

Vision

Achieving digital inclusion by accelerating affordable universal service and access in South Africa for socio-economic development.

Values

- **Batho Pele** - We believe in provision of excellent service to all our customers and stakeholders
- **Ubuntu** - We promote an environment of humanness, caring and support
- **Integrity** - We uphold high standards of trust, honesty and respect in our interaction with all stakeholders
- **Innovation** - We support employee creativity in delivering all our services
- **Transparency** - We encourage openness in all our activities
- **Accountability** - We foster employee ownership and responsibility in ensuring quality service
- **Teamwork** - We endeavour to create a harmonious work environment where all employee views and contributions are respected

Mission

- Facilitate and maintain universal service and access to ICT services to all South Africans in partnership with other stakeholders to achieve an inclusive information society.

Strategic Objectives

- Make ICTs available, accessible and affordable to all South Africans through the provision of funding from USAF, in collaboration with the ICT stakeholders.
- Undertake continuous research to promote, encourage, facilitate and offer guidance regarding universal service and access, in view to inform policy and regulatory processes.
- Monitor and evaluate the extent to which universal access and services have been achieved in order to assess the impact of the ECA in this regard.
- Ensure the optimal functioning of the Agency through strengthening the current strategic and operational capabilities of the Agency in order to deliver on its mandate.

Glossary of Terms

Agency	Universal Service and Access Agency of South Africa
USAASA	Universal Service and Access Agency of South Africa
DoC	Department of Communications
MDDA	Media Diversity and Development Agency
ICASA/ Authority	Independent Communications Authority of South Africa
SABC	South African Broadcasting Corporation
FET's	Further Education and Training Colleges
DoE	Department of Education
ICT	Information and Communication Technology
MoU	Memorandum of Understanding
HR	Human Resources
ECA	Electronic Communications Act
SLA	Service Level Agreements
PUSANO	Provincial Under Serviced Area Network Operator
CTO	Commonwealth Telecommunication Organisation
USAF	Universal Service and Access Fund
USAL	Under Serviced Area Licence
SMME	Small Micro and Medium Enterprises
SKA	Square Kilometre Array
PFMA	Public Finance Management Act
ISETT SETA	Information Systems, Electronic and Telecommunication Technology Sector Education and Training Authority
GRAP	Generally Recognised Accounting Practice
GAAP	Generally Accepted Accounting Principles

Contents

SECTION 1:

Foreword - The Minister Of Communications	5
Chairperson's Statement	7
The Board Profile	10
Review by the Acting Chief Executive Officer	12
Group Executive	15

SECTION 2: UNIVERSAL SERVICE AND ACCESS FUND (USAF) REPORT 17

2.1	Community Access Centres	18
2.2.	Cyberlabs	19
2.3.	Further Education and Training Colleges (FET's)	21
2.4	Training	22
2.5	Research: Definitions of Universal Service and Universal Access	22
2.6	Universal Service Obligations	23
2.7	Under Served Area Licences (USALS)	24
2.8	Special Projects	25
	2.8.1 Mindset Network	25
	2.8.2 Square Kilometre Array	25
2.9	Summary of USAF Performance	26

SECTION 3: UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA – Divisional Reports 33

3.1	Human Resources Division	33
3.2	Corporate Affairs Division	36
3.3	Legal and Regulatory Affairs Division	38
3.4	Finance and Supply Chain Management	39

SECTION 4: GOVERNANCE REPORT 41

4.1	Board of Directors' Corporate Governance Report	41
4.2	USAF Projects Sub-committee	43
4.3	Human Resources and Remuneration Sub-Committee	44
4.4	Research & Policy Sub-committee	44
4.5	Audit and Risk Management Sub-committee Report	45
4.6	Statement of Responsibility and Approval	47

SECTION 5: ANNUAL FINANCIAL STATEMENTS - Universal Service and Access Agency of South Africa 49

SECTION 6: ANNUAL FINANCIAL STATEMENTS - Universal Service and Access Fund 69



“Irrespective of various economic challenges facing our economy, we still need to respond and take cognisance of the expectations that our people have of a better life”

Source: Minister of Communications, Budget Vote Speech – 23 June 2009



FOREWORD

The Minister of Communications



General (Ret) Sipiwe Nyanda

we still need to respond to the expectations that our people have of this government. The Universal Service and Access Agency of South Africa is key towards building and implementing government's long term vision of uplifting the poor and creating ICT infrastructure that would benefit rural and under developed communities.

In implementing its mandate, USAASA supported the establishment of various ICT interventions in various communities. Among the interventions is the building of computer laboratories in schools, ICT centres in communities to ensure long term sustainability and, extension of internet services to Further Education and Training Institutions.

Section 82 (4) (e) and (f) mandates the Agency to advise the Minister and Authority on any matters pertaining to universal access and universal service. As part of this mandate, the Agency completed an extensive consultative

The release of the Universal Service and Access Agency of South Africa (USAASA) 2008/2009 Annual Report coincides with several positive developments in our country within the ICT sector.

The coming into office of the new administration following the general election has created further expectations among our people, the poor in particular.

Government has set itself priorities and timelines by which it aims to have delivered on the commitments made during the election period, among these are intensified efforts to fight poverty, improving the health care and education systems and making Information and Communication Technology services relevant to the people. The government has outlined key priorities aimed at ensuring that the country meets its economic and social infrastructure targets as set out by the President during his State of the Nation Address.

In my budget speech in June 2009, I indicated that irrespective of the global economic slowdown and its subsequent impact on the lives of ordinary South Africans,

process aimed at coming up with a definition of “universal access” , “universal service”, “under serviced areas” and “needy persons”. The "definitions document" would also provide suggested targets for achievement of the Millennium Development Goals and World Summit on Information Society.

There is still a lot of work to be done in providing large sections of our population with reliable and affordable electronic communication and network services, especially broadband and internet. In addressing this critical issue, USAASA continues to pay subsidies to Under Serviced Area Licencees to extend infrastructure deployment in the under serviced areas.

In this regard, we appreciate the work done so far and we also commend the new strategic thinking that USAASA is embarking on and which I have shared with the USAASA Board of Directors at our first bilateral meeting.

I am also aware of the challenges that the Agency has had in meeting some of its targets due in part to funding and capacity constraints. I therefore acknowledge the pledge that the Ministry of Communications and National Treasury have made to provide additional funding to USAASA to enhance its capacity.

In conclusion I would like to express my sincere appreciation to the Board of USAASA, management and staff for bringing ICT services closer to our people.



General (Ret) Sipiwe Nyanda
Minister of Communications

CHAIRPERSON'S STATEMENT

On behalf of the Board of USAASA, I officially present the Annual Report of the Universal Service and Access Agency of South Africa (USAASA) for the financial year ended 31 March 2009.

The ICT sector has seen many developments in the past two and half years since I became the Chairperson of the Board in December 2006. South Africa is now playing a much more prominent role in the Southern African Development Community (SADC) Region and in the African Union both in the regulatory and in the policy environment. Our country is also active in various International Telecommunication Union (ITU) ICT discussions, and has undertaken various commitments to meet the Millennium Development and World Information Society (WSIS) Goals by 2014.

On the international front USAASA has accepted the request by the Commonwealth Telecommunication Organisation to be the second vice chairperson to the inaugural African Universal Service and Access Fund Association (AUSAFA). The primary aim of AUSAFA is to assist and share experiences, by and between African Universal Service Agencies, to carry out their individual mandates of improving telecommunications access for the betterment of their people, by providing a platform to leverage their unique strengths to satisfy the common needs. The first inaugural meeting was held on 9th December 2008 in London.

Unfortunately, the fact remains that our interventions have not been on par with the speed with which the sector has evolved in the past few years since 1994. The country still has areas that are deemed under serviced and thousands of schools that have no form of ICT services, infrastructure or Internet connectivity. Surely as a country we can do better. The question we need to ask ourselves at this point is whether the institutions that have been created by Government have the capacity and support to make a meaningful contribution to change this abnormality.

The Universal Service and Access Agency of South Africa is and remains one of the key government institutions that have been tasked with the important task of ensuring universal access and universal service to ICT's for the poor and to ensure that we connect the unconnected. The changes in legislation have had a major impact on



Cassandra Gabriel

“There is now much greater recognition of the role of the Universal Service and Access Agency of South Africa in the industry especially in providing the poor with access to Information and Communication Technology services”.

how the organisation aligns itself strategically, with the resources required both human and financial in order to meet its mandate and play a much more prominent role in the Policy and Regulatory arena. I am pleased to report that in this regard we have taken great strides towards achieving our strategic objectives. The new board provided direction on the new strategy and successfully negotiated with National Treasury through the DoC to secure additional funding. There is also now much greater recognition of the role of the Agency in the industry especially in connecting the poor.

In addressing the challenges that our country is facing and meeting government objectives, USAASA does realise that there is a need to revise the operational model of the Universal Service and Access Fund (USAF). We need to get back to the real intention of the fund, which is to provide subsidies for projects in underserved communities. Historically we have not had sufficient funds to subsidise infrastructure development to provide incentives to licensed operators in this regard. Hence USAASA could only focus on smaller projects.

We have realised over time that the most successful projects were those that are run by local entrepreneurs. A major project we are currently rolling out is the handover programme which is aimed at providing opportunities to entrepreneurs and local business people to own the ICT Access Centres. To ensure that we hand over good quality and sustainable facilities, the Agency has spent over R150 million over the past few years in the rehabilitation and maintenance of these facilities.

USAASA's Role in Policy Formulation

The Agency is mandated, as one of its key functions, to advise and give guidance to the Ministry of Communications and to ICASA (Regulator) on matters related to universal access and universal service. The past two years have seen South Africa starting the process of Broadcasting Digital Migration as per our ITU commitment targets to fully migrate from the current analogue to digital broadcasting by 2015. The Broadcasting Digital Migration process is one of the key areas where the Agency is demonstrating its ability to play this advisory role. Government has recognised the critical role that USAASA can play in the migration process particularly in the identification and provision of subsidies to needy communities and households that require set top boxes. National Treasury has allocated R400 million to USAASA over the next three years to manage the subsidisation of these needy communities. As part of this process, the Agency is also participating in the Digital Dzonga working group to finalise the funding model.

All these developments send a clear message that USAASA is now better geared to provide proper guidance and play an advisory role to government. There are still areas

that would have to be finalised to ensure that the role of USAASA in the broadcasting arena is clear, specifically with regard to USAASA's relationship with the MDDA on access and service matters in the broadcasting space.

USAASA's Regulatory Focus

In the 2007/2008 Annual Report I reported that the Agency was developing a concept document on defining key ICT terms. For the last ten years there has not been a standard definition of "universal service", "universal access" and "needy persons". This has impeded development within the ICT sector. For example, operator obligations could not be finalized due to technical debates about what constituted under-serviced areas.

USAASA undertook a very long and intensive public consultation process to get everyone in the country and the industry talking about the definition of universal service and universal access. For the first time, ICASA, DoC, MDDA, civil society and interested parties came together to make concrete recommendations to the Minister. I compliment all participants for contributing to this historical moment and I am pleased that these definitions have now been finalised and submitted to the Minister.

The e-Rate debate also continued in the year under review and USAASA played a critical role in addressing connectivity in schools and how this should be implemented. The Agency facilitated the signing of contracts with operators as part of their Universal Service Obligations subsidies for schools Internet connectivity at e-rated or (50% discounted) prices. Furthermore USAASA ensured that it made presentations at ICASA as part of continuous engagements with the Regulator and other stakeholders on the matter.

USAASA's Future Focus

The new government administration has a greater focus on under serviced areas and has realised that many people have been marginalised and are, still to this day, stuck in the second economy.

The biggest opportunity for South Africa today is to get to grips with the costing of communication. Approximately 90% of the population has access to mobile services but most people, mainly the poor, cannot afford the exorbitant costs of this communication. A serious intervention by government and stakeholders within the sector is urgently required to address this concern and this is an issue that USAASA will be discussing in greater detail with the DoC as a priority.

The country also needs to look at possible means to create a national schools network that would assist in improving the level of teaching and learning. ICT's are critical to the realisation of this vision. Through the



Late Minister of Communications, Dr. Ivy Matsepe-Casaburri, Deputy Minister Roy Padayachie and Members of the USAASA Board and Staff of the Agency 2008 USAASA - DoC Annual General Meeting.

extension of broadband services to under serviced areas, this vision can become a reality. Various discussions and plans are currently underway and it is therefore critical that they are fast-tracked.

USAASA's revised strategy with its vision 2020, is looking at implementing programmes that would ensure that the country does meet its objectives and targets on universal access and universal service. This strategy has been developed with consideration of the new administrations Medium Term Strategic Framework 2009 – 2014 and the Millennium Development Goals. We are pleased that Government has realised the importance of providing more financial resources to USAASA and has allocated R50 million for capacity building.

On behalf of the Board of USAASA I would like to take this opportunity to honour the late Minister Dr. Ivy Matsepe-Casaburri. We will always remember her dedication to the organisation and the role she played in getting USAASA to where it is today. We would like to thank the former Deputy Minister Roy Padayachie for his special interest in universal service issues and the support he provided to USAASA and the Board.

We welcome the new Minister of Communications, General (Ret) Siphwe Nyanda who already set the tone on the role of USAASA within the country's ICT agenda. The Minister's onus is upon us to deliver the government's vision. With the support you have expressed so far, we are confident that this vision is attainable. I also acknowledge our new Deputy Minister of Communications, Ms. Dina Pule and Mr. Ismail Vadi, Chairperson of the Communications

Portfolio Committee in Parliament and his Committee for all the support provided so far.

To my fellow Board Members, the past two and half years provided various challenges. Your guidance and leadership especially in the sub-committees is well appreciated. Your knowledge of the sector cannot be measured and this report and the clean audit it has received, is indicative of your hard work and commitment. Thanks also to the team USAASA for all the hard work and dedication during the difficult times.

South Africa has taken great strides in creating an environment that ensures and enables the integration of the poor and under serviced communities into the information world. The past two and a half years have been challenging but exciting and with government's focus on ICT's for development, more resources have been allocated as per our needs. The new strategy and a revised operational framework have been developed to ensure that we dare not fail in our mandate. It is therefore time to build on the successes achieved so far and to strengthen our implementation processes.

Cassandra Gabriel
Chairperson

THE BOARD PROFILE



CASSANDRA GABRIEL

Qualifications: *Degree in Fine Art, an Honours Degree in Gender Studies and has completed numerous courses on literacy facilitation, adult education, management, telecommunications and mobile and satellite technology in South Africa, Mauritius, London, Bath and Cyprus. She is currently completing her Masters in Business Leadership at the University of South Africa.*

Chairperson

Ms Gabriel founded Gabriel & Associates, a division of JKT Investments (Pty) Ltd, in 2005. Ms Gabriel has strategic management experience at an executive level in Government, the telecommunications and defence industries. Previously, she worked for Denel as the Chief of Staff (Executive) in the Office of the CEO. She was a Director on the Board of South Africa's Aerospace, Maritime and Defence Industry Body (AMD).

While at Denel, Ms Gabriel represented the company in National defence delegations to Brazil, The United Arab Emirates and India and during a Presidential State Visit to France. She worked as the Media Officer for the African National Congress (ANC) in the Natal Midlands Region, KwaZulu Natal Province, in 1993. She worked for an NGO Culture & Working Life Project at the University of Natal Durban, before heading the Education Programme of the Constitutional Assembly, National Parliament in the KwaZulu Natal Province in 1995, during the drafting of the country's Constitution. Ms Gabriel became spokesperson for Minister Pallo Jordan, then Minister of Environmental Affairs and Tourism, as his Media Liaison Officer in 1996, before joining Telkom's Government Relations and later Regulatory and Public Policy divisions in 1998.

During Ms Gabriel's six years at Telkom, she managed Telkom's Parliamentary Liaison Office in Cape Town as a Senior Manager, was promoted to Executive

to form a new unit-e-Society Initiatives, was made responsible for Cabinet Liaison and later managed the team of Telkom's regulatory lawyers in the Regulatory & Public Policy division. She was also seconded twice to the Ministry and Department of Communications, firstly to support Minister Jay Naidoo during Africa Telecom 98 and secondly to support the Director General Andile Ngcaba with the policy preparations for the Initial Public Offering of Telkom and the appointment of advisors for the introduction of the Second Network Operators.



DR. GABRIELE CELLI

Qualifications: *Dr of Electronic Engineering, University of Rome; BCom (Economics) Unisa; Advanced Executive Program, Unisa Business School.*

Member of Research & Policy and USAF Projects sub-committees

Dr Celli is currently an Executive in the Regulatory and Public Policy Division of Telkom SA. Dr Celli joined the Department of Posts and Telecommunications as an engineer in 1967 and worked in the technical division until 1991. In 1989 he joined the newly formed Corporate Strategy division, and subsequently was responsible for establishing the strategic planning function in Telkom.

