2020/2021

DIGITALLY TRANSFORMING INDIGENT

usaasa

Universal Service and Access Agency of South Africa

Annual Report

usaasa
Universal Service and Access Agency of South Africa

Building 1, Thornhill Office Park
94 Bekker Road, Vorna Valley, Midrand, 1686

PO Box 12601, Midrand, 1686

+27 11 564 1600
+27 11 564 1630

www.usaasa.org.za

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USAASA Annual Report 2020/21

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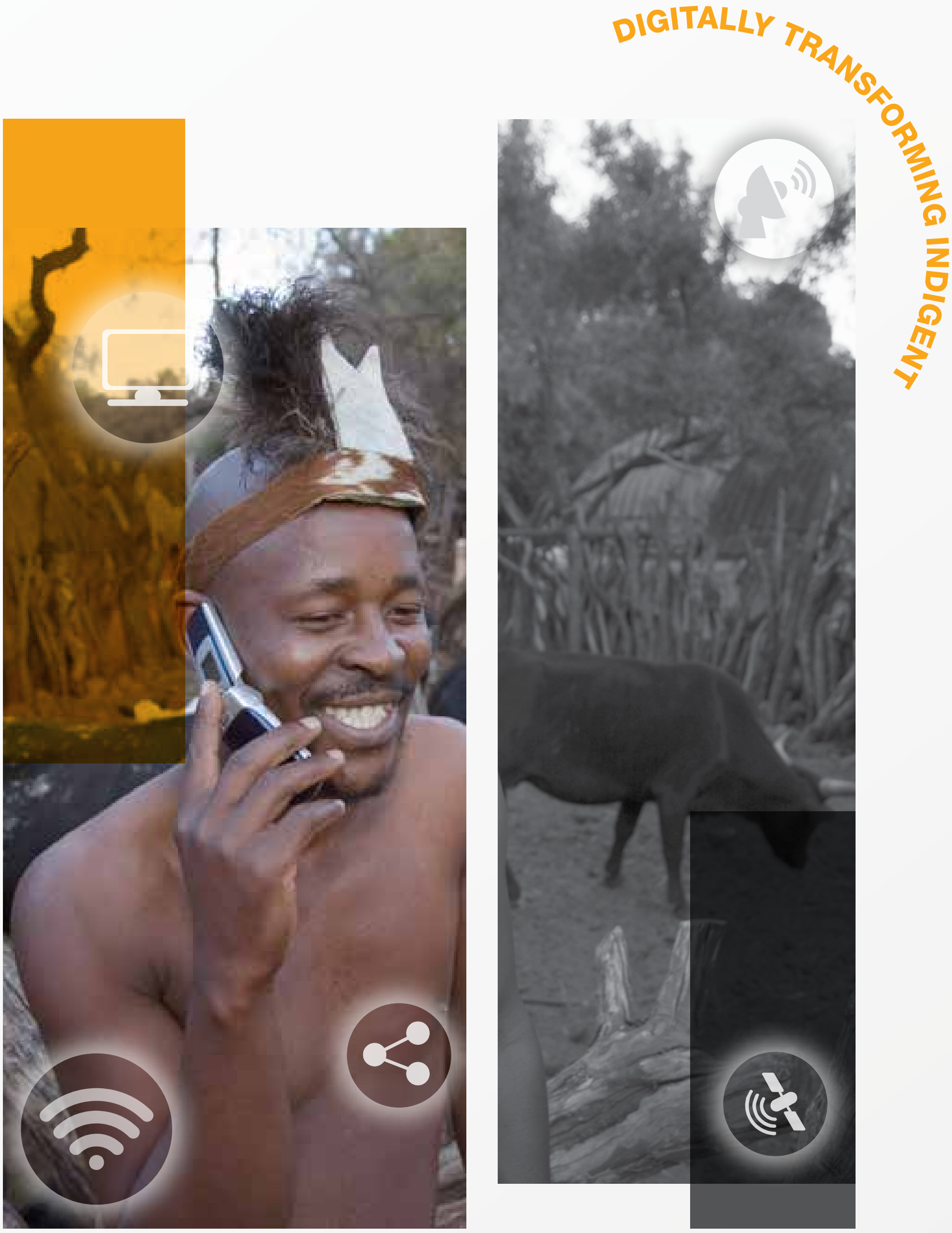
PART A General Information



General Information

Interim Chairperson of the Board	Ms Daphne Zukiswa Kula-Rantho
Registered Office Address	Building 1, Thornhill Office Park , 94 Bekker Road, Vorna Valley, Midrand , 1686
Postal Address	PO Box 12601 , Midrand , 1630
Telephone Number	+27 11 564 1600 | +27 11 564 1630
Fax Number	+27 11 564 1630
Website Address	www.usaasa.org.za
Auditors	Auditor-General South Africa
Bankers	Nedbank South Africa
Company Secretary	Ms Selloane Motloung

List of Acronyms/Abbreviations

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BBI	Broadband Infraco SOC
BDM	Broadcasting Digital Migration
CEO	Chief Executive Officer
CIDB	Construction Industry Development Board
CPS	Construction Procurement System
DCDT	Department of Communications and Digital Technologies
DDF	Digital Development Fund
DPME	Department of Planning, Monitoring and Evaluation
DOC	Department of Communications
DPSA	Department of Public Service and Administration
ECA	Electronic Communications Act
EC	Eastern Cape
ERP	Enterprise Resource Planning
EXCO	Executive Committee / Executive Council
GDP	Gross Domestic Product
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IDI	ICT Development Index
IDMS	Infrastructure Delivery Management System
IGS	Infrastructure Gateway Systems
IMF	International Monetary Fund
iNeSI	Ikamva National eSkills Institute
KZN	KwaZulu-Natal
M&E	Monitoring and Evaluation
Mbps	Megabits Per Second
MTBPS	Medium-Term Budget Policy Statement
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NEMISA	National Electronic Media Institute of South Africa
NHI	National Health Insurance
NSAA	National Spatial Action Area
NT	National Treasury
OD	Organisational Development
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PMDS	Performance Management and Development System
PwD(s)	People with Disability/ies
Q	Quarter
RDP	Reconstruction and Development Plan
SA	South Africa
SCM	Supply Chain Management
SDG	Sustainable Development Goal
SIPDM	Standard for Infrastructure Procurement and Delivery Management
SITA	State Information Technology Agency
SMART	Specific, Measurable, Achievable, Realistic and Time-bound
SMME	Small, Medium and Micro Enterprise
SOC	State-Owned Company
SOE	State-Owned Enterprise
SONA	State of the Nation Address
SOP	Standard Operating Procedure
STB(s)	Set-Top Box(es)
TV	Television
UN	United Nations
USAASA	Universal Service and Access Agency South Africa
USAF	Universal Service and Access Fund
VAT	Value-Added Tax
.ZADNA	.za Domain Name Authority

Foreword by the Interim Chairperson of the Board

Strategic Overview

The Universal Service and Access Agency of South Africa's (Agency) mandate supports the goals of the National Development Plan (NDP), which enables all people, regardless of who they are, their social or economic status, or where they live to access communication services and content. They can then participate actively in society and realise the benefits and opportunities of Information and Communication Technologies (ICTs).

USAASA is required to contribute towards the Revised Medium-Term Expenditure Framework (MTEF) 2019-2024 on the following two impact outcomes:

- *Unemployment reduced to 20-24% with 2 million new jobs, especially for youth.*
- *Economic growth of 2-3% and growth in levels of investment to 23% of Gross Domestic Product GDP[1].*

The Agency's intervention will address spectrum licensing, broadband roll out, and reducing the cost of communications, and this will facilitate the licensing of spectrum for 5th Generations Networks, and will ensure that 80% of the population has access to the internet by 2024. In addressing the interventions and the USAASA key milestones in terms of the Revised Strategic Plans 2020-2025 and Revised Annual Performance Plans 2020-2021, the Agency's commitments are as follows:

- **Implementation of BDM –Phase 1:** Depletion of decoder stock in South African Post Office (SAPO) in three prioritised provinces, i.e. Free State, Northern Cape and North West. USAASA is working closely with the Department of Communications and Digital Technologies (DCDT), Sentech and South African Post Office (SAPO), to install 860 000 set-top boxes in qualifying households.
- **Implementation of BDM – Phase 2:** Distribution of a voucher subsidy to 3.2 million indigent households. The vouchers will only be distributed to households with an available television set as the qualifying criteria require the subsidy to be paid to television households only. The vouchers will be distributed in five identified provinces, i.e. Eastern Cape, Mpumalanga, KwaZulu-Natal, Western Cape and Gauteng.
- **Broadband connectivity:** Roll out to municipalities, health centres and public schools: USAASA will provide internet broadband connectivity to 300 sites in King Sabata Dalindyebo, Mhlontlo, Ingquza Hill and Port St Johns local municipalities in OR Tambo District Municipality (Eastern Cape). This will guarantee the availability and sustained connectivity to schools, health centres, social institutions, and the local municipalities.

The USAASA Strategic Plan 2020-2025 has defined three outcomes to direct its efforts and focus to 2025 as follows:

- An optimised delivery system to support the achievement of the mandate.
- A respected thought leader on universal access and universal service.
- A well-governed and high-performance organisation and Fund delivering on its mandate.

Strategic Relations

I am happy to report that the Agency has forged formal strategic relationship with SAPO and Sentech for the roll out of the BDM Phase 1 on installing set-top boxes to qualifying households in three identified provinces. Further strategic relationships are being explored with the Broadband Infraco (BBI) and State Information Technology Agency (SITA). Both

[1] *Statistics from Medium-Term Strategic Framework 2019-2024 published by DPME.*

are State Owned Entities reporting for DCDT and will be leveraged for its capacity and expertise in the deployment of broadband services.

This will bring forth a connected South Africa that will greatly benefit deserving and unserved communities.

Governance Matters

USAASA was under the tutelage of the Administrator that plays the role of the Accounting Authority in terms of the Section 49 of the Public Finance Management Act, 1999 (PFMA) and the Chief Executive Officer responsible for direction and control of activities in terms of Section 83(1) of the Electronic Communications Act, 2005 (ECA) (Act. 36 of 2005 as amended by Act.1 of 2014) for period from 28 January 2020 to 27 January 2021. The Board faces a high vacancy rate at the executive management level and project execution level. The new Board was appointed on 28 February 2021 to provide oversight over the entity.

Budget Adjustment Implications on Functional Activities

The entity was also affected by the special budget adjustment process by Minister's Office. This meant budget reduction of *R3,496 million* in the 2020-2021 financial year for employees' costs from *R58,171 million* to *R54,675 million*. The capacitation of the Agency was prioritised and since USAASA is one of the entities affected reconfiguration process arising the implementation of the Cabinet approved National Integrated ICT White Paper in September 2016.

To this end the Agency has been repurposed into a Digital Development Fund (DDF) that will allow for the Fourth Industrial Revolution (4IR) implementation at grassroots level.

The capacitation was communicated through the circulation of memorandum content by the Executive Authority to all Boards reporting to Ministry. The memorandum outlines personnel can be employed in limited, critical positions once approved by the Minister. These appointments cannot undermine the reconfiguration process that arose from from the policy recommendations of the National Integrated ICT White Paper.

In the short to medium-term, the focus of the Board is to ensure the Agency is transformed into a high-performing organisation capable of delivering on its strategic outcomes and Annual Performance Plan (APP) commitments.

This will be realised by embedding the role of risk management in execution of monthly operational activities contained in the Annual Operational Plans. The monitoring and assurance of the Annual Operational Plans will ensure adequate measures are put in place to achieve the predetermined objectives. The improvement of external auditor's outcomes from unqualified opinion to clean audits is one of the key priorities to foster public confidence and trust in Agency's activities and financial affairs. This will lay a good foundation for the pending transformation of USAASA to the DDF.

Acknowledgements

In closing, I would like to thank the Interim Board for its resolute commitment in providing strategic guidance that will develop USAASA into a well-resourced entity. I feel confident that the Agency is optimally positioned to deliver on its mandate. Through dedication and teamwork, the USAASA management and staff can realise the Agency's strategic goals.

The continuous support from the Portfolio Committee on Communications and Communications and Digital Technologies Ministry in guiding USAASA towards its goal of inclusive participation in ICT for all must be acknowledged as it serves as a continuous reminder of the enormous responsibility USAASA has through the guidance of the Board in contribution to transforming South Africa into a digitally inclusive society and enabling digital transformation and 4IR.

I would also like to take this opportunity to thank the former Minister of Communications and Digital Technologies, Honourable Minister Stella Ndabeni-Abrahams for her sterling stewardship and contribution towards the connecting our nation while also warmly welcoming Honourable Minister Khumbudzo Ntshavheni, who has already expressed her commitment through valuable support and guidance.

Ms Daphne Zukiswa Kula-Rantho
Interim Chairperson of the Board
Universal Service and Access Agency of South Africa
29 July 2021

Board Members: Back from left: Talelani Enos Ramaru and Simphiwe Thobela. Seated from left: Daphne Zukiswa Kula-Rantho, Buhle Tonise and Mapuleng Moropa.

Foreword by the Acting Chief Executive Officer

Overview of the Operations of the Agency

The Universal Service and Access Agency of South Africa (Agency) is a critical developmental institution as identified in the Revised 2019-2024 MTEF. We play a crucial role in implementing the National Infrastructure Plan, which seeks to expand connectivity to communication technology for the general South African populace. The Agency is primary responsibility is to ensure the connective South Africa vision is fully realised as envisioned in the NDP.

With the surge of COVID-19 pandemic that impacted on USAASA service delivery environment and management took the opportunity presented by the Department of Planning, Monitoring and Evaluation on revision of the Annual Performance Plans 2020/21 and in October 2020, the Agency presented their revised plans in Parliament. All the revised key performance deliverables were achieved by year-end, March 2021.

The ongoing discussions on repurposing of the Agency apposing uncertainty and instability on operational activities and business continuity. As result of the eminent closure of the Agency in terms of the National ICT Integrated White Paper and the Agency cannot appoint a clearly deemed personnel, such as the Chief Executive Officer, Chief Financial Officer and other critical personnel required for the successful running of the day-to-day business activities in terms of executing the strategic thrusts and operational activities aligned to the approved budgets. This means the organisation is operating on a short-term management basis. The USAASA management letter for 2020/21 Financial Year is also indicative of this short-term management structure concern.

COVID-19 Implications on the Entity

Due to lockdown restrictions and COVID-19 protocols, staff members were predominantly working from home which resulted in low productivity, especially in the first few months of the regulated lockdown period. Stakeholder engagements and awareness campaigns were largely impacted, which are the helm of the project's delivery. Registrations at the South African Post Offices (SAPO) branches were impacted by closures to limit the spread of COVID-19, which compromised the highly effective working environment which stakeholders have become accustomed to.

Despite the catastrophic implications on the health and wellbeing of staff and stakeholders, as well as suffering losses of family and friends during the COVID-19 pandemic, the staff at USAASA displayed astonishing levels of empathy and resilience during these trying times. We commend the staff in taking on additional responsibilities, creating an internal support system and consistently upholding one another. USAASA was fortunate enough to not directly suffer any losses during this time, however we do share our thoughts and condolences to those that have suffered losses during the COVID-19 pandemic.

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.

General Financial Review of the Public Entity

USAASA recorded a total expenditure of R65,853 million or 24% against the total adjusted budget of R280,085 million (inclusive of retained funds amounting to R17,9 million and a baseline reduction of R3,496 million). Included in the total budget is an amount of R178 million that was specifically and exclusively earmarked for SAPO with regards to the distribution of the voucher system for Phase II of the BDM Project. This amount was not transferred in the 2020/21 financial year as the procurement process was not concluded by 31 March 2021.

Expenditure on Compensation of Employees respresented the biggest portion of the total expenditure recorded for the 2020/21 financial year which was R50,517 million or 77% out of the total expenditure of R65,853 million. Other main cost drivers were Lease/Rentals on Operating Lease of R4,887 million, Information and Telecommunication Cost of R3,240 million and Electricity and Municipal Services of R1,137 million.

It must be highlighted that the computer and office equipment, furniture, and vehicles have almost fully depreciated, and the replacement of, in particular, the computer equipment will have to be prioritised in the coming financial year. National Treasury approved the retention of funds from the 2019/20 financial year to *R17,9 million*, which will be utilised to replace electronic devices and the payment for legal fees.

The Agency is currently involved in reviewing legal matters, and it was confirmed that the contingent liability on 31 March 2021 was estimated at R314,557 million. Should the outcomes be unfavourable to USAASA, funding will have to be sourced outside the appropriation of the entity.

Rollovers

A total amount of *R218,254 million* on rollover funds in the 2020-2021 financial year has been requested from National Treasury for approval following the conclusion of the auditing process by AGSA.

Unauthorised, Irregular and Fruitless and Wasteful Expenditure

An amount of R35,336 million was recorded as Irregular Expenditure at 31 March 2021 of which R32,196 million stems from previous financial years. USAASA will deal with the irregular expenditure decisively in the following financial year. We are in the process of appointing a forensic investigator who will investigate and making recommendations to the Board.

Future Plans of the Agency

The Agency's focus in the medium-term will be to implement the recommendations of the Cabinet approved National Integrated ICT Policy Paper dated 28 September 2016. The Electronic Communications Act, 2005 (Act No. 36 of 2005 as amended by Act No. 1 of 2014), which is founding legislation for USAASA, will be amended to allow the dissolving of USAASA and repurposing of the Universal Service and Access Fund into a new Digital Development Fund (Digital–DF).

