

# Chairperson's Overview



It is an honour to present the first Annual Report of the Independent Communications Authority of South Africa (ICASA).

On 30 June 2000, President Thabo Mbeki, on the recommendation of the National Assembly, appointed the first seven ICASA Councillors as follows: Mandla Langa (Chairperson), Yasmin Carrim, William Currie, Julia Hope, Libby Lloyd, Langa Mbulelo Ncetezo and Neël Smuts.

ICASA was established on 1 July 2000 in terms of the Independent Communications Authority of South Africa Act, No.13 of 2000 (the ICASA Act). This had the effect of dissolving the Independent Broadcasting Authority (IBA) and the South African Telecommunications Regulatory Authority (SATRA).

The ICASA Council held its first meeting on 5 July 2000. In terms of section 18(2)(a) of the ICASA Act, the IBA and SATRA Councillors remained in office until immediately before the first meeting of the ICASA Council.

In one of its first decisions, the ICASA Council decided that - as an interim measure - ICASA would operate with two divisions. The former IBA would constitute the Broadcasting Division, while former SATRA departments would constitute the Telecommunications Division.

Predictably, the merger had a disruptive impact on the work of the new Authority. Mooted since 1997, the merger gave rise to staff and management anxiety and low morale. Some of the key senior personnel resigned and there was a slightly higher than normal staff turnover. The Council called several general staff meetings in an attempt to deal with the uncertainty and insecurity felt by many ICASA employees.

The Council began addressing the growing backlog from the former authorities by appointing special committees. The committees were aimed at ensuring comprehensive planning and oversight over several key areas, which included regulatory policy, technical, licensing and others. These transitional arrangements, which were also informed by Council's understanding of the complexities of mergers and convergence, were seen to form the backbone of the restructuring envisaged in the future.

Given the understanding that there had been no organic merging of the two regulatory bodies - and the merger had happened only with regard to Council - the defects that had plagued the dissolved regulators were analysed, to ensure that they were not repeated. Analysed, too, was the relationship of ICASA with itself and other external agencies, especially government, which has an impact on the Authority's capacity and self-image.

Council also appointed a Standing Committee on Complaints, chaired by Councillor Ncetezo to address the backlog of complaints and to determine the procedures for the adjudication of telecommunications disputes and complaints.

The appointment of ICASA's Chief Executive Officer, Mr. Nkateko Nyoka, on 1 January 2001, was the new organisation's first significant milestone and signalled the beginning of a process expected to lead to a comprehensive restructuring of the organisation. We expect this process to be completed before 1 January 2002.

The total budget for the nine months under review, a combination of the total budget allocations to the broadcasting and telecommunications divisions, was R94 357 124. The CEO's report deals more specifically with financial reporting requirements, budget-related issues and the challenges of management in this transitional environment.

During the period under review, the work in both divisions continued to be constrained by legislative, budgetary and institutional factors.

On the broadcasting side, the merger delayed the licensing process for four-year community sound broadcasting licences in KwaZulu Natal, Gauteng and the Western Cape. The Council was unable to adjudicate upon any applications

for four-year community sound broadcasting licences in these three provinces. In addition to the disruptive institutional environment, legislative constraints made it impossible for the Council to delegate licensing decisions to Council committees or to a councillor. The Authority expects the IBA Act to be amended in this regard.

As was also reported in the IBA's final Annual Report, the inquiry into satellite broadcasting was further delayed, pending amendments to the Broadcasting Act, no. 4 of 1999 (the Broadcasting Act).

Although there were some delays on the broadcasting side, there were also important regulatory activities and events during the period under review:

These included:

- > The publication of a Discussion Paper on the Review of South African Content Quotas;
- > The monitoring of broadcaster's coverage of the 2000 Local Government Elections and adjudicating related complaints;
- > The publication of a draft frequency plan for broadcasting services;
- > The issuing of a further 33 temporary community sound broadcasting licences;
- > The amending of two commercial sound broadcasting licences;
- > The gazetting of an application by the SABC to renew its sound broadcasting licences;
- > Granting permission to Sentech, Orbicom and M-Net to test DTT and DAB transmissions;
- > The ongoing monitoring of broadcasting services for compliance with licence conditions, regulations and the various statutes; and
- > The continued resourcing of our 'broadcasting library' with telecommunications material, including copies of telecommunications licence applications, supporting documentation, telecommunications licences, as well as local and international books, journals and other publications on telecommunications. This has been a resource widely used internally and by the industry, which depends on it.

As with any administrative body, our execution of our regulatory tasks has sometimes exposed us to real or potential judicial reviews. In major instances, the courts have upheld our decisions, such as the ruling by the High Court affirming the Authority's decision not to award the Capital Radio broadcasting licence to Kingdom Radio (Pty) Ltd. This was followed, on a separate issue, by the ruling by the Broadcasting Monitoring and Complaints Committee (BMCC) that Midi TV (Pty) Ltd (trading as e-tv) had contravened its licence conditions for not seeking regulatory

approval for a transaction that led to a change in the control of that company.

On the telecommunications side, ongoing litigation, particularly between Nextcom (Pty) Ltd vs Funde, N.O., SATRA (now ICASA), the Minister and five others continued to drain the Authority's resources. The matter involves SATRA's recommendation to the Minister to award the third mobile cellular licence to Cell C.

Sometimes masked by the delay in issuing the third mobile licence, there were other significant activities on the telecommunications side, which included:

- > Conducting hearings on the proposed regulatory framework for VANS and PTNs and an inquiry into Virtual Private Networks;
- > The High Court's upholding of ICASA's Interconnection Guidelines after finding that the Minister had acted *ultra vires* by unilaterally withdrawing regulations on these Guidelines;
- > The Authority's decision to delay allocation of the 1800 MHz spectrum to Vodacom and MTN, pending the settling of litigation over the third mobile licence and the issuing of that licence;
- > Publishing a Notice in respect of a Review of Fees and Charges in the PSTN sector and inviting public comment on a Consultation Document;
- > Issuing 204 equipment licences and granting 355 equipment licence renewals;
- > Granting 20 interim VANS licences and nine interim PTN licences;
- > Making over 1200 frequency assignments and handling 2050 general radio frequency cancellations;
- > Completing a feasibility exercise and conducting public hearings into the licensing of a third party operator to provide radio trunking services to emergency and municipal services;
- > Closing 5205 radio monitoring files, conducting 213 radio dealer's inspections and resolving 827 cases of interference;
- > Carrying out 627 ship surveys;
- > Conducting various monitoring tasks on the GSM bands, particularly the 1800 MHz bands; and
- > Prescribing various radio regulations.

Despite the delays and difficulties faced by both divisions during the period under review, ICASA continued its service to the public and to the converging communications industries.

Parliament has entrusted the Authority with jurisdiction over the full spectrum of telecommunication and broadcasting services. As the guardians of 'the public trust' in broadcasting

and telecommunications, this Council is strongly committed to building an institution that will protect the public interest.

ICASA has a vital role to play in facilitating economic growth through, amongst other things:

- > The promotion of universal access to telecommunications and the creation of competitive telecommunications markets; and
- > The promotion and development of the South African radio, television and music industries.

Only a properly resourced regulator can achieve these goals. In this way, we see effective communications regulation and economic growth as inextricably bound.

