDM monitoring and evaluation (M&E) report on the migrated households through subsidy.	BDM monitoring and evaluation (M&E) report on the migrated households was developed as planned during the period under review.	Not applicable	Not applicable

3.3.3 Broadband Connectivity Roll Out

Outcome: Increased access to broadband in underserviced areas.							
Funding of the subsidised broadband connectivity funding to identified sites	Approved funding of subsidised broadband connectivity to identified sites	New indicator	New indicator	Funding of the subsidised broadband connectivity to identified sites on service level agreement	None of the identified sites were funded for broadband connectivity during the period under review	There was no funding for broadband connectivity to identified sited	Approval of the high sites by the local municipalities is taking too long

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

Achieved	Not Achieved

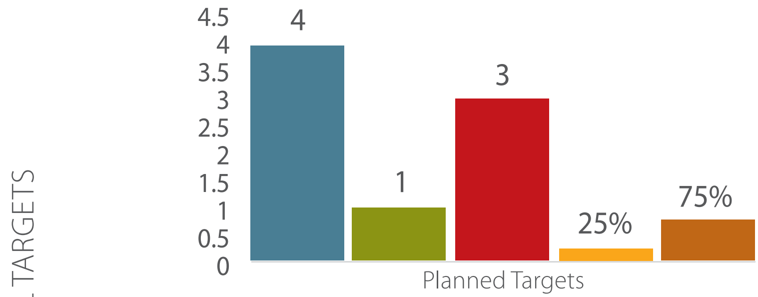
The outputs, performance indicators and the planned targets below were meant to achieve this objective as stated in the APP.

	2022/2023	2020/2021	2021/2022	2022/2023			
Output	**Output Indicator**	**Actual Performance**	**Actual Performance**	**Planned Annual Target**	**Actual Achievement**	**Deviation from Planned Target**	**Reasons for Deviations**
Outcome: A well-governed and high-performance Fund, delivering on its mandate.							
Suppliers paid timeously for services rendered	Percentage (%) of valid invoices paid within 30 days from date of receipts	The percentage end-year outcome for monitoring of valid invoices paid within 30 days is 0%	100% of valid invoices paid within 30 days from date of receipt in 2021/22. A total number of 18 valid invoices received under reporting period were paid within 30 days	100% of valid invoices paid within 30 days from date of receipt	44% of valid invoices were paid within 30 days. 15 out of 34 valid invoices were paid within 30 days	19 out of 34 valid invoices were not paid within 30 days from the date of the certification of the invoice	The following are the reasons for the delays: 1. After market invoices: • There were delays experienced in the signing of the respective SLA. 2. Assembly of Loose Components: • There were delays experienced in the signing of the respective SLA from the Department

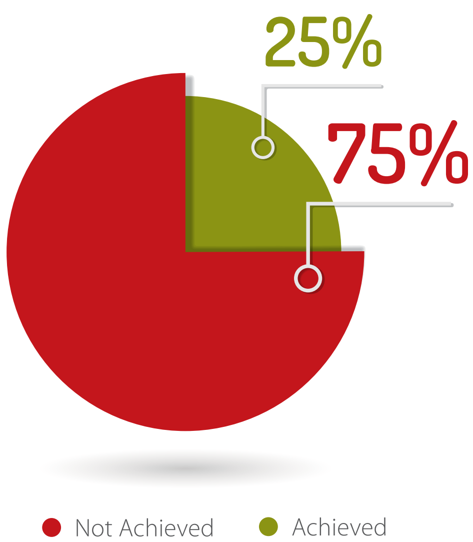
Summary of USAF (2022-23) Annual Performance Outcomes

The below graphs depict the Agency's achieved annual targets against the planned annual targets in the approved USAF 2022/23 approved Annual Performance Plan. One (1) of the Four (4) planned annual targets were achieved, being 25 % of the total planned targets, and Three (3) of the Four (4) planned annual targets were not achieved, representing 75% of the total annual planned targets.

USAF 2022-2023 Annual Performance Outcomes



	Planned Targets
No. of Targets	4
Achieved	1
Not Achieved	3
Percentage Achievement	25%
Percentage Non Achievement	75%



Linking Performance with Budgets

Programme/Activity/ Objective	2022/2023 Budget R'000	2022/2023 Actual Expenditure R'000	2022/2023 (Over)/ Under Expenditure R'000	2021/2022 Budget R'000	2021/2022 Actual Expenditure R'000	2021/2022 (Over)/ Under Expenditure R'000
Administration	16,005	9,173	6,832	3,000	3,171	(171)
Broadband infrastructure and connectivity	294,028	49,875	244,253	61,165	-	61,165
Broadcasting Digital Migration	2,565,721	150,651	24,15,070	1,073,366	34,044	1,039,322
Total	**2,875,754**	**209,699**	**2,666,055**	**1,137,531**	**37,215**	**1,100,316**

During the year under review USAF spend R209,7 million representing 7.3% of the allocated budget of R2,9 billion. Compared to the previous financial year, the spending was R37,2 million representing 3.3% of the allocated budget of R1,1 billion.

Compared to the previous financial year, the spending increased by almost R172,5 million from R37,2 million in the 2022/23 representing 463% year-on-year. The increase in spending for Broadband infrastructure and connectivity was due to procurement and delivery of equipment towards the end of financial year. The increase in broadcasting digital migration was due to the increase in the number of installations completed, verified and/or paid during the year under review. Furthermore, there was spending on assembly/conversion of DTH satellite dish loose components. The main increase in administration costs was due to the increase in the cost of projects related travelling to conduct monitoring and evaluation for the two projects.

PART C
Governance

1. Introduction

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

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. Portfolio Committees

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

Portfolio Committee engagements for the 2022/2023 financial year are outlined below:

Date	Purpose
03 May 2022	Briefing by USAASA /USAF on its Annual Performance Plan and Budget and the USAASA/USAF 2021/22 Revised Annual Performance Plan
24 May 2022	Briefing by the Department on Progress on Implementation of the BDM Policy
07 June 2022	Briefing by USAASA/ USAF on Framework and timelines on all current investigations and implementation dates for consequence management process.
23 August 2022	Briefing by the Department of and Digital Technologies and Government Communication and Information System (GCIS) and their entities on their 2021/22 third and fourth quarter Performance and Expenditure Reports.
30 August 2022	Briefing by the Department- Adoption of a report on the revised 2021/22 Annual Performance Plan if the Department, USAASA/ USAF and the Corporate Plan of SAPO.
11 October 2022	Briefing by USAASA/ USAF on its 2021/22 Annual Report and Financial Statements
22 November 2022	Briefing by SITA and SABC, SAPO and DCDT, USAASA/USAF on material irregularities and action plans to address AG concerns.
21 February 2023	Portfolio Communications Committee Briefing by Department and its implementing Entities on progress made towards Analogue Switch-Off (ASO), all challenges relating to the implementation of the BDM Policy and the progress report on adjudication outcomes of Competition Commission on Sentech and SABC.
28 February 2023	Briefing by the Department on overhaul of IT Systems at Postbank; Measures in place to address Going Concerns in the Portfolio and Consequence management in the Portfolio
07 March 2023	Briefing by Department on all cases/legal matters relating to the Departments and Entities reporting to the Committee.
14 March 2023	Briefing by the Department on Mitigating factors to counter financial losses at the SABC; Strategies to support local content development, Progress update on filling of vacancies in the Portfolio & Action Plan.

3. Executive Authority

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

All the USAF quarterly and annual reports were submitted timeously, per 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 Communications and Digital Technologies.

4. The Accounting Authority / Board

4.1 Introduction

The USAASA Board is the Agency's Accounting Authority in terms of the PFMA. The Interim Board was appointed by the Minister with effect from the 22nd of February 2021 for a period of twelve (12) months which was further extended from the 22nd of February 2022 to the 21st of February 2023. The Board's term was further extended with effect from the 22nd of February 2023 until the 30th of September 2023.

It is the responsibility of the Board to provide strategic direction, leadership and stability to the Agency and ensure good corporate governance. The role of the Board requires that the Board members 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 and reviewed annually or as and when necessary.