Dr Celli participated in establishing the National Telecommunications Forum (NTF), a body representative of all stakeholders in the Telecommunications sector, whose main objective was to develop policy options for the restructuring of the sector in South Africa. In 1994 Dr Celli was appointed by the then Minister of Communications Dr. Pallo Jordan to the technical task team responsible for developing the consultative Green Paper on Telecommunications Policy, and subsequently to the technical task team that developed the White Paper on Telecommunications Policy, which formed the basis for the Telecommunications Act, 103 of 1996.



PROF. MAREDI MPHAHLELE

Qualifications: *SSTC, BSc (UNISA), MSc (UNIN)*

Chairperson: USAF Projects sub-committee and Member of Research & Policy sub-committee

Prof Mphahlele is currently the Acting Deputy Dean at the Tshwane University of Technology. He has been a Director in the Center of Excellence (UNIN) Network Research Unit and a Senior Lecturer at the University of Pretoria in the Department of Computer Science.

Prof Mphahlele was also a Lecturer at the University of the North in the Department of Computer Science where he was appointed as a Chief Education Specialist responsible for ICT in the Province for a period of six months.

Prof Mphahlele has published an M.Sc paper in an International Journal and was involved in writing and presenting several papers to various conference proceedings. He has also presented two papers to the Tshwane University of Technology to students in Paralegal studies on the origin of labour as well as the role of metaphors in organisation theory. Currently he is involved in the formulation of a mathematical model to estimate and predict ICT Practitioner skills (e-skills deficiencies) needs of the future, through the use of cross-impact analysis techniques and goal programming.



**ZINGISA
MZAIDUME**

Qualifications: *B.A (UWC), PDM (WBS)*

Chairperson: Human Resource and Remuneration Sub-Committee

Ms Mzaidume is the owner and Managing Director of Hapiloe and Associates Consulting which specialises in change management and Human Resources expertise.

She has over 18 years experience made up of over 10 years working experience and eight years management consulting experience. Her experience has been gained in both public and private sector institutions in Manufacturing, Banking, Energy and Technology industries in South Africa including the Federal Inland Revenue Service in Nigeria.

In the past 5 years, her company has been the Project Lead in the various Change Management consulting assignments her company has executed either singly or in partnership with both small and big multinational Consulting firms.



**BERENICE
FRANCIS**

Qualifications: *BCompt (Hons), Certified Internal Auditor*

Member of Audit & Risk Management and USAF Projects sub-committees

She is currently responsible for Group Risk, Transformation and People Development at Imperial Holdings, a diversified multinational industrial services and retail group. The key output of her role is the development and implementation of the Group's frameworks and programmes on Enterprise Wide Risk Management, Transformation and People Development. She started her career at Arthur Andersen as an article clerk in 1997 and stayed with the company till 2002 when she joined the City of Johannesburg. At the City, she was responsible for Enterprise Risk Management and later its Internal Audit function.

Ms Francis left in 2005 and joined the State Information Technology Agency (SITA) as its Chief Risk Officer where her role was to facilitate the implementation of a COSO (Committee for Sponsoring Organisations of the Treadway Commission)-based risk management framework and the compilation, co-ordination and monitoring of the company and its executives performance targets as set by the Board and CEO.



**BHEKI
MADUNA**

Qualifications: *Hons B Compt, CTA*

Member of Audit & Risk Management and HR & Remuneration sub committees

Mr Maduna is currently the Chief Financial Officer of the Department of Labour. He left Gobodo Inc where he completed his training contract in September 1997 and joined Cross-Border Road Transport Agency as a Financial Manager. Mr Maduna joined Gobodo Corporate Finance in January 1999 as Manager Corporate Finance and has been part of the team that undertook under-spending project by DPSA on behalf of FOSAD, drafted proposals to DWAF and DPE for transaction advisors on disposal of state owned forests, due diligence of MKTV and defining the roles and responsibilities of the Contract Management Unit (CMU) for Johannesburg Metro with regard to Utilities, Agencies Corporitised entities (UAC's).

Mr Maduna joined Ngubane & Company in June 2002 as an Audit Manager where he was managing supervisors, internal auditors and trainee accountants reporting to the partners. He also successfully completed internal and external audit assignments and was seconded to CIPRO as Chief Financial officer.

Mr Maduna joined AloeCap in August 2003 as a Senior Consultant responsible for the monitoring of all the municipalities in Mpumalanga that was reporting to the DPLG.

He is currently the Board member of Unemployment Insurance Fund (UIF) and PCETA and also serves on their sub-committees.



**PROF. SHAUN
PATHER**

Qualifications: *Doctor Technology (IT), MPA, PGDPA, AUDPA, FDE*

Chairperson: Research & Policy sub-committee and Member of USAF Projects sub-committee

Professor Pather is currently Associate Professor in the Faculty of Informatics & Design at the Cape Peninsula University of Technology being previously based at UKZN. He has over twenty years of experience in the ICT education and training environment, and has rich history of community activism, and involvement with labour and civic organizations.

As an academic he has two key research foci in the ICT domain, viz. the uptake and usage of ICTs for socio-economic benefit and related policy development; and the evaluation of ICT effectiveness, particularly within e-Commerce contexts. In terms of the former he is committed to leveraging his research for societal transformation and has led several projects with government, and the private sector. Prof Pather's professional experience includes project management, human resource management, financial planning and marketing management.

He has authored a number of research publications in refereed journals and has presented seminars and papers at several international conferences. He serves on a number of editorial boards which include the international Journal of Community Informatics. Prof Pather is the recipient of a Fulbright Visiting Scholar Award and will be participating in The Global Impact Study of Public Access to ICTs at the University of Washington between September 2009 and May 2010.

REVIEW BY THE ACTING CHIEF EXECUTIVE OFFICER



Winile Lamani

“The ideal future is for everybody, whether in the Kalahari or in the rich suburbs of Johannesburg, to access ICT technology in the same way and to wake up knowing how to use ICTs to facilitate every aspect of their daily lives. In the year 2009 USAASA is operationally stronger than it has ever been before and has evolved to take its rightful place in the ICT sector. The Agency is therefore better positioned to take greater strides to reach out and connect the unconnected - making this ideal future closer to reality.”

It is with a sense of privilege and honour that I make this short report on behalf of USAASA management and staff for the Financial Year ending 31 March 2009. This annual report provides a detailed account of how core divisions and programmes of the entire Agency have performed against our strategic objectives. It presents audited financial statements of the Agency and the Fund which give account on how resources appropriated in the fiscal year under review were utilised.

This report is presented at a time of transition in our country when a new political administration has just been appointed after the recent elections in April 2009.

The year under review presented the Agency with a big challenge. The resignation of the Chief Financial Officer and the Senior Manager of Human Resources, the suspension and later dismissal of the Chief Executive Officer and later, the resignation of the Head of Corporate Affairs placed the Agency under tremendous pressure. We successfully rose to the challenge and kept the ship afloat amidst the storm. We shared responsibilities and built a united team that ensured continuity. We regarded this as an opportunity to strengthen our operational capabilities and quickly updated and developed key HR policies and key Universal Service and Access Fund (USAF) deliverables that the Agency could focus on. Through this tough time the Agency instituted sound financial and risk management systems which resulted in the clean audit that we have received in both USAASA and USAF Financial Statements of the current financial year.

The Agency is now operationally stronger and is poised to deliver more effectively and efficiently on its mandate of connecting the unconnected. As the Acting CEO I applaud my colleagues and in particular the small working groups that we had to bring together to drive the key projects; for putting their shoulders to the wheel to ensure that the ship sailed in the right direction. This annual report attests to their ability to triumph over hardship and displays their commitment to USAASA's vision of extending digital inclusion to all South Africans. We also take into cognisance that there are other critical areas, such as the development of a legal framework that will ensure good governance, accountability and transparent usage of the USAF, as well as the development of a national Universal Access and Service Strategy.

Highlight of achievements

- Enabled computer access to over 36,600 learners as we supplied ICT infrastructure to 61 schools.
- Enabled internet connectivity to 384 Educators and 3930 students at Further Education and Training institutions as we funded 18 FET colleges.
- Enabled computer access to over 12,500 community members through the Thusong Service Centres as we supplied 8 Community Access Centres with ICT equipment.
- Improved operational systems and processes within the Agency.
- Strengthened our relationships with our stakeholders.
- Spent over R11 million of discretionary expenditure to small and medium black economic empowerment enterprises. USAF spent R38,4 million to small and medium black economic empowerment enterprises of which R7 million was spent on women-owned enterprises.

USAF Projects

Access to ICT is a catalyst that facilitates economic growth and development of our people particularly when we consider projects like e-government, e-health, skills development and SMME development. It is therefore critical that ICT infrastructure becomes an integral part of the broader development plans of our country. Of importance to USAASA is to answer the following:

- How can we accelerate and integrate our programs of connecting the unconnected with the national, provincial and local government key priorities?
- How can we bridge the current disparities of universal service and universal access between the rich and the poor and between township and rural communities at a faster pace?
- How can we create sustainable Community Access Centres that truly address the needs of our communities?
- How can we ensure that the Cyberlabs we equip are utilised effectively to improve the quality of learning and increase the pass rate in schools?
- How can we help individuals and communities realise the role of ICTs in their own development?

It is these and other similar questions that continue to guide our interventions.

Historically our primary focus has been on installing Cyberlabs in schools. The current year was no exception. This is informed by the understanding that children are the best marketers and user base of new technologies. Through collaboration with the Department of Education and other stakeholders, a total of sixty one (61) schools were supplied with ICT infrastructure, twenty eight (28) of those being Dinaledi schools. We exceeded our target

by 107%. We also partnered with the Department of Communications and the ISETT SETA to provide internet connectivity to Further Education and Training (FET) Institutions by subsidising 18 FET Colleges at a total amount of R150,000 per FET College per year. We procured and supplied ICT equipment to eight (8) Community Access Centres of the Thusong Service Centres.

To demonstrate our commitment to addressing skills shortages within the ICT sector, a Memorandum of Understanding was signed with Microsoft. As part of the Microsoft Unlimited Potential Programme partnership, 100 Access Centre personnel were trained on Business Management and IT Technical skills.

An additional fifty (50) people were trained to assist in the accreditation of these centres as training institutions in terms of ISETT SETA requirements. Through this initiative, these centres will provide accredited training that will be recognised and acceptable to the current job market in South Africa.

Our commitment to rural development came to the fore when the Agency connected six villages in the Mqanduli area in the Eastern Cape utilising one V-Sat link. We supplied Internet connectivity, enabling these communities to access information that helps them improve their agricultural produce, thereby aiding to increase the profitability of their ventures.

A decision was taken in 2007 to hand over Access Centres and Cyberlabs to municipalities, the Department of Education and to Entrepreneurs. Consultation with all relevant stakeholders was necessary prior to such a hand over taking place. During the past financial year workshops and discussions were conducted with municipalities as well as with both national and provincial departments of education. Further consultations will be finalised in the next financial year. Funds allocated for this program were re-allocated and used to deploy new Cyberlabs.

In 2007 the Agency recognised a need to engage stakeholders in a process that determines the definitions of key ICT terms like "under-served areas". During the year under review, through Government Gazette No 31333 dated the 15th August 2008, we invited oral and written submissions from the public and interested parties on the proposed definitions of "universal access", "universal service", "needy persons" and "underserved areas". Many stakeholders showed a keen interest in the project. In a desire to accommodate every interested party, the Agency extended the initial period for submissions of the consultative document to November 2008. A Steering Committee was formally established on 25 February 2009 at ICASA that constituted representatives from the Agency, DoC, ICASA and the Media Development and Diversity Agency (MDDA).

Subsequently, a consultative workshop took place and was attended by key industry players and sector organisations that represented various stakeholders including the unemployed and the disability sector. The document was submitted to the Minister during the 2009/10 financial year.

During the year under review, USAASA became a full sector member of Commonwealth Telecommunication Organisation (CTO). The Agency was invited to participate in the ICT Conference in London organised by CTO. A representative was sent to attend the event. We will continuously engage with the CTO on a range of issues including research, benchmarking, training and skills development, systems of monitoring and evaluating universal service and access, and the standard procedures and processes for management of universal service and access funds.

The Agency is participating in the support working group of the Broadcasting Digital Migration project of Digital Dzonga in order to ensure that all households, including the needy, can receive the broadcasting content through a digital Broadcasting signal. The working group is focused on subsidy models and after-sales support for the set top boxes. We have attended several meetings aimed at finalising the subsidy model and have also made a formal request to the Minister to become a full member of the Digital Dzonga Council.

As we face the year ahead, we acknowledge the enormity of the task at hand yet we look forward to playing a role in ensuring that ICT infrastructural development is given a priority in our country, through the development and implementation of a national ICT strategy that is driven by USAASA. We recognise that the only way we can reach the large number of South Africans who have not yet been reached is through partnerships with network operators; national, provincial and local governments; communities, as well the private sector. We cannot afford to delay implementation. All effort needs to be taken to connect the unconnected, thereby opening up access and opportunities to the many South Africans who are excluded from participation and contribution to the country's economic growth.

Acknowledgements

USAASA acknowledges the Independent Communication Authority of South Africa (ICASA) and the MDDA for all the cooperation and joint working groups that both entities have enjoyed over the past financial year and hope that this ushers in an integrated approach in addressing universality challenges in our country. A special thank you to all contributors of the Universal Service and Access Fund for their commitment and participation to the country's regulatory framework.

USAASA salutes the country's dedicated Community ICT Access Centre Managers and those Under-Served Area Licensees who have made substantial contributions and tried their best under difficult times to sustain and provide ICT services to our communities.

I would also like to thank the previous Chief Executive Officer, Mr. James Theledi for bringing USAASA where it is today. We would not have achieved the successes that we have were it not for the management and staff of USAASA. Thank you for all your efforts and dedication to the poor.



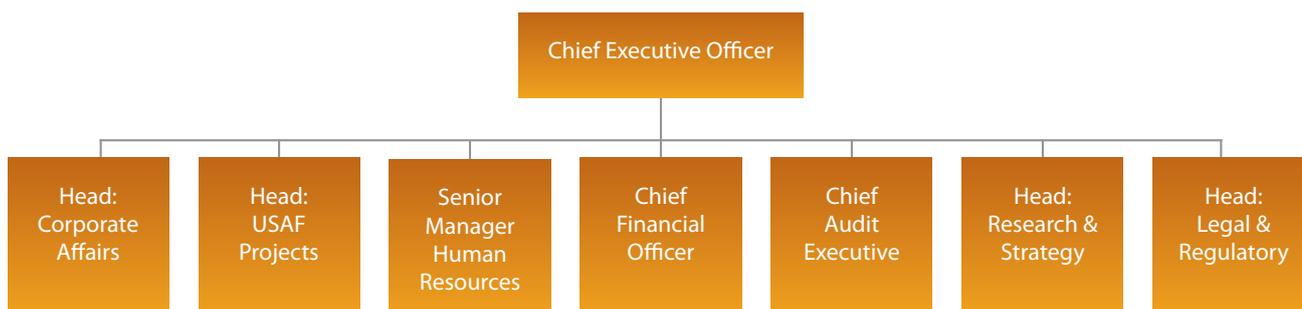
Winile Lamani
Acting Chief Executive Officer

GROUP EXECUTIVE



Exco Members of the Universal Service and Access Agency of South Africa

From left to right: Mr. Jimmy Mashiane (Chief Audit Executive), Mr. Phineas Moleele (HOD Legal and Regulatory), Mr. Winile Lamani (Acting Chief Executive Officer), Ms. Linda Ngcwembe (Acting Chief Financial Officer), Mr. Trevor Nivi (Snr Manager – Research and Strategy) and Ms. Karabo Mthethwa (PA to CEO).





“For USAF a good return on investment occurs when projects that are being subsidised become sustainable and can benefit as many people as possible in a community. A community access centre becomes successful when it can cater for the ICT needs of its customers, is accessible, affordable, and has capacity to service its customers optimally.”



SECTION 2: UNIVERSAL SERVICE AND ACCESS FUND (USAF) REPORT

The Universal Service and Access Fund was established in accordance with the provisions of Chapter 14 of the Electronic Communications Act (ECA), No 36 of 2005, to fund projects and programmes that strive to achieve universal service and access to ICTs by all South Africans. Section 88 of the ECA stipulates that the Fund should be used exclusively for the payment of subsidies in the following manner:

- a. Assist needy persons towards the cost of the provision to, or the use by, them of broadcasting and electronic communications services;
- b. To public schools and public Further Education and Training institutions for the procurement of broadcasting and electronic communication services and access to electronic communication networks;
- c. For the establishment and operation of broadcasting services and for the establishment and operation, including training of and the payment of allowances to personnel of centres where access can be obtained to electronic communications networks;
- d. To any broadcasting service licensee and electronic communications network service licensee for the purpose of financing the construction or extension of electronic communications networks in under serviced areas.