### Challenges Ahead

In the forthcoming year, ICASA faces the challenge of implementing far-reaching changes to the telecommunications policy framework - changes that will lead to greater competition, more consumer choice and hopefully lower prices for residential and business users. ICASA intends to play an oversight role over the massive task of restructuring the SABC in terms of the Broadcasting Act, 1999.

But the greatest challenge facing our organisation is the goal of building a credible, effective, independent and well-resourced regulator that is able to re-establish the integrity in our processes and procedures. We also aim to ensure that we have depth of expertise and experience to deal with the complicated challenges of regulating competition in the PSTN sector.

### Relationships with other organisations

In November 2000, ICASA held its first stakeholders meeting. We launched our new ICASA logo and introduced the Council to representatives of the broadcasting and telecommunications industries.

We have a new partner in the regulation of competition in the broadcasting and telecommunications sectors. Amendments to the Competition Act (No.89 of 1998) have provided for the Competition Commission to exercise concurrent jurisdiction with the Authority over competition matters in the broadcasting and telecommunication industries. The Authority and the Commission are currently negotiating a memorandum of agreement to govern the exercise of concurrent jurisdiction. This is a requirement of sections 21(1)(h) and 82(1) of the Competition Act.


On 11 December 2000, the Authority signed a Memorandum of Understanding with the South African Bureau of Standards (SABS); and established a Technical Committee

to promote the regulation of standards in telecommunications and broadcasting, and to align these standards with international practice.

ICASA continues to play an important regional role through the Telecommunications Regulator's Association of Southern Africa (TRASA).

ICASA currently chairs the Regulator's Forum of the International Institute of Communication (IIC).

A full list of conferences attended by Councillors is included as an appendix to the Annual Report.



**Mandla Langa**  
(Chairperson)

Yasmin Carrim



William Currie



Julia Hope



Libby Lloyd



Mbulelo Ncetezo



Neël Smuts



Mandla Langa - Chairperson



Independent Communications Authority of South Africa

3

## Council Members

# Broadcasting



## Policy Development and Technical

The Policy Department comprises two Units, namely the Policy and Research and Technical Units. The Policy Unit has a staff complement of seven and the Technical Unit currently has one permanent and one temporary staff member. The Department has experienced a large staff turnover, with seven members having resigned.

### Policy Unit

Policies are developed in consultation with industry stakeholders and the general public. The Unit therefore supports and facilitates the process of determining, drafting and evaluating broadcasting regulatory policy, for which the Council of the Authority is ultimately responsible.

### *Project Teams*

Project teams led by a Unit Head or Senior Researcher undertake most of the Policy Unit's work, an Industry Analyst and members of other departments complement this. The duration of major policy projects is approximately 216 days from start to finish. Two or more projects can run simultaneously and projects are usually phased as follows:

- > Background research;
- > Discussion Paper published;
- > Representations received;
- > Hearings held;
- > Further research and deliberation;
- > Findings; and
- > Position Paper and Regulations published.

### *Appointment of Consultants*

As the Policy Unit is currently understaffed, external consultants are appointed to assist on policy projects. Consultants are appointed through Section 27 of the IBA Act, which allows Council to appoint advisors.



## Policy Projects

The following policy projects were undertaken during the period under review:

Project	Description	Outcome
South African Content Review	The SA Music and Local Television Content regulations were published in April and May 1997 respectively. Both sets of regulations authorise the Authority to review the regulations by the year 2000. In its 3 Year Plan, published in January 1999, the Authority stated that it would conduct the review during the year 2000. The Authority published a Discussion Paper on the review of the South African Content Quotas in November 2000. Fifty-two (52) written submissions were received and oral hearings were held in May 2001.	Revised local content regulations.
Economic Feasibility	Section 31 of the Broadcasting Act of 1999 requires the Authority to conduct an inquiry in terms of section 28A of the IBA Act, into the economic feasibility of the provision of additional subscription television services. The Authority extended its satellite inquiry of 1999 into this inquiry. A call for proposals was issued and consultants were appointed. The Authority is still waiting for the Broadcasting Act to be amended before it proceeds with the Inquiry into Subscription broadcasting.	To present a view on whether the market can support additional subscription licences. If appropriate, to devise a policy and licensing framework for subscription services.
Sports Rights Inquiry	Preliminary research was done on the issue of sports rights for free to air broadcasters. Section 30(7) of the Broadcasting Act, 1999, stipulates that subscription broadcasting services may not acquire exclusive rights for the broadcast of national sporting events, as identified in the public interest from time to time. ICASA is in consultation with the Minister of Communications and the Minister of Sports and in accordance with the regulations determined by the Authority through a public process.	Regulations are to be published containing a list of national sporting events.

## Ad-hoc Projects

In addition to long-term policy projects, policy staff also conducted a range of short-term ad-hoc projects at the request of Council and other departments. These included assistance with the analysis of licence applications and licence amendment applications, and preparing submissions to other organisations such as that on GCIS' proposals on a Media Diversity and Development Agency (MDDA) and writing speeches and policy opinions on various matters.

## Stakeholder Interaction

Members of the department meet frequently with broadcasters, researchers and other stakeholders who have queries on broadcasting policies.

## Technical

The IBA Act spells out the regulator's mandate with regard to technical matters. Section 2 requires that the Authority promotes the efficient use of the broadcasting services frequency bands, ensures adherence to international technical standards, promotes and conducts technology research, and prepares and annually reviews the national broadcasting frequency assignment plan.

The Technical Unit's work incorporates the following:

- > Compilation of annual frequency plan;
- > Writing of technical reports on licence applications;
- > Issuing of technical specifications;
- > Planning of licence areas for future licensing and maintaining a database;
- > Liaison on ITU and TRASA matters;
- > Participation on the standards committees; and
- > Keeping abreast of new technologies.

The Technical Unit relies on L&S software to carry out many of these functions.

## Conferences and International Travel

In its budget, the Department allocates funds to attend three international conferences per annum. The Technical Unit attends two conferences. In addition to this, in terms of the contract with L&S, a technical representative is sponsored to attend the L&S user group meeting once a year in Germany. The only costs to the department are the daily *per diem* and local travel costs.

During the period under review, members of the Department attended the following international conferences:

- > The World Telecommunications Standardisation Assembly in Canada; and
- > The World Summit on Children and the Media held in Greece.

### Challenges

The Department is faced with a number of challenges, most of them surrounding the forthcoming restructuring of ICASA. Other challenges include:

- > Lack of capacity in the Department due to staff turnover; and
- > The fact that most positions have not been filled.

### Licensing

***The Independent Broadcasting Act, no. 153 of 1993, as amended (IBA Act) stipulates that no person shall provide a broadcasting service or distribute a broadcasting signal without a licence issued by the Authority.***

The IBA Act further provides for various classes of broadcasting licences - namely, community broadcasting, private/commercial broadcasting and public broadcasting. Further details to these licence categories are contained in The Broadcasting Act which provides for various classes of licence. The Broadcasting Act further sets the framework for the corporatisation of the SABC and for the division of the public broadcaster into public and commercial wings.

The IBA Act also provides for three signal distribution licence categories, viz. common carrier, selective/preferential carrier and individual carrier.

The Licensing Unit is responsible for processing all applications for broadcasting and signal distribution licences that are lodged with the Authority. Once an application has been submitted, it is open for public scrutiny and comment before a decision is taken on the application.