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

- Exercising a duty of utmost care to ensure reasonable protection of the assets and records of USAASA and USAF;
- Acting with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the Fund;
- Preventing any prejudice against the financial interests of the State;
- Maintaining effective, efficient and transparent systems of financial and risk management and internal control;
- Maintaining an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective;
- Maintaining a system for proper evaluation of all major capital projects before a final decision on each;
- Taking practical steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Agency; and
- Managing available working capital efficiently and economically.

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

4.2 The Role of the Board is as follows:

- The Board subscribes to the principles contained in the Code of Good Practice and Code of Good Conduct contained in the King Code on Corporate Governance Report (King IV) 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; and
  - Board Audit & Risk Committee

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

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 critical risks areas and key performance indicators of the Agency;
- Played an oversight role concerning IT governance;
- Ensured that the Agency communicates with the Executive Authority and stakeholders transparently and promptly;
- Ensured the Agency complies with relevant laws, regulations and the code of business practice.

4.3 Board Charter

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

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

4.4 Composition of the Board

Name	Ms Daphne Zukiswa Kula-Rantho
Designation	Chairperson of the Board
Date Appointed	22 February 2021
Date Resigned/Termination	N/A
Qualifications	• Primary Teacher Diploma • Further Education Diploma – University of Pretoria • BED Honours in Education – University of the Free State • Parliamentary Women in Leadership Programme – University of Stellenbosch • Leadership & Governance – University of Witwatersrand • Being a Director Programmes 2 & 3 – Institute of Directors South Africa
Areas of Expertise	Leadership and governance
Board Directorship (Other)	None
Other Committees	None
No. of Meetings Attended	7 out of 7

Name	Ms Mapuleng Moropa
Designation	Member of the Board
Date Appointed	22 February 2021
Date Resigned/Termination	N/A
Qualifications	• 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 (Other)	NED – Sentech (December 2021 to date)
Committee Membership	• HR & Remuneration Committee • Board Audit and Risk Committee
No. of Meetings Attended	7 out of 7

Name	Ms Buhle Tonise
Designation	Member of the Board
Date appointed	22 February 2021
Date resigned/Termination	N/A
Qualifications	• LLB • Practical Legal Training (Commercial Law)
Areas of expertise	• Contract Management and Commercial Law • Corporate Law • Governance
Board Directorship (Other)	NED – ECPACC
Committee membership	• HR & Remuneration Committee – Member • Board Audit and Risk Committee
No. of meetings attended	5 out of 7

Name	Mr Talelani Enos Ramaru (The Late)
Designation	Member of the Board
Date Appointed	22 February 2021
Date Resigned/Termination	27 April 2023
Qualifications	• B Com Accounting • Post Graduate Diploma Management • Professional Certificate in Public Development Management • Post Graduate Advanced Certificate in Forensic & Investigative Auditing • Post Graduate Strategic Management and Corporate Governance
Areas of Expertise	• Financial Management • Accounting • Auditing
Board Directorship (Other)	• NED NEDLAC • Trustee – COSATU Provident Fund • NED – NALEDI • Trustee – NBC Provident Fund
Committee Membership	• HR & Remuneration Committee – Chairperson • Board Audit and Risk Committeember
No. of Meetings Attended	7 out of 7

Name	Mr Simphiwe Thobela
Designation	Member of the Board
Date Appointed	22 February 2021
Date Resigned/Termination	N/A
Qualifications	• B Com Logistics • Master in Town and Regional Planning • Certificate in Strategic Planning and Change Management • Certificate in Local Economic Development • Certificate in Municipal Supply Chain Management • Post Graduate Diploma in Public Management • Snr Manager Program (NQ7) • Advanced Risk Management
Areas of Expertise	• Governance • Strategic Planning
Board Directorships	NED – ATNS (Chair) NED - MICT-SETA (Chair) NED – Magwa Tea Estate
Other Committees	• Board Audit and Risk Committee – Chairperson • HR & Remuneration Committee
No. of Meetings Attended	7 out of 7

Board Members: From left: Daphne Zukiswa Kula-Rantho, Mapuleng Moropa, Buhle Tonise, Talelani Ramaru and Simphiwe Thobela

4.5 Committees and Number of Meetings

The Committees met as follows during the financial year:

Committee	No. of Meetings	No. of Members	Name of Members
Board Audit & Risk	9	4	Mr Simphiwe Thobela – Chairperson Ms Buhle Tonise – Member Mr Talelani Ramaru – Member Ms Mapuleng Moropa – Member
HR & Remuneration	5	4	Mr Talelani Ramaru – Chairperson Ms Mapuleng Moropa – Member Mr Simphiwe Thobela – Member Ms Buhle Tonise – Member

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

4.6 Remuneration of Board Members

Name	Retainer R'000	Remuneration (Board / Committees Fees) R'000	Other Allowance R'000	Other Reimbursements R'000	Total R'000
Ms DZ Rantho (Board Chairperson)	22	293	-	34	**349**
Ms B Tonise	17	187	-	7	**211**
Ms M Moropa	17	248	-	9	**274**
Mr S Thobela (BARC Chairperson)	17	276	-	22	**315**
Mr T Ramaru (Remco Chairperson)	17	239	-	4	**260**
Total	**90**	**1,243**	**-**	**76**	**1,409**

5. Risk Management

Risk exists at various levels within the organisation. Key among the objectives of risk management is to ensure that the Agency does not suffer the effects of unmanaged uncertainty but proactively responds. Further, it is at the core of risk management to ensure that all risks within the organisation and at any level are managed appropriately and effectively. Considering the above, the Board has adopted a risk management process that is aligned with the Public Sector Risk Management Framework, ISO 31000, and King IV Report on Corporate Governance. The Board Audit and Risk Committee provides oversight on the adequacy and effectiveness of risk management in the Agency.

USAASA's management has adopted a risk management system that is risk focused. The risk management culture fosters the understanding of the potential upside and downside of all factors which can affect the organisation. The aim is to increase the likelihood of success and reduce the probability of uncertainty of achieving the organisation's objectives and ultimately failed service delivery to the organisation's beneficiaries.

USAASA conducted strategic, operational (including fraud risk) and project risk assessments for the year under review. Under the strategic risk assessment, care is given to two categories: business risks and business longevity risks. Business risks are those risks that affect or are created by an organisation's business strategy and strategic objectives or outcomes or outputs. Business longevity risks are those risks that affect the core purpose of the organisation. This includes risks that threaten the organisation's survival in the long term; the critical consideration is value creation and sustainability.

The Agency recognises the importance of risk-based decision-making. Hence, there exists within the agency a process of communicating upwards about risks inherent in all decisions so that managers, decision-makers, and the Board have the risk information they need at their level, based on what risks exist and are being managed within the Agency.

A risk profile report is compiled every quarter and presented to the Board Audit and Risk Committee. A combined assurance map is embedded into the risk profile reporting template highlighting assurance from the different assurance providers in line with the King IV report on Corporate governance. The aim is to ensure optimal assurance coverage.

The Board Audit and Risk Committee provides ongoing oversight to ensure that it supports USAASA in setting and achieving its strategic, operational and project objectives. The

Board Audit and Risk Committee sets the direction for how USAASA should approach and address risks. It reviews the quarterly risk profile reports covering strategic, operational, fraud, project, dependency, compliance, and emerging risks and also provides advice to ensure effective and efficient risk management.

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

6. Internal Audit Unit

6.1 Key Activities and Objectives of the Internal Audit

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

Sections 27.2.6 and 27.2.27 of the Treasury Regulations (TR) states that Internal Audit must be conducted per the standards set by the Institute of Internal Auditors. And furthermore, the Internal Audit must prepare, in consultation with and for approval by the Board Audit and Risk Committee, a rolling Three (3) Year Strategic Internal Audit Plan based on the risk assessment of critical risks inherent to the institution, having regard to its current operations, those proposed in its strategic plan and its risk management strategy respectively.