The Universal Service and Access Fund (USAF) received an annual allocation of R34,581 million for the 2008/9 financial year. The funds were used to rehabilitate and equip Community Access Centres, Cyberlabs in schools and Digital Hubs; to enable internet connectivity in FET's; to subsidise USALS; to teach ICT skills to personnel who manage these centres; to conduct research that will inform USAF and for special projects such as Mindset Network and Square Kilometre Array.

2.1 COMMUNITY ACCESS CENTRES

Community Access Centres, better known as Telecentres, are a project of the Fund that used to connect the unconnected by providing under serviced communities with a basket of ICT services which include public telephones, fax facilities, Internet access, typing, printing, photocopying, video facilities and public telephones. Thusong Service Centres, are access centres that were previously known as Multi-Purpose Community Centres (MPCC's) whose purpose is to provide a block of services for Local Government including Government Social and Administrative Services; Office Services, Education and Skills Development Services, Local Economic Development (LED) Services, Business Opportunities and Services and Information and Communication Activities. These centres have become an extended arm of Community Access Centre. Currently there are 154 Community Access Centres nationally.

Main Achievements

In line with the deliverables of the Handover program, **over thirty one (31) business plans** have been received and are being assessed.

We enabled computer access to over **12,500** community members through the Thusong Service Centres as we supplied **8 new Community Access Centres** with ICT equipment.

For USAF a good return on investment occurs when projects that are being subsidised become sustainable and benefit as many people as possible in a community. An access centre becomes successful when it caters to the ICT needs of its customers, is accessible and has the capacity to service its customers optimally.

In 2006 an assessment of the projects funded made it clear that USAF was not getting a good return on its investment. The assessment showed that access centres face various challenges including lack of technical and management skills, poor sustainability, shortage of resources, governance, public awareness, poor uptake and usage of the facility – thereby failing to connect the unconnected.

To resolve the challenges, a three year handover strategy was developed and adopted. The purpose of this strategy is to ensure sustainable access and optimal use of ICT services through promoting empowerment of SMMEs and encouraging partnerships with various stakeholders. By adopting this strategy USAF would move from an implementation role to a facilitation and advisory role and will focus on monitoring and evaluating the impact of projects. It was decided that earmarked Community Access Centres, Cyberlabs and Digital Hubs be rehabilitated before handover.

2008/2009	Development of Handover strategy, and stakeholder engagement through meetings and workshops.
2009/2010	Approval of Hand-over strategy and implementation which included: Phase one: Stakeholder engagement with potential governance structures, Auditing all access centres (244 school cyberlabs and 154 telecentres) to establish the "As Is" status, recommendation of intervention strategy and development of a Business model, Implementation of Intervention strategy, monitoring and evaluation of the process. Target for hand-over 100 school cyberlabs and 38 telecentres this is a total of 138 Access Centres nationally.
2010/2011	Phase two: Monitoring of the 138 Access Centres, implementation of the intervention strategy developed per site, M & E of the remaining sites.

Thirty eight (38) Centres were earmarked for handover and were requested to submit business plans which will be used to inform the handover strategy. A total of thirty-one (31) business plans have been received and assessed thus far. It is expected that implementation of the handover strategy on qualified centres would be undertaken in the next financial year.

2.2. CYBERLABS

School Cyberlabs are school based ICT facilities that are installed mostly in under-serviced areas of South Africa. Each Cyberlab has between 30 and 40 computers, 1 photocopier and 1 fax machine where there is a need, and it provides ICT services and computer literacy training to learners and educators. The school owns the Cyberlab and is responsible for all maintenance costs except for internet connectivity which is paid for by USAF for a period of 12 months after which the school becomes responsible. USAF is also responsible for the network points, air conditioners and provides security for the facility.

Main Achievements

USAF supplied ICTs to 68 new schools. A total of **2720 computers** and other equipment were supplied thereby giving access to over **40,000 learners** and over 700 educators. We exceeded target by over **107%**

Most of the existing Cyberlabs are not functioning optimally. The uptake and usage of ICT's by educators is still very low. That, coupled with the fact that ICT is not integrated into the school's curriculum in some schools makes the educators wary of using the Cyberlab. The facilities are then left to become obsolete. Other problems which were encountered include the lack of or inconsistency of infrastructure networks which hamper internet connectivity. The Agency had one-to-one liaisons with relevant persons at each provincial Department of Education in order to develop sustainable plans for continued usage of facilities by learners and educators.

USAF participated in the Dinaledi Schools Project, which is a partnership program between the Department of Communications and the Department of Education. The aim of the Dinaledi project is to assist schools in rural areas to perform well in the field of Mathematics and Science. USAF's role is to extend ICT services in these schools for educational purposes. In the year under review USAF set a target to rehabilitate 28 Dinaledi schools. This target was achieved and each Cyberlab was supplied with 30 to 40 computers for the learners and an additional 5 computers allocated to Educators.

What does rehabilitate mean?

Through these interactions 33 additional schools were supplied with ICT infrastructure after re-prioritising the USAF Budget. The total Cyberlabs rehabilitated, including the Dinaledi schools, is 61, exceeding the target by 107%. 7 new Cyberlabs were installed.

Dinaledi Schools with new USAASA Cyberlabs

PROVINCE	NAME OF SCHOOL	DISTRICT
NORTH WEST		
1	J.M Ntsime High School	Rustenburg
2	Letsatsing High School	Mafikeng
3	Ramotshere High School	Zeerust
4	Tsogo Secondary School	Brits
5	Tswelopele High School	Lichtenburg
6	Motswedi High School	Zeerust
7	Vuyani Mawethu Secondary School	Khuma
8	Vaal Reefs Technical High School	Klerksdorp
9	Boitshoko High School	Ikageng
10	Gaopalelwe Secondary School	Bloemhof
11	Alfred Maubane High School	Hammanskraal (Temba)
12	Tshebedisano Secondary School	Orkney
13	Boithaopo High School	Kraaipan
14	Itshupeng High School	Maquassi Hills
15	Batlhaping High School	Greater Taung
16	Rakoko High School	Mabeskraal
17	Badirile Secondary School	Carltonville

PROVINCE	NAME OF SCHOOL	DISTRICT
FREE STATE		
18	Seemahale Secondary School	Botshabelo
19	Phofung Secondary School	Witsieshoek
20	Marematlou Secondary School	Virginia
21	Dr Reginald Cingo Combined School	Kroonstad
22	Tlhorong Secondary School	Phuthaditjhaba
23	Kheleng Secondary	Henneman
E.CAPE		
24	Chief Henry Bokleni Senior Secondary School	Ntlaza Location
25	Lehana Senior Secondary School	Tsekong Location
26	St. Curthbeth's Junior Secondary School	St Curthbeth's Mission / Tsolo
27	Milton Mbeleka Senior Secondary School	Qunu A/A Mthatha
N. CAPE		
28	Sutherland High School	Sutherland
29	Carnavon Combined School	Carnavon
KWA-ZULU NATAL		
30	Dingeka Technical High School	Mahlabathini
31	Mathunjwa High School	KwaNongoma
LIMPOPO		
32	Giyani High School	Giyani
33	Ngwanamala Secondary School	Apel

Schools with Cyberlabs rahabilitated by USAASA

PROVINCE	SCHOOL NAME	ADDRESS
EASTERN CAPE		
1	Maletswai Primary School	Aliwal North
2	Tsomo Senior Secondary School	Ku-Tsomo
3	Dumani Primary School	Motherwell
4	St Thomas School	Woodlands
5	Vukuzenzele School for the Disabled	Esikhumbeni A/A
6	Sozoma Secondary School	Mhluzi
7	Ext K Secondary School	Kwa-Mhlanga
8	ZB Kunene Secondary School	Kanyamazane
9	Maziya Combined School	Hendrina
10	Mahlatsi Secondary School	Buffelspruit
11	Memezile Secondary School	Sabie
12	Makoko Primary School	Ehlanzeni
13	Mashishing Secondary School	Mashishing
14	Mgubho Combined School	Komatipoort
LIMPOPO		
15	Rebone High School	Jane Furse
16	Mahashe Secondary School	Acornhoek
17	Tshala High School	Ndzelele
18	Matladi Technical College	Zebediela
19	Bokamoso Secondary School	Seshego
20	Bushbuckridge High School	Bushbuckridge

2.3 FURTHER EDUCATION AND TRAINING COLLEGES (FETS)

This project is a partnership between:

- Department of Communication
- Department of Education (DoE)
- Information Systems, Electronics and Telecommunication Technology Sector Education and Training Authority (ISETT SETA) and USAASA.

Beneficiaries of this project are:

- FET Colleges that provide ICT training in ICDL
- ICT Engineering.

USAF's role in the project is to subsidise Internet connectivity to FET Colleges around the country as per the requirements of Section 88 of the Electronic Communications Act. In the 2007/2008 financial year 18 FET out of 50 FET Colleges were funded with an amount of R150 000 each to a total of R2.5 million.

In the period under review, the key focus for USAF and its programme partners was to monitor and evaluate the impact of the programme as per the Service Level Agreement obligations. Quarterly reports were received from all FET Colleges and a review process is currently being undertaken by the Agency together with the Department of Communications with a view of developing a new subsidy strategy to be applied in the 2009/2010 financial year.

Main Achievements

- 18 FET Colleges founded. R2,5 Million in total
- Monitoring and evaluation of project impact is being done. 6 FET Colleges have already been completed and of those 75% of the funds allocated were spent prudently. The project has had a good impact on the FETs reviewed particularly geographically because the main campus as well as the satellite campuses of the Colleges benefitted.

Below is the list of the subsidised FET Colleges.

PROVINCE	COLLEGE	CAMPUS	TOWN
Gauteng			
1	Ekurhuleni East FET College	Brakpan Campus	Brakpan
2	South West Gauteng FET College	George Tabor Campus	Johannesburg
KwaZulu-Natal			
3	Umfoloji FET College	Richtek Campus	Richardsbay
4	Elangeni FET College	Kwa-Mashu Campus	Durban
Free State			
5	Maluti FET College	Lere La Tsepe Campus (Qwaqwa)	Harrismith
6	Motheo FET College	Thaba'Nchu Campus	Bloemfontein
Mpumalanga			
7	Nkangala FET College	Witbank Campus	Witbank
8	Ehlanzeni FET College	Mlumati Campus	Nelspruit
North West			
9	Orbit FET College	Rustenburg Campus	Rustenburg
10	Taletso FET College	Lehurutse Campus	Mafikeng
Limpopo			
11	Capricorn FET College	Seshego Campus	Pietersburg
12	Sekhukhune FET College	Sekhukhune Campus	Marble Hall
Eastern Cape			
13	Ikhala FET College	Queenstown Campus	Queenstown
14	KSD FET College	Ngqungqushu Campus	Umtata

PROVINCE	COLLEGE	CAMPUS	TOWN
Northern Cape			
15	Northern Cape Urban FET College	Northern Campus	Upington
16	Northern Cape Rural FET College	Kathu Campus	Kimberley
Western Cape			
17	False Bay FET College	Good Hope Campus-Khayelitsha	City of Cape Town
18	South Cape College	Outeniqua Campus in George	George

2.4. Training

One of the stumbling blocks to the optimal usage of ICT services in communities is the lack of ICT skills in the personnel that operate the access centres. In the year under review, as part of a joint collaboration with Microsoft South Africa, the Agency ensured that training is extended to various communities. This was done through the training of one hundred (100) Access Centres personnel on Business Management and IT technical skills.

An additional fifty (50) people were trained to assist in the accreditation of Community Access Centres as training institution in terms of ISETT SETA requirements. The initiative for accreditation is meant to assist these centres in providing accredited training that will be recognised and acceptable to the current job market in South Africa.

Main Achievements

100 access centre personnel trained in Business Management and IT skills and **50 people were trained** to assist with setting up Access Centres as training institutions that are recognised by the ISETT SETA.



Mr. Trevor Nivi - Snr Manager
Research and Strategy

2.5 Research: Definitions of Universal Service and Universal Access

The process of defining the terms “universal access”, “universal service”, “needy persons” and “under-serviced areas” herein after referred to as “the terms” is undertaken by the Minister of Communication from time to time based on recommendations by the Universal Service and Access Agency of South Africa (USAASA). These definitions form the cornerstone of the development of an effective universal access and universal service policy.

Why is it important to define the terms?

Defining these terms helps to establish the kinds of projects and individuals that will be subsidised. They assist in setting national targets and timeframes for delivery of services to the defined areas and persons. They create clarity and consensus from which service goals and priorities for the industry are set, with specific consequence for licensees who do not adhere. They also impact policy and regulations relating to contributions to USAF.

Main Achievements

The **Definitions project** has been **finalised** and at the time of print of this annual report, has been submitted to the Minister of Communications as recommendation.

A Discussion Paper was developed which considered in great detail the history of universal service and universal access within the South African policy and legislative context. Discussions and informal consultations with industry players were held, internationally applied principles were studied and different approaches were examined in order to formulate a basis for the definitions. Consequently in August 2008, the Agency published a Discussion Paper in Notice 987 of 2008 in Government Gazette 31333, dated 15 August 2008. In the Discussion Paper, the Agency set out a number of questions and proposed definitions, asking the public to comment. The Agency extended the due date for comments to 7 November 2008 by Notice 1208 published in Government Gazette 31456 dated 26 September 2008.

In Notice 319 of 2009, Government Gazette 32048 dated 20 March 2009, the Agency invited the public to attend a public consultative workshop to discuss the draft definitions, enabling interested parties to consider and discuss with the Agency the revised definitions, or provide further comment as necessary. The project is now at the final phase and the proposed definitions were submitted to the Minister in July 2009.

2.6 Universal Service Obligations

The Agency has conducted a review of the current licence obligations in collaboration with the Department of Communications, ICASA and MDDA. The benchmark study indicates that there are certain criteria that are useful in ensuring that the set obligations do contribute to the attainment of universal service and access targets and are as follows:

- **Definitions of Universal Service and Access:** All countries that have been studied and researched on have detailed and clear definitions of universal service and universal access, and this provides them with a proper basis from which to create workable strategies. Countries such as Uganda have gone a step further by developing definitions for all terms that are related to universal service and universal access including “universal service obligations”.
- **National Targets:** All of the countries studied have clear national targets.
- **Policy and Regulation:** Most countries have an ICT Policy that highlights the goals and directives for the sector and specifically address universal access.
- **Mandatory Obligations:** Another similarity between the countries studied is the fact that none of them have imposed mandatory obligations per se, saves for their fund contributions. Because there are no mandatory obligations, Operators are then encouraged to use USAF for rollout of ICT services.
- **Pay or Play:** All of the countries in the study have chosen a mechanism that requires incumbents to either pay or play. In the case of Chile there was a period where Operators were mandated to do both but this was phased out as liberalisation took place and thus obligations in the traditional sense were no longer required.
- **Liberalisation:** All of the countries studied have liberalised their sectors. Competition has driven down prices dramatically resulting in mandatory obligations not being as central to the regulatory framework. Where they exist they are complementary to other mechanisms.



Under the current Universal Service Obligations, the Agency has provided subsidies for internet connectivity to schools utilising the Universal Service and Access Fund. Based on the fund a total 271 Cyberlabs in schools have been subsidised to enable usage of ICT in education. The Agency has also started as indicated above the review of current obligations and is currently part of a team (consisting of ICASA, DOC and DOE) that has taken serious strides in coordinating and integrating all processes to address the implementation of the obligations. As part of this process the framework has been developed and submitted to the Board, ICASA and DoC, for consideration and action. ICASA has indicated that it will incorporate the framework in its review of universal service obligations for operators in the next financial year. The framework will also be incorporated in the definitions process when targets are determined. (Report on the Framework is available on request)

2.7 Under Serviced Area Licences (USALS)

USALS are Small, Medium and Micro Enterprise (SMME) operators who are licensed to provide public switched telecommunications services to areas with less than 5% teledensity. In the past 5 years USAF has subsidised seven (7) USALS at R5million per annum for a period of three years as part of infrastructure development in under-serviced areas.

During the year under review, USAF paid approximately R3,740 million in subsidies to two USAL licenses.

The USAL project has been overshadowed by various challenges such as:

- shortage of capital
- interconnection agreements with incumbent operators not being favourable,
- competing with incumbent operators in some of their areas on products, packages, lower tariffs, etc, and
- the introduction of the ECA which does not offer them special rights, as was the case with the Telecommunications Act.