During the period under review, a substantial number of licences were processed (See Appendix B). The Authority's "Reasons for Decision" on decisions made on the applications are available on its web site: ([www.icasa.org.za](http://www.icasa.org.za)) and at the Authority's library.

### Short-term (Special Events) Community Broadcasting Licences

Short-term community broadcasting licences, for both radio and television are issued for a maximum period of 30 days

for the broadcast of special events. Thirty-seven such applications were received during the year under review, one of them being a television broadcasting licence to cover, amongst others, AIDS Awareness Campaigns, Arrive Alive Campaigns, the elections and religious events. Of these applications, thirty-four were granted and two were refused for various reasons including lack of trust and candour while one withdrew its application. (See Appendix B).

### Temporary Community Sound Broadcasting Licences

In 1995, the Authority granted one-year temporary community sound broadcasting licences to 104 applicants. Eighty-two of these stations went on air. These stations have been entitled to apply for new licences every year subsequently. (One-year) temporary community sound broadcasting licences are now being phased out and replaced with four-year community sound broadcasting licences.

During the year under review, 39 applications for further temporary community sound broadcasting licences were received. Six of these applications were refused. The Authority will continue to consider applications, in this category, that are submitted in the next financial year.

### Four-year Community Sound Broadcasting Licences

During 1997, the Authority invited applications for four-year community sound broadcasting licences. Two hundred and fifty-two applications were received. During the previous financial years, the Authority's predecessor held hearings into the applications in the following six provinces: Free State, Northern Cape, Northern Province, Mpumalanga Province, Northwest Province and Eastern Cape Province. During the year under review, however, the Authority was unable to conduct any hearings or to adjudicate on any applications, due to institutional arrangements surrounding the merger of the IBA and SATRA, the employment of the new CEO and dealing with the backlog left by its predecessors.

The Authority is now concentrating its energies on processing applications received from KwaZulu Natal, Western Cape Province and Gauteng Province. Further, the Authority has decided to deal with the applications in two phases. Phase one entails the adjudication of applications from non-competing applicants, i.e. where there is only one applicant in any given coverage area. These applications may be disposed of without a hearing. Phase two entails the adjudication of applicants who are contesting for frequencies or who whilst not competing for frequencies, propose a similar service to the same audience. Hearings would be held in respect of these applicants.

While many areas of South Africa are still not served by a local station, the number of stations has substantially increased thanks to the introduction of four-year licences, particularly in the rural areas.

### **Commercial Sound Broadcasting Licences**

The Authority received five applications from current private (commercial) sound broadcasting licensees to amend their licence conditions. The applications primarily involved amendment to the shareholding structures and/or permission to increase coverage areas.

The Authority approved two of these applications (Kaya FM (Pty) Ltd and KFM (Pty) Ltd) as they did not adversely affect the control of the licensees by historically disadvantaged groups. At the time of this report, the Authority had not yet made decisions on the other three applications in respect of P4 KwaZulu Natal, P4 Western Cape (Pty) Ltd and Classic FM (Pty) Ltd.

The Authority received numerous expressions of interest from various provinces indicating their intention to establish commercial sound broadcasting services. Feasibility studies into the viability of further private sound broadcasting services in secondary towns are due to be conducted in the following financial year.

Many greenfields licensees cited difficulties in attracting finance as the reason for amendments. The IBA has noted these statements and identified the need to look into the size of coverage areas and into ownership requirements.

### **Television Broadcasting Licences**

The Authority received an application from the SABC to amend its public television broadcasting licences in respect of SABC TV1, 2 and 3, in order to expand their services to reach a majority of the population, as recommended in the Triple Inquiry report. All applications were granted. The Authority also granted applications for Self-Help transmitting stations. One of these amendments, however, also necessitated the amendment of e-tv's television licence, as there would have been interference. The Authority also received an application from e-tv for Self Help Stations. At the time of this report, the Authority had not made a decision thereon.

The Authority received an application from Trinity Broadcasting Network (TBN) in the Eastern Cape to amend its licence conditions, and later an application for a renewal of its community television broadcasting licence. At the time of the report, the Authority had not yet made a decision on the application. However, TBN was on air in accordance with the provisions of section 44 of the IBA Act.

### **Signal Distribution Licences**

The Authority granted test licences to Sentech, Orbicom and M-net for DTT (Digital Terrestrial Television) and DAB (Digital Audio Broadcasting) transmissions.

### **Satellite Broadcasting Licences**

The Authority began the process of developing its policy regarding satellite broadcasting. The process has, however, been delayed, due to lack of clarity on certain sections of the Broadcasting Act. As a result, the Authority could not licence any satellite broadcaster and the delays have created difficulties for the industry.

### **Public Broadcasting Licences**

The Authority received an application from the SABC for the renewal of its public sound broadcasting licences. The Authority is of the view that these applications should be heard together with the applications resulting from the restructuring of the SABC in terms of the Broadcasting Act. The hearing is due to take place in this next financial year. The stations were on air by virtue of the provisions of section 44 of the IBA Act.

Applications to increase the coverage area of SABC TV 1, 2 and 3 were received. The aforementioned applications relate to the establishment of Self-Help relay stations, to increase the footprint or coverage area.

### **Litigation Matters**

The Legal Officer continued to render legal advice to the office of the C.E.O, Council, the BMCC and other departments in the Broadcasting Division. The Unit continued to represent the Authority at the CCMA on Conciliation and Arbitration matters. During the financial year under review, the legal officer handled the following litigation matters, instituted against the Authority:

#### **IBA vs FNB**

In the 1999/2000 annual report of the IBA, it was reported that the fraud case of R 215 000.00 that was committed against the IBA was settled out of court. The report incorrectly stated that FNB paid an out of court settlement of R 20 000.00. The actual amount received by the Authority from FNB was R 200 000.00. This error is regretted.

#### **American Express Card**

Following a directive from the Department of State Expenditure in June 1999 that all state organs should cancel all credit cards, the then IBA cancelled its credit card facility with American Express. At the time Several amounts, which were incurred prior to the cancellation, were still outstanding. The matter was settled out of court following negotiations with attorneys acting for American Express.

### **Radio Pretoria**

During 1999, Radio Pretoria and Radio Riemland approached the Pretoria High Court for a declaratory order against the Authority. The order required the Authority to allow applicants to be heard in the language of their choice, which, in this case is Afrikaans. Radio Pretoria also required that the Authority bear the costs associated with professional, simultaneous translation at any hearing or proceeding conducted by the Authority.

The Authority initially opposed the application on the basis that it did not have the resources to provide such services. During the year under review an out of court settlement was reached whereby it was agreed that the Authority would provide translation services and Radio Pretoria would translate its applications into English.

### **Heath Commission Investigation into Certain Ex-IBA Councillors**

The Heath Special Investigation Unit resolved this matter, which arose out of an inquiry into the IBA by the Public Protector and the Auditor General in 1997. After these investigations, several allegations regarding some of the ex-IBA Councillors were referred to the Heath Commission for further probing. The Heath Commission cleared those councillors of any wrongdoing. Most of the alleged misuse could not be substantiated but amounts to be refunded to the Authority were determined where the validity of expenses incurred could not be justified. These amounts were paid to the Heath Unit, which in turn paid it over to the Authority.