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

The activities of Internal audit emanated from the Risk Assessment, which directs internal audit's efforts. This Risk Assessments included evaluating whether:

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

Internal Audit reports administratively to the Chief Executive Officer and functionally to the Board Audit and Risk Committee. The functional reporting to Board Audit and Risk Committee involves, but not limited to -

- The Board Audit and Risk Committee approves the Internal Audit Charter, the Rolling Three Year Strategic and Annual Operational Plans of the Internal Audit function;
- Any amendments of the approved Annual Internal Audit Plan are approved by the Board Audit and Risk Committee and noted by the Chief Executive Officer;
- All ad hoc requests, outside the approved Annual Internal Audit Plan is approved by the Board Audit and Risk Committee;
- The structure on Internal Audit Activity is approved by the Board Audit and Risk Committee;
- The Board Audit and Risk Committee approves the performance agreement and performance assessment of the Chief Audit Executive.
- Any other matter relating to Internal Audit Activity's approved Annual Internal Audit Plan is the responsibility of the Board Audit and Risk Committee.

The administrative reporting to Chief Executive Officer involves, but not limited to -

- Provision of budget for the Internal Audit Activity;
- Administrative roles relating to all staff e.g. approval of leaves, approval of travel, staff discipline etc.;
- Facilitation of cooperation to Internal Audit Activity in carrying out its functional responsibilities; and
- Consideration on any Internal Audit Activity reports subjected to Board attention

The periodic reporting of the Chief Audit Executvie to senior management and the board and audit committee are as follows:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance were relative to its plan.
- The internal audit activity's conformance with The IIA's Code of Ethics and Standards and action plans addresses any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the board and audit committee.
- Results of audit engagements or other activities.
- Resource requirements.

- Any response to risk by management may be unacceptable to USAF as a public entity.

6.2 Combined Assurance

King IV requires that the Board Audit and Risk Committee ensure 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, financial and sustainability issues in the quest to deliver value to the organisation. The Combined Assurance Model is currently in place and is monitored bi-annually by the Board Audit and Risk Committee. The Entity has adopted a 3-legged Combined/Integrated Assurance Model. This Model defines the roles as follows:

- First Line of Defence – Management
- Second Line of Defence – Risk Management and Performance Management
- Third Line of Defence – Assurance Providers e.g. Internal Audit, External Audit, Department, Parliament etc.

During the period under review, progress reports on the Implementation of the Combined Assurance were served before the Committee. These reports indicated assurance coverage and integrated efforts from various assurance providers within the Agency, including Internal Audit Activity, Risk Activity and the AGSA These reports reflect the assurance coverage from the Agency's divisions, Performance and Monitoring in the current financial year.

The scope, roles and authority of internal audit activities, as stipulated in the Charter, approved by the BARC requires that Internal Audit:-

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

7. Internal Audit and Audit Committees

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

In addition to these reviews, other audit reviews that were conducted are SCM below and above threshold, Financial Management, IT general and application control reviews, broadband projects, Broadcasting Digital migration installations, Human Resource reviews, investigation on irregular expenditure, fruitless and wasteful expenditure among other things.

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

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

7.1 Board Audit and Risk Committee

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

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

The Board Audit and Risk Management Committee (BARC) members were reappointed on the 22 February 2022 following the conclusion of one (1) in office subject to reappointment by the Shareholder at the Annual General Meeting. The Audit Committee has a total of 3 (three) Non-Executive Management members and a representative of the AGSA 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 tables below:

The names, qualifications and attendance at the meetings are:

Name	Mr Simphiwe Thobela
Designation	Committee Chairman
Date Appointed	22 February 2021
Date Resigned/Termination	N/A
Qualifications	• B Com Logistics • Master in Town and Regional Planning • Certificate in Strategic Planning and Change Management • Certificate in Local Economic Development • Certificate in Municipal Supply Chain Management • Post Graduate Diploma in Public Management • Snr Manager Program (NQ7) • Advanced Risk Management
No. of Meetings Attended	9 out of 9

Name	Ms Buhle Tonise
Designation	Committee Member
Date Appointed	22 February 2021
Date Resigned/Termination	N/A
Qualifications	• Matric • LLB • Practical Legal Training (Commercial Law)
No. of Meetings Attended	5 out of 9

Name	Mr Talelani Enos Ramaru (The Late)
Designation	Committee Member
Date Appointed	22 February 2021
Date Resigned/Termination	Passed away 29 April 2023
Qualifications	• B Com Accounting • Post Graduate Diploma Management • Professional Certificate in Public Development Management • Post Graduate Advanced Certificate in Forensic & Investigative Auditing • Post Graduate Strategic Management and Corporate Governance
No. of Meetings Attended	8 out of 9

Name	Ms Mapuleng Moropa
Designation	Committee Member
Date Appointed	22 February 2021
Date Resigned/Termination	N/A
Qualification	• Masters in Business Administration (MBA) • Programme in Management Development (PMD) • BSc Information Technology
No. of Meetings Attended	8 out of 9

8. Compliance with Laws, Rules, Codes and Standards

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

- Reviewing policy documents incorporating:
  - Compliance with laws, regulations and ethics; and
  - Policies and rules regarding conflicts of interest.
- Monitoring compliance with laws, regulations and policies;
- Reviewing the internal audit's written reports regarding the scope of reviews of compliance, any significant findings and the resolution thereof, and the follow-up on findings and recommendations;
- Monitoring developments and changes in the law relating to the responsibilities and liabilities of management and also monitoring and reviewing the extent to which management is meeting its obligations;
- Monitoring developments and changes in the various rules, regulations, and laws generally relate to the organisation's operations and monitor and review the extent to which the organisation is complying with such rules, regulations, and laws.
- The Board Audit and Risk Committee continues to review USAASA's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Board Audit and Risk Committee ensures that these arrangements allow a proportionate and independent investigation of such matters and appropriate follow-up action.

9. Fraud and Corruption

USAF through USAASA as an administrator has the fraud prevention plan in place, and has made progress in implementing the Code of Conduct, training and awareness of the Whistle-Blowing Policy and Fraud Prevention Policy, information security and have also conducted the corruption risk assessment. The Agency has established the mechanisms for the reporting of fraud and corruption which are outlined in the Whistle -Blowing Policy.

Furthermore, USAF acting through USAASA subscribes to the National Anti-Corruption Hotline, administered by the Office of Public Service Commission, to encourage the officials to make confidential disclosure through the above-mentioned hotline. To date, the Agency has not received any cases from whistle-blowers are recorded into the Fraud and Corruption Allegations register.

10. Minimising Conflict of Interest

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

To further assist and enhance the ethical culture in the organisation, all employees are required to obtain approval to perform any remunerative work outside the employment of USAASA and disclose all business interests. The Company Secretary provides appropriate guidance to management and staff on all matters that may involve a conflict of interest. Furthermore, as a standard practice within the organisation, participants are required to disclose their conflict of interest regarding the issues on the agenda for discussions during the Agency's committee meetings, and such declarations of conflict of interests are recorded.

The Board Audit and Risk Committee ensured that the management of USAASA, which directs and controls the activities of the Fund had the necessary checks and balances in place to ensure compliance with pertinent laws and regulations, that it is conducting its affairs ethically, and that it is maintaining adequate controls against possible conflicts of interest and fraud.

11. Code of Conduct

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

12. Health, Safety and Environmental Issues

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

13. 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 programmes are intended for the public good.

14. AUDIT Committee Report

We are pleased to present our report for the financial year ended 31 March 2023.

14.1 Legislative Requirements

The Audit Committee herewith presents its report for the financial year ended 31 March 2023, as required by Treasury Regulation 3.1.13 read with section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999).

14.2 The Audit Committee's Responsibilities

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

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

14.3 Risk Management

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

14.4 Internal Audit

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

The Board Audit and Risk Committee is satisfied that the Internal Audit function maintains an effective internal quality assurance programme that covers all aspects of the Internal Audit activity and that, as determined during the external quality assessment review, a general conformance rating can be applied to the Internal Audit work and that the term "Conforms with the International Standards for the Professional Practice of Internal Auditing" may be used by the function. The Committee approved a risk-based, three-year rolling, strategic internal audit plan and an annual audit coverage plan for the period 1 April 2022 to 31 March 2023.