After in-depth review, it was decided that funding be suspended until a sustainable model on the business case, regulatory, financial support and policy be developed. The Minister of Communications has already indicated in his budget speech that a directive will be issued during the new financial year on the future of the USALS (PUSANO) Programme.

USAL Name	Current Status
AMATOLE COMMUNICATIONS East London area Eastern Cape	Amatole launched their services in March 2009 in their first site in East London. They have been given full subsidy and it is anticipated that they fund their future expansion of network deployment. A subsidy of R3m was paid in the year under review.
KINGDOM COMMUNICATIONS KwaZulu Natal	Kingdom Communications received their last batch of the subsidy of R740,194.

2.8 Special Projects

2.8.1 MINDSET NETWORK

During the year under review, USAASA subsidised Mindset Network to rollout Mindset Network equipment in 15 Schools. As part of the project, a total of 15 teachers within the 15 sites underwent training to prepare them for the implementation phase.

Main Achievements

- Hardware rollout was completed to all 15 schools
- Teachers were trained in all 15 schools

List of schools assisted through the Mindset Programme

PROVINCE	NAME OF SCHOOL	ADDRESS
FREE STATE		
1	Barnard Molokoane Sec School	3442 New Location,
2	Yakhesizwe Secondary School	7589 Sisulu Location, Parys
3	Phehello S/S	645 Makakane Street Block 7 Odendaalsrus 9480
4	Liphola Secondary School	8218 Nkoane Rd, Habong,
5	Comtech Comprehensive	17203 Phase II, Mangaung, 9323 Postnet Suite 130 Private Bag X101 Brandhof 9324
MPUMALANGA		
6	Sozoma Secondary School	2009 Manatse St, Mhluzi Ext1,
7	Pine Ridge	Stand No 28, Carnation Street
8	Ext K Sec. School	636 Sun City Kwa-Mhlanga
9	Zidobhele Secondary School	Stand No 1084, Tweefontein F
NORTH WEST		
10	Rakgatla High School	223 Dikhibidung Rd, Wonderkop Village
11	Nick Mpshe Sec School	Plot 1060 Jakkalsdans Winterveld
12	Micha-Kgasi	P.O.Box 1783 Morula 1960
GAUTENG		
13	Minerva Cyberlab	165-12th Avenue Alexandra
14	Tembisa High School	1 Andrew Mapheto Drive Ibazelo Section Tembisa
15	Sitjhejiwe Sec. School	Stand No 4996, Proper Section

2.8.2 SQUARE KILOMETRE ARRAY

This project is a partnership between the Department of Communications and the Department of Science and Technology. The project is aimed at installing a "World state of the art" Radio Meerkat and Telescope in the Karoo. As part of creating awareness of ICT's and the benefits of such a project in the area, USAASA and the Department of Education facilitated the installation of a Cyberlab type of facility in Carnavon High School, in the rural town of Carnavon.

2.9 Summary of USAF Performance

STRATEGIC OBJECTIVE:		Make ICTs available, accessible and affordable to all South Africans, through the provision of funding from USAF, in collaboration with the ICT stakeholders		
2008/09 TARGET:		12 access centres rehabilitated prioritizing those in the coverage area of the identified Dinaledi Schools		
Key Outcome:		Improved quality of life through access to information and services		
Key Output:		Fully functional and sustainable access centres		
Key Performance Indicators:		Number of access centres fully functional		
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Roll-out of ICT infrastructure to identified access centres.	Infrastructure rollout to 12 ICT Access Centres.	Eight (8) access centres were provided with ICT infrastructure.	80% of the target was achieved.	The reprioritisation of the budget saw the target not being met. The outstanding four have been deferred to the 2009/2010 financial year.

2008/09 TARGET:		8 Cyberlabs rehabilitated prioritizing those in the coverage area of the identified Dinaledi Schools		
Key Outcome:		Improved quality of education through access to information and services		
Key Output:		Cyberlabs fully functional		
Key Performance Indicators:		Number of cyberlabs fully functional		
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Roll-out of ICT infrastructure to identified cyberlabs.	ICT Infrastructure roll-out to all 8 identified cyberlabs.	Infrastructure has been rolled out to all 8 cyberlabs to rehabilitate existing infrastructure.	Achieved.	Project completed within targeted timeframe.

2008/09 TARGET:		Development of 20 new Cyberlabs facilitated in identified Dinaledi Schools		
Key Outcome:		Improved quality of education with specific reference to Science and Mathematics, through access to information and services		
Key Output:		Cyberlabs fully functional		
Key Performance Indicators:		Number of cyberlabs fully functional		
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Roll-out of ICT infrastructure to identified cyberlabs.	Infrastructure rolled out to 20 cyberlabs.	Target of 20 was met.	Achieved.	The Agency has exceeded this target by means of re-prioritised funds. 33 additional new cyberlabs were deployed.

2008/09 TARGET:		Provision of training/capacity building of 100 personnel (from 50 access centres) facilitated		
Key Outcome:		Increased uptake, usage and sustainability of access centres		
Key Output:		Personnel at access centres trained/capacitated		
Key Performance Indicators:		Number of access centres where personnel are trained/capacitated		
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Facilitate Training to 100 Access Centre personnel.	Training of 100 Access Centre personnel facilitated.	<ul style="list-style-type: none"> A total of 100 people were trained. 	The target was achieved.	Some of them attended more than one training course and the figures below will not add up to 100 as it depicts the number of trainees on each course: <ul style="list-style-type: none"> 27 A+ Essentials 27 A+ IT Technician 27 Advanced Office Application Program 28 Business Management 50 Trained on Access Centre Accrediting process 15 Trained on Assessors course 15 Trained as Facilitators

2008/09 TARGET:		Internet connectivity for 743 centres (access centres and schools) subsidized		
Key Outcome:		Improved quality of life and education through access to information and services		
Key Output:		Centres with internet connectivity		
Key Performance Indicators:		Number of centres with internet connectivity		
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Payments to operators	Funds disbursement to appointed Service providers – Universal Service Obligations	Amount of R48,318 was paid to I-Burst for 3G obligations	*I-Burst is the only operator that was paid as they submitted all the required documents	* Delays in the submission of relevant information by the other Operators is causing delays in the disbursement of subsidies, this is being followed up.
Payment of connectivity to existing Cyberlabs and Access Centres		R1,111,413 payment made to Telkom and Sentech for Internet connectivity	Payments for the existing cyberlabs continuing on the agreed upon contracts	

2008/09 TARGET:		Connectivity to 18 FET Colleges facilitated		
Key Outcome:	Increased ICT Skills base in the country			
Key Output:	FET Colleges connected			
Key Performance Indicators:	Number of FET Colleges connected			
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Monitor and evaluate the implementation of the connectivity condition of the 18 FET Colleges.	Review of quarterly reports submitted by the FETs.	Quarterly Once-off reports were received from the subsidised FET Colleges.	Achieved.	USAASA together with DoC is constantly reviewing the FET reports with a view to develop a new subsidy strategy to be implemented during the 2009/2010 financial year.

2008/09 TARGET:		Handover of 110 centres (access centres and schools) to proper governance structures		
Key Outcome:	Increased uptake, usage and sustainability of centres where access to information and services is provided			
Key Output:	Centres handed over to relevant structures			
Key Performance Indicators:	Number of centres handed over			
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Facilitate hand-over of Cyberlabs.	Hand-over implemented.	Handover workshops with stakeholders were held.	Not achieved.	The project has been deferred to the 2009/10 financial year. The amount of R1,365,000 was re-allocated to other projects.
Facilitate hand-over of Access Centres.	Hand-over implemented.	Subsequent to workshops conducted in various, 38 access centres have to date submitted their business plans as part of the handover strategy.	Not Achieved.	Further consultations will take place in the 2009/10 financial year.

2008/09 TARGET:		Piloting of access technologies in 30 centres (access centres and schools)		
Key Outcome:		Improved quality of life and education through access to information and services		
Key Output:		New access technologies deployed		
Key Performance Indicators:		Number of centres where new access technologies are deployed		
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Facilitate rollout of ICT Kiosks in 15 Access Centres.	Implementation of technologies.	ICT kiosks were deployed at all 15 centres.	Target achieved.	Project completed at a cost of R566, 306 with the last two kiosks completed in February 2009.
Facilitate rollout of Mindset Network equipment in 15. Schools.	Implementation of technologies.	Mindset Network equipment was rolled out to all 15 identified schools.	Target achieved.	Project completed at a cost of R1million. USAASA Research unit will further conduct a project assessment and submit findings in the second quarter of 2009/10.
Monitor and evaluate usage of technologies.	Final report submitted to EXCO.	Reports on kiosk deployment were received upon completion of each site. A Mindset pilot report was received after installation was completed.	Target achieved.	A monitoring report on the kiosks will be submitted to EXCO in the first quarter of 2009/10 financial year.

STRATEGIC OBJECTIVE:		Ensure the optimal functioning of the Agency through strengthening the current strategic and operational capabilities in order to deliver on its mandate		
2008/09 TARGET:		USAF optimally administered and managed		
Key Outcome:		Increased universal access and services through appropriate use of the USAF money		
Key Output:		USAF operational manual		
Key Performance Indicators:		Unqualified USAF audit report		
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Adopt and finalize USAF Fund Manual.	USAF Fund Manual Approved.	USAF Fund Manual Produced.	Not achieved.	The tender for development of the manual was deferred to the 2009/10 financial year due to an incomplete internal process and its budget was re-allocated to school cyberlabs project. The project cost allocated was R1,6 million.

STRATEGIC OBJECTIVE:		Undertake continuous research to promote, encourage, facilitate and offer guidance regarding universal service and access		
2008/09 TARGET:		Recommendations on definitions of key Universal Service & Access to ICT concepts, approved		
Key Outcome:		Better inclusion into the Information Society		
Key Output:		Policy Recommendations that will facilitate the promotion of universal access and service to Electronic communications services and broadcasting services to under-served areas.		
Key Performance Indicators:		Definition Document following public consultation.		
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Draft Position Paper on definitions of universal service and access, determinations on underserved areas and criteria for needy person.	Implementation of the definitions and criteria for the determination of the needy persons.	The project is still in progress.	Not achieved, Still work in progress.	<p>During the course of the Financial Year, the Agency managed to deliver on the following:</p> <ul style="list-style-type: none"> • Gazetted the discussion document on the definitions; • Conducted public and interested parties consultative processes through written and oral representations; • A consultative workshop was held on 2-3 April 2009. <p>The final adoption of the recommendations by the Minister and final policy determination is expected to be published in the government gazette in the 2009/2010 FY.</p>

2008/09 TARGET:		Research conducted on best practices on universal service and universal access		
Key Outcome:		Active Participation in the Information Society.		
Key Output:		Research Reports produced on universal service and access based on best practices in order to encourage the adoption of ICT's		
Key Performance Indicators:		Number of research reports on universal service and access		
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Identify best international practices related to universal service and access.	Publish a researched report through a Government Gazette, and other various means that enable public access to the reports.	A report aimed at identifying best international practises related to universal service and access was completed in the year under review. In addition the baseline document that outlines how other countries including the Republic of South Africa have obtained universal service and access has been finalised.	Achieved.	Both indicated documents will have been deferred to the next financial year for publication due to relocation of budget to the definitions project draft position paper.

2008/09 TARGET:		Monitoring and Evaluation Framework developed		
Key Outcome:	Increased and improved access to electronic communications facilities and services by all			
Key Output:	Performance Indicators on universal service and access.			
Key Performance Indicators:	Presentation of performance indicators on universal service and access to the shareholder.			
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Establish goals, objectives, time tables, indicators and monitoring tools.	Final Report on Monitoring & Evaluation Framework.	The Monitoring and Evaluation framework is encapsulated in the Draft Position Paper and it will be sent as part of the recommendations to the Minister.	Achieved.	USAASA through Research and Strategy is also seeking to engage the services of Statistics South Africa as part of developing indicators related to USAASA mandate. We are in negotiations to sign a Memorandum of Understanding in the next financial year.

2008/09 TARGET:		ICT penetration baseline information updated and collated in line with available research findings		
Key Outcome:	Credible and authoritative information on ICT penetration accessible to all.			
Key Output:	Report on the extent of ICT penetration.			
Key Performance Indicators:	Publication of the ICT penetration report.			
Unit Sub-Objectives/ Action Plan (in line with Target)	April 08 – Mar 09 Milestone	Actual Performance	Achieved/ Not achieved	Comment
Conduct a detailed ICT penetration study in order to determine the extent of ICT access by all.	Authoritative data on ICT penetration.	In progress.	Not achieved.	This information is contained in the baseline research documentation which informed the final consultative framework on definitions. It will be published together with information on the attainment of universal service and access upon the finalisation of recommendations to Minister and ICASA.





SECTION 3: UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA – DIVISIONAL REPORTS

During the year under review, the Universal Service and Access Agency of South Africa received a budget allocation of R22, 304 million. An additional R7, 904 million was allocated to the Agency in order to align salaries, business case and build capacity as part of the Medium Term Expenditure Framework. The re-alignment exercise will be finalised in the next financial year.

USAASA consists of five Business Units - Human Resources, Finance and Supply Chain Management, Corporate Affairs, Legal and Regulatory; and Research and Policy Development. The operations report focuses on divisional achievements and challenges in the year under review but will exclude the Research and Policy and USAF Projects as their reports are covered under Section 2 of this report .

3.1 Human Resources Division

In the 2008/2009 financial year the Human Resources became a stand alone business unit after being separated from the Corporate Services Division.

Main Achievements

In 12 months the division **finalised HR Policies** and Performance Agreements in place in order to optimise the functioning of the Agency.

Policy

During the year under review the following Policies were approved by the Board and are already being implemented within the Agency.

- Disability Policy
- Disciplinary Guidelines
- Education and Training Policy
- HIV and Aids Policy
- Induction Policy
- Leave Policy
- Performance Management Policy
- Recruitment Policy
- Sexual Harassment Policy
- Subsistence and Travel Policy
- Policy on Working Hours and Working Arrangements

It should be noted that the above policies were approved between April 2008 and March 2009. This reflects the vigour and determination of the new administration within USAASA to ensure stability and protection of the biggest and most important resource, that being, our employees.

Performance Management

The division facilitated the signing of Performance Agreements for all levels of staff to ensure successful monitoring of staff performance.

Education and Training

The implementation of the Electronic Communications Act has had a major influence and impact on the type of skills and training required at the Agency. As a commitment to building a culture of continuous learning through training and development, the Agency granted bursaries to eight staff members for undergraduate and postgraduate degrees studies at a total cost of R91 929.

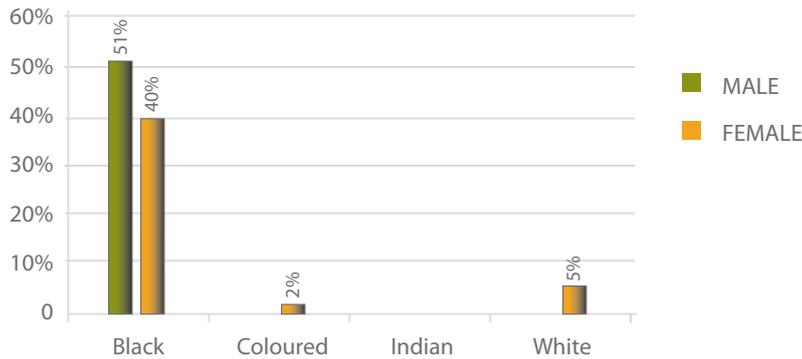
Staff composition

USAASA staff data is described in terms of Department of Labour's occupational categories, levels and employment definitions. The analysis presented below provides a snapshot of the current race and gender profile of the Agency. This is used to represent the critical link between the current workforce profile and the future workforce profile.

Occupational Categories	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Chief Executive Officer	1	-	-	-	-	-	-	-	Acting CEO
Chief Financial Officer	-	-	-	1	-	-	-	-	Acting CFO
Head Corporate Affairs	-	-	-	-	-	-	-	1	1
Heads of Divisions	2	-	-	-	-	-	-	-	2
Senior Managers/ Internal Auditor/ HR	1	-	-	-	-	1	-	-	2
Managers	8	-	-	-	3	-	-	2	13
Middle Management/ Ass Manager	1	-	-	-	1	-	-	-	2
Personal Assistants	-	-	-	-	4	-	-	-	4
Administrators/Clerks	2	-	-	-	6	-	-	-	8
Elementary Occupations/ Messenger	1	-	-	-	-	-	-	-	1
Provincial Coordinators	4	-	-	-	1	-	-	-	5
Total Permanent	20	0	0	1	15	1	0	3	40

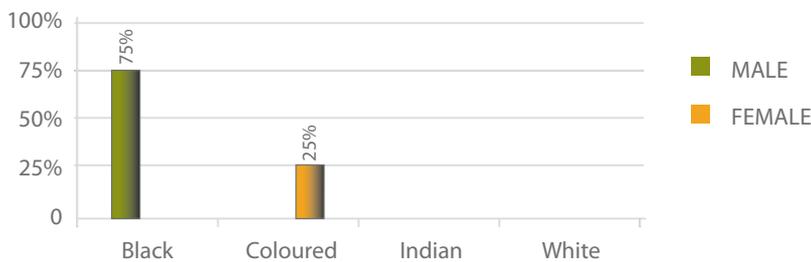
USAASA Staff Profile

Number and Percentage of all USAASA staff by Race and Gender as at 31 March 2009



Senior management profile

Number and percentage of senior personnel at 31 March 2009



Human Resources Divisional Analysis

The Agency experienced several resignations at top level management which increased the number of acting positions in the organisation. The resignations affected the operations of the Agency but also presented an opportunity for USAASA to improve its employment equity profile.