### **Capital Radio**

In 1999, the Authority refused two applications for Capital Radio from Kingdom Radio (Pty) Limited and Khulisani Investments (Pty) Ltd. Kingdom Radio (Pty) Ltd took the Authority to court to have the decision reviewed and set aside. In deciding the matter in favour of the Authority, the Court held that the Authority's decision was "fair, rational and justifiable in the circumstances".

### **Community Sound Broadcasting Services**

Following the adjudication of four-year licences in the Eastern Cape Province, several unsuccessful applicants brought review proceedings against the Authority, namely Radio Kingfisher, Link Fm Trust and Campus Bay FM. The matters were heard in Court, but as at the end of the year under review, no judgements had yet been delivered.

### **TEKS FM**

Teks FM, a broadcaster stationed in Secunda, did not apply for a four-year broadcasting licence. Following the policy development process on four-year sound broadcasting community licences in 1997, the then IBA took a decision that once the four year licences were issued in a particular

province, one-year temporary licences would be phased out. The broadcaster brought judicial review proceedings to permit it to continue broadcasting despite its failure to apply. The Authority filed its answering affidavit and the broadcaster has yet to file its replying affidavit.

### **Islamic Unity Convention (RADIO 786)**

The Islamic Unity Convention lodged a review application against the Authority's decision to refer a complaint to the Broadcasting Monitoring and Complaints Committee (BMCC) and the BMCC's decision to call a hearing on the complaint. The SA Jewish Board of Deputies had laid a complaint with the Authority about the content of a programme broadcast on Radio 786. Judgement in this matter was delivered, with the Court ruling against the Authority with costs, based on certain procedural matters relating to the manner in which the Authority had handled the complaint by the S.A Jewish Board of Deputies against the Broadcaster. Application for leave to refer the matter to the Constitutional Court has been sought by the broadcaster, to have section 2 of the Code of Conduct, as set out in schedule 1 of the IBA Act, set aside as being unconstitutional, as it infringes on the freedom of expression right, which is guaranteed under the 1996 Constitution.

### **Vanderbijlpark Park Estate Company (ISCORIAN FM)**

The broadcaster brought an urgent application against the Authority to compel it to furnish reasons for its decision to refuse a one-year temporary broadcasting licence. The matter was settled out of court.

### **Monitoring and Complaints (MCU)**

ICASA has to monitor all broadcasters to ensure that they comply with their licence conditions and the policies of the Authority. Members of the public also have the right to complain about a station if they feel that it is not meeting its obligations.

In addition, during the year under review, the Authority had to monitor equitable treatment of political parties by broadcasters during the local government election period.

The Monitoring and Complaints Unit (MCU) of the Authority is responsible for ensuring that licensed broadcasting and signal distribution services adhere to licence conditions, the various codes, obligations and regulations, as well as certain provisions of the IBA Act, together with the Broadcasting Act. The Unit is also responsible for receiving, processing and adjudicating complaints.

### **Content Monitoring**

A major component of the Authority's work has been the preparation of assessment reports on each licensee. This involves an analysis of the licensee's compliance with its

licence conditions during its licence period. During the period under review the MCU issued 44 assessment reports.

The Authority constantly monitors sound broadcasters' compliance with the Regulations on South African Music Content. ICASA's review of the content quota during the first half of 2001 lead the MCU to compile a status report on broadcasters' compliance with the regulations at the end of the reporting period.

Due to the complexity of monitoring all the licensees and their compliance with regulations such as South African Music Content, the Authority's monitoring capacity is extremely ill-equipped - both in terms of human and technical resources. The processes and equipment, put in place in 1995, are now outdated and can no longer service the workload, which continues to increase as more stations are licensed. As a result, the MCU has initiated an assessment process to establish its needs and to realign itself with the requirements. This process will continue into the next financial year, subject to the availability of funds.

With four-year community sound broadcasting licences having been issued in six of the nine provinces, the MCU undertook to review its Monitoring Requirements for community sound broadcasters. This included a revamp of the pro-forma log sheets that are supplied to broadcasters. Visits will be conducted to these broadcasters in the next financial year.

### General Complaints

Although the number of complaints received by the Authority was substantially lower than in the previous year, the complexity and nature of complaints increased. The Unit was called upon to consider issues that had a constitutional bias. These related mostly to alleged unfair labour practice, religiously offensive programming and lack of programming information for viewers. The total number of complaints dealt with by the Unit amounted to 151. A breakdown of broadcasters who received two or more complaints is as follows:

E-tv (9); M-Net (6); SABC TV (13); SABC Radio (4); Radio 702 (5); Highveld Stereo (4); Radio Phoenix (5); Radio 786 (3); Radio Pretoria (2) and Radio Rosestad (2).

The above complaints exclude those which fell outside the jurisdiction of ICASA. These related mostly to alleged unfair labour practice, contractual disputes, internal managerial issues and advertising. A full report on all complaints received by the Authority during the period will be made available on the ICASA website.

### Broadcasting Monitoring and Complaints Committee (BMCC)

The Broadcasting Monitoring and Complaints Committee (BMCC) is appointed by Council to adjudicate complaints against broadcasters, submitted by the public or by the Authority itself. The BMCC is a part-time body, which convenes only to adjudicate complaints and to discuss policy matters pertaining to monitoring and complaints. This Committee consists of Jules Browde SC (Chairperson), Keneiloe Mohafa, Tina Uys, Irene Menell, and Devi Rajab. In terms of the IBA Act, a Council representative also sits on the BMCC. During the period under review, Council appointed Councillor Libby Lloyd, to the committee.

During the year, the BMCC initiated a process to review its constitution and the procedures for appointing BMCC members. This process will be concluded in the next financial year and the constitution, together with its procedures, will be published as regulations.

Complaints from the public are lodged with the Complaints Officers of the MCU. In most cases, the Authority itself attempts to resolve the complaint. Those complaints that cannot be resolved are referred to the BMCC for adjudication.

During the period under review, the BMCC held regular meetings and called three hearings. Two of these hearings involved an alleged contravention by e-tv.

- > In the first hearing, e-tv had to answer to allegations of possible contravention of its quota for information programming as stipulated in its licence conditions. The BMCC ruled in favour of the broadcaster due to the lack of a proper definition for information programming.
- > In the second matter, e-tv was found not to have complied with licence conditions requiring prior approval by the Authority for any ownership and/or control changes. The hearing rested on the definition of 'control' of a licensee. The BMCC recommended to the Council that e-tv be fined and ordered to apply for an amendment of its broadcasting licence. At the time of this report, the discussions on the appropriate penalty had not been concluded.
- > The third hearing dealt with the coverage of the 2000 Local Government Elections. The PAC lodged a complaint, alleging bias by the SABC in its coverage of a PAC election event. The BMCC ruled in favour of the PAC and ordered the SABC to broadcast the details of the finding in its main news bulletins.

During the period under review, the MCU received 122 written complaints from the public. Seven of these were received via e-mail and the remainder by mail or fax.

Approximately 56 telephonic queries were also processed during this period. In addition to the above, the MCU also elevated 35 investigations to the status of full complaints. Two complaints were carried over from the previous year due to delays caused by court proceedings.

At the time of this report, 8 of the 122 written complaints were still being processed. The MCU has processed 14 of the complaints initiated by it. The two complaints delayed by court proceedings were still outstanding. All telephonic queries had been processed.