The main focus of the new fund will include the following:

- Extension of infrastructure.
- End-user and equipment subsidies to support access to a range of converged ICT applications and services for designated user groups, such as persons with disabilities and those that cannot afford such access.
- Supporting digital literacy and skill development where necessary.
- Funding to extend access to digital government services, including e-health and e-education programmes. This could include support for extending access through public programmes. This could include support for extending access through public "hot spots" via public entities, such as the South African Post Office.
- Support for innovative use by SMMEs of ICT to improve productivity, sustainability and competitiveness.

Public-Private Partnerships (PPP)

During the period under consideration, USAASA did not participate in any contractual transaction between a public-sector institution and a private party. The private party performs a function usually performed by the Agency using the funds appropriated through a budget vote.

Discontinued Activities/Activities to be Discontinued

The 2020-2021 financial year marks the first-year implementation of the USAASA 5 Year Strategic Plans 2020 -2025, and the entity discontinued no specific activities. The Agency took advantage of the Department of Planning, Monitoring and Evaluation, Circular No. 2 of 2020 on revision and re-tabling of the 2020-2025 Strategic Plans and 2020-2021 Annual Performance Plans to respond to the COVID-19 pandemic and special adjustment budget, and there were no activities discontinued as a result of the revisions and the budget cuts.

New or Proposed Activities

The revised strategic and operational activities by USAASA as a public entity will be focused on the revised USAASA Strategic Plan 2020-2025 and the achievement of the annualised targets for 2021-2022 USAASA APP and related budget.

To this end, the Agency will work hard to reach each household, bridging the digital divide and accelerating our efforts to bring connectivity to all South Africans.

Supply Chain Management

USAASA did not conclude any unsolicited bid proposals during the period under consideration. Therefore, all the bid proposals were executed within the approved Procurement Plan 2020-2021 approved by the Board and the budget allocation as per the approved USAASA Annual Performance Plan 2020-2021. The Supply Chain Management Unit currently does not experience any significant challenges, although it operated with skeleton stuff for the more significant part of the financial year due to the suspension of the official in Finance and Supply Chain Management.

USAASA didn't conduct any major procurement relating to acquisition of personal protection equipment (PPE) and it only confined the procurement to the formal written request for quotations (RFQ) for USAASA staff and buildings. Assistance was also focussed to provincial offices due to the nature of their work.

Gifts and Donations Received in Kind from Non-related Parties

There were no gifts and donations received from non-related parties during the period under review as there are no disclosures in the Annexures for Financial Information in this regard.

Exemptions and Deviations Received from the National Treasury

USAASA did not request any exemption from the Public Finance Management Act, 1999 / Treasury Regulations, or financial reporting requirements during the financial year.

Events after the Reporting Date

On 7 June 2021 USAASA was served with a Notice of Motion whereby the liquidators on behalf of the VBS Bank(in liquidation) claimed damages from USAASA resulting from an alleged breach of letter of undertaking issued by USAASA which USAASA will duly defend.

The Year Ahead

The Agency will be remodelling its business operations to achieve the critical priority projects such as the broadband infrastructure roll out in underserviced areas and the fast-tracking of the roll out of the set-top boxes in qualifying households to achieve the goals of the Broadcasting Digital Migration Policy.

Acknowledgements

We continue to play a crucial role in improving the lives of South Africans through the use of ICT as a critical enabler of economic activity in an increasingly networked world. Together management and the agency staff share the same common objectives and unwavering support in achieving the mandate of USAASA and working toward the achievement of the 2020-2025 USAASA Strategic Plans approved by Parliament on recommendations the Executive Authority.

On behalf of the management and staff of the Agency, I would like to express my humble gratitude to the former Executive Authority, Honourable Minister Stella Ndabeni –Abrahams, for her continuous support and commitment to the country's vision of a connected South Africa.

It is with great enthusiasm, that I welcome the new Minister of Department of Communications and Digital Technologies, the Honourable Minster Khumbudzo Ntshavehni, we are excited to serve under her leadership.

Further acknowledgement is extended to the former Administrator, Mr Basil Ford, for his stewardship in refining the project execution methodology of key priority projects.

I would also like to extend our gratitude to the Acting Director General of DCDT, Ms Nonkqubela Thathakahle Jordan-Dyani for her unwavering support and oversight role she has played to the entity.

The reported performance could not have been achieved without the support and guidance of the USAASA Board, the commitment and hard work of every staff member and the performance under extreme circumstances by the management of USAASA.

The continued dedication and participation by our stakeholders, government departments and parliamentary committees, allowed USAASA to remain relevant and contribute to its sector during a very difficult year.

Ms Chwayita Wendy Madikizela
Acting Chief Executive Officer
Universal Service and Access Agency of South Africa
29 Juiy 2021

Statement of Responsibility and Confirmation of the Accuracy of the Annual Report

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General.

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 Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

The Accounting Authority is responsible for preparing the annual financial statements and 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 entity's financial affairs for the financial year ended 31 March 2021.

Yours faithfully

Ms Chwayita Wendy Madikizela
Acting Chief Executive Officer
29 July 2021

Ms Daphne Zukiswa Kula-Rantho
Interim Chairperson of the Board
29 July 2021

Strategic Overview

Our Mandate

In response to the strategic priorities of the Sixth Administration, and informed by instructing legislation and policy, the Universal Service and Access Agency of South Africa (USAASA) has defined its role/purpose (primary objectives) in the 2020-2025 Strategic Plan as to:

1) Strive to promote the goal of universal access and universal service.
2) Foster the adoption and use of new methods of attaining universal access and universal service.
3) Conduct research into and keep abreast of developments in the Republic and elsewhere on information communication technologies, electronic communication services and electronic communication facilities; and continually survey and evaluate the extent to which universal access and service have been achieved.
4) Manage the Universal Service and Access Fund (USAF) in accordance with the provisions of the Act.

Aligned to this understanding, USAASA then articulates its strategic focus – its vision, mission and its institutional values – for the period 2021/22–2024/25 as follows:

USAASA VISION

Universal ICT access and service for all.

USAASA MISSION

To promote and pursue the goal of universal access and service, and to contribute to the sharing and preservation of information to build South Africa's sustainable knowledge society.

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

- Facilitate the roll out of adequate ICT infrastructure to enable universal access in underserviced areas in South Africa.
- Facilitate ICT service to underserviced areas, thereby reducing poverty and unemployment in South Africa.

USAASA VALUES

Batho Pele
We believe in providing excellent, efficient and effective service to all customers and stakeholders.

Integrity
We uphold high standards of trust, condemn bribery and corruption; maintain honesty and respect in all interactions with stakeholders.

Accountability
We foster employee ownership and responsibility in ensuring quality service.

Innovation
We support employee creativity in delivering all our services.

Transparency
We encourage openness in all our activities.

Teamwork
We strive to create a harmonious work environment where all employees and contributors are respected.

USAASA IMPACT STATEMENT

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

Outcomes

Outcome 1: An optimised delivery system to support the achievement of the USAF mandate.	**Outcome 2:** A respected thought leader on universal access and universal service.	**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 with the delivery structure of USAASA and the development of outputs, performance indicators, and annual and quarterly performance metrics, as outlined in the rolling Annual Performance Plans over the period of the Strategic Plan.

In this Annual Performance Plan, the 2020/21 planning priorities, outputs, performance indicators, annual targets and budget allocations are reflected against the outcomes of the Strategic Plan.

Legislative and Other Mandates

The Universal Service and Access Agency of South Africa (USAASA) was established under the Electronic Communications Act, 2005 (Act No. 36 of 2005 as amended by Act No. 1 of 2014) to promote the goals of universal access and universal service in the underserviced areas of South Africa. 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 underserviced 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 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 licences and new social obligations; to provide for the control of the radio frequency spectrum; to provide for the continued existence of the Universal Service Agency and the Universal Service Fund; and to provide for matters incidental thereto.

In executing its role, the Fund is also guided, among others, by:

- The Constitution of the Republic of South Africa,1996 (Act No. 108 of 1996)
- The Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended)
- The Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- The Infrastructure Development Act, 2014 (Act No. 14 of 2014).

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 an increase in 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 that is the central organising framework guiding the rolling 5-year implementation and monitoring of the NDP, Vision 2030.

Institutional Policies and Strategies

The Agency's 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', which was gazetted on 6 December 2013. SA Connect is a four-pronged strategy consisting of four sub-strategies that will move the country from the current state to achieving its targets over the next 10 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 ICT Policy White Paper, 28 September 2016	The National Integrated ICT Policy White Paper that Cabinet approved on 28 September 2016 will have implications on 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. The establishment of a Digital Development Fund will effectively remove USAASA's policymaking and regulatory functions, leaving the organisation free 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 ways and means to make STBs affordable and available to the poorest TV-owning households. This support by government should be seen as part of its commitment to bridge the digital divide in South Africa. The government has therefore decided, as mandated in Section 88(1) (a) of the Electronic Communications Act, to subsidise poor TV-owning households through USAF.

Organisational Structure

PART B Performance Information

DIGITALLY TRANSFORMING INDIGENT

Auditor's Report: Predetermined Objectives

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

Refer to page 66 of the Auditor's Report, published as Part E: Financial Information.

Situational Analysis

The Universal Service and Access Agency of South Africa executes its mandate and seeks to achieve its vision and mission in a complex environment, impacted by global, national, and provincial events, directly affecting the pursuit of its desired impact and delivery on its mandate.

External Environmental Analysis

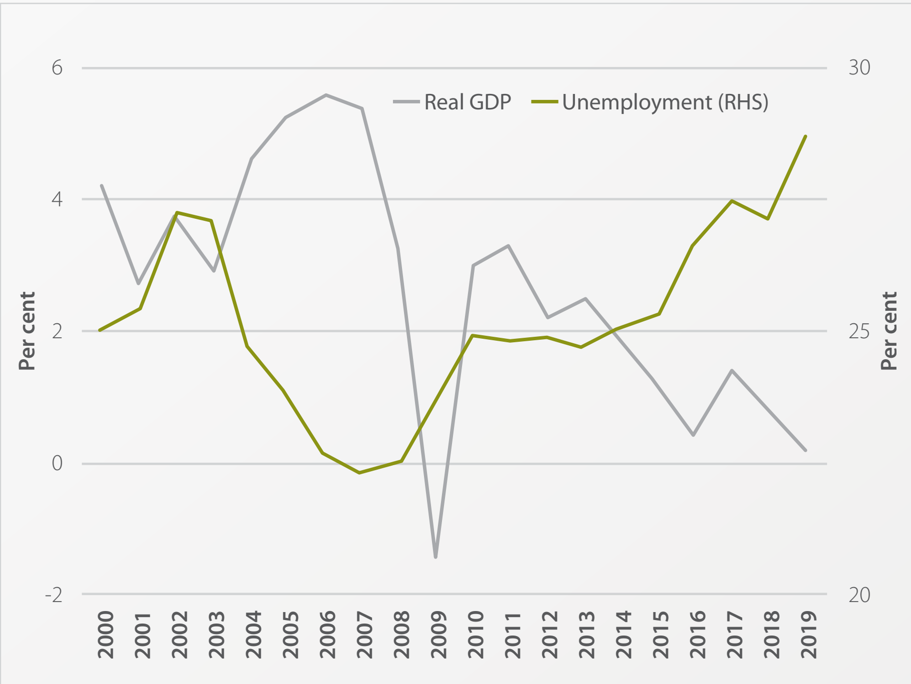
Macro-Economic Environment

The global shock prompted by the COVID-19 pandemic and unprecedented restrictions designed to protect public health led to a sharp contraction in the domestic economy. Government interventions have cushioned the impact on workers and businesses, but have not offset the complete decline. South Africa's economic growth is forecasted to fall by 7.2% in 2020 due to the crisis, the March and April 2020 credit rating downgrades, and the compounding effects of weak investor confidence. The economic outlook is highly uncertain.

However, this crisis also presents an opportunity to enact significant reforms. As the President noted in his 21 April 2020 address, to break with a pattern of weak growth and overcome structural inequality, the South African economy cannot merely return to where it was before the pandemic. Forging a new economy in a changed global reality will require a social partnership between business, labour, communities and government.

The government will take the necessary measures to stabilise mounting public debt over the medium term. Moreover, it will consult with the private sector, trade unions, and civil society on the reforms needed to chart a faster, inclusive economic growth path in the months ahead. A package of proposed fiscal and economic reforms will be set out in the 2020 Medium-Term Budget Policy Statement (MTBPS).

Figure 3.1 GDP Growth and Unemployment



Economic Impact and Response to Pandemic

The global economic contraction brought about by COVID-19 has unfolded with unprecedented speed, hitting developing countries particularly hard. According to the World Bank, in 2020 developing economy output is expected to contract for the first time in at least 60 years.

Global and Domestic Policy Response

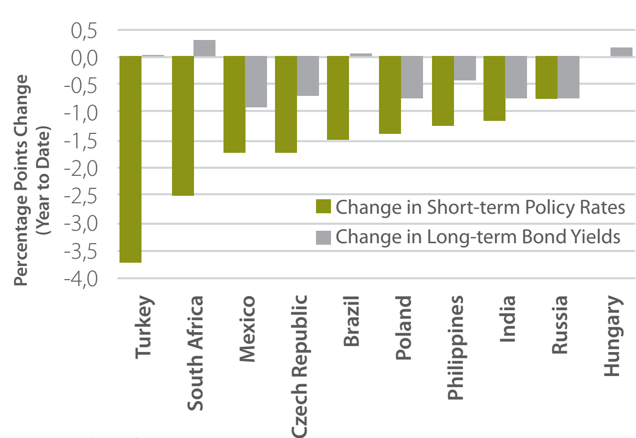
In response to the pandemic, governments worldwide have increased health spending, introduced restrictions on economic activity to limit the spread of the virus, and taken steps to alleviate the effect of lockdowns on households and businesses. Authorities have prioritised income support and wage subsidies for workers, as well as tax relief, lower interest rates and favourable loan schemes to support businesses.

Developing countries face a particular challenge in responding to the protracted effects of the coronavirus. Many governments had borrowed heavily in recent years; thus, they had little or no fiscal space available as COVID-19 set in. While external financing of approximately US$1 trillion from the International Monetary Fund (IMF) and the World Bank has provided support for countries in need, access to multiple funding sources is critical.

Global financial markets have been severely disrupted, with extreme volatility and capital outflows from developing countries exceeding the peaks reached during the 2008 global financial crisis. Central bank actions have helped to stabilise markets, but volatility remains high.

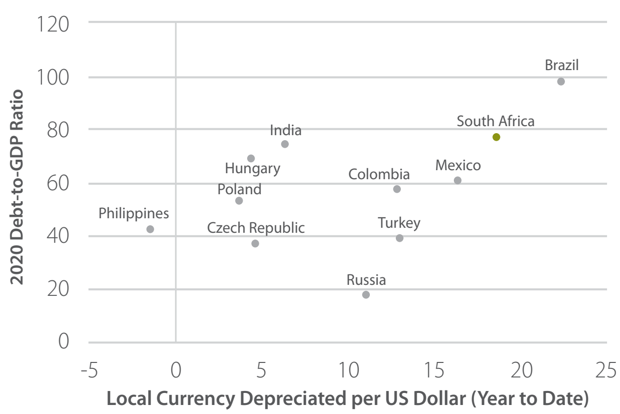
The Rand has depreciated by 18.1% against the US dollar since January 2020. In comparison, an index of emerging-market currencies weakened by 4.6% over the same period. South Africa's risk premium – the additional return that investors demand to compensate for higher levels of risk – stood at 5.2% on 15 June 2020, compared with 3.2% at the end of 2019. Bond yields have stabilised due to Reserve Bank purchases of government bonds, but remain higher than before COVID-19. This indicates uncertainty about South Africa's longer-term growth and fiscal position, and means the government pays more to borrow money.

Figure 3.2 Developing-country Interest Rates



Source: Bloomberg

Figure 3.3 Developing-country Currencies and Debt



Source: IMF (Debt-to-GDP Forecast, April WEO), IHS Global Insight

To limit the impact of the pandemic on the economy, the Reserve Bank has reduced the repurchase rate to 3.75%, its lowest level since 1973, providing relief to indebted households and businesses. Banking sector regulations have been eased to encourage lending. Banks have provided R30 Billion in relief to customers.

The Government's R500 Billion fiscal relief package provides significant support to households and businesses. However, the government's weak fiscal position going into the crisis cannot fully offset the pandemic effects.

Steep Contraction Across all Economic Sectors

To protect South Africans and prevent the public health system from being overwhelmed, the Government restricted most economic activity from 26 March to 1 June 2020.

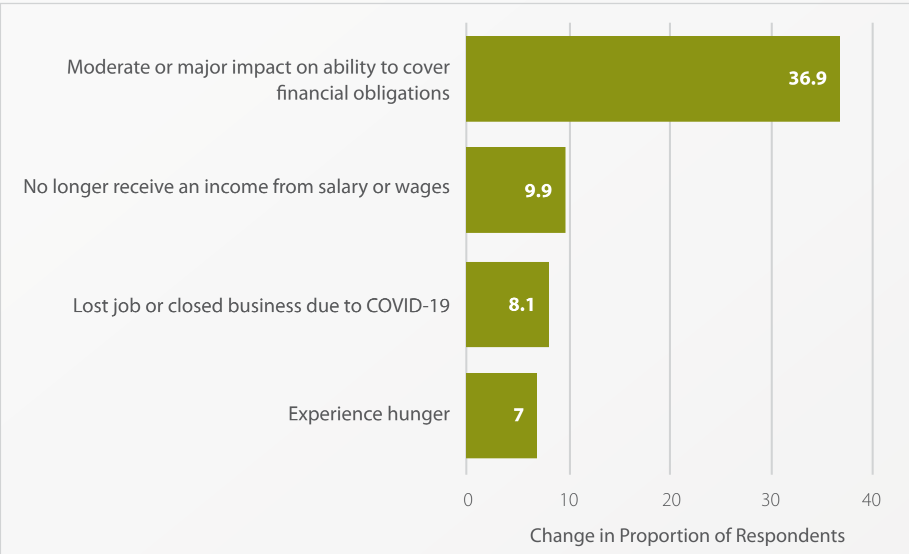
The lockdown has taken a severe toll on an already fragile economy. The limited data available suggests a steep contraction across all sectors over the past three months. Construction, retail, and hospitality were severely hit, and retail sales restrictions had significant knock-on effects across the economy. Reduced global demand, border closures, and uncertainty about the application of lockdown regulations, further hampered activity.