- 1 White Male - Resigned (Chief Financial Officer)
- 1 Black Male - Resigned (Chief Audit Executive)
- 2 x Black Females - Resigned (Creditors Clerks)
- 1 white female - Resigned (Head of Division Corporate Affairs)
- 3 x Black Males - Appointed
- 2 x Black Females - Appointed
- 1 Coloured Female - Appointed

In addition to the above resignations, the Chief Executive Officer went through USAASA's internal disciplinary process where he was found guilty of misconduct and subsequently dismissed. He has appealed the decision at the CCMA and the outcome will be reported in the next financial year report.

3.2 Corporate Affairs Division

The Corporate Affairs division is a support entity tasked with the establishment and management of proper communication procedures with internal and external stakeholders.

Although the Head of Corporate Affairs resigned during the financial year, the division has successfully implemented most of the projects as per the business plan. The Agency's brand awareness campaign, public awareness and stakeholder management formed a large section of the division's activities.

Main Achievements

Stakeholder engagement and Public Awareness. A total of 10 media releases were issued, 1 x workshop (definitions project) and 7 events. An increase of 50% from the previous year. In terms of media releases and publications, the focus was more on utilising the USAASA website rather than the conventional media.

Annual Report Presentation

The annual report was finalised by the division in record time and submitted to Parliament on 30th September 2008. As part of this project, the Agency officially presented the Annual Report to the late Minister of Communications, Dr. Ivy Matsepe-Casaburri and the Deputy Minister during its second ever Annual General Meeting with the Department of Communications.

The report was not presented to the Portfolio Committee on Communications due to the 2009 national elections and the tight deadlines that the committee had on finalising other key national issues.

Events/ Public Awareness Initiatives

The division, through its communication and marketing wing is responsible for conducting and providing support to internal and external stakeholders. In the year under review, the Unit participated in the following events:

- USAASA and Microsoft South Africa Partnership
- Children's ICT Summit and Expo
- ICT Accessibility for People with Disabilities Conference
- ICT Career Guidance Expo
- June 16 Youth and ICT Expo
- 10th African ICT Achiever Awards
- Launch of Children's Website with Office of the Presidency

Publicity and Public Awareness

The Agency's new corporate identity was launched to internal and external stakeholders to highlight and promote USAASA services and projects. The division invested a major part of its resources on corporate Internet and Intranet platforms, as they are key in improving the internal and external communications of the Agency.

Media Releases

The division produced several media releases for the Agency, to keep the public aware of developments within the organisation, and also on various issues surrounding universal service and access,

The following media releases were issued in the year under review:

- USAASA Submissions to ICASA on "The interpretation and implementation of the definition of under-served areas as contemplated in the Cell C Licence" and "e-Rate Regulations"
- Media statement on schools benefiting from e-rate
- Media Statement on appointment of new Board Members
- SAFM interview on the training partnership between USAASA and Microsoft South Africa
- Online media statements utilising ITWeb on various USAASA activities
- Issuing of media statements on the Definitions Project
- Collaborative media statement with GCIS on the launch of Alexandra and Inhlazuka Thusong Service Centres
- USAASA media release on laptops for teachers
- Joint media statement between USAASA and Microsoft SA issued on the Unlimited Potential Training Programme

- Radio Interviews for Chief Executive Officer on Thobela FM, Fortune Magazine and Ukhozi FM

Community Access Centre Launches

During the year under review, the Agency launched ICT Community Access Centres and School Cyberlabs as part of its mandate to promote uptake and usage of ICT services in under-served communities. Most of the launches were done in partnership with other stakeholders such as GCIS, DoC, SABC, ICASA, etc. The following launches took place:

- Launch of Margaret Mqadi Public Library and ICT Centre at Ixopo
- Launch of Alexandra and Inhlazuka Thusong Service Centres
- Launch of Phungula Phumani Multi Media Centre at Lusibalukhulu High School
- Launch of Sikhethuxolo Cyberlab in Hammersdale – KwaZulu Natal
- Launch of lower power transmitters (Broadcasting signal) for communities in the Karoo region – Northern Cape
- Presidential International Advisory Council in ISAD at Hoedspruit

Publications

Due to budget constraints at the Agency, the division focused on improving our electronic communications by updating the website and creating a public interactive platform for external users to know and access our services. Statistics provided by the web-hosting company show that between June 2008 and March 2009, on average per month, the Agency website got 4500 users.

Information Technology (IT) Achievements

To strengthen the divisional output the Agency's IT Unit was relocated from USAF Division to Corporate Affairs. An IT Manager was employed in the Agency to develop systems and improve internal business processes. The IT unit developed IT Policies, IT Strategies, Disaster Recovery Plans, management of communication contracts and also reviewed existing IT processes and systems to ensure business continuity.





Mr. Phineas Moleele
HOD Legal and Regulatory

3.3 Legal and Regulatory Affairs Division

The division is comprised of two functional areas Legal Affairs and Regulatory Support, which deliver services to both internal and external stakeholders of the Agency and ensures compliance with government policies and applicable legislation.

The regulatory support has a distinct role in that it interfaces with the regulator ICASA, the Ministry of Communications, Department of Communications, MDDA and operators in the electronic communications sector on regulatory matters.

Main Achievements

- Finalised the framework for review of the Universal Service Obligation on operators.
- Development of framework for engagement of role players in the e-Rate implementation plan.
- Submission and presentation of USAASA's views on draft regulations on e-Rate, "Must Carry" and definition of under-served areas in Cell C licence.
- Implementation of contract management support to compliment Supply Chain Management (SCM) processes.
- Reviewed policies to support operations.
- Successful labour litigation settlement.

Universal Service Obligations

The division facilitated the development of the Universal Service Obligations Framework that is aimed at reviewing the current USO's. The review was conducted in compliance to the ECA requirement that the Agency advise on issues relating to universal service and universal access. During the year under review, the division engaged stakeholders for their views, challenges and possible solutions to deal with the issue of implementing universal service obligations that are premised on the needs of our communities and are also aligned to national priorities. The project was successfully concluded and the outcome thereof submitted to both the regulator and Ministry for consideration and action. The regulator, upon whom the responsibility to implement the universal service obligation lies, will incorporate the findings in their processes in the next financial year.

Stakeholder Management

The division is part of the steering committee comprising of representatives of Departments of Education and Communications, ICASA and USAASA to deal with challenges in implementing e-Rate and also deal with possible solutions towards connecting all schools to an affordable Internet platform. The committee's objective is to finalise ICT network provision in schools which will deal with the coordination of issues such as e-rate and implementation of universal service obligations imposed on operators.

The division has presented the Agency's submission on draft regulations, as requested by the Authority. The division has also represented the Agency at various forums dealing with universal service and access issues such as the inter-provincial DoE meeting of coordinators on ICT and Mpumalanga Province ICT Strategy Workshop, amongst others.

Contract Management

The division provided support and management on the key contractual areas through drafting, vetting, termination and advising amongst other areas.

Compliance to legislation

The division has reviewed policies geared towards addressing the operational needs from different perspectives such as human resources, finance, supply chain and corporate governance.

Labour matters

The division provided advice and services to the Human Resources division on disciplinary hearings. The division has resolved the two labour disputes involving senior managers and the employees are no longer in the employment of the Agency.



*Ms. Linda Ngcwembe
Acting Chief Financial Officer*

3.4 Finance and Supply Chain Management

In terms of the Public Finance Management Act, USAASA is classified as a schedule 3A entity, and should, amongst other regulations comply with the PFMA, Electronic Communications Act and Treasury Regulations.

The Agency successfully secured baseline funding of R34 million for the USAF and R22 million for the operational budget of USAASA for the period under review. A further R7 million was allocated through the additional budget, to strengthen internal controls systems.

Main Achievements

Improvement of Internal Control Systems and Procurement Processes. This has ensured a clean audit on both financials.

R10,7m was spent on procuring services from small and black economic empowerment enterprises. USAF spent R38,4 million on small and medium black economic empowerment enterprises of which R6,9 million was spent on women-owned enterprises. In addition, USAF disbursed about R3.740 million to the Under-Serviced Areas Licensees (USALs) in support of their electronic communication infrastructure acquisition programme.

Internal Control systems

The Board has ensured that the Finance division adheres to financial control processes and performs its duties within set internal audit guidelines. These processes have enabled the division to detect risks well in advance and has developed mitigation plans to address them. Improvements have been noted on most systems of financial management compared to previous financial years.

Procurement Processes

Procurement processes have been enhanced through capacity building within the organization, via training of identified individuals over and above the SCM officials. The SCM and related policies are in the process of being revised completely to ensure full compliance. We observed the PPPFA in order to reach the government goal of uplifting previously disadvantaged persons and communities.

Reporting Matters

Reporting requirements as contained in the PFMA and Treasury Regulations were observed through out the year. The division has ensured that stakeholders are always provided with required information.



“ Governance Report - “USAASA subscribes to the Principles of Good Corporate Governance, PFMA and other related regulations. The Board of Directors has ensured that USAASA operations comply with these principles; hence the Board has put strong emphasis on achieving the highest standards of reporting, financial and risk management. The Agency has therefore strengthened its efforts to ensure that business is conducted with discipline, integrity, transparency and social responsibility. ”

SECTION 4: GOVERNANCE REPORT



Ms. Saré Grobler
Board Secretary

4.1 Board of Directors' Corporate Governance Report

The Board is the accounting authority of USAASA in terms of the Public Finance Management Act (PFMA). It is the responsibility of the Board to provide strategic direction and leadership to the Agency and to ensure good corporate governance.

USAASA subscribes to the principles contained in the Code of Corporate practices and conduct recommended by King II and is committed to applying the principles of the PFMA and related regulation. The board is also preparing for the implementation of King II as part of corporate governance processes. In addition, the Board of Directors endeavours to ensure that all operations comply with these principles. Likewise, the Board places strong emphasis on achieving the highest standards of reporting, financial and risk management. The Agency has strengthened its efforts to ensure that business is conducted with discipline, integrity, transparency and social responsibility.

Within the powers conferred upon the Board by legislation and in particular as stipulated in the Electronic Communications Act (81), the Board has determined its main functions and responsibilities as adding significant value to USAASA as follows:

1. The Agency's Board must exercise the powers conferred, and perform duties imposed upon it in accordance with any policy direction issued by the Minister.
2. The Board must –
 - a. Represent the Agency before the Minister and the Authority;
 - b. Oversee the functions of the Agency;
 - c. Prepare and update a strategic plan for the Agency at least once every three years to be used by the Agency in exercising its powers and carrying out its functions;
 - d. Approve the annual report referred to in Section 86 of the ECA prior to submission to the Minister;
 - e. Approve the statement of estimated income and expenditures and any adjusted statements referred to in Section 84 prior to submission to the Minister;
 - f. Approve the CEO's recommendations referred to in section 83 (3) (b) of the ECA;
 - g. Take such other decisions as may be requested by the CEO of the Agency in terms of this Chapter.

These responsibilities are set out in the approved Board Charter which is reviewed annually. The Board believes that they have adhered to the Terms of Reference as articulated in the Board Charter for the financial year under review. The Board retains full and effective control and monitors the executive management and decisions of the Agency.

The Board also meets with management annually over a period of two to three days to debate and agree on the proposed strategy and to consider long-term issues facing the Agency. USAASA recognises that the induction of new directors as well as the ongoing education of all directors is critical to ensure that they are able to effectively discharge their responsibilities within the corporate governance structure as well as the legislative framework under which it operates. During the year under review, the directors received an update on corporate governance specifically to comply with the new proposed requirements in King III.

Board of Directors and Committee evaluation

The Board and committees conducted an evaluation aimed at, among other matters, determining how effectiveness can be improved. All directors and independent members of the Audit & Risk Management sub committee completed a qualitative-based questionnaire.

Delegation of Authority

The ultimate responsibility for the Agency's operations rests with the Board. The Board retains effective control with the assistance of a well-developed governance structure of Board Committees that specialise in specific areas of the business. Certain authorities have been delegated to the Committees of the Board and the CEO. The Delegation of Authority is reviewed periodically to ensure that it remains aligned and relevant in relation to developments within the Agency.

Board Secretary

The Board Secretary supports the Chairperson and Chief Executive Officer to ensure the effective functioning of the Board and committees. In addition, the Board Secretary ensures that the Board complies with the principles of good corporate governance (King II Code), the provisions of the Electronic Communications Act and the Public Finance Management Act.

The Board members have direct access to the services of the Board Secretary and all records of the Agency. The Board Secretary attends all Board and Committee meetings to take minutes of the proceedings.

Remuneration of Board members

The Minister of Communications reviews and determines remuneration packages annually that are paid to the non-executive members of the Board by taking into account the revenues and asset sizes of the different State Owned Entities under the portfolio of the Department of Communications.

Board governance structure

The USAASA Board is assisted in discharging its duties through the following committees:

- Audit & Risk management sub committee
- Human Resources and Remuneration sub committee
- USAF Projects sub committee
- Research & Policy sub committee

Each committee's authority and the manner of discharging its responsibilities is directed by a Terms of Reference. The roles and responsibilities of the Board Committees are reflected in the Terms of Reference for each committee. The committees function according to these terms of reference and the Board monitors and evaluates the committees based on these terms.

Board Committees were established in an effort to assist the Board to carry out its duties and responsibilities with minimal limitations, and in compliance with the provisions of the PFMA, the ECA and other relevant legislation.

Board and Committee Members	Board	Audit & Risk	USAF Projects	HR & Remuneration	Research & Development *****
Total Number of Meetings	9	5	4	4	1
Non-Executive members					
Ms C Gabriel (Chairperson)	9/9	3/5	1/4	1/4	1/1
Ms B Francis	9/9		3/4		
Mr A Mooke	4/9 **		2/4 **	2/4 **	
Ms Z Mzaidume	8/9			4/4 *****	
Prof M Mphahlele	9/9	3/5 **	4/4 *****	1/4 ***	1/1
Mr B Maduna	8/9			2/4	
Prof S Pather	4/9 ***		2/4 ***		1/1 *****
Dr G Celli	4/9 ***		2/4 ***		1/1
Independent Audit committee members					
Mr H Mpungose (Chairperson)		5/5 *****			
Mr G Finger		5/5			
Ms R Strydom		2/5 ***			
Ms B Francis		4/5			
Mr B Maduna		3/5			

* Due to unforeseen circumstances, the Board had two additional emergency meetings and the attendance of the Annual General Meeting is also reflected herein.

** Board / committee term of member ended during the financial year under review.

*** Board / independent member was appointed to the Board and or committee during the financial year under review.

**** Chairperson of the committee.

***** Committee was constituted during the financial year under review.

4.2 USAF Projects Sub-Committee

This committee is responsible for assisting the Board to ensure the appropriate alignment of operations of the Agency with the legal mandate as enshrined in the ECA, and any other delegated functions of the Board.

The Committee considers the strategic plan, ensures that the strategic objectives, goals, values, mission and vision are aligned to the mandate in accordance with relevant legislative requirements and then presents recommendations to the Board for approval. During the year under review, the Committee also provided strategic leadership in the research studies that the Agency commissioned.

USAASA is mandated to manage and administer the Universal Service and Access Fund in accordance with the ECA. The USAF Fund Committee is instrumental in interrogating the proposals received for the roll-out of ICT infrastructure, services subsidies and grants.

The performance of the Committee is assessed annually and submitted to the Board for notice.

4.3 Human Resources and Remuneration Sub-Committee

The committee has been constituted to oversee the formulation of a remuneration philosophy and human resources strategy to ensure that the Agency enjoys the best human capital possible, relevant to its business needs and maximises the potential of its employees.