### **Elections 2000**

In terms of the IBA Act, ICASA is mandated, inter alia, to monitor coverage of elections during an election period. This mandate is set out in sections 58 to 62 of the IBA Act. The IBA Act refers to the Electoral Act of 1993, which specifically excludes local government from the definition of an election. The 1993 Electoral Act was repealed by the Electoral Act of 1998 that included local government elections in the definitions of elections. Since there was uncertainty surrounding the mandate of the Authority due to these changes, legal advice was sought on the matter. After careful consideration, it was decided that the local government elections did indeed fall within the Authority's mandate.

As part of this responsibility, the Authority is required to ensure that broadcasters treat all political parties equitably. The Authority has interpreted this to mean that broadcasters must provide enough information to enable voters to make an informed choice in the elections. Taking this into account, ICASA embarked on a monitoring exercise to assess the information relating to the different parties contesting the elections broadcasts. This included both quantitative and qualitative monitoring aimed at assessing fairness and balance in the coverage of competing candidates and parties at a national level.

### **Monitoring Election Coverage**

ICASA endeavoured to monitor a sample of broadcasters in the country: the Public Broadcasting Service, Private Broadcasting services and the Community Broadcasting sector. All these were monitored in line with their varying public service obligations, as required by the IBA Act. A total of 15 community radio stations, six private radio stations, 12 SABC radio stations, three SABC television channels and e-tv were monitored. Little focus was placed on monitoring M-Net, since little election related coverage was found on actuality programming. It also has no news bulletins.

Monitoring focused on news bulletins and actuality programmes. The analysis of these programmes was both quantitative and qualitative. As part of the qualitative analysis, the MCU looked at the good or bad publicity

accorded political parties. The key area of this analysis was to gauge whether the broadcaster could reasonably be said to have shown bias in favour of or against a political party.

Since bias is more often subtle, an analysis of potential bias was undertaken to determine if reporting would create a distorted judgement of any particular political party. In the majority of instances, where potential bias was recorded, analysis showed that "un-replied-to" allegations made by one party against another were insignificant.

Quantitative analysis involved the calculation of actual time spent on the coverage of election items during news and actuality programmes. Since elections are of national significance, it was envisaged that broadcasters would endeavour to spend a substantial time covering such issues. Based on this premise, the MCU undertook to conduct quantitative analyses of coverage by broadcasters. It must be noted, however, that the Authority did not want this to be undertaken too rigorously, since it does not wish to encourage stopwatch journalism.

### **Complaints Regarding Election Coverage**

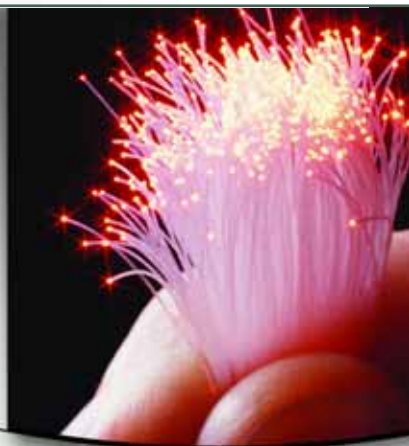
Realising the need for a speedy process to resolve election-related complaints, the Authority decided to establish an internal process of mediation. This was led by Councillor Libby Lloyd and entailed the mediation of complaints that the MCU could not resolve.

All unresolved complaints were forwarded to Councillor Lloyd for mediation between the complainant and the broadcaster. If a complaint was mediated successfully, it was considered to be resolved and the file was closed. Complaints that could not be mediated were passed back to the Complaints Officers with the recommendation that a formal hearing of the BMCC should be called.

All unresolved and unmediated complaints were forwarded for consideration to the Chairperson of the BMCC who decided whether a formal hearing of the BMCC was necessary or not. This proved very successful, as only one BMCC hearing was required. This was the matter between the PAC and the SABC, where the BMCC found in favour of the PAC. All other complaints were resolved through mediation.

A late complaint alleging bias by the SABC was received from the DA, this complaint was lodged with the BCCSA in November 2000. The BCCSA ruled, in February 2001, that the matter did not fall within its jurisdiction and referred it to the BMCC. The MCU received the complaint early in March and forwarded it to the SABC for a response. The SABC questioned the jurisdiction of ICASA over the complaint and ICASA's jurisdiction over the local government elections. At the time of this report, the matter had not been resolved.

# Telecommunications Division



## Licensing

### Equipment Licensing

During the period under review, ICASA issued 204 equipment licenses for Telecommunications Line Terminal Equipment (TLTE), Switching Systems (SWS) and Licensed Maintenance Organisation (LMO) type 1 and 2. The Authority granted a total of 355 licence renewals. The processing and issuing of these licenses and licence renewals generated a total of R174 250.00 in fees. A total of 114 radio equipment licenses were also issued.

The Authority established a Standards Liaison Committee (SLC) to advise Council on matters relating to telecommunications standards. In addition to staff and two members of Council, the Committee is assisted by specialists drawn from industry representative bodies, Telkom and the South African Bureau of Standards (SABS).

A Technical Committee was also established following the signing of a Memorandum of Understanding between the Authority and SABS on 11 December 2000. Known as the ICASA/SABS TC80, the role of the Committee is to promote standardisation of regulation in the field of telecommunications and broadcasting and to align these standards with international practice. Membership to the committee is open to all stakeholders.

The following working groups were formed and have started working on standards for South Africa:

- > WG 1: Integrated Services Digital Network (ISDN), Digital Subscriber Line (xDSL) and digital leased lines related standards;
- > WG 2: Radio related standards (e.g. cordless telephony, radio base stations);

- > WG 3: Analogue terminal related standards (e.g. TE-001, TE-018 and TE-010);
- > WG 4: PABX and VPN/PISN (Private integrated services networks) related standards;
- > WG 5: Broadcasting; and
- > WG 6: Electromagnetic Compatibility (EMC) in telecommunication

### ***Value Added Network Services (VANS) and Private Telecommunications Networks (PTN) Licences***

During the period under review, ICASA granted 20 interim VANS licences, bringing the total number of VANS licences issued since inception of the regulator to 167. Nine interim PTN licenses were issued, bringing the total of PTN licenses issued since the inception of the regulator to 30.

### ***Mobile Data Network Licences***

Due to lack of capacity and resources, no progress was made in the applications of Wireless Business Solutions and Swiftnet, for the amendment to their licenses.

### ***Third Cellular Licence***

The 3rd cellular licensing process became entangled in litigation, which has seen the issuing of the licence delayed.

### ***Global Mobile Personal Communications via Satellite (GMPCS)***

There was no activity in the licensing of GMPCS services due to a policy vacuum, which was created when the Minister of Communication withdrew the GMPCS Policy Directive.

### ***Radio Frequency Licences***

Over 1200 radio frequency assignments were made during the period under review. Of these 1153 were for general radio frequencies and 33 for microwave radio. Sixteen temporary microwave frequency assignments were made. The Authority handled 2050 general radio frequency cancellations.

Chronic staff shortages and numerous IT problems, including lack of replacement equipment and time delays in repairing faulty equipment, resulted in a backlog that seriously affected the processing and issuing of Radio Frequency Licences. The Authority accumulated a backlog of at least 540 applications for radio communication services that could not be processed due to lack of resources. The Radio Licensing Committee met at least 17 times in the period under review.