Table 3.1 Impact of the Pandemic on the Trading Status by Sector[2]

Percentage	Trading at Full Capacity	Trading at Partial Capacity	Permanently Ceased Trading	Temporarily ceased Trading
Agriculture, Hunting, Forestry and Fishing	11.8	22.4	11.6	54.2
Mining and Quarrying	5.6	72.2	-	22.2
Manufacturing	7.5	48.0	6.1	38.4
Electricity, Gas and Water Supply	12.8	43.6	-	43.6
Construction	0.6	18.5	13.7	67.2
Trade	4.6	29.6	5.9	59.9
Transport, Storage and Communication	7.8	58.9	8.9	24.4
Real Estate and other Business Services	13.8	57.3	4.1	24.8
Community, Social and Personal Services	8.5	32.5	12.0	47.0
Other	6.9	35.3	6.0	51.8

Statistics South Africa (Stats SA) data shows that for the first two weeks of April, nearly 90% of businesses reported below-normal turnover, 48% ceased activity temporarily, and 9% permanently closed operations. Business confidence in the second quarter of 2020, as measured by the BER/RMB index, reached its lowest level since the series began in 1975.

Figure 3.4 Proportion of Households in Financial Difficulty[3]



Since March 2020, consumers at all income levels have reduced spending. The crisis is likely to increase hardship, particularly for those in informal or low-skilled jobs. The reduced activity has led to intense downward pressure on pricing power for essential goods.

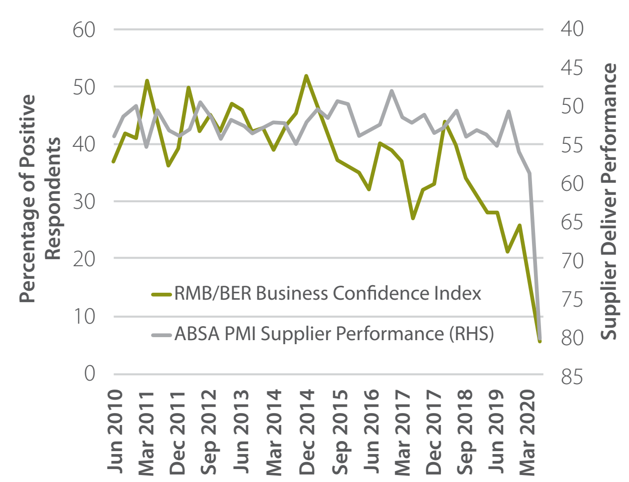
Restrictions are now easing, enabling firms to do business and allowing more workers to earn a living.

[2] *Percentage of 2 182 respondents surveyed from 14-30 April 2020 Source: Statistics South Africa.*
[3] *Percentage of 2 688 respondents surveyed between 29 April and 6 May 2020 Source: Statistics South Africa.*

Figure 3.5 Electricity Usage

Source: Eskom

Figure 3.6 Business Confidence and Performance



Source: IHS Global Insight

It is too early to estimate the magnitude of the longer-term effects of the pandemic on business survival and employment. However, the economy's weakness before the onset of COVID-19 suggests elevated risks of business and job destruction under current policies.

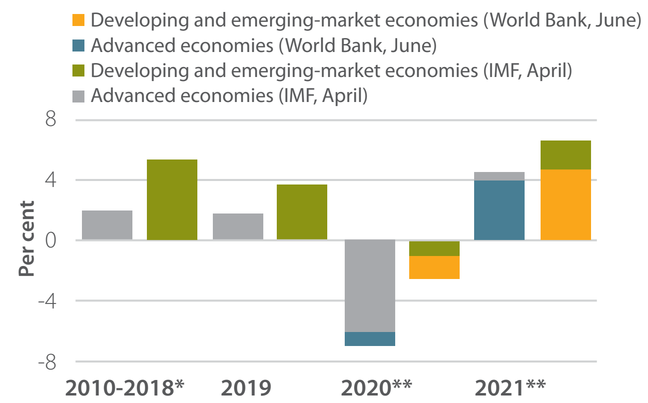
Economic Outlook

High levels of uncertainty about the spread of COVID-19, and its containment and treatment, have complicated decision-making for businesses, investors and households the world over. In addition, regular economic surveys have been disrupted and delayed, making policymakers more reliant on smaller, less representative surveys. As a result, estimating the economic impact over the period ahead is exceedingly tricky. While the scenarios outlined in this special adjustments budget are intended to illustrate potential policy outcomes, data and projections may change significantly in the months ahead.

Global Outlook

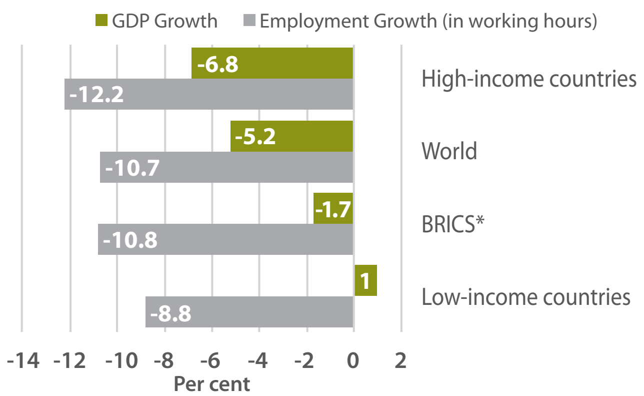
In June 2020, the World Bank forecasted a 5.2% contraction in global GDP in 2020. This would mark the deepest global recession since the Second World War, and the broadest collapse in per capita incomes since 1870.

Figure 3.7 Evolution of Global Growth Forecast



Source: IMF (April 2020), World Bank (June 2020)
**Average **Forecast*

Figure 3.8 Growth and Employment in 2020



Source: World Bank (growth), ILO (working hours)
**Brazil, Russia, India, China and South Africa*

Tens of millions of workers have lost their jobs, and many more have seen their hours reduced. Trade tensions remain elevated, particularly between the US and China. The IMF's global forecasts, on which the National Treasury bases its projections, are likely to be revised lower later in June 2020.

Weak global growth has resulted in a decline in commodity prices since January, with oil prices down by about 40%. An exception has been the gold price, which has risen by 13%, owing to safe-haven demand. As a result of these changes, South Africa's terms of trade are forecasted to be positive in 2020, but these gains are expected to dissipate over time.

The Domestic Economy in 2020

The economy grew by just 0.2% in 2019. As the government's fiscal position deteriorated, the ratio of investment to GDP fell to 17.9%, the lowest since 2005. The unemployment rate reached an 11-year high of 29.1%. The 2020 *Budget Review* forecasted growth of 0.9% for 2020. That forecast proved optimistic given the unexpected contraction in the fourth quarter of 2019, which emerged after the budget was tabled in Parliament, but before the onset of COVID-19.

The National Treasury forecasts that the economy will contract by 7.2% in 2020. Business confidence will remain near historic lows, and investment and employment will drop below last year's levels.

Household consumption will remain constrained by reduced income – from wages, commissions, bonuses and financial assets – as well as low job growth. Inflation will be contained in the near term due to the collapse in demand, low imported inflation and moderate food price pressures. Weak activity will reduce the current account deficit, which is expected to be fully funded by foreign inflows.

The 2020 outlook may deteriorate further if the global economy continues to weaken or economic activity is curtailed again to protect public health. A failure to attract sufficient international capital to finance the current account deficit would also constrain growth.

The Growth Trajectory Beyond 2020

Global trends heavily influence South Africa's economic outlook. However, it is primarily domestic fiscal policy measures and implementation of economic reforms over the next six to 12 months to determine the growth trajectory over the next several years. These will be outlined in the 2020 MTBPS.

Critical risks to the economy include continued volatility in global financial markets, sudden interruptions in capital inflows, the reliability of electricity supply, additional commitments to fund financially distressed state-owned companies, low levels of confidence, policy uncertainty and concerns about the government's commitment to the independence of the central bank.

In a scenario in which strict fiscal policy and broader economic reforms are not implemented, there would be a further prolonged weakness in economic growth, currency depreciation and higher borrowing costs.

Cabinet has endorsed an active approach that will adjust expenditure to a sustainable level and improve spending efficiency to avoid these outcomes. This approach will build confidence and bolster investment as significant economic reforms are implemented. As confidence in the fiscal strategy grows, South Africa's risk premium will decrease, and long-term savings will flow into the country. Over the longer term, to ensure fiscal policy certainty, capital stock will need to be rebuilt and new ways of working will incentivise firms to invest.

Table 3.2 shows a relatively conservative projection of medium-term economic growth, given elevated risks of global and domestic shocks and low growth and productivity outcomes over the past several years. Concerted implementation of cross-cutting reforms could result in economic growth exceeding these estimates.

Table 3.2 Active Scenario Outlook

Percentage Change	2010-2018[4]	2019	2020	2021	2022	2023
Real GDP growth	1.9	0.2	-7.2	2.6	1.5	1.5
GDP inflation	5.7	4.0	4.0	3.9	4.4	4.6
GDP at current prices (R billion)	3 811.9	5 077.6	4 900.2	5 227.9	5 536.1	5 873.4
CPI inflation	5.3	4.1	3.0	3.9	4.3	4.5

Sources: National Treasury, Reserve Bank and Statistics South Africa

[4] *Average growth rates.*

Cross-cutting Reforms to Boost Long-term Growth

Over the past decade, South Africa has experienced weak economic growth well below the population growth rate. COVID-19 has destroyed productive capacity and is changing the global economy. In this context, deeper reforms than previously outlined will be required to lift growth meaningfully over five years.

Raising domestic savings levels and removing barriers to long-term investments, both domestic and foreign, are key reform objectives. South African firms need greater support to innovate, including moving towards a greener economy, raising productivity, and seeking export markets.

The Government envisions a package of economic reforms that will improve productivity, lower costs and reduce the demands of state-owned companies on the public purse. These measures include finalising electricity determinations, unbundling Eskom and taking other steps to open up energy markets, modernising ports and rail infrastructure, and the licensing spectrum. Additional reforms, in line with *Economic Transformation, Inclusive Growth, and Competitiveness: Towards an Economic Strategy for South Africa*, include:

- Lowering the cost of doing business, reducing red tape and improving access to development finance for small, medium and micro enterprises.
- Support for agriculture, tourism and other sectors with high job creation potential.
- Facilitating regional trade.
- Reducing the skills deficit by attracting skilled immigrants.
- Revamping the skills framework, and undertaking a range of reforms in primary education and the post-school environment to improve outcomes for workers and the firms that can employ them.

To realise the full benefits of these reforms on the economy's growth potential over the long term, implementation should begin.

This challenging macro-economic environment implies that USAASA needs to deploy its limited resources optimally to pursue its mandate, requiring efficiency, effectiveness and economy in its operations and management.

Organisational Environment

The Agency's operational activities were adversely impacted by lockdown regulations and adjusted lockdown regulations issued in the Disaster Management Act No. 57 of 2002. This meant the organisation had to shut down its operational activities and workers were required to execute their daily task responsibilities remotely from home. This affected some of the annual performance targets, such as the implementation of the Workplace Skills Plan's Training Matrix, which dovetails with the employee-specific individual training interventions designed to enhance employee output and skills with regard to discharging their day-to-day operational duties and activities.

Most institutions were not ready for the COVID-19 pandemic business disruptions as most were not offering online or remote training; most of the training was on-site. As a result of the lockdown regulations, training institutions were closed as physical contact was prohibited. This resulted in most of the employees not attending scheduled courses as per the approved Training Matrix. A major contributor towards the performance target not being achieved was failure to explore remote learning or online training interventions.

As pronounced in the AGSA Management Letter for the 2020/21 financial year on the audit findings register, management instability is a significant contributor to the entity's in-year and end-year performance outcomes. The entity operated at critical-level vacancies with a high vacancy rate, which drive organisational accountability and project execution. The acting people cannot be held fully accountable, which contributed to organisational instability. The organisation operated with an Interim Chief Financial Officer and Acting Executive Corporate Services. This meant some of the findings on the Audit Action Plan were not fully addressed. This also affected the performance delivery and performance information reporting. Some of the outstanding work and tasks fell between the cracks and could not be tracked or monitored for accountability purposes.

The Finance and Supply Chain Management, which is mainly responsible for budget management and monitoring, operated for most of the financial year with skeleton staff as most personnel were suspended. This meant poor execution of the procurement plans and monitoring of payments due to creditors. Moreover, the monitoring of the 30 days' payment of valid invoices from the time of receipt, as prescribed in National Treasury Instruction Note 34 could not be achieved as the unit could not monitor the validity of the invoices or check compliance matters regarding the invoices submitted. This affected compliance of the 30 days' payment Annual Performance Target.

The SAP-ERP system, which was rolled out as part of the implementation of the digital transformation strategy within the Agency, also contributed adversely to the operational activities and performance delivery environment of the institution. Most of the financial transactions, leave authorisations, procurement requisition approvals, and financial reporting are on the system, but the lack of maintenance and support rendered the system redundant. This meant interim support needed to be sourced, which caused business disruption.

In terms of the performance information monitoring and reporting on a quarterly basis, the entity achieved the following performance outcomes:

- **For quarter 1 (2020-2021):** The Agency planned seven targets, out of which the entity achieved four targets, which represents 57% achievement by the end of the quarter.

- **For quarter 2 (2020-2021):** The Agency planned four targets, out of which the entity achieved one target, which represents 25% achievement by the end of the quarter.
- **For quarter 3 (2020-2021):** In terms of the revised Annual Performance Plans 2020-2021 following Circular No. 2 of 2020 from DPME dated 20 May 2020 on the revision and re-tabling in Parliament of the 2020-2025 Strategic Plans and 2020-2021 Annual Performance Plans to respond to the COVID-19 pandemic and special adjustments, the Agency planned two targets, which were achieved, representing 100% achievement by the end of the quarter.
- **For quarter 4 (2020-2021):** The Agency planned two targets, which were achieved, resulting in 100% achievement by the end of the quarter.

Summary of the USAASA Performance for 2020–2021 Financial Year

Annual Targets	Original Tabled USAASA APP		Revised Tabled USAASA APP		
	Q1	**Q2**	**Q3**	**Q4**	**Cumulative**
Workplace Skills Plan (WSP) aligned to USAASA and USAF mandate developed and implemented	Achieved	Not achieved	Removed from the APP	Removed from the APP	Achieved
Enterprise risk maturity assessment conducted to establish a baseline	Achieved	Achieved	Achieved	Achieved	Achieved
100% of valid invoices paid within 30 days from date of receipt	Not achieved	Not achieved	Removed from the APP	Removed from the APP	Not achieved
Two critical vacant positions in the organisational structure filled	Subsequently achieved in Q2	Not target planned	Not target planned	Not target planned	Achieved
PMO services procure installation of BDM STBs roll out by PMO, PMO services and personnel capacitation	Not achieved	Not achieved	Not target planned	Not target planned	Not achieved
Appointment of organ(s) of state to manage broadband connectivity	Not achieved	Not target planned	Not target planned	Not target planned	Not achieved
Universal Access and Universal Service geographic information mapping capability plan approved	Achieved	Subsequently achieved in Q3	Achieved	Achieved	Achieved
Total achieved	**4 of 7**	**1 of 4**	**2 of 2**	**2 of 2**	
Percentage achievement (quarterly)	**57%**	**25%**	**100%**	**100%**	
Cumulative Performance on Annual Targets					**43%**

For the period under review (Q4), USAASA achieved both their targets (100% achievement). Cumulatively, USAASA achieved 43%, which is an achievement of three out of seven annual targets.

Key Policy Developments and Legislative Changes

In the period under review, there were no notably critical policy development or legislative changes in the USAASA performance delivery environment. The 2020 Revised Fiscal Framework issued by the Minister of Finance on 24 June 2020 resulted in a reduction in the budget for the compensation of employees of USAASA by an amount of R3,496 million in the 2020-2021 financial year, from *R58,171 million* to *R54,675 million*. This reduced the total budget allocation from *R265,681 million* to *R262,185 million* for the 2020/21 financial year.

Progress Towards the Achievement of Institutional Impacts and Outcomes

Outcome	Outcome Indicator	Progress Towards Achievements
1. An optimised delivery system to support the achievement of the mandate	Establishment of an Operations Centre and Universal Access & Service monitoring functionality	The establishment of the functional National Operations Centre to monitor the performance of the broadband sites in identified local municipalities, using a remote monitoring system has been put in abeyance due to limited funding and the pending repurposing of USAASA to the Digital Development Fund (National ICT Integrated White Policy approved by Cabinet on 28 September 2016). The Agency is exploring leveraging capacity within state-owned entities such as Broadband Infraco and State Technology Information Agency to monitor the remote sites, as these SOEs already have that capacity built into their operations.
2. A respected thought leader on universal access and universal service	Universal access and universal service trend reports produced	The Geographic Information System (GIS) mapping capability plan to monitor universal access and universal service to communities and underserviced areas has been developed. Due to the budget adjustment process by the Minister of Finance through the 2020 Revised Fiscal Framework, this commitment has been put in abeyance pending the availability of funds.
3. A well-governed and high-performance organisation delivering on its mandate	USAASA External Audit outcome	In the 2020/21 financial year, the Agency received an unqualified audit outcome with emphasis on matters. The Agency has established a budget committee to monitor and reduce wasteful and fruitless expenditure and eliminate irregular expenditure. The Agency is in the process of appointing a forensic investigation audit firm to investigate irregularities in the appointment of services providers and poor execution of the projects implemented, which resulted in the organisation incurring wasteful and fruitless expenditure and irregular expenditure.