The core functions of the Committee are to:

- Advise the Board on human resources strategy, employment equity targets, training, and capacity building planning.
- Review and recommend all human resources related policies of the Agency.
- Review the Agency's remuneration policies and practices and make recommendations in this regard to the Board.
- Review the quarterly performance of the Chief Executive Officer and make recommendations to the Board on the performance.
- Assess the performance of the committee and make such information available to the Board.

4.4 Research & Policy Sub-Committee

The committee is responsible for assisting the Board in fulfilling its oversight responsibilities in respect of all matters pertaining to research and the concomitant policy as implied in Section 82(3) and 82(4) of the Electronic Communications Act.

This committee reviews and guides USAASA's research and policy advisory strategies and processes to ensure alignment with its functions and mandate as contemplated in the Act. The overall responsibility of the committee is to strategically provide oversight and direction in respect of research and consequential policy, which includes, but is not limited, to the following:-

- Ensure that the Research and Strategy division supports the Agency's vision, mission and concomitant activities.
- Promote and guide research initiatives of the Agency within a framework of best practice.
- Support the development of research strategy and tactics which provide the Agency with timely and relevant information and intelligence regarding trends and new developments in universal service and access both within South Africa and internationally.
- Undertake the foregoing with a view to influencing policy, legislation and regulation in respect of universal service and universal access, both within the Agency and Government.
- Promote sustainable multi-stakeholder partnerships across academic, governmental and non-governmental agencies in the attainment of the Agency's research and policy advisory functions.
- Perform other oversight functions from time to time as required by the Board.
- Evaluate the Committee's own performance on a yearly basis.

The Agency, in particular the Research and Strategy division, will present any submissions or recommendations to the Research and Policy Sub Committee before any documentation is submitted to the Board for consideration.

4.5 Audit and Risk Management Sub-Committee Report

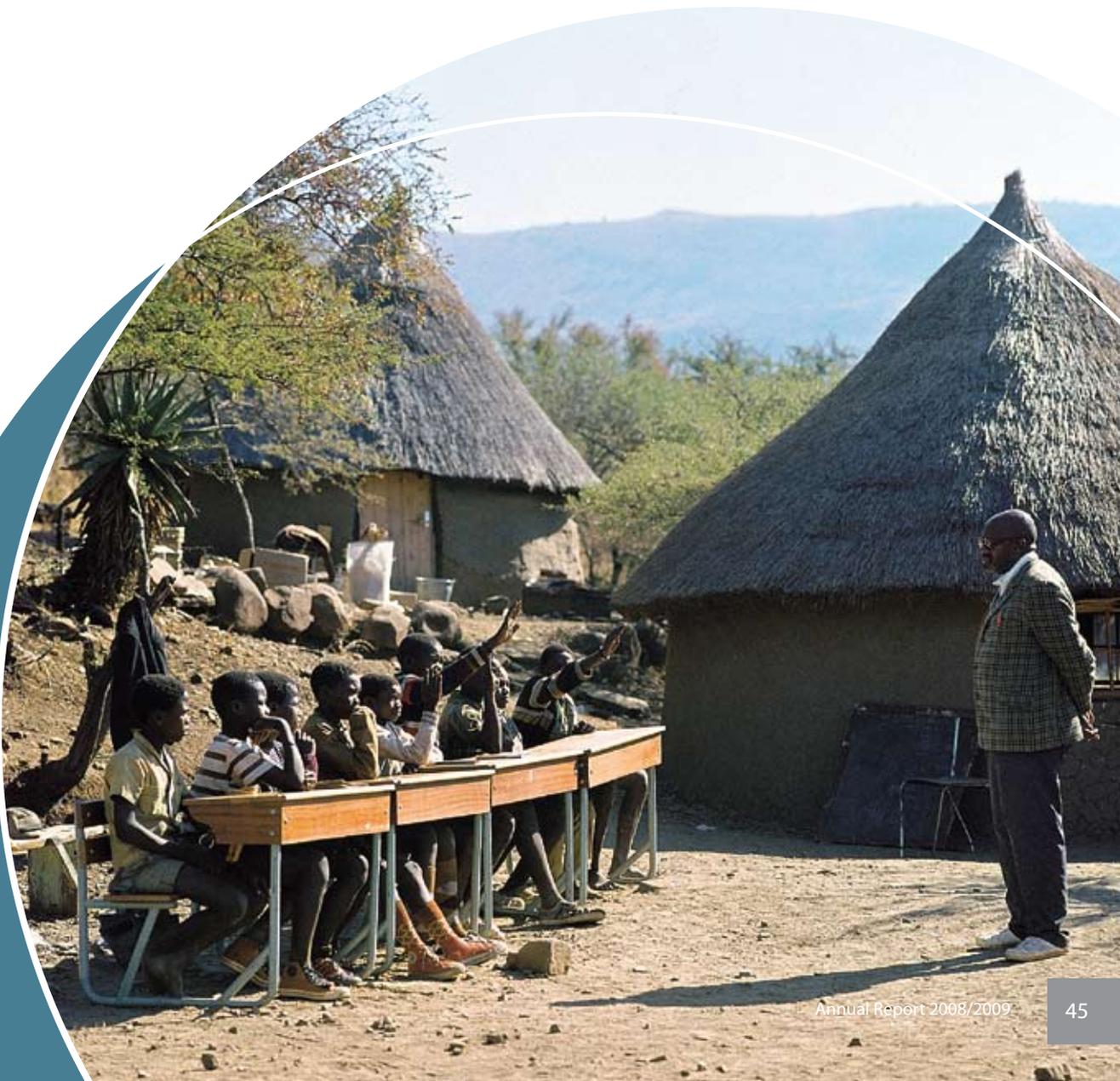
The Audit and Risk Management Committee consists of five members, three of whom are independent non-board members. The majority of persons serving on USAASA's Audit and Risk Management Committee are financially literate and their diverse skills in the ICT industry assist in the effective monitoring of risk management, internal controls and governance processes.

The Audit and Risk Management Committee's function is primarily to assist the Board in discharging its responsibilities relative to the PFMA as amended. In accordance with the requirements of the PFMA and the Treasury Regulations in terms thereof, the Board of USAASA has approved the Audit and Risk Management Committee's written terms of reference under which the Audit and Risk Management Committee operates.

The Audit and Risk Management Committee confirms that it has complied with its responsibilities emanating from the section 51 (1) (a) of the PFMA and Treasury Regulation 27.1.10. The Committee also confirms that it has regulated its affairs in compliance with the Audit and Risk Management Committee Charter and has discharged all its responsibilities as contained therein.

Audit and Risk Management Committee members and attendance

The Audit and Risk Management Committee performs its responsibilities as required by the PFMA and Treasury Regulations. The tasks performed by the Audit and Risk Management Committee have been categorised into four main areas, namely, Internal Audit and Internal Controls, Risk Management, Corporate Governance and the review of Annual Financial Statements.



During the Financial Year ending 31 March 2009, the Audit Committee consisted of the following members:

Names	Representation	Number of Meetings Attended	Date of Appointment
Mr. H. Mpungose	Chairperson of the Audit Committee	5	January 2008
Ms. B. Francis	Board member	4	August 2007
Mr. B Maduna	Board member	3	Re-appointed in November 2008
Mr. G. Finger	Member of the Audit Committee	5	October 2007
Prof. M. Mphahlele	Board member	3	August 2007
Ms. R. Strydom	Member of the Audit Committee	2	November 2008

Effectiveness of internal controls

The internal controls of the Agency were partially effective in all respects during the financial year – Internal Audit and the Audit and Risk Management Committee noted with concern deficiencies in the supply chain management process, asset management, Human Resources management, Risk and Fraud prevention plan and compliance with the approved delegation of authority. Deficiencies in supply chain management have led to USAASA and USAF incurring irregular expenditure amounting to R 461,000 and R 9, 480 million and the fruitless and wasteful expenditure amounting R 122,000 and R 8,000 respectively in both cases. These were mainly attributable to management's inability to proactively ensure compliance with prescribed policies and procedures as well as inadequate monitoring. Management has however developed mitigation plans to deal with the identified deficiencies.

Risk management

Management has formulated and adopted a risk management strategy and then developed risk mitigation plans to monitor the implementation of these plans. The operational risk management committee was not functional for the period under review due to the loss of key role players in the committee and lack of adequate handover plans. Internal audit's opinion is that the Agency's risk management practices have been partially effective since the risk mitigation plans, that were developed by management were not fully implemented.

Governance

The internal audit's corporate governance review has found the majority of governance processes within the Agency to be adequate and partially effective. Management and the Board has put in place mechanisms to ensure the adequacy and effectiveness of the governance practices.

Quality of in-year management and monthly/quarterly reports submitted in terms of the Public Finance and Management Act.

The Agency has complied with the requirements of the PFMA wherein quarterly reports were presented to the Shareholder as required by legislation.

Evaluation of Financial Statements

The Audit Committee evaluated and reviewed the annual financial statements of USAASA and USAF for the year ended 31 March 2009 and concluded that they comply, in all material respects, with the South African Statements of Generally Accepted Accounting Practice and the relevant statements of Generally Recognised Accounting Practice. The review covered the following:

- Underlying accounting policies and changes thereto;
- Major adjustments and managerial judgements;
- Significant adjustments flowing from the year under review;
- Compliance with Generally Accepted Accounting Practice;
- The appropriateness of the going concern assumption; and
- The reports of the Auditor-General for USAASA and USAF.

The Audit and Risk Management Committee agrees that the adoption of the going concern assertion is appropriate in preparing the Annual Financial statements for USAASA and USAF. The Audit and Risk Management Committee has, therefore, recommended the adoption of the Annual Financial Statements by the Board of USAASA.

4.6 Statement of Responsibility and Approval

The PFMA requires the directors to ensure that USAASA keep full and proper records of its financial affairs. The financial statements should fairly present the state of affairs of the Agency and the Fund, financial results and performance against predetermined objectives and the financial position at the end of the year. The financial statements are the responsibility of the directors. The external auditors are responsible for independently auditing and reporting on the financial statements.

The financial statements of USAASA and the USAF have been prepared in terms of GRAP and GAAP as stipulated by section 40 of the PFMA. These financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgement and estimates and are prepared on a going concern basis.

To enable the directors to meet the above responsibilities, the Board of USAASA set standards and implement systems of internal control. The controls are designed to provide cost effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed. Policies, procedures, structure and approval frameworks provide direction, accountability and division of responsibilities, and contain self monitoring mechanisms. The controls throughout USAASA and the USAF focus on those critical risk areas identified during the risk assessment process by the executive team. The executive team, including the internal audit, and the Audit and Risk Management sub committee closely monitor the controls and actions taken to correct deficiencies as they are identified.

The directors are of the opinion, based on the information and explanations given by management, the internal audit and discussions with the independent external auditors on the results of their audit, that the internal accounting controls are adequate to ensure that the financials records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained.

In the opinion of the directors, based on the information available to date, the financial statements fairly present the financial positions of USAASA and the USAF at 31 March 2009 and the results of their operations and cash flow information for the year. The financial statements of USAASA and the USAF for the year ended March 2009 have been approved by the board of Directors and signed on its behalf on 29 July 2009 by:



Cassandra Gabriel
Chairperson of Board



Winile Lamani
Acting Chief Executive Officer





Universal Service and Access Agency of South Africa

Audited Annual Financial Statements

For the Year ended 31st March 2009

CONTENTS

Report of the Auditor General	50
Statement of Financial Performance	53
Statement of Financial Position	53
Statement of Changes in Net Assets	54
Cash Flow Statement	54
Notes to the Annual Financial Statements	55
Statement of Unauthorised, Irregular, Fruitless and Wasteful Expenditure	66
Inter-Entity Transactions	67

REPORT OF THE AUDITOR-GENERAL TO THE PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA FOR THE YEAR ENDED 31 MARCH 2009

Report on the Financial Statements

Introduction

1. I have audited the accompanying financial statements of the Universal Service and Access Agency of South Africa which comprise the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 53 to 67.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 2.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion these financial statements present fairly, in all material respects, the financial position of the Universal Service and Access Agency of South Africa as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 2.1.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matters:

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by National Treasury, as set out in accounting policy note 2.1.

Irregular or fruitless and wasteful expenditure

9. As disclosed in Annexure 1 of the financial statements irregular expenditure of R461 000 was incurred during the year ended 31 March 2009 as a result of non adherence to the supply chain management processes and a cession letter being signed in favour of a creditor without the necessary delegation of authority.
10. As disclosed in annexure 1 of the annual financial statements fruitless and wasteful expenditure of R122 000 was incurred due to late submission of PAYE returns, short attendance of delegates for training courses and payment to a consultant to prepare the prior period financial statements that required material changes as a result of the audit process.

Other matter

Without qualifying my opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements.

Governance framework

11. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below.

Key governance responsibilities

12. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 55 of the PFMA	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee <ul style="list-style-type: none"> • The type of entity had an audit committee in operation throughout the financial year. • The audit committee operates in accordance with approved, written terms of reference. • The audit committee substantially fulfilled its responsibilities for the year, as set out in [section 77 of the PFMA and Treasury Regulation 27.1.8] 	✓	✓
7.	Internal audit <ul style="list-style-type: none"> • The Agency had an internal audit function in operation throughout the financial year. • The internal audit function operates in terms of an approved internal audit plan. • The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2 	✓	✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	

No.	Matter	Y	N
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2	✓	
12.	Delegations of responsibility are in place, as set out in section 44/56 of the PFMA	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA/Oversight resolutions have been substantially implemented.	✓	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	✓	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by USAASA against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulation 30.1.	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

13. I have reviewed the performance information as set out on pages 26 to 31.

The accounting authority's responsibility for the performance information

14. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

The Auditor-General's responsibility

15. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008*.

16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

Findings (Performance Information)

17. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

Appreciation

18. The assistance rendered by the staff of the Universal Service and Access Agency of South Africa during the audit is sincerely appreciated.

Auditor-General

Pretoria

30 July 2009



Universal Service and Access Agency of South Africa
Statement of Financial Performance for the year ended 31 March 2009

	Notes	31 March 2009 R'000	31 March 2008 R'000
REVENUE			
Transfers and subsidies received	3	30,208	21,105
Other income	4	65	-
TOTAL REVENUE		30,273	21,105
EXPENDITURE			
Administrative expenses	5	(2,530)	(2,969)
Staff costs	6	(14,369)	(12,286)
Marketing costs	7	(179)	(25)
Audit fees	8	(320)	(305)
Other operating expenses	9	(5,900)	(6,940)
Losses on disposal of assets	10	-	(287)
Finance cost	11	(61)	(58)
TOTAL EXPENDITURE		(23,359)	(22,870)
SURPLUS/(DEFICIT) FROM OPERATIONS		6,914	(1,765)
SURPLUS/(DEFICIT) ATTRIBUTABLE TO:			
Net asset holders of the controlling entity		6,914	(1,765)
SURPLUS/(DEFICIT) for the year		6,914	(1,765)

Universal Service and Access Agency of South Africa
Statement of Financial Position at 31 March 2009

	Notes	31 March 2009 R'000	31 March 2008 R'000
ASSETS			
Non-current assets		2,352	3,242
Property, plant and equipment	12	2,283	3,149
Intangible assets	13	69	93
Current assets		5,780	1,207
Loans and receivables	14	577	377
Cash and cash equivalents	15	5,203	830
TOTAL ASSETS		8,132	4,449
LIABILITIES			
Non-current liabilities			
Finance lease obligation	16	164	204
Current liabilities		1,617	4,808
Finance lease obligation	16	40	34
Trade and other payables	17	1,107	2,145
Provisions	18	470	572
Universal Service and Access Fund	19	-	2,057
TOTAL LIABILITIES		1781	5,012
NET ASSETS			
CAPITAL AND RESERVES			
Accumulated surplus/(deficit)		6,351	(563)
TOTAL NET ASSETS		6,351	(563)
TOTAL NET ASSETS AND LIABILITIES		8,132	4,449

Universal Service and Access Agency of South Africa
Statement of Changes in Net Assets for the year ended 31 March 2009

	Accumulated Surplus/(Deficit)	Total Equity
Balance at 1 April 2007 as originally stated	1,202	1,202
Deficit for the year	(1,765)	(1,765)
Balance as at 31 March 2008	(563)	(563)
Surplus for the year	6,914	6,914
Balance as at 31 March 2009	6,351	6,351

Universal Service and Access Agency of South Africa
Cash Flow Statement for the year ended 31 March 2009

	Notes	31 March 2009 R'000	31 March 2008 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from government		30,053	21,112
Cash paid to suppliers and employees		(23,479)	(20,663)
Cash generated from operations	20	6,574	449
Interest paid		(20)	(51)
Net cash inflows from operating activities		6,554	398
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of:			
Property, plant and equipment		20	56
Acquisition of:			
Property, plant and equipment		(48)	(1,904)
Intangible assets		(16)	(110)
Finance lease obligation		(39)	204
Net cash flows from investing activities		(83)	(1,754)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfers (to)/from Universal Service and Access Fund		(2,057)	2,057
Finance lease payments		(41)	(7)
Net cash flows from financing activities		(2,098)	2,050
Net increase/(decrease) in cash and cash equivalents		4,373	694
Cash and cash equivalents at the beginning of the year	15	830	136
Cash and cash equivalents at end of the year	15	5,203	830

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2009

1. Statement of compliance

The Universal Service and Access Agency of South Africa (USAASA) was established in the Republic of South Africa in terms of section 87 of the Electronic Communications Act, No. 35 of 2005. USAASA is recognised as a Schedule 3A public entity of the Public Finance and Management Act, No. 1 of 1999 (PFMA).