## Money Collected on Certificates and Licences Fees

The total number of frequency spectrum licences, station licences and certificates issued and the expected revenue compared to the collected revenue in this financial year is detailed in the table below.

The total amount of money collected on certificates, frequency spectrum and station licences for the financial year 1999/2000 was **R76 105 663.99**, compared to **R106 961 255.17** which was collected during the financial year 2000/2001, representing an increase of 41%.

Licence/Station/Certificate	2000/2001 Expected Fees	2000/2001 Collected Fees
Aeronautical Stations	R250 330.00	R285 850.64
Amateur Radio Stations	R204 854.25.00	R264 370.92
Examinations & Certificates	R19 650.00	R2 057 .00
Land Mobile Services	R74 478 396.21	R104 740 974.92
Maritime	R235 674.00	R278 379.53
Radio Dealers Certificates	R266 060.50	R251 982.16
Satellite Stations	R1 252 545.32	R1 137 640.00

## Third Party Operator for Emergency Trunking Services

The Authority completed a feasibility exercise into the licensing of a third party operator to provide radio trunking services to emergency and municipal services. Public hearings were conducted. Among the issues discussed in the hearings were the allocation of the 380-400 MHz band for radio trunking services, stakeholder entities, what digital technology should be used, ownership and control and various funding options.

The Authority received great support from the telecommunications industry and public safety entities on efforts to change the imbalance and problems experienced due to inefficiency with regard to interoperability. The foundation was laid through this process, which will hopefully create new business opportunities in the industry.

## Application and licence fees

ICASA is in the process of establishing appropriate administrative fees to cover the cost of processing applications in the telecommunications sector. However the collection of fees is hampered whilst we await approval on section 88 (1) regulations on application fees for a licence, approval, certification or registration from the Minister of Communications.

## Litigation Cases

During the period under review three cases that went to litigation were finalised whilst three are still pending in the various high courts.

## Finalised cases

### *Hitech Security Lowveld CC Vs ICASA*

Hitech Security Lowveld CC, a holder of a radio

communication licence to operate in Pretoria-North but also operated in Barberton, Mpumalanga, without the knowledge or permission of the Authority. In addition, the company had sold franchises to use the radio frequency for the purpose of alarm control, in contravention of the Telecommunications Act.

After inspection of the company's stations, ICASA confiscated illegal radio apparatus in terms of section 30 of the Act. Hitech Security Lowveld successfully brought an *ex parte* application in the Pretoria High Court. However, no papers were served on ICASA.

The Authority lodged an urgent application for the judgement and the orders awarded to be set aside. At the same time negotiations were initiated to try and settle the matter out of court. An agreement was finally reached and the matter settled amicably between the parties.

### *Telkom SA Ltd vs ICASA and Wireless Business Solutions Limited (WBS).*

The matter came before ICASA as a result of a dispute lodged by WBS, a private company, previously known as Vula Mobile (Pty) Ltd. In terms of its licence, WBS is authorised to construct, maintain and operate a national mobile data network to provide a national mobile data telecommunication service. It is also authorised to connect terminal equipment for the provision of such service and to interconnect to any licensed public switched telephone network operator.

One of the key licence conditions of WBS is therefore that, in order to operate, it must first interconnect with Telkom.

After negotiations, which started as early as 1997, WBS and Telkom could not reach an agreement on interconnection.

In terms of section 43 and 44 of the Telecommunications Act as amended, WBS referred the matter to SATRA for resolution. A hearing took place before the Authority towards the end of 1999 and early in 2000. The authority issued an interim ruling on 11 February 2000 on interconnection and facilities leasing charges. The interim ruling was mainly to ensure that the National lottery project would commence timeously.

The rest of the directives sought to urge the parties to re-negotiate on the basis of the interconnection and facilities leasing guidelines, which were published by the Minister in March 2000. Around the same period the Minister of Communications declared the interconnection and facilities leasing guidelines invalid. The Authority however decided that the Minister's withdrawal of the guidelines was *ultra vires* and, as such, the guidelines remained in force.

By 31 May 2000 the parties had still not reached agreement. On 14 June 2000 the Authority outlined proposed terms and conditions upon which the parties should further negotiate and indicate by 28 July if agreement had been reached.

Before expiry of this deadline Telkom instituted legal proceedings to challenge and review both the content and the procedure followed up to the stage when the proposed terms and conditions were issued. Primarily Telkom challenged:

- > The Authority's reliance on the interconnection guidelines that were withdrawn by the Minister;
- > The procedures followed by the Authority;
- > The effect of some of the proposed terms and conditions vis-à-vis the Act and the respective licences; and

- > That they had not been given an opportunity to be heard before such terms and conditions were issued.

On 19 March 2001 the High Court ruled that in withdrawing the guidelines, the Minister of Communications had acted beyond the scope of her powers and therefore her actions were *ultra vires* and illegal in law. The Court, however, declared the terms and conditions proposed by ICASA invalid on the basis that the councillor involved in the process lacked authority as his term of office had expired and that a proper recommendation for a decision had not been made to the Council. The matter was thus referred back to the Authority to be resolved properly.

***Telkom SA Ltd vs Dikgale N O, ICASA and the South African Value Added Network Operators Association (SAVA).***

On 29 November 1999, SAVA filed a formal complaint with the Authority against Telkom. The Association complained that Telkom repeatedly and continually contravened section 44(2) of the Telecommunications Act of 1996, and that Telkom's illegal actions had, and continued to have, a detrimental impact on the businesses of the members of SAVA, who include both licensed providers of value added network services and VANS users, including most of the major corporate institutions in South Africa. Telkom's illegal actions, the Associations said, have also had and continued to have a detrimental impact on the telecommunications industry in South Africa and on the public interest.



The Association requested that the Authority issue an order in terms of section 100(3) of the Act, instructing Telkom to abide by its obligations in terms of section 44(2) of the Act. Specifically, Telkom could not withhold the provision of telecommunication facilities on the basis of allegations that VANS were providing services in contravention of the Act or that VANS providers would not contractually bind themselves to Telkom's interpretations of the Act.

On 28 June 2000 SATRA ruled in favour of SAVA and held that:

- (a) Telkom cannot refuse to provide facilities to licensees or service providers simply on its own suspicion of illegality and should immediately begin provisioning such telecommunication facilities that are currently on order from VANS licensees; and
- (b) Where a reasonable suspicion of illegality exists, the respondent shall refer the matter to the Authority for investigation and adjudication in terms of Section 100 of the Act.

On 27 July 2000, Telkom filed its papers in the Pretoria High Court for the Authority's ruling to be reviewed and set aside on various grounds. More importantly, they held that the panel that heard the complaint was improperly constituted, unlawful and as a result the judgment and ruling were null and void.

On legal advice, the Authority took a decision to rescind its own judgement and start the matter *de novo*.

## Pending Matters

### ***South African Callback Association (SACBA) and ten (10) others vs ICASA and Telkom SA Limited.***

Around June / July 1997 the Authority received a complaint from Telkom that certain parties were conducting an illegal telecommunication operation called "callback". Telkom contended further, that any person providing this kind of a telecommunication service must have a licence in terms of section 32 of the Telecommunications Act, 1996 as amended (the Act).