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

Type of Audit	Audit Project	Period of Testing	Frequency
Mandatory Audits	1. USAF Performance Information	Four times - Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023)	Quarterly
	2. USAF Financial Statements	Four times Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023)	Quarterly
	3. USAF AGSA Implementation Action Plan	Four times Q4 (2021/2022), Q1, Q2 and Q3 (2022/2023)	Quarterly
Value for Money Audits	1. Broadband Digital Migration (BDM) Annual Inventory Count	Once	Annually

Type of Audit	Audit Project	Period of Testing	Frequency
	2. Broadband Digital Migration (BDM) Installations	Once	Annually
Consulting Assurance	3. USAF "SMART" principle review of the APP targets	Once	Annually

14.5 The Effectiveness of Internal Controls

In line with the Public Finance Management Act, 1999, Internal Audit provides the Board Audit and Risk Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their adequacy and efficiency, and by developing recommendations for enhancement or improvement. The Accounting Authority retains responsibility for implementing such recommendations as per Treasury Regulation 3.1.12.

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

14.6 In-Year Monthy / Quarterly Report

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

14.7 Evaluation of Annual Financial Statements and the Annual Performance Information

The Board Audit and Risk Committee has evaluated the Annual Financial Statements (AFS) and the Annual Performance Information for the year ended 31 March 2023 and duly recommended them for the Accounting Authority's approval prior to being submitted to the AGSA for audit. Subsequently the material misstatements corrected in the AFS were reviewed when the management report of the AGSA was discussed with the Audit Committee. The Board Audit and Risk Committee has discussed the external audit outcomes on the reporting on pre-determined objectives to be included in the Annual Report with the AGSA and the Accounting Authority.

14.8 Auditor's Report

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

- The BDM inventory management due to inadequate internal controls

The Audit Committee acknowledges management's efforts in the improved audit opinion from a Disclaimer to a Qualified audit opinion.

The Audit Committee concurs and accepts the conclusions of the external auditor on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General South Africa.

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

From left to right : Simphiwe Thobela, Buhle Tonise, Talelani Ramaru and Mapuleng Moropa

15. B-BBEE Compliance Performance Information

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

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

Criteria	Response Yes / No	Discussion *(include a discussion on your response and indicate what measures have been taken to comply)*
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	No	Not Applicable
Developing and implementing a preferential procurement policy?	No	Included in the new SCM Policy to be implemented in the 2023/24 financial year
Determining qualification criteria for the sale of state-owned enterprises?	No	Not Applicable
Developing criteria for entering partnerships with the private sector?	No	Not Applicable
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	Not Applicable

PART D

PFMA Compliance Report

1. Information on Irregular, Fruitless and Wasteful Expenditure and Material Losses

1.1 Irregular Expenditure

a) Reconciliation of irregular expenditure

Description	2022/23 R'000	2021/22 R'000
Opening balance	**103,264**	**63,250**
Add: Irregular expenditure confirmed	-	40,014
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	(52,927)	
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**50,337**	**103,264**

Irregular expenditure is presented inclusive of VAT.

Reconciling notes

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure that was under assessment in 2021/22	-	40,014
Irregular expenditure for the current year	-	-
Total	**-**	**40,014**

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

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	8,721	8,721
Total	**8,721**	**8,721**

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

c) Details of current and previous year irregular expenditure condoned

Description	2022/23 R'000	2021/22 R'000
Irregular expenditure condoned	-	-
Total	**-**	**-**

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

	2022/23	2021/22
Description	**R'000**	**R'000**
Irregular expenditure not condoned and removed	(20,406)	-
Total	**(20,406)**	**-**

After careful considerations and analysis of the documents (investigation report by SIU), the Accounting Authority (Board) approved the request for the removal of the irregular expenditure as indicated above. No losses were suffered as payments were made for services that were delivered in accordance with the SLAs after proper verifications were conducted and invoices certified.

e) Details of current and previous year irregular expenditure recovered
No irregular expenditure was recovered during the current or previous financial year.

f) Details of current and previous year irregular expenditure written off (irrecoverable)
No irrecoverable irregular expenditure was written-off during the current or previous financial year.

g) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure
No disciplinary actions were recommended and/or taken on the irregular expenditure removed as the individuals who caused these irregular expenditures had already left the employ of USAASA when the reports were issued. Efforts to locate them were not successful.

1.2 Fruitless and Wasteful Expenditure

	2022/23	2021/22
Description	**R'000**	**R'000**
Opening balance	**82,160**	**4,009**
Add: Fruitless and wasteful expenditure confirmed	107	78,151
Less: Fruitless and wasteful expenditure written off	(4,008)	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	**78,259**	**82,160**

Reconciling notes

	2022/23	2021/22
Description	**R'000**	**R'000**
Fruitless and wasteful expenditure that was under assessment in 2021/22	-	75,637
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23	-	1 393
Fruitless and wasteful expenditure for the current year	107	1121
Total	**107**	**78,151**

b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)
Nothing is currently under assessment, determination or investigation. All items disclosed above have already been confirmed to be fruitless and wasteful expenditure.

c) Details of current and previous year fruitless and wasteful expenditure recovered
No fruitless and wasteful expenditure was recovered during the current or previous financial year.

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

Description	2022/23 R'000	2021/22 R'000
Fruitless and wasteful expenditure written off	(4,008)	-
Total	**(4,008)**	**-**

After careful consideration of the information and records completed, the Board has approved the write-off of this interest that was charged during an arbitration process. USAASA had to wait for the arbitration process to be finalised before paying the relevant invoices. Only the interest is written-off in this section.

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

No individual was found guilty/responsible for the interest charged during the arbitration process. No disciplinary steps/actions were taken during the current or previous financial year.

1.3 Additional Disclosure Relating to Material Losses in terms of PFMA Section 40(3)(b)(i) &(iii))

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

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

b) Details of other material losses

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

2. Late and/or Non-Payment of Suppliers

Description	Number of invoices Value	Consolidated R'000
Valid invoices received	83	220,423
Invoices paid within 30 days or agreed period	64	155,729
Invoices paid after 30 days or agreed period	19	64,695
Invoices older than 30 days or agreed period (unpaid and without dispute)	N/A	-
Invoices older than 30 days or agreed period (unpaid and in dispute)	N/A	-

Include reasons for the late and or non-payment of invoices, including reasons that the invoices are in dispute, where applicable.

3. Supply Chain Management

3.1 Procurement by other means

Project Description	Name of Supplier	Type of Procurement by other means	Contract number	Value of contract
Appointment of Broadband-Infraco to deploy broad band connectivity in Harry Gwala district municipality in KZN and also at Enyandeni Local Municipality within the OR-Tambo district in the Eastern Cape	BBI	Deviation	Broadband connectivity	R63 777 000.00
Appointment of Sentech as a service provider for After-market support	Sentech	Deviation	After-Market	R47 027 621.00

3.2 Contract Expansion/Variation

Project Description	Name of Supplier	Contract Modification type(Expansion/ Variation)	Contract No	Original Contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion/ variation
				R'000	R'000	R'000
Loose Component	Sentech	Variation	Sentech scope variation	R409 508 135.65	N/a	R100 741 559.64

PART E
Financial Information

Report of the Auditor-General to Parliament on Universal Services and Access Fund

Report on the audit of the financial statements

Qualified Opinion

1. I have audited the financial statements of the Universal Services and Access Fund (USAF) set out on pages 58 to 82, which comprise the statement of financial position as at 31 March 2023, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget, and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the possible effect of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of USAF as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act, (Act 1 of 1999) (PFMA).

Basis for Qualified Opinion

Inventories and inventory redemption

3. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for inventories in the current and previous year as the public entity did not maintain a register of inventories held by a third party that could be reconciled to the financial statements. I was unable to confirm the inventories by alternative means. Consequently I was unable to determine whether any adjustments were necessary to inventories stated at R836 164 000 (2022: R807 209 000) in note 02 to the financial statements and to inventory redemptions stated at R63 980 000 (2022: 0) in note 11 to the financial statements.

Context for opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.eport.

5. I am independent of USAF in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code

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

Material uncertainty relating to going concern

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

8. I draw attention to note 20 to the financial statements, which indicates that the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern, describes the events or conditions, along with other matters as set forth in note 20 that may cast significant doubt on the public entity's ability to continue as a going concern and how the public entity is responding to them. My opinion is not modified in respect of this matter.

Emphasis of matters

9. 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

10. As disclosed in note 19 to the financial statements, the public entity is a 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.

Restatement of corresponding figures

11. As disclosed in note 17 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2023.

Other matters

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

Unaudited irregular expenditure and fruitless and wasteful expenditure

13. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of Section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure, and

fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 14 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of USAF. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

14. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the Accounting Authority for the financial statements

15. The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA, and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

16. 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

Responsibilities of the Auditor-General for the audit of the financial statements

17. 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.