The financial statements have been drawn up in accordance with the Statements of Generally Recognised Accounting Practice (GRAP) and South African Statements of Generally Accepted Accounting Practice (SA GAAP) as stipulated by Section 91 of the PFMA. GRAP was adopted by the USAASA in 2005/6. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value.

2. Summary of accounting policies

The following are the principle accounting policies of the USAASA which are, in all material respects, consistent with those applied in the previous year.

2.1 Basis for preparation

The financial statements have been prepared in accordance with SA GAAP including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of GRAP issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP		Replaced Statement of GAAP	
GRAP 1:	Presentation of financial statements	AC101:	Presentation of financial statements
GRAP 2:	Cash flow statements	AC118:	Cash flow statements
GRAP 3:	Accounting policies, changes in accounting estimates and errors	AC103:	Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

2. The cash flow statement has been prepared in accordance with the direct method.

3. Specific information has been presented separately on the statement of financial position such as:

- Receivables from non-exchange transactions, including taxes and transfers;
- Taxes and transfers payable;
- Trade and other payables from non-exchange transactions.

4. Amount and nature of any restrictions on cash balances is required.

Paragraph 11 – 15 of GRAP 1 has not been implemented due the fact that local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

Statements and interpretations not yet effective

At date of authorization of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective. These statements are effective for periods beginning on or after 1 April 2009.

- GRAP 4 – The Effects of Changes in Foreign Exchange Rates
- GRAP 5 – Borrowing Costs
- GRAP 6 – Consolidated and Separate Financial Statements

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2009 (Continued)

GRAP 7 – Investments in Associate
GRAP 8 – Interest in Joint Ventures
GRAP 9 – Revenue from Exchange Transactions
GRAP 10 – Financial Reporting in Hyperinflationary Economies
GRAP 11 – Construction Contracts
GRAP 12 – Inventories
GRAP 13 – Leases
GRAP 14 – Events after the Reporting Date
GRAP 16 – Investment Property
GRAP 17 – Property Plant and Equipment
GRAP 18 – Segment Reporting
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
GRAP 23 – Revenue from Non Exchange Transactions (Taxes and Transfers)
GRAP 24 – Presentation of Budget Information in Financial Statements

GRAP 100 – Non Current Assets Held for Sale and Discontinued Operations
GRAP 101 – Agriculture
GRAP 102 – Intangible Assets
GRAP 103 – Heritage Assets

Management is in the process of assessing the impact of the above standards.

2.2 Significant judgements

In preparing the annual financial statements, the executive management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. No significant judgments have had to be made in the preparation of these financial statements.

2.3 Revenue recognition

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized 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 instalments.

Revenue received via the National Revenue Fund forms part of the Department of Communications budget vote.

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

2.4 Irregular, fruitless and wasteful expenditure

Irregular, fruitless and wasteful expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any particular legislation, including the Public Finance Management Act of 1999 (as amended).

Details of Irregular, fruitless and wasteful transactions and balances are provided in annexure 1.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to an insignificant risk of change in value. For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

2.6 Investment Policy

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

2.7 Taxation

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.

2.8 Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the Agency's Statement of Financial Position when the Agency becomes a party to the contractual rights and obligations of the instrument. All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting.

Financial assets

Investments are recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets can be classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. All financial assets of USAASA were recognised as loans and receivables.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off as an expense during the year. Subsequent recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as a FVTPL where the financial liability is either held for trading or it is designated as a FVTPL.

All financial liabilities of USAASA were classified as other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2009 (Continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

2.9 Property Plant and Equipment

Property, plant and equipment are recognised as assets if it is probable that future economic benefits associated with an item will flow to the Agency and the item has a cost that can be measured with reliability. Assets with cost of R2,000 or below are expensed in the year of purchase. Property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Asset Category	Useful lives
Motor vehicles	5 years
Computer equipment	3 years
Office equipment	5 years
Furniture and fittings	5 years
Leasehold improvements	5 years

Property, plant and equipment are reviewed annually for impairments. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred.

Property held for resale is recorded at lower of cost or recoverable value.

2.10 Intangible assets

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

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

Computer Software	3 years
-------------------	---------

The amortization period and the amortization method for intangible assets are reviewed every period end.

2.11 Provisions

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent assets and contingent liabilities are not recognised.

2.12 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.

Finance lease assets are carried at the initial cost recognised amount 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.

Operating leases – lessee

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

2.13 Impairment of assets

The entity assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

2.14 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, (those payable within 12 months after the service is rendered, such as paid vacation leave and 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, in the case of non-accumulating absences, when the absence occurs.

	31 March 2009 R'000	31 March 2008 R'000
3. Transfers and subsidies		
Department of Communications	30,208	21,105
4. Other income		
Bursary due from former employee	27	-
Refunds and recoveries from employees	18	-
Profit on disposal of asset	20	-
	65	-

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2009 (Continued)

	31 March 2009	31 March 2008
	R'000	R'000
5. Administrative expenses		
Office teas and cleaning	229	253
Sundry expenses	177	42
Fees for services:-		
- Board and committee members fees	688	722
Legal fees	193	158
Entertainment	5	39
Stationery and printing	474	1,098
Venues and facilities	136	427
Bank charges	18	20
Training and staff development	236	223
Liabilities written back to income	-	(13)
Provision for doubtful debt	295	-
Clearing of a suspense account	79	-
	2,530	2,969
6. Staff costs		
Wages and salaries	12,985	10,428
- Basic salaries	11,146	8,811
- Performance awards	343	496
- Other non-pensionable allowance	1,439	1,069
- Leave payments	57	37
- Overtime pay	-	15
Social contributions (Employer's contributions)	1,384	1,858
- Medical	136	110
- UIF	54	45
- Pension	1,194	1,703
	14,369	12,286
Number of employees	41	37
7. Marketing costs		
Communications & Public Awareness Initiatives	179	25
8. Audit fees		
Statutory Audit	320	305
9. Other operating expenses		
Fruitless and wasteful expenditure	-	1
Consultants, contractors and special services	1,174	1,277
Minor expenses written-off		
- Data equipment	6	34
- Bad debts written off	-	14
Maintenance, repairs and running costs	315	489
- Property and buildings	5	10
- Machinery and Equipment	291	463
- Other maintenance, repairs and running costs	19	16
Depreciation	929	692
Amortisation	40	17

	31 March 2009	31 March 2008
	R'000	R'000
Advertising	65	773
Municipal services	164	122
Travel and subsistence	833	843
Courier and delivery charges	17	26
Information and Tele-Communication costs	847	1,068
Rentals in respect of operating leases	1,510	1,584
- Buildings	1,372	1,412
- Plant, machinery and equipment	70	126
- Vehicles	-	16
- Plants	68	30
	5,900	6,940
10. Profit /Loss on disposal of assets		
Losses on disposal of assets	-	287
11. Finance costs		
Finance lease obligation	41	7
Interest on late payments	20	51
	61	58

12. Property, Plant and Equipment						
	Leasehold Improvements	Vehicles	Computer Equipment	Office Furniture & Fittings	Office Equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2009						
Opening net carrying amount	938	106	587	1,075	443	3,149
Gross carrying amount	1,172	202	842	1,371	491	4,078
Accumulated depreciation	(234)	(96)	(255)	(296)	(48)	(929)
Additions	-	-	42	-	6	48
Disposals	-	-	-	-	-	-
Cost	-	(90)	-	-	-	(90)
Accumulated depreciation	-	90	-	-	-	90
Adjustments to opening balances	-	-	20	(5)	-	15
Depreciation charge	(234)	(21)	(326)	(239)	(109)	(929)
Closing net carrying amount	704	85	323	831	340	2,283
Gross carrying amount (at cost)	1,172	112	904	1,366	497	4,051
Accumulated depreciation	(468)	(27)	(581)	(535)	(157)	(1,768)
Net carrying amount	704	85	323	831	340	2,283
2008						
Opening net carrying amount	1,002	-	293	919	66	2,280
Gross carrying amount (at cost)	1,002	90	1,760	1,492	364	4,708
Accumulated depreciation	-	(90)	(1,467)	(573)	(298)	(2,428)
Additions	170	112	594	595	433	1,904
Disposals	-	-	(170)	(156)	(17)	(343)
Depreciation charge	(234)	(6)	(130)	(283)	(39)	(692)
Closing net carrying amount	938	106	587	1,075	443	3,149
Gross carrying amount (at cost)	1,172	202	842	1,371	491	4,079
Accumulated depreciation	(234)	(96)	(255)	(296)	(48)	(930)
Net carrying amount	938	106	587	1,075	443	3,149

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2009 (Continued)

Included above is the following office equipment held under capitalized finance leases as follows:

	31 March 2009	31 March 2008
	R'000	R'000
Gross carrying amount	242	242
Accumulated depreciation	(57)	(8)
Net carrying amount	185	234
13. Intangible assets		
Opening net carrying amount	93	-
Gross carrying amount	110	-
Accumulated depreciation	(17)	-
Additions	16	110
Amortisation	(40)	(17)
Closing net carrying amount	69	93
Gross carrying amount	126	110
Accumulated amortisation	(57)	(17)
Net Carrying amount	69	93
14. Loans and receivables		
Universal Service and Access Fund	307	-
Prepayments and advances		
- Staff loans/Advances	27	11
- Prepayments	278	366
Other receivables	260	-
	872	377
Impairment of debtors	(295)	-
	577	377
15. Cash and cash equivalents		
Cash and balances with banks	5,203	830
16. Finance lease obligation		
Minimum lease payments due		
- within one year	75	75
- in second to fifth year inclusive	211	286
	286	361
Less: future finance charges	(82)	(123)
Present value of minimum lease payments	204	238
Present value of minimum lease payments due		
- within one year	40	34
- in second to fifth year inclusive	164	204
	204	238
Non-current liabilities	164	204
Current liabilities	40	34
	204	238

Interest rates are linked to the prime rate at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The Agency's obligations under finance leases are secured by the lessor's charge over the leased assets referred to in note 12.

				31 March 2009 R'000	31 March 2008 R'000
17. Trade and other payables					
Trade creditors				147	464
Accruals				683	1,477
Operating lease payables				277	204
				1,107	2,145
18. Provisions					
	Workmen's Compensation	Leave	Bonus	Total	Total
Opening Balance	46	198	328	572	510
Utilisation of provision during the year	-	(198)	(328)	(526)	(510)
Provisions made during the year	-	257	167	424	572
Closing Balance	46	257	167	470	572
Reconciled as follows:					
Opening balance				572	510
Utilisation of provisions during the year				(526)	(510)
Provisions made during the year				424	572
Closing balance				470	572
19. Universal Service and Access Fund				-	2,057
20. Cash generated from operations					
Surplus/(deficit) for the year				6,914	(1,765)
Non-cash movements/working capital changes				(340)	2,214
Depreciation				929	692
Interest paid				61	58
Amortisation				40	17
(Decrease)/Increase in payables				(1,032)	1,091
Adjustments to asset opening balances				(16)	-
(Decrease)/Increase in provisions				(102)	62
(Gains)/Losses on sale of plant and equipment				(20)	287
(Increase)/Decrease in receivables				(200)	7
				6,574	449
21. Operating lease arrangements					
Lessee					
Property rental					
At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:					
Up to 1 year				1,204	1,405
1 to 5 years				2,189	2,515
				3,393	3,920

Universal Service and Access Agency of South Africa

Notes to the Annual Financial Statements for the year ended 31 March 2009 (Continued)

22. Risk Management

Liquidity Risk

Liquidity risk is the risk that the Agency will be unable to meet a financial commitment. This risk is minimized through the holding of cash balances and sufficient borrowing facilities. In addition, detailed cash flow forecast 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 15. The size of the Agency's position does not expose it to significant interest rate risk. Any risk is managed through the term structure utilized when placing deposits.

The Agency is sensitive to movements in interest rates which is the primary interest rate 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 minimizes credit risk by depositing cash with major banks with high quality credit standing.

23. Post balance sheet events

The Agency is not aware of any matter or circumstance arising since the end of the financial year end and up to the date of issue of the financial statements.

24. Contingency

The Agency is currently engaged in a CCMA dispute with a former employee which might have financial implications.

25. Senior management emoluments

	Salary	Performance payments	31 March 2009 R'000	31 March 2008 R'000
Mr. J. Theledi – CEO	914	-	914	730
Mr. P. Moleele - Acting CEO	796	-	796	320
Mr. K. Keys – CFO (Employment contract terminated August 2008)	312	-	312	567
Ms. L. Ngcwembe - Acting CFO	592	-	592	184
Mr. W. Lamani – Head USAF Projects	581	-	581	482
Dr. S. Horton Herselman (Resigned February 2009)	599	-	599	80
Ms. SE. Scheepers – Senior Manager HR (Appointed April 2008)	557	-	557	-
Mr. T. Nivi – Senior manager Research	592	25	617	304
Mr. R. Naidoo (Resigned November 2007)	-	-	-	454
Ms. A. Ramadiba (Employment contract terminated June 2006)	-	-	-	121
Ms. D. Pauw (Resigned May 2008)	-	-	-	623
Mrs. T. Dibakwane (Resigned July 2006)	-	-	-	13
Mr. T. Thupaatlase (Resigned April 2007)	-	-	-	73
	4,943	25	4,968	3951

Non Executive Management	Fees for meetings	Other Allowances	Fees for other services	31 March 2009 R'000	31 March 2008 R'000
Mr. BE Maduna	40	-	-	40	116
Ms. BJ Francis	95	-	-	95	47
Ms. CC Gabriel	140	-	-	140	706*
Ms. Z. Mzaidume	100	-	-	100	92
Prof. MI Mphahlele	106	-	-	106	54
Dr. G Celli (Appointed November 2008)	40	-	-	40	-
Prof. S Pather (Appointed November 2008)	42	-	-	42	-
Ms. HB Khan (Term ended in July 2007)	-	-	-	-	51
Mr. AM Mooke (Term ended in October 2008)	62	-	-	62	127
	625	-	-	625	1,193

* Fees for other services: An Acting allowance of R512,000 and cell phone allowance of R8,000 was paid to Ms. C Gabriel from January 2007 to May 2007 in her capacity as Acting CEO. This acting allowance was approved by the Minister of Communications.

Independent Audit Committee					
Mr. MG Finger	24	-	-	24	8
Mr. HGS Mpungose	31	-	-	31	5
Ms. R Strydom (Appointed November 2008)	8	-	-	8	-
Mr. MP Motshumi (Term ended in August 2007)	-	-	-	-	5
Ms. S Nxumalo (Term ended in August 2007)	-	-	-	-	14
Ms. MM Manyama (Term ended in December 2007)	-	-	-	-	9
	63	-	-	63	41

26. Related party transactions and balances

Details of related party transactions and balances are provided in annexure 2

27. Change in Accounting estimate

Profit before tax is shown after taking the following items into account:

Depreciation

929 **692**

Included in the depreciation for the current year is a change in estimate of R32,860. The Agency has always depreciated its property, plant and equipment based on residual values of R1 with the exception of motor vehicles which have always had a residual value of 10%. At the end of the current financial year, the residual values have been amended, resulting in a net reduction in the depreciation charge for the period of R32,860.

28. Contingency

The Agency has made a roll over request to the National Treasury to the value R2,944,749. Approval to retain the funds had not been granted by the date of issue of the financial statements.