Institutional Programme Performance Information

Business Support

Programme Purpose

Programme 1: Business Support aims to provide strategic leadership, management and support services to the Agency and USAF.

Programme Outcomes, Outputs, Output Indicators And Targets

In contributing towards USAASA's progressive realisation of the goal of universal access and universal service in South Africa, the Business Support programme delivers against the following outcomes reflected in the Strategic Plan:

Outcome 1: An optimised delivery system to support the achievement of the mandate

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

Programme 1 - Business Support: Outcomes, Outputs Indicators and Annual Targets: Original USAASA Tabled APP 2020 – 2021

Outcome	Outputs	Output Indicators	Audited Actual Performance			Estimated Performance	Medium-Term Targets		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1: A well-governed and high-performance organisation and Fund, delivering on its mandate	Skilled workforce	Approved and improved WSP aligned to USAASA and USAF mandate	-	-	-	New Indicator	WSP aligned to USAASA, and USAF mandate developed and implemented	WSP aligned to USAASA, and USAF mandate developed and implemented WSP aligned to USAASA, and USAF mandate developed and implemented	WSP aligned to USAASA, and USAF mandate developed and implemented
	Improved risk management services	USAASA enterprise risk maturity level established	-	-	-	New Indicator	Enterprise risk maturity assessment conducted to establish a baseline	Enterprise risk maturity level from 2019/20 baseline improved	Enterprise risk maturity level from 2019/20 baseline improved
	Compliance, sound financial management and internal controls	Percentage of valid invoices paid within 30 days of receipt	-	-	New Indicator	100% of valid invoices paid within 30 days of receipt	100% of valid invoices paid within 30 days of receipt	100% of valid invoices paid within 30 days of receipt	100% of valid invoices paid within 30 days of receipt

Programme 1 - Business Support: Outcomes, Outputs Indicators and Annual Targets: Original USAASA Tabled APP 2020 – 2021 *contd.*

Outcome	Outputs	Output Indicators	Audited Actual Performance			Estimated Performance	Medium-Term Targets		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1: A well-governed and high-performance organisation and Fund, delivering on its mandate	Capacitate the organisation	No of the critical vacant positions in the organisational structure filled	-	-	-	New Indicator	Key vacant positions in the organisational structure filled	Key vacant positions in the organisational structure filled	Key vacant positions in the organisational structure filled
2: An optimised delivery system to support the achievement of the mandate	Project Management Office to manage STB Installations	Appointment of the project management office	-	-	-	New Indicator	PMO services procured. Installation of BDM STBs roll out by PMO as per USAF targets	BDM phase 2 rolled out by PMO as per USAF targets	BDM phase 2 rolled out by PMO as per USAF targets
	Partnership with organ(s) of state to provide and to monitor broadband connectivity	Approved partnership with organ(s) of state to provide and to monitor broadband connectivity	-	-	-	New Indicator	Partnership with organ(s) of state established to provide and to monitor broadband connectivity	Partnership with organ(s) of state established to provide and to monitor broadband connectivity	Partnership with organ(s) of state established to provide and to monitor broadband connectivity

Programme 1 - Business Support: Outcomes, Outputs Indicators and Annual Targets: Revised USAASA Tabled APP 2020 – 2021

1: A well-governed and high-performance organisation and the Fund, delivering on its mandate	Skilled workforce	Approved and improved WSP aligned to USAASA and USAF Mandate	-	-	-	New Indicator	WSP aligned to USAASA and USAF mandate developed and implemented	-	-
	Improved risk management services	USAASA enterprise risk maturity level established	-	-	-	New Indicator	Enterprise risk maturity assessment conducted to establish a baseline	Enterprise risk maturity level from 2020/21 baseline improved	Enterprise risk maturity level from 2021/22 baseline improved

Programme 1 - Business Support: Outcomes, Outputs Indicators and Annual Targets: Revised USAASA Tabled APP 2020 – 2021 *contd.*

Outcome	Outputs	Output Indicators	Audited Actual Performance			Estimated Performance	Medium-Term Targets		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1: A well-governed and high-performance organisation and Fund, delivering on its mandate	Compliance, sound financial management and internal controls	Percentage of valid invoices paid within 30 days from date of receipt	-	-	New Indicator	100% of valid invoices paid within 30 days of receipt	100% of valid invoices paid within 30 days of receipt	-	-
	Capacitate the organisation	No of the critical vacant positions in the organisational structure filled	-	-	-	New indicator	Two critical vacant positions in the organisational structure filled	-	-
2: An optimised delivery system to support the achievement of the mandate	Project Management Office to manage STB Installations	Appointment of Project Management Office	-	-	-	New Indicator	PMO services and personnel capacitation	-	-
	Partnership with organ(s) of state to provide and to monitor broadband connectivity	Approved partnership with organ(s) of state to provide and to monitor broadband connectivity	-	-	-	New Indicator	Appointment of organ(s) of state to manage broadband connectivity	Appointment of organ(s) of state to manage broadband connectivity	Appointment of an organ(s) of state to manage broadband connectivity

Approved Workplace Skills Implemented

Programme / Sub-programme:									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until Date of Re-tabling	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs / Output Indicators / Annual Targets
A well-governed and high-performance organisation and Fund, delivering on its mandate	Skilled labour force	Approved and implemented WSP aligned to USAASA and USAF mandate	-	-	WSP aligned to USAASA and USAF mandate developed and implemented	Not achieved The WSP was developed and approved by the Accounting Authority and submitted to Media. Information and Communication Technology (MICT) SETA	The COVID-19 lockdown restrictions imposed by government rendered it impossible for the employees to attend the scheduled training on-site, which contributed immensely to the non-achievement of the planned target	The approved Training Matrix that forms part of the WSP was not achieved due to the COVID-19 lockdown restrictions Failure to explore online training as an alternative means to address the institution's training requirements was a key contributing factor to the non-achievement of the target by year-end	The COVID-19 lockdown rendered it impossible for staff to attend training as all on-site training and physical contact were restricted, and training institutions were closed. The annual target was therefore removed from the Annual Performance Plan
Key Vacant Positions Filled in Organisational Structure									
A well-governed and high-performance organisation and Fund, delivering on its mandate	Capacitate the organisation	Key vacant positions in the organisational structure filled	-	-	Two critical vacant positions in the organisational structure filled	Achieved The Executive Manager for Operations and the Interim Chief Financial seconded by DCDT were appointed to fill in the two critical vacant positions in the approved organisational structure	Not applicable	Not applicable	Not applicable

Enterprise Risk Maturity Level Established

Programme / Sub-programme:									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until Date of Re-tabling	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs / Output Indicators / Annual Targets
A well-governed and high-performance organisation and Fund, delivering on its mandate	Improved risk management services	Approved and implemented WSP aligned to USAASA and USAF mandate	-	-	Enterprise risk maturity assessment conducted to establish a baseline	Achieved Enterprise risk maturity assessment was conducted to establish baseline. The risk maturity level was determined to be at level three (43%) for quarter 4, compared to level 2 (32%) in quarter 2 by year-end	Not applicable	Not applicable	Not applicable

Payment of Valid Invoices within 30 Days from Date of Receipt

Programme / Sub-programme:									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	***Actual Achievement 2020/2021 until Date of Re-tabling**	**Deviation from Planned Target to Actual Achievement 2020/2021**	**Reasons for Deviations**	**Reasons for Revisions to the Outputs / Output Indicators / Annual Targets**
A well-governed and high-performance organisation and Fund delivering on its mandate	Compliance, sound financial management, and internal controls	Percentage of valid invoices paid within 30 days of receipt	-	100% of the valid invoices were paid within 30 days from date received by USAF. USAASA paid 98% of the valid invoices within 30 days 100% of valid invoices paid within 30 days of receipt	Two critical vacant positions in the organisational structure filled	Not achieved Five out of 67 valid invoices were paid with 30 days in Q1, and eight out of 30 valid invoices were paid in Q2 All four invoices received by USAF were not paid as management disputed them, and in Q2, no invoices were received and paid The percentage end-year outcome for monitoring of valid invoices paid within 30 days is 0,07% for USAASA and 0% for USAF	The absence of proper systems in place put by management in ensuring proper validation and payment of valid invoices within the framework of National Treasury Instruction Note 34 date 30 November resulted on poor payment of valid invoices with the prescribed timeliness of 30 days	The lack of tracking and monitoring of the valid invoices due for payment and reconciliation of the responsible managers mainly contributed on the invoices not being paid within the defined period of 30 days	The challenges experienced with the payment platform for authorising and processing the payments led into the reasons for removal of the output indicator on the revised USAASA Annual Performance Plan 2020-2021. The target continued to be monitored and reported by management as it is compliance matter by National Treasury in terms of the Instruction Note 34 dated 30 November 2011 and also needing to be reported as part of performance information

Project Management Office to Manage BDM Roll Out

Programme / Sub-programme:									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	***Actual Achievement 2020/2021 until Date of Re-tabling**	**Deviation from Planned Target to Actual Achievement 2020/2021**	**Reasons for Deviations**	**Reasons for Revisions to the Outputs / Output Indicators / Annual Targets**
An optimised delivery system to support the achievement of the mandate	Project Management Office to manage STB installations	Appointment of the Project Management Office	-	-	PMO service and personnel capacitation	Not achieved Sentech appointment was approved through a deviation by National Treasury and the personnel capacitation of the PMO did not take place as at the end of Q2. An approval of 41 temporary district coordinator appointments on the organisational structure took place by end of Q2	Management only prioritised the appointment of Sentech Prioritisation of the approval of district coordinators in the organisational structure to enable the function of proactive registrations and monitoring the installations on the ground to take place through appointments	Lack of adequate management oversight in prioritising the implementation of the target output indicators resulted in no execution of the establishment of the PMO service and personnel capacitation by year-end The annual target informing the output target was revised to enable the establishing of the PMO service within the approved organisational structure, and further provide the organisation enough time to bring competent personnel on board to capacitate the PMO service	The annual target informing the output target was revised to enable the establishing of the PMO service within the approved organisational structure, and further provide the organisation enough time to bring competent personnel on board to capacitate the PMO service

Partnership with Organ(s) of State to Provide Broadband Connectivity

Programme / Sub-programme:									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	***Actual Achievement 2020/2021 until Date of Re-tabling**	**Deviation from Planned Target to Actual Achievement 2020/2021**	**Reasons for Deviations**	**Reasons for Revisions to the Outputs / Output Indicators / Annual Targets**
An optimised delivery system to support the achievement of the mandate	Partnership with organ(s) of state to provide and monitor broadband connectivity	Approved partnership with organ(s) of state to provide and to monitor broadband connectivity	-	-	Appointment of organ(s) of state to manage broadband connectivity	Not achieved The service provider was not appointed to manage broadband connectivity as planned The appointment was made through an authorised deviation by National Treasury on a transversal contract for essential communication services	Lack of proper management oversight in tracking the delivery of the planned target, and alignment with National Treasury prescripts on Supply Chain Management processes by making use of the applicable guidelines for participation in transversal term contracts facilitated by National Treasury	Management failure to prioritise the target as planned and non-alignment of the National Treasury deviation to guide participation in transversal term contracts facilitated by National Treasury	The target was not revised as it was intended to appoint organ(s) of state in Q1 of 2020-2021 financial year to manage broadband connectivity in four identified local municipalities, i.e. Sabata Dalindyebo, Mhlontlo, Port St Johns and Ingquza Hill local municipalities in OR Tambo District Municipality, Eastern Cape

Reporting Against the Revised Annual Performance Plan

Key Vacant Positions Filled in Organisational Structure

Programme / Sub-programme:								
Outcome	**Output**	**Output indicator**	**Audited actual performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	***Actual Achievement 2020/2021**	**Deviation from Planned Target to Actual Achievement 2020/2021**	**Reasons for Deviations**
A well-governed and high-performance organisation and Fund delivering on its mandate	Capacitate the organisation	Key vacant positions in the organisational structure filled	-	-	Two critical vacant positions in the organisational structure filled	Achieved The Executive Manager for Operations and the Interim Chief Financial seconded by DCDT were appointed to fill in the two critical vacant positions in the approved organisational structure	Not applicable	Not applicable

Enterprise Risk Maturity Level Established

A well-governed and high-performance organisation and Fund delivering on its mandate	Improved risk management services	USAASA enterprise risk maturity level	-	-	Enterprise risk maturity assessment conducted to establish a baseline	Achieved Enterprise risk maturity assessment was conducted to establish baseline The risk maturity level was determined to be at level 3 (43%) for Q4, compared to level 2 (32%) in Q2, by year-end	Not applicable	Not applicable

Reporting Against the Revised Annual Performance Plan

Project Management Office to Manage BDM Roll Out

Programme / Sub-programme:

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations
An optimised delivery system to support the achievement of the mandate	Project Management Office to manage STB installations	Appointment of the Project Management Office	-	-	PMO service and personnel capacitation	Not achieved The appointment of Sentech took place, but the capacitation of personnel in the Project Management Office did not take place as planned	Management only prioritised the appointment of Sentech. The prioritisation of the approval of district coordinators on the organisational structure to enable the function of proactive registrations and monitoring the installations on the ground to take place through appointments	Lack of adequate management oversight in prioritising the implementation of the target output indicators resulted in the non-execution of the establishment of the PMO service and personnel capacitation by year-end

Reporting Against the Revised Annual Performance Plan

Partnership with Organ(s) of State to Provide Broadband Connectivity

Programme / Sub-programme:

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations
An optimised delivery system to support the achievement of the mandate	Partnership with organ(s) of state to provide and to monitor broadband connectivity	Approved partnership with organ(s) of state to provide and to monitor broadband connectivity	-	-	Appointment of organ(s) of state to manage broadband connectivity	Not achieved The service provider was not appointed to manage broadband connectivity as planned The appointment was made through an authorised deviation by National Treasury on a transversal contract for essential communication services	Lack of proper management oversight to track the delivery of the planned target and alignment with National Treasury prescripts on supply chain management processes by making use of the applicable guidelines for participation in transversal term contracts facilitated by National Treasury	Management failure to prioritise the target as planned and also not aligning the National Treasury deviation from approval of the guide to participation in transversal term contracts facilitated by National Treasury

Business Intelligence

Programme Purpose

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

Programme Outcomes, Outputs, Output Indicators And Targets

In contributing towards USAASA's desired impact of the **'progressive realisation of the goal of universal access and universal service in South Africa'**, the Business Intelligence programme delivers against the following outcomes reflected in the Strategic Plan:

Outcome 2: A respected thought leader on universal access and universal service

Programme 1 - Business Support: Outcomes, Outputs Indicators and Annual Targets: Original USAASA tabled APP 2020 – 2021

Outcome	Outputs	Output Indicators	Audited Actual Performance			Estimated Performance	Medium-Term Targets		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
A respected thought leader on universal access and universal service	Sector insights and analytics	Progress towards development of capability of universal access and universal service geographic information system mapping functionality	-	-	-	New Indicator	Universal access and universal service geographic information system mapping capability plan approved and implemented	Universal access and universal service geographic information system mapping capability plan (Phase 1) implemented	Universal access and universal service geographic information system mapping capability plan (Phase 2) implemented

Programme 2 - Business Support: Outcomes, Outputs Indicators and Annual Targets: Revised USAASA tabled APP 2020 – 2021

A respected thought leader on universal access and universal service	Sector insights and analytics	Progress towards development of capability of universal access and universal service geographic information mapping functionality	-	-	-	New Indicator	Universal access and universal service geographic information mapping capability plan approved	Universal access and universal service geographic information mapping capability plan (Phase 1) implemented	Universal access and universal service geographic information mapping capability plan (Phase 2) implemented

Reporting Against the Initial Annual Performance Plan

Geographic Information System (GIS) Mapping Capability

Programme / Sub-programme:									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	***Actual Achievement 2020/2021 until the Date of Re-tabling**	**Deviation from Planned Target to Actual Achievement 2020/2021**	**Reasons for Deviations**	**Reasons for Revisions to the Outputs / Output Indicators / Annual Targets**
A respected thought leader on universal access and universal service	Sector insights and analytics	Progress towards development of capability of universal access and universal service geographic information mapping functionality	-	-	Universal access and universal service geographic information mapping capability plan approved	Not achieved The planned consultations on scoping of the development of universal access and universal service geographic information mapping functionality	The consultative framework was developed as planned. However, the actual consultations on identified entities on the geographic information mapping blueprint did not take place to complete the target	Lack of proper management oversight to track the delivery of the planned target resulted in non-achievement of the target	Revisions on the wording of the quarterly targets were done to clarify the actual performance outcomes by year-end

Reporting against the Revised Annual Performance Plan

Geographic Information System (GIS) Mapping Capability

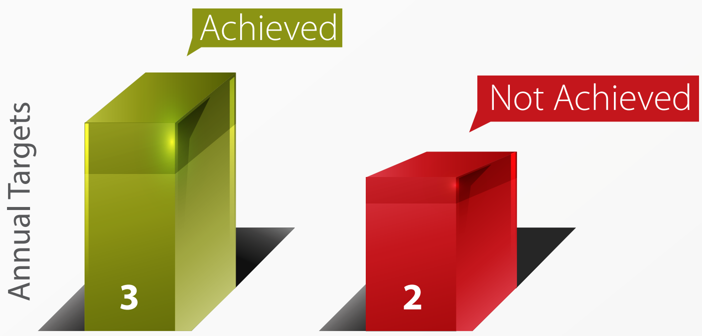
Programme / Sub-programme:								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	***Actual Achievement 2020/2021**	**Deviation from Planned Target to Actual Achievement 2020/2021**	**Reasons for Deviations**
A respected thought leader in universal access and universal service	Sector insights and analytics	Progress towards development of capability of universal access and universal service geographic information mapping functionality	-	-	Universal access and universal service geographic information mapping capability plan approved	Achieved EXCO approved universal access and universal service capability plan	Not applicable	Not applicable

Summary of USAASA Performance

The below graphs depict the Agency's achieved annual targets against the planned annual targets in the 2020/21 approved Annual Performance Plan. **Three** of the **five** planned targets were achieved, representing **60%** of the total planned targets, and **two** of the **five** planned targets were not achieved, representing **40%** of the total annual planned targets.