18. 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

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The Accounting Authority is responsible for the preparation of the annual performance report.

20. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measures the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Programme	Page numbers	Purpose
Business operations	26 - 27	To facilitate and play a monitoring role to improve research capacity on universal service and access and to promote the goals of universal access and universal service in the underserviced areas of South Africa.

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

22. I performed procedures to test whether:
    - The indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives.
    - The indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently, and that I can confirm the methods and processes to be used for measuring achievements.
    - The targets can be linked directly to the achievement of the indicators and are specific, time bound, and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.

- The indicators and targets reported on in the annual performance report are the same as were committed to in the approved initial or revised planning documents.
- The reported performance information is presented in the annual performance report in the prescribed manner.
- There is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

23. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance conclusion.

24. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
    - Business Operations

Other matters

25. I draw attention to the matters below.

Achievement of planned targets

26. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement.

Material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the Business Operations programme. As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on compliance with legislation

28. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management, and other related matters. The Accounting Authority is responsible for the entity's compliance with legislation.

29. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

30. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

31. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual report

32. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by Section 55(1) (a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected or the supporting records could not be provided, which resulted in the financial statements receiving a qualified opinion.

Expenditure management

33. Effective steps were not taken to prevent fruitless and wasteful expenditure as disclosed in note 14 to the annual financial statements, as required by Section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by the payment of interest on a court order.

Consequence management

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

Other information in the annual report

35. The Accounting Authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report, and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

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

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

38. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

40. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion and the material findings on compliance with legislation included in this report.

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

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

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

Auditor - General

Pretoria
31 July 2023

AUDITOR-GENERAL SOUTH AFRICA

Annexure to the Auditor's Report

The annexure includes the following:

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

Auditor-General's Responsibility for the Audit

Professional Judgement and Professional Scepticism

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

Financial Statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with Governance

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

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

Compliance with Legislation – selected Legislative Requirements

The selected legislative requirements are as follows:

Legislation	Sections or Regulations
Public Finance Management Act No.1 of 1999	Sections 50(3); 50(3)(a); 50(3)(b); 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 52(b); 53(4); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(a)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities	Regulations 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.2.5; 31.2.7(a); 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Companies Regulations	Regulations 30(2); 43(2)(a)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 1(i); 2.1(a); 2.1(b); 2.1(f)

Legislation	Sections or Regulations
Preferential Procurement Regulations of 2017	Regulations 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2; 12.1; 12.2
Preferential Procurement Regulations of 2022	Regulations 3.1; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 3 of 2021-22	Paragraphs 4.1; 4.2; 4.2(b); 4.3; 4.4; 4.4(c); 4.4(d); 4.6; 5.4
NT SCM Instruction Note 4A of 2016-17	Paragraph 6
NT SCM Instruction Note 3 of 2019-20	Paragraphs 5.5.1(iv); 5.5.1(x)
NT SCM Instruction Note 11 of 2020-21	Paragraphs 3.1; 3.4(a); 3.4(b); 3.9: 6.1; 6.2; 6.7
PFMA SCM Instruction Note 8 of 2022-23	Paragraphs 3.2; 4.3.2; 4.3.3
Competition Act 89 of 1998	Section 4(1)(b)(ii)
NT Instruction Note 4 of 2015-16	Paragraph 3.4

Accounting Authority's Responsibilities and Approval

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

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

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

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

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material errors or misstatements.

The members have reviewed the entity's cash flow forecast for the MTEF to 31 March 2026 and, in the light of this review and the current financial position, they are satisfied that the entity has adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting authority are primarily responsible for the financial affairs of the entity, they are supported by the entity's executive management.

The external auditors are responsible for independently reviewing and reporting on the entity's audited annual financial statements. The audited annual financial statements have been examined by the entity's external auditors and their report is presented on page 58 - 82.

The audited annual financial statements set out on pages 58 to 82, which have been prepared on the going concern basis, were approved by the accounting authority on 28 July 2023 and were signed on its behalf by:

Ms Daphne Rantho
Board Chairperson

Board Audit and Risk Committee (BARC) Report

We are pleased to present our report for the financial year ended 31 March 2023.

Board Audit and Risk Committee Members and Attendance

BARC consists of the members listed hereunder and should meet six (6) times per annum as per its approved terms of reference. During the current year Seven (7) meetings were held.

Name of member	Number of meetings attended
Mr Simphiwe Thobela (Chairperson)	7
Ms Mapuleng Moropa	7
Ms Buhle Tonise	5
Mr Talelani Ramaru (Late: April 2023)	7

BARC Responsibility

BARC reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and

Treasury Regulation 27.1.

BARC 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 has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the audited annual financial statements, and the management report of the Auditor-General South Africa, it was noted that matters were reported that indicate material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was not fully efficient and effective.

The quality of in year management and quarterly financial statements submitted in terms of the PFMA have, however strengthened the effectiveness of the financial controls implemented.

BARC is satisfied with the content and quality of the quarterly financial statements prepared and issued by the Accounting Authority of the entity during the year under review.

Evaluation of Audited Annual Financial Statements

BARC has:

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

BARC concur with and accept the Auditor-General of South Africa's report on the audited annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal Audit

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

Auditor-General of South Africa

BARC has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Mr Simphiwe Thobela
Chairperson of the Board Audit and Risk Committee

Accounting Authority's Report

The members submit their report for the year ended 31 March 2023.

1. Going Concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R3,7 billion and that the entity's total assets exceed its liabilities by R3,7 billion.

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

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

2. Subsequent Events

The members are not aware of any matter or circumstance arising since the end of the financial year.

3. Accounting Policies

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

4. Corporate Governance

General

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

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa 2002. The accounting authority discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a quarterly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.

Chairperson and chief executive

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

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them in the Delegation of Authority Framework.

Board Audit and risk committee

For the current financial year, BARC was chaired by an independent audit committee member, Mr Simphiwe Thobela. The committee met Seven (7) times during the financial year to review matters necessary to fulfil its role.

The audited annual financial statements set out on pages 58 to 82, which have been prepared on the going concern basis, were approved by the accounting authority on 28 July 2023 and were signed on its behalf by:

Ms Daphne Rantho
Board Chairperson

UNIVERSAL SERVICE AND ACCESS FUND

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Financial Position

	Note(s)	2023 R'000	2022 Restated* R'000
ASSETS			
CURRENT ASSETS			
Inventories	2	836,164	807,209
Inter-Entity Loans (Loan to USAASA)	22	24,552	-
Receivables from exchange transactions	3	19,756	25,207
Cash and cash equivalents	4	2,947,459	2,875,754
		3,827,931	**3,708,170**
Total Assets		**3,827,931**	**3,708,170**
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	5	93,925	45,259
Provisions	6	3,971	8,782
		97,896	**54,041**
Total Liabilities		**97,896**	**54,041**
Net Assets		**3,730,035**	**3,654,129**
Accumulated surplus		3,730,035	3,654,129
Total Net Assets		**3,730,035**	**3,654,129**

UNIVERSAL SERVICE AND ACCESS FUND

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Financial Performance

	Note(s)	2023 R'000	2022 Restated* R'000
Revenue			
Revenue from exchange transactions			
Other income		-	489
Interest received - investment		159,422	66,336
Total revenue from exchange transactions		**159,422**	**66,825**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	8	126,183	1,137,531
Total Revenue	7	**285,605**	**1,204,356**
Expenditure			
Administration	9	(223)	(204)
Finance costs	23	(107)	(1,431)
General Expenses		-	-
Broadcasting Digital Migration (BDM) Project	11	(157,492)	(34,044)
Broadband Project	12	(50,326)	(42)
Auditors Remuneration	10	(1,551)	(1,494)
Total Expenditure		**(209,699)**	**(37,215)**
Surplus for the year		**75,906**	**1,167,141**

UNIVERSAL SERVICE AND ACCESS FUND

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Changes in Net Assets

	Accumulated Surplus / Deficit R'000	Total Net Assets R'000
Opening balance as previously reported	2,557,611	2,557,611
Adjustments		
Correction of errors	(70,624)	(70,624)
Balance at April 1, 2021 as restated*	**2,486,987**	**2,486,987**
Changes in net assets		
Surplus for the year	1,167,141	1,167,141
Total changes	1,167,141	1,167,141
Restated* Balance at April 1, 2022	**3,654,129**	**3,654,129**
Changes in net assets		
Surplus for the year	75,906	75,906
Total Changes	75,906	75,906
Balance as at 31 March 2021	**3,730,035**	**3,730,035**

UNIVERSAL SERVICE AND ACCESS FUND

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Cash Flow Statement

	Note(s)	2023 R'000	2022 Restated* R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		126,183	1,137,531
Interest income		-	-
Payments			
Suppliers		(203,807)	(13,227)
Finance costs		(1,500)	(232)
		(205,307)	(13,459)
Net Cash flows from operating activities	13	**(79,124)**	**1,124,072**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		150,829	60,000
Net increase/(decrease) in cash and cash equivalents		**71,705**	**1,184,072**
Cash and cash equivalents at the beginning of the year		2,875,754	1,691,682
Cash and cash equivalents at the end of year	4	**2,947,459**	**2,875,754**

The accounting policies on pages 63 to 70 and the notes on pages 71 to 82 form an integral part of the audited annual financial statements.