On 12 August 1997, the Authority made a ruling prohibiting callback operations. The association of callback operators and 10 other operators brought an urgent review application in the Witwatersrand Local Division of the High Court challenging the ruling. The Authority undertook not to press for criminal prosecutions pending court judgement on the matter. It was also envisaged that the case would be decided expeditiously. Unfortunately that was not to be the case and the case remains unresolved.

The Authority has, however, taken a stand that its ruling stands until set aside by the Court.

### ***Telkom SA Ltd vs ICASA and the Internet Service Providers' Association (ISPA).***

In 1997 controversy erupted in the telecommunications industry concerning the provision of Internet services. On the one hand, Telkom alleged that certain parties provided internet services without due authorisation and proper licences and therefore were in fact encroaching on its exclusivity over the provision of public switched telecommunications services (PSTS) in terms of section 36 of the Act. On the other hand, the Internet Service Providers' Association contended that Telkom, as a holder of both PSTN and VANS licences, was practicing and promoting unfair competition. The matter was referred to the Authority for resolution. The question, which SATRA (ICASA's predecessor) had to decide, was whether Internet Protocol ("IP") falls within the exclusive rights of Telkom or not.

The Authority appointed an Advisory Committee, which consisted of all prominent industry players and stakeholders, including Telkom representatives, to advise Council on the issue. The Committee decided to look into the question of whether IP access was to be provided under a PSTN licence or under a VANS licence. The question also helped the Committee to look beyond the period of exclusivity of Telkom for PSTS as provided for in terms of section 36 of the Act.

On 15 October 1997 SATRA Council pronounced that:

- > IP is essentially a "routing" rather than a "switching" capability;
- > IP resides within the terminal connection equipment; and
- > It operates as an addition to the telecommunications infrastructure that already has the potential to conduct telecommunications service without any need for IP, and therefore the provision of IP constitutes an added value service to a telecommunications infrastructure.

Telkom challenged the pronouncement in the Pretoria High Court (TPD). On 8 April 1998 the court ruled in SATRA's favour on the basis that the pronouncement was simply an expression of the Authority's opinion and did not have the force of law. It also determined that it was necessary to inquire into the correctness of the pronouncement in order to properly exercise its discretion in the review. However, the pronouncement has not been set aside and therefore still stands.

On the substantive issue namely "whether Internet Protocol Access is to be provided under a PSTS licence or under a VANS licence" the judge referred it for oral evidence. To date this review application has not been heard and finalised.

### ***Nextcom (Pty) Ltd vs Funde N.O., SATRA, Minister and five (5) others.***

On 5 June 2000, Nextcom Pty Ltd approached Court on an urgent basis and was later granted orders:

- > Suspending the final determination made by SATRA and declaring it to be of no force or effect pending the final determination of a review;
- > Interdicting the Minister from acting upon the final recommendation pending the final determination of the review; and
- > Interdicting SATRA (now ICASA) from issuing a 3rd cellular licence, pending the final determination of the review.

The grounds for this review were based primarily on the following allegations:

- > The independence and impartiality of ICASA had been compromised by executive interference;
- > Two Councillors failed to disclose conflicting interests as they were required to do in terms of section 15 of the Act and they were therefore precluded from performing their functions in a fair, unbiased and proper manner;
- > ICASA failed to comply with the provisions of the Act, the regulations and ICASA's ruling on confidential information and as a result acted irregularly and *ultra vires* section 35 of the Act;
- > Notwithstanding its ruling to the contrary, ICASA unfairly permitted applicants to make material changes to their applications and then adjudicated those applications;
- > ICASA failed to take into account and to apply its mind to the relevant evidence of its own experts;
- > ICASA failed to give adequate and sufficient reasons for its recommendation to the Minister and did not comply with the obligation to give written reasons in terms of section 33(2) of the constitution;
- > ICASA's recommendation that Cell C be awarded the third cellular licence was irregular, arbitrary, unfair, unreasonable and unjustifiable;
- > ICASA's decision to refuse the application, and not recommend that Nextcom be awarded the third cellular licence, was irregular, arbitrary, unfair unreasonable and unjustifiable;
- > ICASA's evaluation of the application of Telenor was irregular, arbitrary, unfair, unreasonable and unjustifiable;
- > ICASA double-counted Nextcom's alleged weaknesses and Cell C's alleged strengths; and
- > ICASA claimed and averred that the decision to recommend Cell C for the award of the cellular licence was a unanimous one, whilst that was not the case.

Nextcom however abandoned some of the court orders granted to it, particularly the order which suspended the

Authority's final determination and interdicted the Minister from acting upon that determination. This then opened the way for the Minister to announce that the third cellular licence would be issued to Cell C.

The matter has now been set down for a full review, commencing on 9 May 2001.

## **Enforcement**

### **Inspections**

ICASA is responsible for the sealing and confiscation of unlicensed radio equipment, inspecting radio dealers for compliance with prescribed license conditions, and attending to complaints from licensees. During the period under review the Authority sealed or closed 5 205 files, conducted 213 Radio dealers' inspections and resolved 827 cases of interference.

The Authority confiscated different types of equipment including illegal cordless phones. Some of this equipment will be returned to its owners once all the legal requirements have been met. Certain types of equipment like scanners cannot be returned and ICASA will take a decision as to the ultimate disposal of such equipment.

### **Examinations**

ICASA conducts examinations for the Restricted Radiotelephone Operator's Certificate. Bloemfontein is the only region that does not conduct these because of unavailability of test equipment and the very low demand for such examinations in that Region. During the 2000/2001 financial year, the authority conducted 784 such examinations, which raised a total of R23 199.00 in examination fees.

### **Marine Functions**

The Marine functions are based at our coastal regional offices, Cape Town, Port Elizabeth and Durban. ICASA carries out marine surveys on behalf of SAMSA and conducts GMDSS examinations. ICASA also recommends officers to be appointed by SAMSA as Ship Surveyors.

For the 2000/2001 financial year, the authority carried out 627 ship surveys which generated fees of R265 302.23 and conducted 146 GMDSS examinations, generating R4 680.00 in examination fees.

### **Radio Monitoring**

The Authority conducted various monitoring tasks on the GSM bands, particularly the 1800 MHz and migration bands, as required by the band plan, for years 0 to 3 in the SABRE I migration plan. Investigations were also done for the SABRE II Band plan. Although migration procedures have

been formulated, only minimal progress was achieved during the period under review. A migration strategy exists which aims to review the usage of radio spectrums between 20MHz and 3GHz and to produce an alternative for the future use of the spectrum, which is accepted nationally and internationally. ICASA will review this strategy on a regular basis.

Field tests were carried out to determine the effect that NICAM (on SABC 3) would have on the trunking frequencies. A field audit was done on the WLL distribution (DECT) of Telkom covering Mpumalanga, Northern Province, North-West and KwaZulu Natal.

Monitoring was also conducted to determine interference on frequencies allocated to licensees such as Eskom and Wireless Business Solutions, (which operates the national lottery) and the 35 MHz band for aircraft.

The Authority acquired a new software tool for frequency management. The automated system will enhance the efficiency of our frequency management departments, which have experienced great difficulty over the years in performing radio co-ordination of existing and additional services. Out of the various systems that were considered, it was ultimately decided that the L&S system is most suited in view of the fact that the Broadcasting division and some major licensees are already utilising this spectrum management tool.