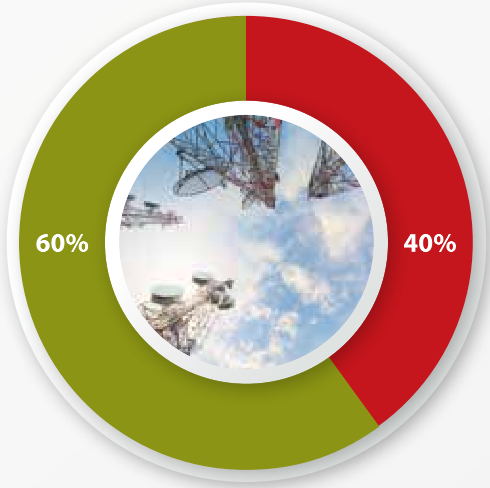
USAASA 2020/21 Annual Performance

Achieved Not Achieved



USAASA 2020/21 Annual Performance

Achieved Not Achieved



Strategy to Overcome Areas of Underperformance

The monthly monitoring of the strategic risks with regard to the implementation of the approved Annual Operational Plans will be key focus areas to improve the in-year reporting performance outcomes. Operational plans will be tracked on a monthly basis and the portfolio of evidence substantiating the strength of the output achieved will be assured. A route cause analysis of non-performance will be conducted based on the evaluation of the scheduled monthly activities and the risks inherent in hindering the achievement of the monthly activity target. Management will convene EXCO monthly review meetings to evaluate the activities in the monthly operation plans in line with the quarterly targets, according to the technical indicator descriptors in the approved Annual Performance Plans. The responsible programme indicator managers will be required to put alternative means and options in place to guarantee the achievement of the quarterly target over and above what is required in terms of the scheduled activities for the achievement of the annual performance targets.

The Agency is tightening its controls around the Employee Performance Management and Development System to enhance planning, management, and employee individual performance and output to ensure the organisation's strategic outcomes and annual performance targets are achieved within the accountability framework. Therefore, the entity intends to leverage the performance management systems to optimise every employee's output in terms of quality and quantity, thereby contributing toward the Agency's performance delivery environment and improving performance and service delivery.

An employee workshop was convened to induct all employees in the Revised Strategic Plans, Annual Performance Plans and Annual Operational Plans. The alignment of employees' efforts towards the performance agreement was the key emphasis of the workshop. Also key was ensuring employee commitment to executing the Revised Strategic Plans and critical output indicators in the approved Annual Performance Plans that need to be achieved by year-end. The process culminated in the performance agreement linked to the annual performance indicators for all employees. The employees will be assessed every quarter when performance reports are consolidated and approved by the Accounting Authority for submission to the Executive Authority, in line with the requirements of the National Treasury guidelines for the preparations of the quarterly reports. Employees will be assessed, and their performance output will be linked to the quarterly performance outcomes, which will foster a culture of accountability by employees and inculcate a culture of high performance and development of employees within their respective roles. The Human Resources & Remunerations committee will play an oversight role and ensure management is tracking and monitoring individual employee performance on a quarterly basis. Supervisors will be directly held accountable for failing to properly manage their subordinates.

A formal budget committee with approved terms of reference has been established to monitor:

- Budget expenditure.
- Progress on the execution of the procurement plan.
- Monitoring of the finance and supply chain management audit finds on the AGSA Audit Action Implementation Plan.
- Tracking of the performance information against the quarterly budget allocations.
- Monitoring of wasteful and fruitless expenditure and irregular expenditure.

The committee will account to the Chief Executive Officer and report progress monthly. The Office of the CEO has also established a tracking matrix template where the agreed key priority areas are linked to the Annual Performance Plans output indicators, and are monitored and reported weekly.

Linking Performance with Budgets

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

	2019/20			2020/21		
Programme/Activity/ Objective	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/ Under Expenditure R'000**	**Budget R'000**	**Actual Expenditure R'000**	**(Over)/ Under Expenditure R'000**
Programme 1: Business Support						
Compensation of employees	53 865	50 179	3 686	54 675	50 517	4 158
Goods and services, incl. capex	33 863	39 556	-5 693	206 710	15 336	191 374
Corporate services	14 741	10 048	2 693	10 401	6 997	3 404
Communications and marketing	918	660	258	1 581	-	1581
Information communication technology	5 245	19 106	-13 861	5 349	3 240	2 109
Finance and supply chain management	1 789	1 405	383	2 618	1 603	1016
Board costs	1 975	866	1 109	3 660	673	2 987
Legal services	1 381	297	1 084	1 098	535	563
Other goods and services	7 815	5 174	2 641	181 141	2288	178 853
Total Expenses:	**87 728**	**89 736**	**-2 008**	**261 385**	**65 853**	**198 039**
Programme 2: Business Intelligence						
Goods and services						
Research	621	499	122	860	-	860
Total Expenses:	**621**	**499**	**122**	**860**	**-**	**860**

PART C Governance

Introduction

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

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

Portfolio Committees

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

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

Portfolio Committee engagements for the 2020/21 financial year are outlined below:

Date	Purpose
12 May 2020	Briefing by Department and its entities on programmes and projects dealing with COVID-19-related issues
15 May 2020	USAASA APP and budget
01 September 2020	USAASA Q1 performance reports
04 November 2020	DCDT Annual Report
18 November 2020	USAASA revised APPs
24 November 2020	OUTA presentation
02 March 2021	Quarter 2 USAASA performance reports
04 March 2021	Study Group – USAASA 2019/20 annual reports
09 March 2021	USAASA annual reports

SCOPA Resolutions

There were no SCOPA resolutions adopted in the 2020/2021 financial year.

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 USAASA to the Department every quarter, as per the requirements of Section 65 of the PFMA. All USAASA quarterly and Annual Reports were submitted timeously, as 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 Telecommunications and Postal Service. The only Annual Report submitted after the specified timeline was the USAF Annual Report, which was due to issues concerning the BDM stock that needed to be clarified before the Annual Report could be submitted to the Executive Authority, AGSA and Parliament.

The Accounting Authority / Board

Introduction

The USAASA Board is the Agency's Accounting Authority in terms of the PFMA. It is the responsibility of the Board to provide strategic direction, leadership and stability to the Agency and ensure good corporate governance. The Board's role requires the members to maintain the highest standards of ethics, integrity and values, and represent the interests of the Agency and the country. These responsibilities are set out in the approved Board Charter, reviewed as and when the Board deems 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 the USAASA.
- Acting with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the Fund.
- Preventing any prejudice to the financial interests of the state.
- Maintaining effective, efficient and transparent systems of financial and risk management and internal control.
- Maintaining an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.
- Maintaining a system for property, evaluating all major capital projects before a final decision on each.
- Taking practical steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the Agency.
- Managing available working capital efficiently and economically.

During the financial year under review, the Agency was under the care and management of the Executive Caretaker, who played a dual role of being Executive Caretaker/ CEO and the Accounting Authority. The term of the Executive Caretaker was from 28 January 2020 to 27 January 2021. During the term of the Executive Caretaker, the Agency operated as an entity under administration. Therefore, no other governance structures such as the Board of Directors or committees of the Board were active, with the exception of the Board Audit & Risk Management Committee.

The Executive Caretaker, in his capacity as the Accounting Authority, actively played his role in providing effective leadership based on the principles of honesty, professionalism, good governance and ethical business practices, and also exercised oversight responsibility for financial and performance management and reporting, while ensuring compliance with all relevant legal prescripts and policy imperatives, until his term of appointment ended.

When the Executive Caretaker's contract expired, the Minister appointed the Interim Board for 12 months with effect from 28 February 2021 to 21 February 2022 or until alternative arrangements are made by the Ministry. As the Accounting Authority, the Interim Board took over the Agency's management and resuscitated typical governance structures, including committees of the Board.

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

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 IV Report on Corporate Governance Report, and is committed to applying the principles of the PFMA and related regulations. The Board places strong emphasis on achieving the highest standards of reporting. To ensure effective oversight of the activities of the organisation, since the appointment of the Interim Board, the Board has organised itself into the following sub-committees, which meet every quarter, and additionally as necessary:

- HR & Remuneration Committee
- Operations Committee
- Social & Ethics Committee
- Board Audit & Risk Committee.

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

The Board further accepts that it is ultimately accountable and responsible for the performance and the affairs of the Agency. 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 risk areas and key performance indicators of the Agency.
- Played an oversight role concerning IT governance.
- Ensured that the Agency communicates with the shareholder and stakeholders transparently and promptly.
- Ensured the Agency complies with relevant laws, regulations and the code of business practice.

Board Charter

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

- 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 of Board members, conduct during meetings, quorums, Board capacity building and development, and Board committee evaluations.

Composition of the Board

Name	Ms Daphne Zukiswa Kula-Rantho
Designation	Chairperson of the Board
Date appointed	28 February 2021
Date resigned/Termination	N/A
Qualifications	• Primary Teacher Diploma • Further Education Diploma – University of Pretoria • BED Honours in Education – University of Free State • Parliamentary Women in Leadership Programme – University of Stellenbosch • Leadership & Governance – University of Witwatersrand • Being a Director Programmes 2 & 2 – Institute of Directors
Areas of expertise	Leadership and governance
Board directorship	N/A
Other committees	N/A
No. of meetings attended	7

Name	Ms Mapuleng Moropa
Designation	Member of the Board of Directors
Date appointed	28 February 2021
Date resigned/Termination	N/A
Qualifications	• Master of 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

Name	Ms Mapuleng Moropa *contd.*
Board directorship	• USAASA Board (28/08/18 – 29/11/19) • Non-executive director and Board member Thornburg Holding March 2014 to 2017 • Member of the Black Industrialist Advisory Panel: DTI – March 2013 to March 2017 • Executive Director, M&H Distributors – Jan 2015 to date • Director, Ingwesat (Pty) Ltd – July 2017 to date
Other committees	• Operations Committee – Chairperson • HR & Remuneration Committee – Member • Social & Ethics Committee – Member
No. of meetings attended	7

Name	Ms Buhle Tonise
Designation	Board Member
Date appointed	28 February 2021
Date resigned/Termination	N/A
Qualifications	• Matric • LLB • Practical Legal Training (Commercial Law)
Areas of expertise	• Contract Management and Commercial Law • Corporate Law • Governance
Board directorship	Deputy Chairperson of the Eastern Cape Arts and Culture Council.
Other committees	• Social and Ethics Committee – Chairperson • Operations Committee – Member • Board Audit & Risk Committee – Member
No. of meetings attended	6

Name	Mr Talelani Enos Ramaru
Designation	Board Member
Date appointed	28 February 2021
Date resigned/Termination	N/A
Qualifications	• BCom Accounting • Postgraduate Diploma Management • Professional Certificate in Public Development Management • Postgraduate Advanced Certificate in Forensic and Investigative Auditing • Postgraduate Strategic Management and Corporate Governance
Areas of expertise	• Financial Management • Accounting • Auditing
Board directorship	• Executive Board Member – National Labour and Economic Development Institute • Audit & Risk Committee – Member • Ditsela Training Institute • Trustee – COSATU Provident Fund
Other committees	• HR & Remuneration Committee – Chairperson • Board Audit & Risk Committee – Member • Social and Ethics Committee – Member
No. of meetings attended	7

Name	Mr Simphiwe Thobela
Designation	Board Member
Date appointed	28 February 2021
Date resigned/Termination	N/A
Qualifications	• BCom Logistics • Master in Town and Regional Planning • Certificate in Strategic Planning and Change Management • Certificate in Local Economic Development • Certificate in Municipal Supply Chain Management • Postgraduate Diploma in Public Management • Snr Manager Programme (NQ7)
Areas of expertise	• Governance • Strategic Planning
Board directorship	• Chairperson – Air Traffic and Navigation Services (ATNS) • Chairperson – Media, Information and Communication Technology Sector (MICT-SETA) • Mgagwa Tea Estate
Other committees	• Board Audit & Risk Committee – Chairperson • Operations Committee – Member • HR & Remuneration Committee – Member
No. of meetings attended	7

Committees and Number of Meetings Held

During the tenure of the Executive Caretaker, the only committee established was the Audit & Risk Management Committee.

After the Interim Board was appointed, the Board resuscitated the following committees which had not yet met during the financial year under review as the Interim Board was only appointed on 28 February 2021:

- HR & Remuneration Committee
- Operations Committee
- Social & Ethics Committee

The committee had met as follows during the financial year:

Audit & Risk Committees from April 2020 to 27 January 2021

Committee	No. of Meetings Held	No. of Members	Name of Members
Board Audit & Risk	12	3	Mr Phuti Phukubje – Chairperson Ms Buhle Tonise – Member Mr Mbasa Metuse – Member

Board Committees from March 2021

Committee	No. of Meetings Held	No. of Members	Name of Members
Board Audit & Risk None	None	3	Mr Simphiwe Thobela – Chairperson Ms Buhle Tonise – Member Mr Talelani Ramaru – Member
HR & Remuneration	None	3	Mr Talelani Ramaru – Chairperson Ms Mapuleng Moropa – Member Mr Simphiwe Thobela – Member
Operations	None	3	Ms Mapuleng Moropa – Chairperson Mr Simphiwe Thobela – Member Ms Buhle Tonise
Social & Ethics	None	3	Ms Buhle Tonise – Chairperson Ms Mapuleng Moropa – Member Mr Talelani Ramaru – Member

Remuneration of Board Members

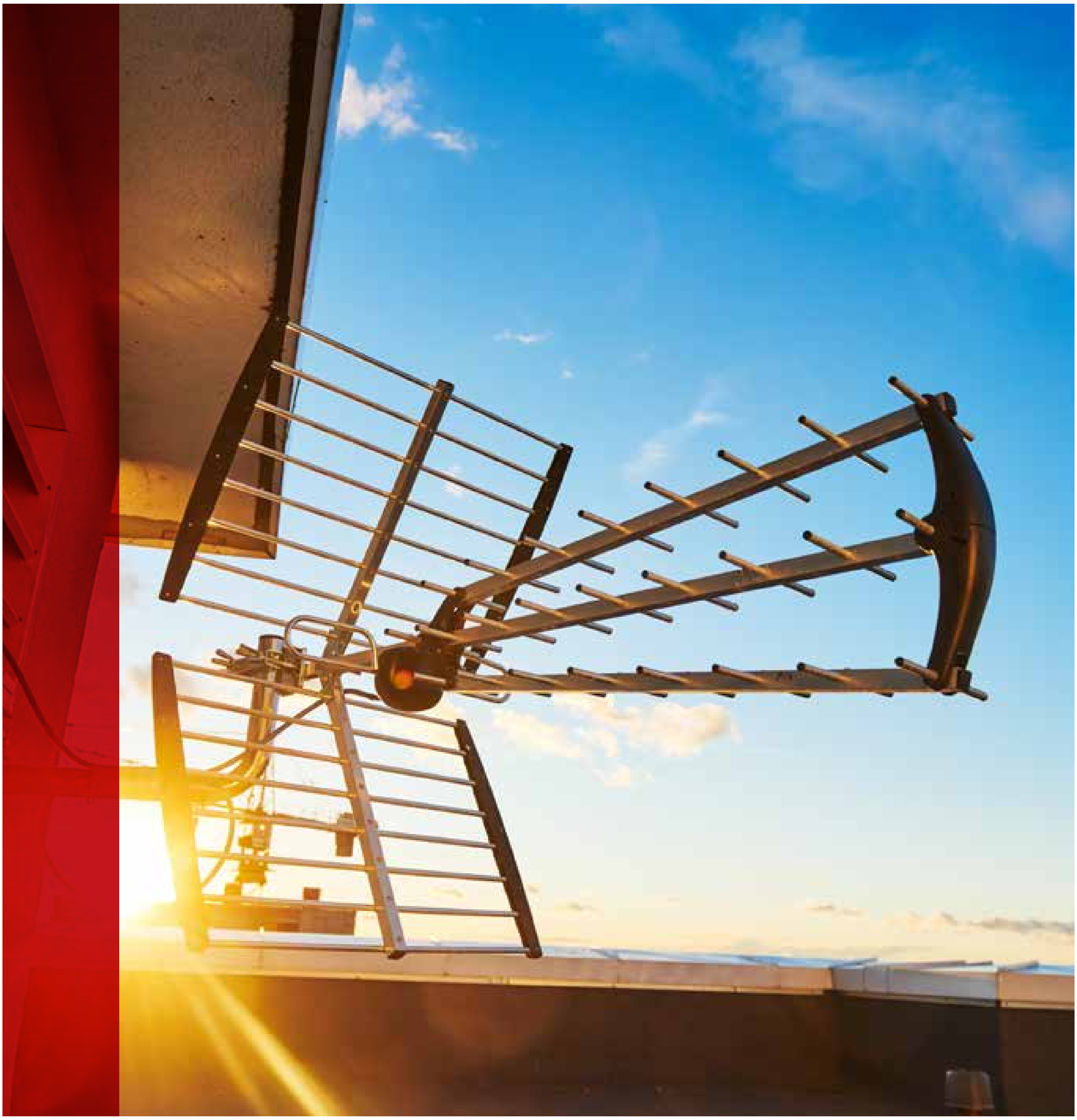
Audit & Risk Committees from April 2020 to 27 January 2021