Universal Service and Access Agency of South Africa
Statement of Unauthorised, Irregular, Fruitless and Wasteful Expenditure for the year ended 31 March 2009
ANNEXURE 1

		31 March 2009	31 March 2008
		R'000	R'000
Reconciliation of Fruitless and wasteful expenditure			
Opening balance		53	5
Fruitless and wasteful expenditure – current year		122	48
Fruitless and wasteful expenditure condoned		-	-
Transfer to receivables for recovery		-	-
Fruitless and wasteful expenditure awaiting condonement		-	-
		175	53
Analysis of Fruitless and wasteful expenditure			
<i>Incident</i>	<i>Disciplinary steps</i>		
1. Penalties and interest paid to SARS for late submission of PAYE returns.	Disciplinary action was taken against the previous CFO.	22	48
2. Excess training costs incurred as a result of short-attendance of delegates.	Verbal warnings were issued to staff for non attendance of pre arranged training	20	-
3. Consultants fees for the review of annual financial statements in the prior year.	There was an urgency with regards to the appointment of the consultants by then CFO. He had already resigned by the time the annual financial statements were finalised	80	-
		122	48
Irregular Expenditure			
Reconciliation of irregular expenditure			
Opening balance		1674	-
Irregular expenditure – current year		461	1674
Irregular expenditure condoned		-	-
Transfer to receivables for recovery		-	-
Irregular expenditure awaiting condonement		-	-
		2,135	1,674
Analysis of Irregular expenditure			
<i>Incident</i>	<i>Disciplinary steps</i>		
1. The current year expenditure comprises of non adherence to the supply chain management processes.	These incidents arose as a result of misinterpretation of SCM procedures by staff. A service provider has been engaged to streamline the SCM processes and all staff have been given necessary training on these procedures. Non adherence in future will be strictly dealt with.	221	1,674
2. A cession agreement that was entered into with a service provider was not properly authorized.	The official responsible was mandated by the CFO, who has since resigned	240	-
		461	1,674

Universal Service and Access Agency of South Africa
Inter-entity transactions for the year ended 31 March 2009
ANNEXURE 2

Transactions			31 March 2009	31 March 2008
Name of entity	Nature of the relationship	Transaction Type	R'000	R'000
Department of Communications	Executive Authority	Revenue appropriation	30,208	21,105
Universal Service and Access Fund	Fund management	Reimbursement of prior year unauthorised transfer from USAF	2,057	-
			32,265	21,105
Balances				
Universal Service and Access Fund	Fund management	Unauthorised transfer from USAF	-	(2,057)
Universal Service and Access Fund	Fund management	USAF expenses paid by USAASA	307	-
			307	(2,057)





Universal Service and Access Fund Audited Annual Financial Statements

For the Year ended 31st March 2009

CONTENTS

Report of the Auditor General	70
Statement of Financial Performance	73
Statement of Financial Position	73
Statement of Changes in Net Assets	74
Cash Flow Statement	74
Notes to the Annual Financial Statements	75
Statement of Unauthorised, Irregular, Fruitless and Wasteful Expenditure	80
Inter-Entity Transactions	81

REPORT OF THE AUDITOR-GENERAL TO THE PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF UNIVERSAL SERVICE AND ACCESS FUND FOR THE YEAR ENDED 31 MARCH 2009

Report on the Financial Statements

Introduction

1. I have audited the accompanying financial statements of the Universal Service and Access Fund which comprise the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 73 to 81.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 2.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion these financial statements present fairly, in all material respects, the financial position of the Universal Service and Access Fund as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 2.1 and in the manner required by the Public Finance Management Act, (PFMA).

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matters:

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by National Treasury, as set out in accounting policy note 2.1.

Irregular expenditure

9. As disclosed in Annexure 1 of the financial statements irregular expenditure of R9.48 million was incurred during the year ended 31 March 2009 as a result of expenditure authorised in contravention with delegation of authority.

Other matter

Without qualifying my opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements.

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below.

Key governance responsibilities

11. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	✓	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 55 of the PFMA	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee <ul style="list-style-type: none"> The type of entity had an audit committee in operation throughout the financial year. The audit committee operates in accordance with approved, written terms of reference. The audit committee substantially fulfilled its responsibilities for the year, as set out in [section 77 of the PFMA and Treasury Regulation 27.1.8] 	✓	
7.	Internal audit <ul style="list-style-type: none"> The Agency had an internal audit function in operation throughout the financial year. The internal audit function operates in terms of an approved internal audit plan. The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2 	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2	✓	

No.	Matter	Y	N
12.	Delegations of responsibility are in place, as set out in section 56 of the PFMA	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA/Oversight resolutions have been substantially implemented.	✓	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	✓	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by USAF against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulation 30.1.	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

12. I have reviewed the performance information as set out on pages 26 to 31.

The accounting authority's responsibility for the performance information

13. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

The Auditor-General's responsibility

14. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008*.
15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
16. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

APPRECIATION

17. The assistance rendered by the staff of the Universal Service and Access Fund during the audit is sincerely appreciated.

Auditor-General

Pretoria

30 July 2009



Universal Service and Access Fund

Statement of Financial Performance for the year ended 31 March 2009

	Notes	31 March 2009 R'000	31 March 2008 R'000
REVENUE			
Transfers and subsidies received	3	34,581	32,722
EXPENDITURE			
Administrative expenses	4	(4)	(2)
Research and development costs	5	(1,862)	(1,212)
Marketing costs	6	(1)	(39)
Audit fees	7	(297)	(228)
Project expenses	8	(29,649)	(44,805)
Transfers and subsidies paid	9	(3,740)	(11,624)
Other operating expenses	10	(8)	(89)
TOTAL EXPENDITURE		(35,561)	(57,999)
DEFICIT FROM OPERATIONS		(980)	(25,277)
Finance income	11	18	3,671
(DEFICIT)/SURPLUS FROM CONTINUING OPERATIONS		(962)	(21,606)
(DEFICIT)/SURPLUS AFTER TAX ATTRIBUTABLE TO:			
Net asset holders of the controlling entity		(962)	(21,606)
(Deficit)/Surplus for the year	12	(962)	(21,606)

Universal Service and Access Fund

Statement of Financial Position at 31 March 2009

	Notes	31 March 2009 R'000	31 March 2008 R'000
ASSETS			
Current assets		7,732	5,475
Loans and receivables	13	134	6
Universal Service and Access Agency	14	-	2,057
Cash and cash equivalents	15	7,598	3,412
TOTAL ASSETS		7,732	5,475
LIABILITIES			
Current liabilities			
Trade and other payables	16	6,820	3,601
TOTAL LIABILITIES		6,820	3,601
NET ASSETS			
CAPITAL AND RESERVES			
Accumulated surplus/(deficit)		912	1,874
TOTAL NET ASSETS		912	1,874
TOTAL NET ASSETS AND LIABILITIES		7,732	5,475

Universal Service and Access Fund

Statement of Changes in Net Assets for the year ended 31 March 2009

	Accumulated Surplus/(Deficit)	Total Equity (Agency)
Balance at 1 April 2007	23,480	23,480
Deficit for the year	(21,606)	(21,606)
Balance as at 31 March 2008	1,874	1,874
Deficit for the year	(962)	(962)
Balance as at 31 March 2009	912	912

Universal Service and Access Fund

Cash Flow Statement for the year ended 31 March 2009

	Notes	31 March 2009 R'000	31 March 2008 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Government		34,581	30,505
Cash paid to suppliers and employees		(32,470)	(55,686)
Cash generated from/ (utilized in) operations	17	2,111	(25,181)
Interest received		18	3,671
Net cash inflows/ (outflows) from operating activities		2,129	(21,510)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfers from/(to) Universal Service and Access Agency		2,057	(2,057)
Net decrease/(increase) in cash and cash equivalents		4,186	(23,567)
Cash and cash equivalents at the beginning of the year	15	3,412	26,979
Cash and cash equivalents at end of the year	15	7,598	3,412

Universal Service and Access Fund

Notes to the Annual Financial Statements for the year ended 31 March 2009

1. Statement of compliance

The Universal Service and Access Fund (USAF) was established in the Republic of South Africa in terms of section 87 of the Electronic Communications Act, No. 35 of 2005. The USAF shall be utilised exclusively for the payment of subsidies in terms of Section 88 (1) (a)-(e). The USAF is recognised as a Schedule 3A public entity of the Public Finance and Management Act, No. 1 of 1999 (PFMA).

The financial statements have been drawn up in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and South African Statements of Generally Accepted Accounting Practice (SA GAAP) as stipulated by Section 91 of the PFMA. GRAP was adopted by the USAF in 2005/6. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value.

2. Summary of accounting policies

The following are the principle accounting policies of the USAF which are consistent with those applied in the previous year.

2.1 Basis for preparation

The financial statements have been prepared in accordance with SA GAAP including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of GRAP issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP		Replaced Statement of GAAP	
GRAP 1:	Presentation of financial statements	AC101:	Presentation of financial statements
GRAP 2:	Cash flow statements	AC118:	Cash flow statements
GRAP 3:	Accounting policies, changes in accounting estimates and errors	AC103:	Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

2. The cash flow statement has been prepared in accordance with the direct method.

3. Specific information has been presented separately on the statement of financial position such as:

- Receivables from non-exchange transactions, including taxes and transfers;
- Taxes and transfers payable;
- Trade and other payables from non-exchange transactions;

4. Amount and nature of any restrictions on cash balances is required.

Paragraph 11 – 15 of GRAP 1 has not been implemented due the fact that local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

Statements and interpretations not yet effective

At date of authorization of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective. These statements are effective for periods beginning on or after 1 April 2009.

GRAP 4 – The Effects of Changes in Foreign Exchange Rates

GRAP 5 – Borrowing Costs

Universal Service and Access Fund

Notes to the Annual Financial Statements for the year ended 31 March 2009 (continued)

GRAP 6 – Consolidated and Separate Financial Statements
GRAP 7 – Investments in Associate
GRAP 8 – Interest in Joint Ventures
GRAP 9 – Revenue from Exchange Transactions
GRAP 10 – Financial Reporting in Hyperinflationary Economies
GRAP 11 – Construction Contracts
GRAP 12 – Inventories
GRAP 13 – Leases
GRAP 14 – Events after the Reporting Date
GRAP 16 – Investment Property
GRAP 17 – Property Plant and Equipment
GRAP 18 – Segment Reporting
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
GRAP 23 – Revenue from Non Exchange Transactions (Taxes and Transfers)
GRAP 24 – Presentation of Budget Information in Financial Statements

GRAP 100 – Non Current Assets Held for Sale and Discontinued Operations
GRAP 101 – Agriculture
GRAP 102 – Intangible Assets
GRAP 103 – Heritage Assets

Management is in the process of assessing the impact of the above standards.

2.2 Significant judgements

In preparing the annual financial statements, the executive management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. No significant judgments have had to be made in the preparation of these financial statements.

2.3 Revenue recognition

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized 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 instalments.

2.4 Interest

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

2.5 Irregular, fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless and wasteful expenditure is charged to the income statement in the period in which it is incurred.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to an insignificant risk of change in value. For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

2.7 Investment Policy

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

2.8 Taxation

The USAF 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 USAF 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 USAF is also exempt from paying Skills Development Levy in terms of Section 4 (d) of the Skills Development Levies Act no 74 of 2002.

2.9 Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual rights and obligations of the instrument. All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting.

Financial assets

Investments are recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets can be classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

All financial assets of USAF were recognised as loans and receivables.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off as an expense during the year. Subsequent recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as a FVTPL where the financial liability is either held for trading or it is designated as a FVTPL. All financial liabilities of USAF were classified as other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2.10 Statement of Materiality and Significance

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

Universal Service and Access Fund

Notes to the Annual Financial Statements for the year ended 31 March 2009 (continued)

	31 March 2009 R'000	31 March 2008 R'000
3. Transfers and subsidies		
Department of Communications	34,581	32,722
	34,581	32,722
4. Administrative expense		
Bank charges	4	2
	4	2
5. Research and development costs		
Total research and development costs incurred for the year	1,862	1,212
	1,862	1,212
6. Marketing costs		
Promotion: Communities	1	39
7. Audit fees		
Statutory Audit	297	228
8. Project expenses		
Procurement	456	334
Travelling	2,370	976
Rehabilitation & Connectivity: Schools	22,387	28,826
Rehabilitation & Connectivity: Communities	3,135	13,805
Private Entities Funded	-	126
Training	1,301	611
Fruitless and wasteful expenditure	-	127
	29,649	44,805
9. Transfers and subsidies paid		
Subsidies: USALS	3,740	11,624
	3,740	11,624
10. Other operating expenses		
Fruitless and wasteful expenditure	8	24
Consultants, contractors and special services	-	65
	8	89
11. Finance income		
Interest on		
- Cash and bank deposits	18	3,671
12. (Deficit)/Surplus for the year	(962)	(21,606)
13. Loans and receivables		
Prepayments and advances	194	66
Less: Impairments	(60)	(60)
	134	6
14. Universal Service and Access Agency		
Amount receivable from USAASA	-	2,057
15. Cash and cash equivalents		
Cash and balances with banks	7,598	3,412

	31 March 2009 R'000	31 March 2008 R'000
16. Trade and other payables		
Trade creditors	6,513	3,601
USAASA	307	-
	6,820	3,601
17. Cash generated from / (utilised in) operations		
Surplus/(deficit) for the year	(962)	(21,606)
Interest received	(18)	(3,671)
Non cash movements/working capital changes	3,091	96
Increase in payables	3,219	96
Increase in receivables	(128)	-
Net cash flows from/(utilized in) operating activities	2,111	(25,181)

18. Risk Management

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

The exposure of the Fund's financial liabilities to liquidity risk are as follows:

Less than 1 year	6,820	3,601
------------------	-------	-------

Interest Rate Risk

The carrying amount of the Fund's financial assets at balance sheet date that are subject to interest rate risk is disclosed in note 15. The size of the Fund's position exposes it to interest rate risk. The risk is managed through the term structure utilised when placing deposits.

The Entity is sensitive to movements in ZAR interest rates which is the primary interest rate to which the Fund 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 counterparty may default or not meet its obligations timeously. The Fund minimises credit risk by depositing cash with major banks with high quality credit standing.

19. Related parties

Details of related party transactions and balances are provided in annexure 2

20. Contingent Liabilities

Under Service Area Licenses (USALS)

The Under Service Area Licenses (USALS) were granted in terms of section 49(A) of the Telecommunications Act No. 103 of 1996 (as amended) and subsidised in terms of section 66(f).

During the year under review the Minister of Communications issued an instruction that further funds should not be disbursed to USALS

Balance at 1 April 2009	47,426	74,050
Amounts paid during the year	(3,740)	(11,624)
Project cancelled	(43,686)	(15,000)
Balance at 31 March 2009	-	47,426

Universal Service and Access Fund 2009

Statement of Unauthorised, Irregular, Fruitless and Wasteful Expenditure for the year ended 31 March 2009

ANNEXURE 1

		31 March 2009 R'000	31 March 2008 R'000
Reconciliation of fruitless and wasteful expenditure			
Opening balance		151	-
Fruitless and wasteful expenditure – current year		8	151
Fruitless and wasteful expenditure condoned/ recovered		-	-
Transfer to receivables for recovery		-	-
Fruitless and wasteful expenditure awaiting condonement		-	-
		159	151
Analysis of fruitless and wasteful expenditure			
<i>Incident</i>	<i>Disciplinary steps</i>		
1. Interest paid on late payment of a Telkom account	There initial fund transfer occurred late in the first quarter, therefore no funds were available for payments	8	-
2. Hired vehicles returned late	Disciplinary action has been taken against the relevant officials in the form of warning letters.	-	21
3. Amount paid to service provider for website developed and hosted for access centres	Legacy project - Disciplinary action not applicable	-	127
4. Additional accommodation not anticipated in the original plan	Disciplinary action has been taken against the relevant officials in the form of warning letters	-	3
		8	151
Reconciliation of irregular expenditure			
Opening balance		24,239	-
Irregular expenditure – current year		9,480	24,239
Irregular expenditure condoned		(7,902)	-
Transfer to receivables for recovery		-	-
Irregular expenditure awaiting condonement		-	-
		25,817	24,239
Analysis of Irregular expenditure			
<i>Incident</i>	<i>Disciplinary steps</i>		
1. Expenditure authorised in contravention of the delegation of Authority	The incidents arose as a result of the non existence of a committee stated on the delegation of authority. Approval of this expenditure has now been ratified by the Board	9,480	-
2. Expenditure authorised in contravention of the delegation of authority/ Supply Chain Management Policy	Disciplinary action has been taken against the relevant officials in the form of warning letters	-	22,687
3. Expenditure incurred without prior approval	Disciplinary action has been taken against the relevant officials in the form of warning letters.	-	322
4. Non compliance with approved supply chain processes.	Supplier has been blacklisted	-	1,230
		9,480	24,239

Universal Service and Access Fund
Inter-entity transactions for the year ended 31 March 2009
ANNEXURE 2

Transactions			
Name of entity	Nature of the relationship	Transaction Type	Value R'000
Department of Communications	Executive Authority	Revenue appropriation	34,581
Universal Service and Access Agency	Fund management	Inter-entity transfer	2,057
Balances			
Universal Service and Access Agency	Fund management	Inter-entity balance	-307