UNIVERSAL SERVICE AND ACCESS FUND

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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						
Interest received - investment	-	-	-	159,422	**159,422**	(a)
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Government grants & subsidies	126,183	2,749,571	**2,875,754**	126,183	**(2,749,571)**	(b)
Total Revenue	**126,183**	**2,749,571**	**2,875,754**	**285,605**	**(2,590,149)**	
EXPENDITURE						
Administration	-	-	**-**	(223)	**(223)**	
Finance costs	-	-	**-**	(107)	**(107)**	(c)
Administrative Expenses	(3,000)	(13,005)	**(16,005)**	(8,843)	**7,162**	(d)
Broadcasting Digital Migration (BDM) Project	(59,406)	(2,506,315)	**(2,565,721)**	(150,651)	**2,415,070**	(e)
Broadband Project	(63,777)	(230,251)	**(294,028)**	(49,875)	**244,153**	(f)
Total expenditure	**(126,183)**	**(2,749,571)**	**(2,875,754)**	**(209,699)**	**2,666,055**	
Surplus for the year	-	-	**-**	**75,906**	**75,906**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	**-**	**75,906**	**75,906**	

(a) Interest income relate to revenue earned from funds invested in interest yielding short-term investment account. Interest was earned at an average rate of 7.3%.

(b) Included in grants is the amount approved by National Treasury for the retention of funds. Thus the R2,7 billion represent funds approved for retention. The underspending was due to delays that were experienced by the implementing entities, including but not limited to litigations against BDM project by the public broadcasters and the delays in the approval of high sites by the respective Municipalities.

(c) Finance cost represent interest paid in the settlement of debt determined through a court order at a mora rate. The amount reflected represent the proportionate expenditure relating to the period 01/04/2022 to 13 June 2022 (74 days). The expenditure is paid from the budget allocated under the administration budget.

(d) Administrative expenses include all expenditure incurred in USAF that is not specifically related to the projects such as Audit fees and bank charges. The final budget includes the retention of funds approved by the National Treasury. The main cost driver is travelling by the core function when they conduct monitoring and evaluation of the projects. The underspending was due to the late approval of the retention of funds, i.e. the approval was obtained in December 2022.

(e) Broadcasting Digital Migration (BDM) project had a final budget of R2,6 billion including the retention of funds approved by the National Treasury. R151 million (representing 0.6% of final budget) was spent by 31 March 2023. The low spending rate compared to the budget was due to the delays in the implementation (installation of STBs) of the project resulting from litigations against the project by the public broadcaster.

(f) Broadband project had a final budget of R294 million including the retention of funds approved by the National Treasury. R50 million (representing 17% of the final budget) was spent by 31 March 2023. The low spending rate compared to the budget is due to the delays in the implementation (connectivity of identified sites) of the project due to the length of time it takes for the approval of high sites by the local municipalities.

Accounting Policies

1. Presentation of Audited Annual Financial Statements

The unaudited 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 unaudited 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.1 Going Concern Assumption

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

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.3 Financial Instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

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

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

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

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

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

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

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

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

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].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non- exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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.

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.

1.4 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.

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 costof 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.

1.5 Provisions and Contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 19.

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

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

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

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

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

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

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.6 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.7 Revenue from Exchange Transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Interest Income

Revenue arising from the use by others of entity assets yielding interest 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.

Interest recognised on a time-proportion basis using the effective interest method. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.8 Revenue from Non-Exchange Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.9 Fruitless and Wasteful Expenditure

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

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

1.10 Irregular Expenditure

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

1.11 Related Parties

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

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

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

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

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

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

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

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

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

1.12 Events after Reporting Date

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

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

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

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

1.13 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.14 Comparative Figures

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

1.15 Budget Information

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

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

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

The approved budget covers the MTEF period from 01 April 2022 to 31 March 2026.

The budget for the economic entity includes all the entities approved budgets under its control.

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

The Statement of comparative and actual information has been included in the audited annual financial statements as the recommended disclosure when the unaudited audited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.16 Significant Judgements and Sources of Estimation Uncertainty

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

Trade Receivables and/or Loans and Receivables

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

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

Fair value estimation

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

Impairment Testing

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 6 - Provisions.

Other

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

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2. Inventories

	2023 R'000	2022 R'000
DTT/DTH Set Top Boxes and Accessories	836,164	807,209
Below is the reconciliation of the inventory balance during the current year:		
Inventory at the beginning of the year	807,209	882,590
Prior-period adjustments (a)	-	(75,381)
Restated: Inventory at the beginning of the year	807,209	807,209
Add: Assembled DTH Dish Kits (b)	92,934	-
Less: Inventory redeemed/ installed during the year	(63,980)	-
Inventory at the end of the year	**836,163**	**807,209**

(a) Refer to the prior period adjustment note 17.

(b) The increase in the inventory is due to the addition of the DTH Satellite Dish Kits that were assemble form loose components obtained from Ellies Industrial (in liquidation) by Sentech into complete dish kits. The total assembly, packaging and delivery of the inventory capitalised cost USAF R92,934 million. The stock assembled represent the Disk Kits that were procured from Ellies Industries (in liquidation) that were not in the state of readiness for the BDM project. The matter is currently under legal investigations.

(c) In the current year 135 547 items of stock (STBs and Dish/Antennae) were used in the installation of STBs to identified and registered beneficiaries. The total value of the sock utilised was R63,980 million. Stock on hand at the end of the financial year has been calculated after the reduction of the stock used in the provision of the Broadcasting Digital Migration Services.

3. Receivables from Exchange Transactions

	2023 R'000	2022 R'000
Other Receivables (SAPO Float Account) (a)	-	16,644
Prepaid expenses (SABC Awareness Campaign - Community Radio Stations) (b)	2,600	-
Accrued Interest Income (c)	17,156	8,563

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	19,756	**25,207**

(a) SAPO float account was used to fund the installations of STBs to identified registered beneficiaries by SAPO in the previous financial years. The amount included here represent the balance of the float that was transferred to SAPO for the aforementioned purpose. No impairment was recognised in the current year. SAPO and USAASA have agreed on a settlement arrangement whereby the amount owed by USAASA to SAPO on warehousing an distribution costs will be used to settle the balance/debt owed by SAPO to USAF.

(b) Represent the balance owed by SABC from the advance paid to SABC for DTT/BDM awareness campaigns by community radio stations. It is a general practice to pay community radio stations a deposit / advance before they broadcast the awareness messages. This balance represent the total amount that was not reconciled / settled by SABC by 31 March 2023. No impairment was recognised in the current year.

(c) Represent the interest earned in March. The actual amount of the interest was only received by the entity on 01 April 2023.