Name	Retainer	Remuneration (Board / Committees Fees)	Other Allowance	Other Reimbursements	Total
Mr P Phukubje	12 684,00	79 555,48	37 000,00	0,00	**129 236,48**
Ms B Tonise	13 032,81	54 693,43	24 000,00	0,00	**91 726,24**
Mr M Metuse	12 684,00	53 577,24	30 000,00	0,00	**96 261,24**
Total	**38 400,81**	**187 823,15**	**91 000,00**	**0,00**	**317 223,96**

New Board Appointed on 28 February 2021

Board members were paid as follows for induction sessions with the Minister and USAASA, special and urgent Board meetings, strategic workshops with the Department, and USAASA and portfolio committees attended from 28 February 2021 to 31 March 2021:

Name	Retainer	Remuneration (Board / Committees Fees)	Other Allowance	Other Reimbursements	Total
Ms DZ Rantho	2 325,40	54 693,38	46 000,00	2 880,00	**105 898,78**
Ms B Tonise	1 395,24	27 904,80	22 000,00	3 173,00	**54 473,04**
Ms M Moropa	1 744,05	33 485,76	49 000,00	0,00	**84 229,81**
Mr S Thobela	1 395,24	17 151,50	3 000,00	0,00	**21 546,74**
Mr T Ramaru	1 744,05	39 066,72	49 000,00	0,00	**89 810.77**
Total	**8 603,98**	**172 302,16**	**169 000,00**	**6 053,00**	**355 959,14**



Risk Management

Risk exists at various levels within organisations. Key among the objectives of risk management is to ensure that USAASA does not suffer the effects of unmanaged uncertainty and reacts to unexpected events rather than proactively responding. Further, it is at the core of risk management to ensure that hidden risks within the organisation at all levels are managed both appropriately and effectively. In light of the above, the Board has adopted a risk management process that is aligned to the Public Sector Risk Management Framework, South African National Standards (SANS) 31000:2009 and King IV Report on Corporate Governance. Oversight for adequacy and effectiveness of risk management is assigned to the Audit & Risk Committee.

USAASA has adopted a risk management system that focuses on identifying and treating risks to ensure maximum sustainable value in all the organisation's activities. The risk management system marshals the understanding of the potential upside and downside of all factors that can affect the organisation. The aim is to increase the likelihood of success and reduce the probability of uncertainty in achieving objectives and 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 affect or are created by an organisation's business strategy and strategic objectives or outcomes or outputs. Business longevity risks affect the core purpose of the organisation. This includes risks that threaten the organisation's survival in the long term; the critical consideration is sustainable value creation.

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

A risk profile report is compiled every quarter and presented to the Audit & 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 Audit & Risk Committee provides ongoing oversight to ensure that it supports the organisation in setting and achieving its strategic, operational and project objectives. The committee sets the direction for how the organisation should approach and address risks. It reviews the quarterly risk profile reports covering strategic, operational, fraud, project, dependency, compliance and emerging risks, and provides advice to ensure effective and efficient risk management.

The organisation had an Executive Caretaker, which presented complex governance dynamics. Further, the organisation had two separate Audit & Risk committees during the year. Governance challenges were also exacerbated by the fact that the organisation did not have the necessary specialist Board committees, including the Audit & Risk Committee, for some periods of the year.

Challenges remain in procurement processes (including contract management), rapid execution of decisions, project management, and low-risk culture. These and other challenges can be attributed to the dismal performance outcome. However, the Board is rigidly at work to ensure a turnaround in the performance management, thereby ensuring sustainable value for the beneficiaries.

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

Internal Audit Unit

Key Activities and Objectives of the Internal Audit

The Internal Audit Activity's mandate stems from Section 51 (1) (a) (ii) of the PFMA, which states that an Accounting Authority for a public entity must ensure that the public entity has and maintains a system of Internal Audit Activity under the control of the Board Audit & Risk Committee complying with and operating according to 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 state that internal audits must be conducted as per the standards set by the Institute of Internal Auditors. The Internal Audit must prepare, in consultation with and for approval by the audit committee, a rolling 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.

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 PFMA and King IV Report on Corporate Governance. Internal Audit Activity will conduct audits to assist management in assuring the effectiveness of the organisations' system of internal controls and performance.

Internal audit assessments included evaluating whether:

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

The Acting Chief Audit Executive reported periodically to senior management and the Board and audit committee regarding:

- The Internal Audit Activity's purpose, authority, and responsibility.
- The Internal Audit Activity's plan and performance were relative to its plan.
- The Internal Audit Activity's conformance with The 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 that may be unacceptable to USAASA.

Summary of Audit Work Done

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

- Quarterly audits on SCM: Below Threshold
- Quarterly audits on SCM: Above Threshold
- Quarterly audits on Financial Management
- Quarterly and annual financial statements audits
- Quarterly and Annual Performance Information audit
- Consulting services on the "SMART" criteria compliance
- Human Resources audit
- Administration audit
- Information Communication Technology audit
- Follow-up audits, including matters raised by the Auditor-General in the management letter
- Ad hoc assignments requested by the Management and Board Audit & Risk Committee, respectively.

Combined Assurance

King IV requires that the committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities. This repositioned risk-based approach to assurance provision is performed to address strategic, operational, 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 & Risk Committee. As of year-end, progress reports on the implementation of the combined assurance were served before the committee. These reports indicated assurance coverage and integrated efforts from various assurance providers within the Agency, including Internal Audit Activity, risk activity, and the Auditor-

General. These reports reflect the assurance coverage from the Agency's divisions, performance and monitoring, and legal services, in the current financial year.

The scope of Internal Audit activities encompasses as stipulated in the Charter, approved by the Audit & Risk Committee require 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 & Risk Committee and the chairperson of the USAASA 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 USAASA.

Ad Hoc Audit

In the period under review, an open review was initiated by the Board to determine the following:

- The basis, whether it be policy or legislation for the subsidisation of the infrastructure.
- The basis, whether it be policy or legislation for the transfer of the infrastructure to the broadband provider.
- The location and the ownership status of all the broadband infrastructure that USAASA subsidised.
- The location and condition of the broadband infrastructure that USAASA subsidised.
- The sustainability plans presented by each of the awarded broadband contracts.
- The degree to which the sustainability plans have been adhered to.

Compliance with Laws, Rules, Codes and Standards

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

- Reviewing policy documents incorporating:
  - Compliance with laws, regulations and ethics.
  - Policies and rules regarding conflicts of interest.
- Monitoring compliance with laws, regulations and policies.
- Reviewing 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 related to the organisation's operations, and monitoring and reviewing the extent to which the organisation is complying with such rules, regulations, and laws.
- The Board Audit & 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 & Risk Committee ensures that these arrangements allow a proportionate and independent investigation of such matters and appropriate follow-up action.

Fraud and Forensic

In the period under review, an open review was initiated by the Board to determine the following:

- The basis, whether it be policy or legislation for the subsidisation of the infrastructure.
- The basis, whether it be policy or legislation for the transfer of the infrastructure to the broadband provider.
- The location and the ownership status of all of the broadband infrastructure that USAASA subsidised.
- The location and the condition of the broadband infrastructure that USAASA subsidised.
- The sustainability plans presented by each of the awarded broadband contracts.
- The degree to which the sustainability plans have been adhered to.

Minimising Conflict of Interest

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

Code of Conduct

All Agency employees have signed the Agency Code of Ethics and conduct, which forms part of their appointment contract. 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 whistleblowing policy.

Health, Safety and Environmental Issues

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

Social Responsibility

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

Internal Audit and Audit Committees

We are pleased to present our Audit Committee report for the financial year ended 31 March 2021. The Audit Committee was established and constituted under Section 77 of the Public Finance Management Act and Treasury Regulations. BARC members were appointed on 28 February 2021, subject to reappointment by the shareholder at the annual general meeting. The Audit Committee has three non-executive management members and a representative of the Auditor-General of South Africa as a standing invitee. The Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, and Risk Manager are permanent invitees to the committee meetings.

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

Board Audit & Risk Committee

Name	Mr Simphiwe Thobela
Designation	Board Member
Date appointed	28 February 2021
Date resigned/Termination	N/A
Qualifications	• BCom Logistics • Master in Town and Regional Planning • Certificate in Strategic Planning and Change Management • Certificate in Local Economic Development • Certificate in Municipal Supply Chain Management • Postgraduate Diploma in Public Management • Snr Manager Programme (NQ7)
Areas of expertise	• Governance • Strategic Planning
Board directorship	• Chairperson – Air Traffic and Navigation Services (ATNS) • Chairperson – Media, Information and Communication Technology Sector (MICT-SETA) • Mgagwa Tea Estate
Other committees	• Board Audit & Risk Committee – Chairperson • Operations Committee – Member • HR & Remuneration Committee – Member
No. of meetings attended	7

Name	Ms Buhle Tonise
Designation	Board Member
Date appointed	28 February 2021
Date resigned/Termination	N/A
Qualifications	• Matric • LLB • Practical Legal Training (Commercial Law)
Areas of expertise	• Contract Management and Commercial Law • Corporate Law • Governance
Board directorship	Deputy Chairperson of the Eastern Cape Arts and Culture Council.
Other committees	• Social and Ethics Committee – Chairperson • Operations Committee – Member • Board Audit & Risk Committee – Member
No. of meetings attended	6

Name	Mr Talelani Enos Ramaru
Designation	Board Member
Date appointed	28 February 2021
Date resigned/Termination	N/A
Qualifications	• BCom Accounting • Postgraduate Diploma Management • Professional Certificate in Public Development Management • Postgraduate Advanced Certificate in Forensic and Investigative Auditing • Postgraduate Strategic Management and Corporate Governance
Areas of expertise	• Financial Management • Accounting • Auditing
Board directorship	• Executive Board Member – National Labour and Economic Development Institute • Audit & Risk Committee – Member • Ditsela Training Institute • Trustee – COSATU Provident Fund
Other committees	• HR & Remuneration Committee – Chairperson • Board Audit & Risk Committee – Member • Social and Ethics Committee – Member
No. of meetings attended	7

Audit Committee Report

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

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

The committee performed the following duties during the year per Section S94 (7) of the Companies Act 71 of 2008:

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

Key Activities

The Effectiveness of Internal Controls

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

The committee annually reviews and approves internal audit coverage plan and monitors the performance of the internal audit function every quarter. The committee has reviewed the written assessment performed by Internal Audit on the design, implementation, and effectiveness of the company's internal financial controls and risk management.

Our review of the findings of the work by Internal Audit Activity, which was based on risk assessments conducted in the public entity, revealed specific weaknesses, which were communicated to the executive management of the public entity. A significant improvement regarding compliance with prescripts, general internal control environment and governance has been recorded during the period under review. This has also been corroborated by the Auditor-General's critical controls review conducted over the period.

Approved Policies / Strategies

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

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

Compliance with Laws, Rules, Codes and Standards

Ensuring that USAASA introduces a robust ethics and compliance programme to keep abreast of new vulnerabilities to fraud and misconduct will remain on the radar for the new financial year. The BARC has initiated a process to investigate all irregular expenditures incurred from inception, to reduce the impact on the Annual Financial Statements.

In-Year Monthly / Quarterly Reporting

The Audit & Risk Committee has consistently reviewed USAASA financial and non-financial management and reporting practices in the financial year under review and ensured monthly and quarterly reporting has been done according to the requirements of the PFMA.

Integrated Reporting

The BARC, in its oversight role, reviewed the value-add to USAASA's mandate. USAASA supports USAF in broadband infrastructure in various underserviced communities and ICT equipment in various schools and clinics. However, additional monitoring of usage and continued access to ICT is needed beyond the initial 24-month connectivity contract.

Risk Management

The entity identified the Top 10 Corporate Strategic Risk profile, which was developed and approved by the Board quarterly in the reporting period, from divisional risk assessment workshops. Individual divisional risk profiles for USAASA were then produced from the strategic risk profile. In addition to the workshops, the Risk Management Committee chaired by the CEO made and reviewed iterations to ensure alignment with the corporate strategic risks, more specifically the top 10 risks facing the organisation.

USAASA is committed to pursuing high standards of corporate governance and acceptable risk management knowledge, concepts and practices, and constantly seeks to apply the Public Sector Risk Management Framework and King IV Report on Corporate Governance.

Other works of reference include, but are not limited to, International Standards on Risk Management (ISO 31000), SANS for Risk Management, etc. USAASA's operations based on its mandate and strategy expose it to strategic, operational, financial, and regulatory risks. The BARC has reviewed and approved the policies for managing each of these risks.

Notably, the Agency prioritised the top 10 risks as the entity became aware of the importance of risk management to ensure the success of the business and projects of the entity.

A summary of the principal risk management activities carried out during the year ended 31 March 2021 includes:

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

The risk profile report was compiled every quarter for presentation to the Risk Management Committee, Board Audit & Risk Committee and the Board of Directors. In the past year, gradual progress in the risk maturity level, management of risk, and strategy and management of performance and risks was noted.

Combined Assurance

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

Recognising the limited resources available to the Internal Audit Activity and the need for greater assurance required by the Board Audit & Risk Committee and the Board, the committee initiated a combined assurance process, which is now the Risk Manager's responsibility.

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

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity, as required by the PFMA, National Treasury Regulations and King IV Report on Corporate Governance. The internal audit work on the Annual Financial Statements conducted quarterly during the year under review has improved the correctness, completeness and validity of financial reporting.

Expertise and Experience of the Finance Function

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

Information Technology Governance

An ERP system, Disaster Recovery Plan, and the off-site backup solution were implemented in the previous financial year. This addressed critical threats to the entity.

The IT control environment has therefore been improved from the previous year's assessment and report. Consequently, IT governance risk exposures are within tolerable limits. However, it should be reported that the current mitigations are not designed to eliminate risks, but to manage risk within accepted tolerance levels. Internal Audit will continue to review mitigations introduced by management.

Ethics and Compliance

Ensuring that USAASA introduces a robust ethics and compliance programme to keep abreast of new vulnerabilities to fraud and misconduct will remain on the radar in the new financial year.

There were no reports of suspected/ alleged unethical conduct by employees of the Agency received from the Department of Communications and Digital Technologies hotline or the Public Service hotline, apart from the investigation currently being dealt with by the National Treasury and KPMG.

External Auditors' Report

The Committee is responsible for overseeing the external audit process and confirms that the external auditors are independent of the Agency and conducted its audit without influence from the Agency.

We have reviewed the Public Entity's implementation plan for audit issues raised in the prior year and are satisfied that the matters have been adequately resolved, except for in the following areas:

- BDM Inventory

The Board Audit and Risk Management 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.

Conclusion

Having considered, analysed, reviewed, and debated information provided by management, Internal Audit and External Audit, the committee confirmed that:

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

Following our review of the financial statements for the year ended 31 March 2021, we believe that they comply with the relevant provisions of the PFMA and Generally Recognised Accounting Practice (GRAP) Standards, and fairly present the results of the operations, cash flow and financial position of USAASA.

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

Mr Simphiwe Thobela
Chairperson of the Audit Committee
Universal Service and Access Agency of South Africa
29 July 2021

From left to right : Buhle Tonise, Simphiwe Thobela and Talelani Enos Ramaru.

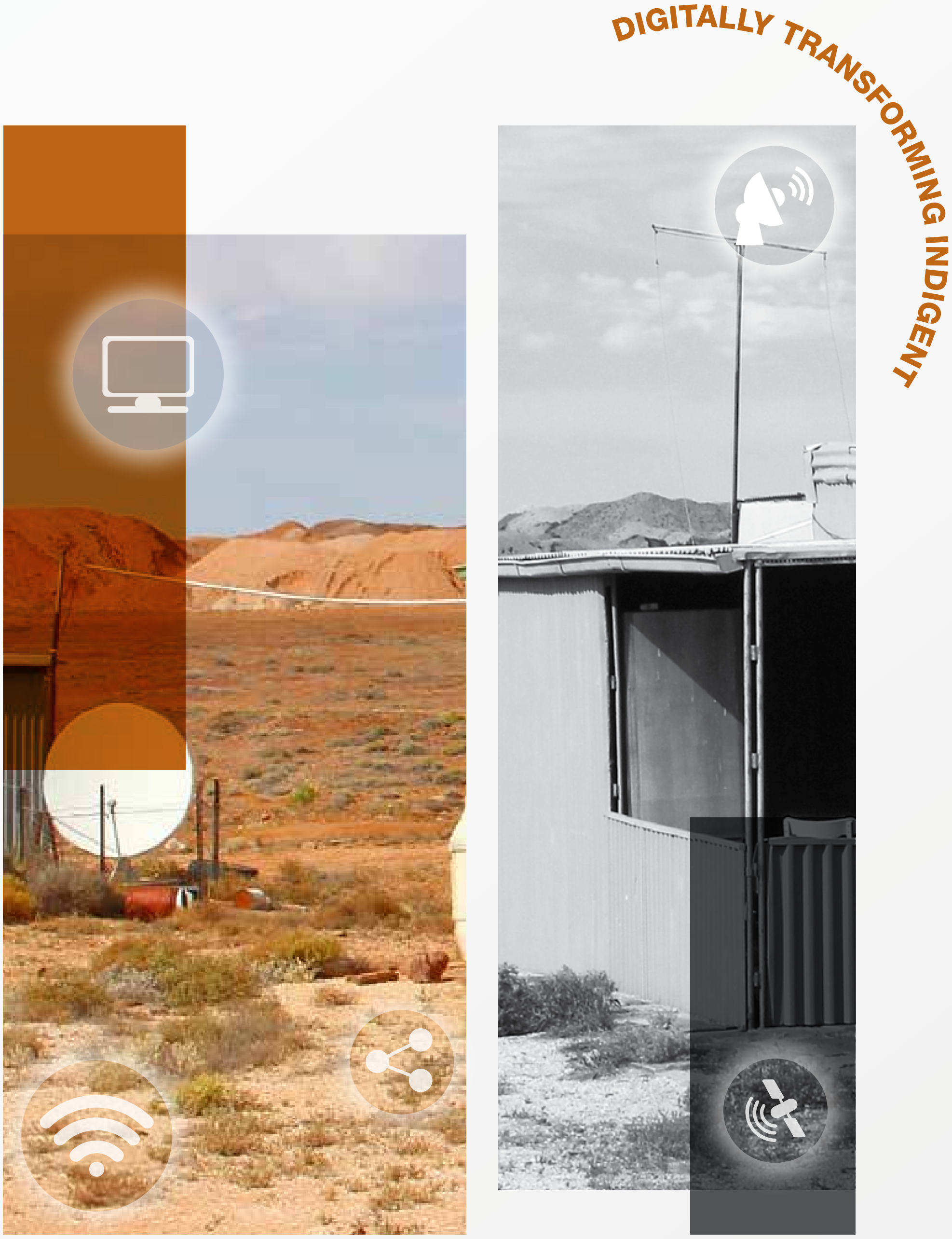
B-BBEE Compliance Performance Information

The following table has been completed in compliance with the B-BBEE Act of 2013, and as determined by the Department of Trade and Industry:

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

Criteria	Response Yes / No	Discussion (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	
Developing and implementing a preferential procurement policy?	No	
Determining qualification criteria for the sale of state-owned enterprises?	No	
Developing criteria for entering into partnerships with the private sector?	No	
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No	

PART D Human Resources



Introduction

Human Resources intends to position itself as a strategic partner in the organization. In doing so HR will combine its technical expertise and functions to render services that is aligned to support the Agency's objectives.

The HR priorities for the year under review and the impact of these priorities are:

- To invest in a cost effective functional human resources system in order to automate the HR functions. To have a more user friendly system that is easy to operate and more reliable.
- Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce.
- To embark on a robust recruitment and selective process in order to attract and retain skilled employees and to keep current workforce motivated. To recruit for the key vacancies in order to ensure stability in the organization.
- Currently under review to have a more user friendly and effective Performance Management framework that can cultivate a performance orientated workforce.
- Careways have been appointed to assist the management of the Agency on wellness issues. Also to help employees with various counselling and health advice. Employees were continuously updated on the latest developments and trends on the CoVid 19 pandemic.

Policy Development

Human resources is in the process of reviewing and align all its policies to ensure it is compliant with various laws and case studies. The following policies will be prioritized: Performance Management, Internship, Education & Training, Recruitment & Selection, Disciplinary, Leave.

Education and Training

To ensure skills development was problematic in the year under review due to the CoVid 19 pandemic. Most of the organisations was not equipped for the sudden online and remote training. The Agency has since identified online Training Companies to partner with to ensure a more skilled workforce.

Highlight Achievements

The fluctuation in the PAYE and leave system has been resolved. This results in a more accurate leave provision and elimination of audit findings. During the abrupt lockdown the Agency managed to equip and ensure employees to work from home or remotely to ensure the operations continue.

Challenges

The Agency is plagued for the past three years with an unreliable SAPHR system. Outdated HR policies is a cause for concern.

Future HR Plans/Goals

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

Human Resource Oversight Statistics

Personnel Cost by Programme/Activity/Objective

Programme/Activity/Objective	Total Expenditure Per Unit (R'000)	Personnel Expenditure (R'000)	Personnel Exp. as a % of Total Exp. (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
CEO Office	6,138	50,517	12	6	1,023
Finance & SCM	6,407	50,517	13	9	712
Operations	17,779	50,517	35	20	889
Corporate Services	20,193	50,517	40	24	841

The number of employees includes all the interns, temporary workers, short term contractors, and secondments paid for the year from the financial year. Most of these employees are no longer in service.

Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of Personnel Exp. of Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost Per Employee (R'000)
Top Management	5,625	11%	3	1,875
Senior Management	12,466	25%	10	1,246
Professional Qualified	14,694	29%	14	1,049
Skilled	17,136	34%	30	571
Unskilled	596	1%	2	298
Total	**50,517**	**100%**	**59**	**5,040**

These numbers include all salary payments made during the financial year (permanent, secondments, contractors, temporary works, interns). Most of them are no longer in service.

Performance Rewards

Programme/Activity/ Objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top Management	0	0	0
Senior Management	0	0	0
Professional Qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Unskilled	0	0	0
Total	**0**	**0**	**0**

No performance rewards were paid.

Training Costs

Programme/Activity/Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Avg. Training Cost Per Employee
1. COVID-19 training	R9 990.00			10	R999.00
2. *Linux essentials training	0			1	0
3. *LPI level 1 exam 101	0			1	0
4. Online project management	R7 324.70			1	R7 324.70

*Employee opted to pay for his training (Linux essential training and LPI level 1 exam 101).

Employment and Vacancies

Programme/Activity/Objective	2020/2021 No. of Employees	2020/2021 Approved Posts	2020/2021 Vacancies	% of Vacancies
Chief Executive Officer Operations	0	1	1	100
Chief Financial Officer	1	1	0	0
Executive managers	2	3	1	33
Senior managers	10	13	3	23
Managers	14	13	1	7
Administrative officers	30	30	0	0
Unskilled	2	2	0	0
District coordinators	-	37	37	100
Total	**59**	**102**	**43**	

- Chief Financial Officer position is filled by secondment.
- 41 contract new posts were approved for the Project Management Office for the roll out of the BDM project.

Employment and Vacancies Per Levels

Programme/Activity/Objective	2020/2021 No. of Employees	2020/2021 Approved Posts	2020/2021 Vacancies	% of Vacancies
Top Management	3	5	2	20
Senior Management	10	13	3	23
Professional Qualified	14	13	1	7
Skilled	30	30	0	0
Unskilled	2	2	0	0
District coordinator	-	37	37	100
Total	**59**	**102**	**43**	**45**

In an attempt to fill the vacancies the Minister appointed an Executive Caretaker with an end date of 28 January 2021. An Executive Manager: Operations was appointed through the recruitment and selection procedure. An interim Chief Financial Officer was seconded from the Department. Internal employees were appointed to act as the Executive Manager: Corporate Services. An internal employee appointed to act as the Senior Manager: Information Technology.

Employment Changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	2	2	1	3
Senior Management	10	1	1	10
Professional Qualified	15	0	1	14
Skilled	29	7	6	30
Unskilled	10	2	10	2
Total	**66**	**12**	**19**	**59**

Reasons for Staff Leaving

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignations	5	26.3
Dismissal	0	0
Retirement	1	5.3
Ill health	0	0
Expiry of contract	13	68.4
Other	0	0
Total	**19**	**100**

The Agency is in the process of implementing a recruitment drive to fill the critical vacancies.

Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal warning	1
Written warning	0
Final written warning	0
Dismissal	0
Suspensions	7
Total	**8**

The State Attorney was appointed as representatives for the Agency. These cases are still ongoing.

Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	1	0
Senior Management	6	0	0		0	1	1	0
Professional Qualified	8	0	0	0	0	0	1	0
Skilled	7	0	0	1	0	0	0	1
Unskilled	0	0	0	0	0	0	0	0
Total	**22**	**0**	**0**	**1**	**0**	**1**	**3**	**2**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	1	0	1	0	0
Senior Management	1	0	1	1	0	1	1	0
Professional Qualified	5	1	0	0	0	1	0	1
Skilled	23	0	0	1	0	0	0	1
Unskilled	2	0	0	0	0	0	0	0
Total	**32**	**2**	**1**	**3**	**0**	**2**	**1**	**0**

The Agency will ensure that it will target black women for top and senior management positions, as well as other races on all levels, in future.

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	2	0	2
Professional Qualified	0	2	0	2
Skilled	0	1	0	1
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**0**	**5**	**0**	**5**

The Agency will recruit for vacancies. It will also consult organisations that deal with people living with disabilities, and, people living with disabilities will be encouraged to apply for vacant positions through advertisements.

DIGITALLY TRANSFORMING INDIGENT

PART E Financial Information

Report of the Interim Chief Financial Officer

USAASA recorded a total expenditure of R65,853 million or 24% against the total adjusted budget of R280,085 million (inclusive of retained funds amounting to R17,9 million and a baseline reduction of R3,496 million). Included in the total budget is an amount of R178 million that was specifically and exclusively earmarked for SAPO with regards to the distribution of the voucher system for Phase II of the BDM Project. This amount was not transferred in the 2020/21 financial year as the procurement process was not concluded by 31 March 2021.

Expenditure on Compensation of Employees respresented the biggest portion of the total expenditure recorded for the 2020/21 financial year which was R50,517 million or 77% out of the total expenditure of R65,853 million. Other main cost drivers were Lease/Rentals on Operating Lease of R4,887 million, Information and Telecommunication Cost of R3,240 million and Electricity and Municipal Services of R1,137 million.

With the advent of the global pandemic, it became apparent that the computer equipment of the Agency could not meet the requirements of working from home or remotely.

Also, office equipment, furniture and vehicles have almost fully depreciated and its replacement, particularly the computer equipment will have to prioritised in the coming financial year. National Treasury approved the retention of funds from 2019/20 financial year to the amount of R17,9 million which will be utilised for the replacement of electronic devices as well as the payment for legal fees.

The Agency is currently involved in various legal matters, and it was confirmed at the contingent liability at 31 March 2021 was estimated at R314,557 million. Should the outcomes be unfavourable, funding will have to be sourced outside the appropriation of the Entity.

An amount of R35,336 million was recorded as Irregular Expenditure at 31 March 2021 of which R32,196 million stems from previous financial years. USAASA will deal with the irregular expenditure decisively in the following financial year as the Agency is in the process of appointing a forensic investigator who will investigate and make commendations to the Board.

My thanks go to the BARC for their solid direction, the Chairperson of the Board for her guidance and leadership, my USAASA colleagues for their commitment and support during the 2020/21 financial year.

Thank you

Mr Frik Nieman
Interim Chief Financial Officer
Universal Service and Access Agency of South Africa
29 July 2021

Report of the Auditor-General to Parliament on Universal Services and Access Agency of South Africa

Report on the Audit of the Financial Statements

Opinion

1. I have audited the financial statements of the Universal Services and Access Agency of South Africa (USAASA) set out on pages 70 to 95, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the USAASA as at 31 March 2021, 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 1 of 1999 (PFMA).

Basis for Opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.

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

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

Emphasis of Matter

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

Uncertainty Relating to the Future Outcome of Litigation

7. As disclosed in note 14 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.

Responsibilities of the Accounting Authority for the Financial Statements

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

9. In preparing the financial statements, the Accounting Authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

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

Report on the Audit of the Annual Performance Report

Introduction and Scope

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

13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the Annual Performance Report
Programme 2 – Business Intelligence	36 - 38

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

Report on the Audit of Compliance with Legislation

Introduction and Scope

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

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

Annual Financial Statements, Performance and Annual Report

19. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by Section 55(1) (b) of the PFMA. Material misstatements of assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

20. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3 140 000, as disclosed in note 21 to the annual financial statements, as required by Section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with the requirements of the 2017 Preferential Procurement Regulations.

21. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R722 000, as disclosed in note 20 to the annual financial statements, as required by Section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by the incurrence of penalties and interest on late payments.

Consequence Management

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

Other Information

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

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

25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. I have nothing to report in this regard.

Internal Control Deficiencies

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

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

28. Management did not develop and implement a compliance checklist to monitor compliance with legislation.

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

Other Reports

30. I draw attention to the following engagement conducted by National Treasury that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on these financial statements or my findings on the reported performance information or compliance with legislation.

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

Auditor - General

Pretoria
31 July 2021

AUDITOR-GENERAL
SOUTH AFRICA

Annexure - Auditor-General's Responsibility for the Audit

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

Financial Statements

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

Communication with those Charged with Governance

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

4. I also provide the Accounting Authority with a statement that I have complied with relevant ethical requirements regarding independence, and 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.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

Statement of Financial Position

	Note(s)	2021 R'000	2020 R'000
Assets			
Current Assets			
Receivables from exchange transactions	4	2 568	1 868
Cash and cash equivalents	5	229 626	34 355
		232 194	**36 223**
Non-Current Assets			
Property & Equipment	2	360	596
Intangible Assets	3	3	29
		363	**625**
Total Assets		**232 557**	**36 848**
Liabilities			
Current Liabilities			
Trade and other payables	6	10 454	11 943
Provisions	7	3 499	5 850
		13 953	**17 793**
Total Liabilities		**13 953**	**17 793**
Net Assets		**218 604**	**19 055**
Accumulated surplus / (deficit)		**218 604**	**19 055**

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

Statement of Financial Performance

	Note(s)	2021 R'000	2020 R'000
Revenue			
Revenue from exchange transactions			
Recoveries		36	514
Interest received - investment		3 981	1 931
		4 017	**2 445**
Revenue from non-exchange transactions			
Transfer Revenue			
Government grants & subsidies		261 385	82 949
		261 385	**82 949**
Total Revenue	8	**265 402**	**85 394**
Expenditure			
Employee related cost	9	(50 517)	(48 821)
Legal fees		(535)	(297)
Depreciation and amortisation		(295)	(16 252)
Finance costs		(722)	(283)
Lease rentals on operating lease		(4 887)	(5 517)
General expenses	10	(8 897)	(20 415)
Total Expenditure		**(65 853)**	**(91 585)**
Surplus/(Deficit) the year		**199 549**	**(6 191)**

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

Statement of Changes in Net Assets

	Accumulated Surplus R'000	Total Net Assets R'000
Balance as at 1 April 2019	**25 246**	**25 246**
Changes in net assets		
Surplus/(Deficit) for the period	(6 732)	(6 732)
Total changes	(6 732)	(6 732)
Opening balance as previously reported	18 514	18 514
Adjustments		
Prior year adjustments	541	541
Balance as at 1 April 2020 as reinstated	**19 055**	**19 055**
Changes in net assets		
Surplus / (Deficit) for the period	199 549	199 549
Total Changes	199 549	199 549
Balance as at 31 March 2021	**218 604**	**218 604**

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

Statement of Cash Flows

	Note(s)	2021 R'000	2020 R'000
Cash Flows from Operating Activities			
Receipts			
Grants		261 385	82 949
Payments			
Suppliers		(69 291)	(71 123)
Net Cash flows from operating activities	12	**192 094**	**11 826**
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	2	(31)	(110)
Interest income		3 930	1 893
Finance cost		(722)	(283)
Net cash from investing activities		**3 177**	**1 500**
Cash Flows from Financing Activities			
Finance lease payments		-	(51)
Net cash from financing activities		**-**	**(51)**
Net increase/(decrease) in cash and cash equivalents		195 271	13 274
Cash and cash equivalents at the beginning of the year		34 355	21 081
Cash and cash equivalents as at 31 March 2021	6	**229 626**	**34 355**

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

Statement of Comparison of Budget and Actual Amounts

	Approved Budget R'000	Adjustments R'000	Final Budget R'000	Actual Amounts on Comparable Basis R'000	Difference Between Final Budget and Actual R'000	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Recoveries	-	-	-	36	36	Recoveries from former employees
Interest received -investment	800	-	**800**	3 981	3 181	Interest income earned from short-term investment - Call Account
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	264 881	14 404	**279 285**	261 385	(17 900)	Reduction in the baseline in respect of compensation of employees amounting to R3,496M. Approval has been received to retain an amount of R17,9M for 2019/20. The mentioned amount will be utilised for funding the replacement of tools of trade and partially funding legal fees.
Total Revenue	**265 681**	**14 404**	**280 085**	**265 402**	**(14 683)**	
Expenditure						
Personnel	(58 171)	3 496	**(54 675)**	(50 517)	4 158	Savings is due to vacancies.
Legal fees	(1 333)	(14 900)	**(16 233)**	(535)	15 698	Current litigations could not be concluded and continue into the new financial year. It is projected that cases will be finalised in the 2021/22 financial year. R14,9M of the approved retained funds is allocated to legal fees.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

Statement of Comparison of Budget and Actual Amounts *contd.*

	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 ***contd.***						
Depreciation & amortisation	-	-	-	(295)	(295)	Non-cash item not budgeted for
Finance cost	-	-	-	(722)	(722)	Unanticipated cost
Lease rentals on operating lease	(5 302)	-	**(5 302)**	(4 887)	415	Savings due to cancelation of SAPO office rent.
General expenses	(200 875)	(3 000)	**(203 875)**	(8 897)	194 978	Big saving due to the distribution cost for SAPO for BDM Warehousing R178M not utilised this year. R3M of the approved retained surplus is allocated to general expenses.
Total Expenditure	**(265 681)**	**(14 404)**	**(280 085)**	**(65 853)**	**214 232**	
Surplus/(Deficit) for the year	**-**	**-**	**-**	**199 549**	**199 549**	
Actual Amount on comparable Basis as presented in the Budget and Actual Comparative Statement						

Notes to the Financial statements

1. Statement of Compliance

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

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

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

1.1 Significant Judgements

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

Significant judgements include:

Loans and Receivables

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

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

Fair Value Estimation

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

Impairment Testing

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

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

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

Provisions

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

Useful Lives and Residual Value of Property, Equipment and Intangible Assets

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

Effective Interest Rate

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

Provision for Impairment of Financial Instruments

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

1.2 Revenue Recognition

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

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

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

1.3 Revenue from Non-exchange Transactions

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

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

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

Measurement

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

1.4 Revenue from Exchange Transactions

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

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

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

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

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

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

1.5 Fruitless and Wasteful Expenditure

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

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

Details of fruitless and wasteful expenditure are provided in note 20.