4. Cash and Cash Equivalents

	2023 R'000	2022 R'000
Cash and cash equivalents consist of:		
Bank balances	1,268	325
Short-term deposits	2,946,191	2,875,429
	2,947,459	**2,875,754**

5. Payables from Exchange Transactions

Trade payables (a)	26,940	15,047
Accruals (b)	66,985	30,212
	93,925	**45,259**

(a) The increase in trade payables is due to the increase in the number of installations during the current financial year. Due to the complexity of the verifications conducted for installations and the volume of items to be verified, payments are made two to three months after the installations have been completed. Furthermore, submission of the data/ information and the Portfolio of Evidence required in accordance with the Tripartite Agreements entered into by USAASA, DCDT and Sentech takes time to collate; it takes one to two months to reach USAASA for verification.

(b) The increase in accruals compared to the previous financial year is due to invoices submitted for installations and dish kits that were not supported by complete and accurate PoE. Some invoices and/or PoE were submitted after the 31st of March 2023 and verified after the financials were submitted for audit.

6. Provisions

Reconciliation of provisions - 2023	**Opening Balance**	**Reclassified to contingent liabilities**	**Total**
Provision 1	8,782	(4,811)	3,971
Reconciliation of provisions - 2022			
Provision 1	11,065	(2,283)	8,782

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7. Revenue

	2023 R'000	2022 R'000
Other income	-	489
Interest received - investment	159,422	66,336
Government grants & subsidies	126,183	1,137,531
	285,605	**1,204,356**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Other income	-	489
Interest received - investment	159,422	66,336
	159,422	**66,825**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	126,183	1,137,531

8. Government Grants & Subsidies

	2023 R'000	2022 R'000
Operating grants		
Government grant (DCDT)	126,183	1,137,531
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Unconditional grants received	126,183	1,137,531

9. Administrative Expenditure

	2023 R'000	2022 R'000
Administration and management fees - third party	223	204

10. Auditors' Remuneration

	2023 R'000	2022 R'000
Auditors remuneration	1,551	1,494

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11. Broadcasting Digital Migration (BDM) Project

	2023 R'000	2022 R'000
Communities		
Inventory Redemption	63,980	-
BDM Project Installations	39,916	24,780
BDM Project Quality Assurance	1,227	1,300
BDM Project Management	3,271	1,939
Call Centre/After Market	17,030	6,025
DTT/DTH Awareness Campaign	25,282	-
Overheads		
Travel and accommodation	6,841	-
Other Costs		
Leratadima - per court order (a)	4,756	-
Reclassification of provisions to litigations (b)	(4,811)	-
	157,492	**34,044**

(a) This is a payment that was made to Leratadima on a case that was awarded in favour of Leratadima. The litigation was about invoices that were not paid by USAASA due to disputes on the amounts that were invoiced. The matter was settled in court in favour of Leratadima.

(b) USAASA has been taken to court by some service providers regarding the escalation of costs as described in the Litigations section under note no 19. The amount in litigation is therefore reclassified from provisions to litigations.

12. Broadband Project

	2023 R'000	2022 R'000
Communities		
Infrastructure Procurement	49,875	-
Overheads		
Travel and Accommodation	449	42
	50,324	**42**

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13. Cash (Used In) Generated from Operations

	2023 R'000	2022 R'000
Surplus	75,906	1,167,141
Adjustments for:		
Interest income	(159,422)	(66,336)
Finance costs	107	1,239
Movements in provisions	(4,811)	(2,283)
Non-Cash Items (a)	355	(489)
Movement in Inter-entity Loan - USAASA	(16,420)	-
Changes in working capital:		
Inventories	(28,955)	-
Receivables from exchange transactions	5,451	(4,336)
Prior Period Error Adjustment	-	(31)
Payables from exchange transactions	48,665	29,167
	(79,124)	**1,124,072**

(a) Included in non-cash items is the reversal of Fair Value adjustment of R223 thousand on the debt owed by SAPO that was settled during the year under review.

14. Irregular Expenditure and Fruitless and Wasteful Expenditure

	2023 R'000	2022 R'000
Irregular Expenditure	-	40,014
Fruitless and Wasteful Expenditure	107	78,151
	107	**118,165**

Amounts of material losses through criminal conduct

There were no material losses incurred through criminal conduct on the matters already investigated on irregular and fruitless and wasteful expenditure.

There are some investigations and consideration of investigation reports underway regarding irregular and fruitless and wasteful expenditure. Management will determine after the investigations whether there are material losses through criminal conduct.

Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure

No disciplinary steps / criminal proceedings are required for the items of irregular and fruitless and wasteful expenditure already investigated. No one is found guilty / responsible for the investigated items of fruitless expenditure.

There are some investigations and consideration of investigation reports underway regarding irregular and fruitless and wasteful expenditure. Management will take the necessary steps after completing the investigations and/or consideration of the investigation reports.

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15. Commitments

	2023 R'000	2022 R'000
Authorised operational expenditure		
Already contracted for but not provided for		
• Sentech	381,226	387,835
• Broadband Infraco (BBI)	169,125	-
• South African Broadcasting Corporation (SABC)	2,046	-
	552,397	**387,835**
Not yet contracted for and authorised by members		
• Broadband Infraco (BBI)	63,777	219,000
• South African Broadcasting Corporation (SABC	-	29,927
	63,777	**248,927**
Total operational commitments		
Already contracted for but not provided for	552,397	387,835
Not yet contracted for and authorised by members	63,777	248,927
	616,174	**636,762**
Reconciliation of commitments		
1. Sentech		
• Commitments at the beginning of the year	387,835	358,553
• Add: Commitments raised during the year	147,769	409,508
• Less: Expenditure incurred during the year	(154,378)	(35,632)
• Less: Contracts/projects/services finalised during the year	-	(342,994)
• (Less)/Add prior year adjustments (a)	-	(1,600)
Commitments at the end of the year	**381,226**	**387,835**
(a) The adjustment is due to Sentech issuing credit notes and issuing invoices for some installations after USAASA conducted verification of the PoE submitted.		
2. Broadband Infraco		
• Commitments at the beginning of the year	219,000	-
• Add: Commitments raised during the year	63,777	219,000
• Less: Expenditure incurred during the year	(49,875)	-
	232,902	**219,000**
3. South African Broadcasting Corporation		
• Commitments at the beginning of the year	29,927	-
• Add: Commitments raised during the year	-	29,927
• Less: Expenditure incurred during the year	(27,881)	-
	2,046	**29,927**

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16. Related Parties

Relationships

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

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

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

Related party balances	2023 R'000	2022 R'000
Loan accounts - Owing (to) by related parties		
USAASA	24,522	-
Represent warehousing and distribution costs incurred by USAASA and paid in USAF. By 31 March 2023 the balance was not yet settled by USAASA		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
SAPO (a)	-	16,644
SABC (b)	2,600	-
Sentech (c)	(90,878)	(34,042)

(a) Represent the balance of a float account that was established for SAPO to use in the previous years to fund BDM Project implementation. By 31 March 2023, the balance was settled as per a settlement arrangement between USAASA and USAF.

b) Represent the balance of the advance/prepaid expense to SABC specifically for the payment of community radio stations to carry out BDM awareness campaigns. By 31 March 2023, the balance was not reconciled or settled by SABC.

c) Represent the balance of the services invoiced by Sentech as at 31 March 2023. The balance is made up of the following items:

Reconciliation of Sentech Payables		
Installations	(35,546)	(28,031)
Assembly of dish kits	(48,981)	-
After-Market Support	(6,351)	(6,013)
	(90,878)	**(34,044)**

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

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

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

	2023 R'000	2022 R'000
DCDT - payment of quarterly drawdowns from the annual allocation	126,183	1,137,531
Sentech - BDM Installations, After-Market/Call Centre and DTH Disk	(154,378)	(34,044)
Kits Assembly (a)		
BBI - Broadband (b)	(49,875)	-
SABC - BDM Awareness campaign	(25,282)	-
	(103,352)	**1,103,487**

(a) USAASA appointed Sentech for the provision of three distinct services. Below is the breakdown of the total expenditure incurred for the distinct services during the year under review:

Reconciliation Sentech Expenditure for the year		
• BDM Installations	(44,415)	(28,031)
• After-Market Support	(17,029)	(6,013)
• Assembly of Dish Kits	(92,934)	-
	(154,378)	**(34,044)**

(b) Represent payment for the procurement of broadband equipment by BBI for the broadband connectivity project in Pixley Ka Seme and OR Tambo districts

17. Prior-Year Adjustments

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

Statement of Financial Position	**Note**	**As previously reported**	**Correction of error**	**Restated**
2021				
Inventories (Error 4)		882,590	(75,381)	807,209
2022				
Inter-Entity Loan (Loan From USAASA) (Error 1)		(1,328)	1,328	-
Trade and Other Payables (Error 2)		(51,604)	6,345	(45,259)
		(52,932)	**7,673**	**(45,259)**
Statement of Financial Performance				
2022				
Administrative Expense (Error 3)		1,532	(1,328)	204
Broadcasting Digital Migration (BDM)		35,631	(1,597)	34,034
		37,163	**(2,925)**	**34,238**

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17. Prior-Year Adjustments contd.