1.6 Irregular Expenditure

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

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

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

Details of Irregular expenditure are provided in note 21.

1.7 Investment Policy

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

1.8 Finance Cost

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

1.9 Statement of Materiality and Significance

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

1.10 Tax

Current Tax Assets and Liabilities

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

1.11 Financial Instruments

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

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

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

Classification

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

Class	Category
Loans and receivables	Financial asset measured at amortised cost

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

Class	Category
Trade and other payable	Financial liability measured at amortised cost

Initial Recognition

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

The entity recognises financial assets using trade date accounting.

Initial Measurement of Financial Assets and Financial Liabilities

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

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

Subsequent Measurement of Financial Assets and Financial Liabilities

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

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

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

Fair Value Measurement Consideration

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Gains and Losses

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

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

Impairment and Collectibility of Financial Assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial Assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;

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

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

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

Financial Liabilities

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

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

Presentation

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

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

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

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

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

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

1.12 Property and Equipment

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

Property and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

Item	Depreciation Method	Average Useful Life
Furniture and fittings	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Leasehold improvements	Straight line	5 years
Cellphones	Straight line	2 years

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

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

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

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

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

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

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

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

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

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

1.13 Intangible Assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful Life
Computer software	3 years

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

1.14 Provisions

Provisions are recognised when:

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

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

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

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

1.15 Contingent Liabilities and Contingent Assets

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

A contingent liability is:

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

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

1.16 Leases

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

Finance Leases - Lessee

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

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

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

Operating Leases - Lessee

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

1.17 Employee Benefits

Defined Contribution Plans

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

Short-term Employee Benefits

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

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

1.18 Inventories

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

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

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

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

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

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

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

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

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

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

1.19 Share Capital / Contributed Capital

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

1.20 Budget Information

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

The approved budget is prepared on an accruals basis and covers the period from 01/04/2020 to 31/03/2021.

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

Comparative information is not required.

1.21 Related Parties

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

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

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

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

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

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

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

Related party transactions and outstanding balances or commitments owing between the reporting entity and related parties are disclosed in note 17 to the financial statements. Remuneration of key management personnel is disclosed in note 18.

1.22 Events after the Reporting Date

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

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

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

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

2. Property and Equipment

	2021			2020		
	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value
Computer Equipment	8 189	(8 162)	27	8 189	(8 058)	131
Furniture and fixtures	2 635	(2 634)	1	2 635	(2 634)	1
Motor Vehicles	898	(660)	238	898	(570)	328
Office equipment	884	(790)	94	852	(716)	136
Leasehold improvements	1 980	(1 980)	-	1 980	(1 980)	-
Cellphones	727	(727)	-	727	(727)	-
Total	**15 313**	**(14 953)**	**360**	**15 281**	**(14 685)**	**596**

Reconciliation of Property and Equipment - 2021

	Opening balance	Additions	Depreciation	Closing Balance
Computer Equipment	131	-	(104)	27
Furniture and fixtures	1	-	-	1
Motor Vehicles	328	-	(90)	238
Office equipment	136	31	(73)	94
Leasehold improvements	-	-	-	-
Cellphones	-	-	-	-
	596	**31**	**(267)**	**360**

Reconciliation of Property and Equipment - 2020

	Opening balance	Additions	Depreciation	Closing Balance
Computer Equipment	943	-	(812)	131
Furniture and fixtures	2	-	(1)	1
Motor Vehicles	418	-	(90)	328
Office equipment	102	110	(76)	136
Leasehold improvements	-	-	-	-
Cellphones	51	-	(51)	-
	1 516	**110**	**(1 030)**	**596**

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3. Intangible Assets

	2021			2020		
	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value	Cost / Valuation	Accumulated Depreciation and Impairment	Carrying Value
Computer Software	46 295	(46 292)	3	46 295	(46 266)	29

Reconciliation of Intangibile Assets - 2021

	Opening balance	Additions	Amortisation	Closing Balance
Computer Software	29	-	(26)	3

Reconciliation of Intangibile Assets - 2020

	Opening balance	Additions	Amortisation	Closing Balance
Computer Software	15 251	-	(15 222)	29

4. Receivables from Exchange Transactions

	2021 R'000	2020 R'000
Fair value adjustment - Receivables	(29)	(29)
Staff debts / Travel Advances	409	7
Prepayments	799	695
Office rent deposits	256	265
Accrued Income - Investment income	568	170
Other receivables	565	760
	2 568	**1 868**

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:		
Bank balances	434	282
Call account	229 192	34 073
	229 626	**34 355**

6. Trade and Other Payables

Trade payables	678	780
Operating lease payables	-	5
Accruals	9 776	11 158
	10 454	**11 943**

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

7. Provisions

Reconciliation of Provisions - 2021	Opening balance	Additions	Utilised	Reversed During the Year	Total
Annual Bonus 13th cheque	375	376	(375)	-	376
Leave	730	2 246	(730)	-	2 246
Workman's Compensation	438	337	-	-	775
Other provisions	4 307	102	(3 898)	(409)	102
	5 850	**3 061**	**(5 003)**	**(409)**	**3 499**

Reconciliation of Provisions - 2020

	Opening balance	Additions	Utilised	Total
Annual Bonus 13th cheque	355	375	(355)	375
Leave	1 654	730	(1 654)	730
Workman's Compensation	438	-	-	438
Other provisions	-	4 307	-	4 307
	2 447	**5 412**	**(2 009)**	**5 850**

8. Revenue

	2021 R'000	2020 R'000
Recoveries	36	514
Interest received - Investment income	3 981	1 931
Government grants & subsidies	261 385	82 949
	265 402	**85 394**
The amount included in revenue arising from non-exchange transactions are as follows:		
Government grants & subsidies	261,385	82,949
The amount included in revenue arising from exchanges of goods or services are as follows:		
Recoveries	36	514
Interest received - Investment income	3 981	1 931
	4 017	**2 445**

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

9. Staff Cost

	2021 R'000	2020 R'000
Wages and Salaries		
- Basic salaries	45 264	46 697
- Other non-pensionable allowance	1,024	910
- Workman's Compensation	251	-
- Leave provision adjustment	1 660	(1 080)
Social contributions (Employer's contributions)		
- Medical aid	252	268
- Unemployment insurance fund	105	104
- Provident fund	1 961	1 922
	50 517	**48 821**
Number of employees	59	66

The number of employees represent the actual number of employees as at 31 March 2021.

10. General Expenses

Advertising	1	3
Auditors remuneration	917	970
Bank charges	50	57
Board and committee fees	673	860
Catering & refreshments	15	103
Conferences and seminars	15	327
Consulting and professional fees	1 094	5 301
Electricity and municipal services	1 137	1 007
Employee Wellness	49	43
Information and telecommunication costs	3 240	2 935
Insurance	-	375
Marketing	-	660
Postage and courier	364	71
Printing and publication	310	765
Recruitment	32	89
Repairs and Maintenance	89	152
Research & Development cost	-	499
Reverse provision - Expenses	(555)	-
Royalties and license fees	324	1 887
Security	282	338
Staff Welfare	125	359
Subscription fees	5	42
Training & Development	17	286
Travel cost	713	3 286
	8 897	**20 415**

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

11. Operating surplus/(deficit)

	2021 R'000	2020 R'000
Operating surplus/(deficit) for the period is stated after accounting for the following:		
Operating lease charges	4 599	5 024
Premises - contractual amounts	288	493
Plant and equipment - contractual amounts	**4 887**	**5 517**
Loss on sale of plant and equipment	-	-
Amortisation of intangible assets	26	15 222
Depreciation on plant and equipment	269	1 030
Employee cost	50 517	48 821
Research and development	-	499

12. Cash generated from (used in) operations

	2021 R'000	2020 R'000
Surplus/(deficit)	199 549	(6 191)
Adjustments for:		
Depreciation and amortisation	295	16 252
Finance cost	722	283
Movements in provisions	(2 474)	3 403
Interest income	(3 810)	(1 893)
Changes in working capital		
Inventories	-	5
Receivables from exchange transactions	(699)	(932)
Trade and other payables	(1 489)	899
	192 094	**11 826**

13. Commitments

	2021 R'000	2020 R'000
Operating lease commitments		
Total future minimum payments due		
Already contracted for but not provided for		
- within 1 year	521	521
- in second to fifth year inclusive	694	1 259
	1 215	**1 780**
Total operational commitments		
Already contracted for but not provided for	1 215	1 780

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

Service contracts

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

	2021 R'000	2020 R'000
- within 1 year	-	572
- in second to fifth year inclusive	-	34
	-	**606**

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

14. Contingencies

Liabilities

The total of contingent liabilities is: R 314,557m (2019/20 - R 126,618m).

MZUMBE EKHAYA V USAASA

The matters is based on the alleged breach of contract by USAASA. Mzumbe Ekhaya is seeking payment for damages resulting from said alleged breach. Potential liability including litigation costs is estimated at R 9.8 million.

DUMA TRAVEL V USAASA

Duma Travel issued summons against USAASA for services rendered to the amount of R 169 500.00 which was not yet settled by USAASA. Potential liabilty amounts R 15 500.00 for legal costs.

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 estimated liability amounts to R201 991 337 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.

LERATADIMA (Delivery) V USAASA

The liquidators of Leratadima have on numerous occasions demanded payment for services allegedly rendered to USAASA and not paid for. Legal costs are estimated at R500 000-00.

CZ ELECTRONICS V 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 claim is about R49 million including legal costs for the foreign exchange rate variance relating to foreign components needed to manufacture DTT set top boxes.

BUA AFRICA (Delivery) V USAASA

BUA Africa issued summons in the Johannesburg High Court claiming payment of the unpaid invoices. Legal costs are estimated at 1 million.

BUA AFRICA (Variance) V USAASA

BUA Africa as the manufacturer of the BDM equipments exercised the arbitration clause of the Supply and Delivery Agreement and instituted proceedings against USAASA. The claim is about R52 million including legal costs for the foreign exchange rate variance relating to foreign components needed to manufacture DTT set top boxes. Legal representation not yet appointed.

LABOUR MATTERS

USAASA is engaged in litigation with who received salary adjustments which USAASA is challenging. The legal counsel estimate the financial exposure of approximately of R250 000.00.

Assets

Total amount for contingent assets is R29K (2019/20 - R29K).

DIATLA TSE BORUTHO (DIATLA)

Recovery of VAT in the sum of R34K. Defualt judgement was granted against the defendant. Legal cost are estimated at R5K.

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

15. Related Parties

		2021 R'000	2020 R'000
Relationships			
- Department of Communications and Digital Technologies	Administative arm of shareholder		
- Universal Access and Service fund	Fund Management		
- South African Post Office - Doc exchange	Entity controlled by the same shareholder		
Related party transactions			
- Department of Communications and Digital Technologies		260 467	82 949
- South African Post Office - Doc exchange		-	31

16. Remuneration of Key Management

Executive Management - 2021	Salary R'000	Acting Allowance R'000	Other Allowances R'000	Total R'000
Mr. B. Ford - Executive Caretaker and Accounting Authority (Appointed 28 January 2020 - 26 January 2021)	1 338	-	-	1 338
Ms. C Madikizela - Acting CEO (Appointed 8 March 2021)	-	5	-	5
Ms. C Madikizela - Executive Manager: Operations (Appointed 6 July 2020)	1 073	-	-	1 073
Mr. T Nivi - Acting Executive Manager: Operations (Appointed 19 March 2021)	-	4	-	4
Ms. S.J. Motloung - Company Secretary and Acting Executive Manager: Corporate Services (Appointed 11 December 2017)	1 452	-	-	1 452
Ms. H. Ramemosibudi - Acting Chief Audit Executive (Appointed 1 May 2020)	-	512	-	512
Mr. S. Mngqibisa - Executive Manager: Performance Management (Appointed 01 October 2017)	1 332	-	120	1 452
Mr. F. Nieman - Interim CFO (Appointed 01 May 2020)	918	333	-	1 251
Mr. SM. Sephiri - Acting CFO (Appointed 17 October 2019 - 31 Apr 2020)	-	16	-	16
Ms. S. Scheepers - Acting Executive Manager: Corporate Services (Appointed 26 January 2021)	-	9	-	9
	6 113	**878**	**120**	**7 111**

UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

16. Remuneration of Key Management *contd.*

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

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16. Remuneration of Key Management *contd.*

	2021 R'000	2020 R'000
Non Executive Managers		
Ms. M. Moropa (Terminated 21 November 2019)	-	246
Mr. W. Huma (Terminated 21 August 2019)	-	183
Mr .L. Mello (Terminated 21 November 2019)	-	164
Mr. S.J Ngubane (Terminated 21 November 2019)	-	134
Mr. S.R Dube (Terminated 21 November 2019)	-	132
Ms B. Tonise (Appointed 1 April 2020)	22	-
Ms. DZ Rantho (Appointed 28 February 2021)	37	-
TE Ramaru (Appointed 28 February 2021)	40	-
	99	**859**
Board and Audit Risk Committee		
Mr.SR. Dube (Appointed 30 August 2018) - Chairperson	-	28
Mr. S.J. Ngubane (Appointed 30 August 2018)	-	14
Ms. M.Moropa (Appointed 30 August 2018)	84	24
Mr. P. Phukubje (1 April 2020 - 27 January 2021)- Chairperson	129	-
Mr. M Metuse (1 April 2020 - 27 January 2021)	96	-
Ms B. Tonise (Appointed 1 April 2020)	124	-
Ms. DZ Rantho (Appointed 28 February 2021)	69	-
Mr. S. Thobela (Appointed 28 February 2021)	22	-
TE Ramaru (Appointed 28 February 2021)	50	-
	574	**66**

17. Prior Year Adjustment

The adjustment was effected as follows:

Statement of Financial Performance		
Decrease in expenses	-	(541)
Statement of Financial Position		
Decrease in current assets	-	147
Decrease in provisions	-	394

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18. Risk Management

Liquidity Risk

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

Interest Rate Risk

The carrying amount of the Agency's financial assets at balance sheet date that are subject to interest rate risk is disclosed in note 5. The size of the Agency's position does not expose it to significant interest rate risk. Any risk is managed through the term structure utilised when placing deposits.

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

Credit Risk

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

19. Events after the Reporting Date

On 7 June 2021 USAASA was served with a Notice of Motion claiming R102 million from USAAS, alleging USAASA to be in breach of a letter of undertaking signed by the former CEO of USAASA, Mr Zami Nkosi on 16 January 2016, whereby it is alleged that USAASA undertook to pay all invoices submitted by Leratadima Marketing Solutions (in liquidation) into a VBS Bank account. It is further alleged that as a result of USAASA breaching this undertaking, VBS Bank (in liquidation) suffered damages in the sum of R102 million.

USAASA was not a party to that facility agreement nor was USAASA aware of such agreement or any cession.

20. Fruitless and Wasteful Expenditure

		2021 R'000	2020 R'000
Reconciliation of Fruitless and Wasteful Expenditure:			
Opening balance		389	106
Fruitless and wasteful expenditure - current year		722	283
		1 111	**389**
Analysis of Fruitless and Wasteful Expenditure:			
Incident	**Disiplinary steps/comments**		
1. Interest charges	Fruitless and wasteful expenditure relates to the interest charged on late payments.	138	10
2. Bank overdraft	Interest paid on bank overdraft	4	-
2. SARS Penalties and Interest.	SARS Penalties and Interest - PAYE returns	580	273
		722	**283**

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21. Irregular Expenditure

		2021 R'000	2020 R'000
Reconciliation of Irregular Expenditure:			
Opening balance		32 196	30 491
Irregular expenditure - current year		3 140	1 705
		35 336	**32 196**
Analysis of Irregular Expenditure:			
Incident	**Disiplinary steps/comments**		
1. Non compliance with SCM and procedures	SCM process was not followed. Extention of scope without following SCM process	924	-
2. Non compliance to SCM procedures	Expenditure beyond contract period	1 957	1 498
3. Non compliance to SCM	Non complaince as per National Treasury regulation	52	-
2. Non compliance with DPSA circular	As per Public Protector report	207	207
		3 140	**1 705**
Analysis of expenditure awaiting condonation per age classification:			
Current year		3 140	1 705
Prior years		32 196	30 491
		35 336	**32 196**

During the period under review, 'Irregular expenditure', as defined in Section 1 of the PFMA, to the total value of approximately R1.957m emanated from expenditure beyond the contract period. The irregular expenditure amounting to R207K was due to non compliance with DPSA circular as per Public Protector report. Non complaince as per National Treasury amounted to R52K SCM process not followed contributed to R924K.

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