Cash Flow Statement	Note	As previously reported	Correction of error	Restated
2022				
Cash flow from operating activities				
Payments to suppliers (Error 5)		(15,227)	2,000	(13,227)

Errors

Below are the prior year errors adjustments made during the current financial year:-

Error 1

Represent the previous year's journal relating to the travel expenses in USAASA that exceeded the budget. An attempt to utilise USAF's budget led to the recognition of an inter-entity loan between USAF and USAASA. This journal is reversed in the current financial year.

Error 2

(a) Credit notes for R6 308 were processed for invoices that were raised by Sentech in the previous financial where no adequate PoE can be provided. New invoices for R4 708 were issued after verification of PoE. The net adjustment to the prior year payables is therefore R1 600.

(b) The other difference of R4 755 represent the payment of Leratadima debt balance from the previous financial years. The matter was settled through a court order after Leratadima instituted a legal claim during the financial year. The payment was made in the same financial year.

Error 3

Administrative expenses for the previous financial year were overstated by the travel in USAASA (refer to error 1).

Error 4

Represent the loose components that were procured from Ellies Industrial (in liquidation) which were paid for as complete dish kits. As such inventory was overstated by the amount that was paid for missing components and conversion costs that were not completed by the time when Ellies Industrial was put into liquidation. As such, the 2021 opening inventory balance is restated by derecognising the cost portion of the components that could not recovered and the conversion costs incurred for the items that were not yet assembled/converted into full dish kits. The costs incurred are also regarded as fruitless and wasteful as there was no value that was derived from the transaction by the entity.

As Ellies Industrial were already under liquidation when USAASA realised that the stock procured is not in the stage (finished / complete Dish Kits), they instituted investigations into the matter. SAPO were engaged on the matter and USAASA has retrieved some of the valuable components like dish face, LNBs, etc. These loose components were moved from Ellies Industrial (in liquidation) premises/warehouse to SAPO Witspos warehouse.

Irregular expenditure

Error 5

The difference is due to the differences in the statement of financial performance which led to changes in the surplus for the year amount. The following are the main changes that led to the changes in the payments to suppliers; (a) the payment to Leratadima, affected payables movement; (b) difference regarding the credit notes; and (c) reversal of the inter-entity loan journal.

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18. Risk Management

Financial Risk Management

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

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

Liquidity Risk

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

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

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

Credit Risk

Potential concentrations of credit risk consist primarily of cash deposits and cash equivalents. Credit risk arises from the risk that a counter-party may default or not meet its obligations in sufficient time. The Fund minimizes credit risk by investing unutilised cash in a short-term investment account. Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with one of the major banks with high quality credit standing and limits exposure to any one counter-party.

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

Market Risk

Interest Rate Risk

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

19. Contingencies

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

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

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	2023 R'000	2022 R'000
Below are the contingent liabilities for USAF as at 31 March 2023:		
Contingent Liabilities		
20.1 Leratadima (variance) V USAASA Leratadima as the manufacturer of the BDM equipments exercised the arbitration clause of the Supply and Delivery Agreement and instituted proceedings against USAASA. The claim was about R198 million plus legal costs estimated at R3 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. ***The matter was finalised during the year in favour of USAF.***	-	198,991
20.2 CZ Electronics Vs USAASA CZ Electronics as the manufacturer of the BDM equipments exercised the arbitration clause of the Supply and Delivery Agreement and instituted proceedings against USAASA. The claims is about R49 million including legal costs for the foreign exchange rate variance relating to foreign components needed to manufacture DTT set top boxes. ***The matter was finalised during the year in favour of USAF.***	-	46,386
20.3 VBS Mutual Bank (In Liquidation) V USAASA USAASA was served with a Notice of Motion claiming R102 million alleging USAASA to be in breach of a letter of undertakings signed by the former CEO of USAASA, on 16 January 2016, whereby it was alleged that USAASA undertook to pay all invoices submitted by Leratadima Marketing Solutions (in liquidation) into a VBS bank account. It was further alleged that as a result of USAASA breaching this undertaking, VBS Bank (in liquidation) suffered damages in the sum of R102 million. ***The matter was finalised during the year in favour of USAF.***	-	102,546
20.4 Grow Makhosikati V USAASA Grow was appointed to build broadband infrastructure for the Impendle and Nyandeni for which they were duly remunerated. It was an express term of the service level agreement that monthly invoices to be submitted together with connectivity reports to be verified by USAASA Project Manager. Irregularities were identified in the invoices submitted for payment. Grow is claiming for non-payment of invoicing amounting to R7,5 million. ***The matter is not yet finalised.***	7,400	7,400
20.5 KST Trading V USAASA A summons for the payment of the escalation rate for installation fees paid by USAASA for the 2016/17, 2017/18 and 2018/19 financial years, was issued amounting to R1 833 million. ***The matter is not yet finalised.***	1,833	1,833
20.6 MT Creations and Others v USAASA 22 Installation Companies previously employed by USAASA for the installation of the set top boxes are claiming an annual escalation rate in terms of their contracts. ***The matter is not yet finalised.***	5,700	-
20.7 Ellies Electronics USAASA received a filing notice from AFSA dated 22 November 2022. The matter related to the escalation of charges during the term of the contract. ***The matter is not yet resolved.***	1,905	-
20.8 Duramics Trading, Lamec Trading, Samano Trading Projects and Sanctumsa V USAASA USAASA received a filing notice from AFSA dated 22 November 2022. The matter is related to the escalation of charges during the term of the contract. ***The matter is not yet resolved.***	5,365	-
	22,203	**357,156**

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20. Going Concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R3,7 billion and that the entity's total assets exceed its liabilities by R3,7 billion.

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

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

It should be noted that the Department and USAASA have planned to and are currently implementing activities to disestablish or dissolve or repurpose USAF. The disestablishment or dissolution or repurposing is expected/planned to be finalised by the end of March 2025. This is done in line with the ICT Policy White Paper. By the time time this set of financial's were finalised, the final decision was not yet taken and/or approved. USAF will still be able to deliver on its mandate and meet its legal obligations in the foreseeable future.

21. Events after the Reporting Date

USAF has not identified any adjusting or non-adjusting event after reporting date which would result in the financial statements being adjusted, or a disclosure being made in the notes to the financial statements.

22. Loans to (from) Economic Entities

	2023 R'000	2022 R'000
Inter-Entity Loans		
Loan to USAASA	24,522	-
Included in the inter-entity loan to USAASA are: (a) R8 102 representing payment incorrectly made in USAF to SAPO instead of USAASA. At the end of the year, the balance was not yet repaid; (b) R16 420 representing balance owed by USAASA to SAPO that is agreed to be paid to USAF to settle SAPO's debt in USAF.		

Inter-Entity Loans

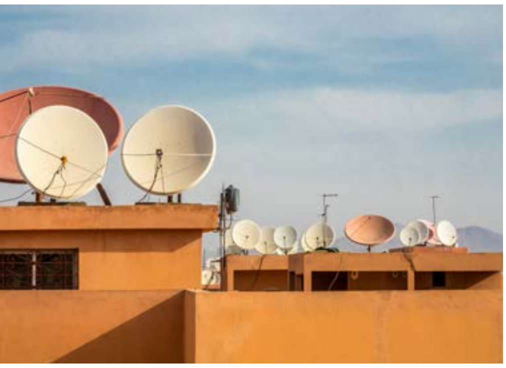
The credit quality of loans to economic entities that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

23. Finance Costs

	2023 R'000	2022 R'000
Interest Paid	107	1,431

Represent interest charged through court orders issued against the entity.

Total interest expense, calculated using the mora rate provided by the court amounted to R107 (2022: R1 431).



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