### **Maintenance of the Radio Monitoring System**

Plans for the maintenance of monitoring equipment were hampered by lack of resources. A contract for the inspection of the coastal masts was completed. Unfortunately, the much needed refurbishing of the masts was not possible due to lack of funds. A maintenance plan was put in place for the countrywide Radio Monitoring network.

Repair work was done on the CMO station and various other stations while software and WAN outages were also experienced. The TVL2 station was struck by lightning and two antennas were replaced.

A new strategy to perform the functions of monitoring was initiated through the Technical Committee whilst a process to develop monitoring regulations got under way during the period under review. A monitoring database was also developed and the first phase of this process was completed.

## **Regulations**

ICASA has a responsibility to guard against any behaviour by licensees that may undermine competitiveness in the

telecommunications sector. During the period under review, the Authority worked on regulations dealing with competitive issues such as Limitations on Ownership and Control, Interconnection, Rate regime for PSTS and the COA/CAM, to name but a few.

### **Regulatory Accounts**

The Chart of Accounts and Cost Allocation Manual (COA/CAM), lays down the principles and rules in terms of which the operators report their revenue, costs, assets and capital employed for individual services to ICASA. The contents of the COA/CAM provide a complete perspective of operators' revenue, costs, assets and capital employed, and their allocation and apportionment to individual services. The COA/CAM enables ICASA to perform its financial regulatory actions in an open, transparent, consistent and well-defined manner. Currently, only MTN and Vodacom are subject to a COA/CAM regime. The process that will culminate in the establishment of regulatory accounts for PSTS has been started and will be completed by the first semester of 2002.

### **Interconnection**

According to Section 43 of the Telecommunications Act, the Authority has to prescribe guidelines relating to the form and content of interconnection agreements. Such guidelines were published on 15 March 2000 and later withdrawn on 15 April 2000. Their status remained unclear until the Gauteng High Court decided on 19 March 2001 that they were valid.

### **Rate Regime**

Work on the Rate Regime for the Public Switched Telecommunication Network (PSTN) operator commenced during the year under review. Consultants to assist in this project were engaged in June 2000. A consultative process ensued which culminated in the publishing of a discussion paper on 22 December 2000. The aim of the discussion paper was to generate comments and inputs from stakeholders and the public on the current rate regime and on proposals made by ICASA regarding a new regime.

The Authority received a total of twelve written representations and heard seven oral representations. Work has now begun to translate the findings, conclusions and recommendations into draft regulations.

### **Radio Regulations**

During the period under review, the following radio regulations were prescribed:

- > Regulations in respect of applications for radio frequency spectrum licences, radio station licences, certificates and authorities in terms of section 30 (2) (b) of the Telecommunications Act;

- > Regulations in respect of the purpose for the use of radio stations and radio frequency or group of radio frequencies in terms of 30 (1) (a) of the Telecommunications Act;
- > Regulations in respect of application fees for radio frequency spectrum licences, radio station licences, type approvals and certificates in terms of 88 (1) of the Telecommunications Act;
- > Regulations in respect of penalties for late payment of radio frequency spectrum licences, radio station licences, type approvals and certificates in terms of 88 (3) of the Telecommunications Act; and
- > Regulations in respect of transfer of radio frequency spectrum licences, radio station licences and authorities in terms of 30 (7) of the Telecommunications Act.

The regulations in respect of amendment of radio frequency spectrum licences, radio station licences and authorities were amended in terms of 30 (7) of the Telecommunications Act.

### **Radio Dealers' Certificates**

The Authority has also amended the wording of the Radio Dealers' Certificates, which made reference to the old Radio Act of 1952.

### **Value Added Network Services (VANS) and Private Telecommunications Networks (PTNs) - Regulatory Framework**

On 11 October 2000, the Authority published a set of draft regulations with respect to establishing a regulatory framework for Value-Added Network Services (VANS) and Private Telecommunication Networks (PTNs) in Government

Gazette No 21642 for public comment in terms of s96 of the Telecommunications Act.

Eighteen (18) written representations were received and nine (9) stakeholders made oral representations on 6 and 7 February 2001.

The Special Committee delegated to handle the process is due to make its recommendation to Council in the near future.

### **Enquiry into Virtual Private Networks**

On 11 October 2000, the Authority initiated an enquiry in terms of s27 of the Telecommunications Act into the question of whether a Virtual Private Network (VPN) constitutes a Managed Data Network Service (MDNS) or not.

ICASA issued Notice 4043 of 2000 in Government Gazette no. 21642 requesting written representations from interested parties and the public on this question. Fourteen written representations were received on 9 November 2000 and four stakeholders made oral representations to the Authority on 23 November 2000.

The Special Committee delegated to manage the enquiry will make its recommended findings and conclusion to Council in the near future.

### **Amateur Radio Regulations**

The Authority revised and amended the Amateur Radio Regulations. The purpose of the amendments was to facilitate the use of amateur radio, to introduce amateur radio

into the schools curriculum and to promote science and technology among young people.

### The Numbering Plan

An internal research document, which examined the provisioning of future geographic number capacity and management of numbering changes, was submitted to Council for consideration. This was produced in consultation with industry via the Numbering Advisory Committee (NAC) and paved the way for the development of a new numbering plan. This plan is now under development and has been submitted to Council for consideration.

Further research is currently under way and a questionnaire was circulated to foreign regulators for input to a research document on Geographic Numbering and Number Change Management. Formal responses to the questionnaire were

received from USA (FCC), Germany, Indonesia, Italy, Singapore and Taiwan.

Several applications on number-related issues were received from the operators during the period under review. These included information requested from Telkom with regards to MEA's and used/unused ABC codes to be incorporated in schedule 3 and 4 of the draft text of the new national numbering plan document.

Bilateral meetings were conducted with Telkom to address their concerns about the draft text of the new national numbering plan. The Authority has also been involved at TRASA level on numbering issues. ICASA was responsible for consolidating responses from the SADC Numbering questionnaire.

---

## Regulations Approved and Published by the Minister

Section of the Act	Subject	Gazette No
Sec 34 & 35	Procedure for applications for the 3rd cellular licence	20174 dated 9 June 1999
Sec 67	USF and HRF contributions	20162 dated 4 June 1999
Sec 95	Correction to radio regulations	20382 dated 20 August 1999
Sec 52	Limitation on ownership and control	19828 dated 5 March 2000
Sec 43 & 44	Interconnection and Facilities leasing guidelines	20993 dated 15 March 2000

---

## Regulations Ready for Ministerial Approval and Publishing

Section of the Act	Subject	Status
Section 34(1)	General Manner of application for telecommunication service licenses	Still to be sent by the Chairperson
Section 30(1)(a)	Purpose of use of station	As above
Section 30(2)(b) (G10A)	Procedures for application for frequency spectrum licences	As above
Section 30(7)	Procedures for amendment of frequency spectrum licenses	As above
Section 31(2)	Procedures for permit to possess radio apparatus	As above
Section 52 regulations	Revised regulations on ownership and control of telecommunications service licenses	As above
Section 69	Function of fixed line operators regarding telecommunications facilities and works	As above

---

---

## Regulations Sent to the Minister to which the Authority has not Received Response

Section of The Act	Subject	Date Sent
Section 88(1)	Application for fees for frequency spectrum	25 May 2000
Section 88(2)	Time for payment of licence fee	25 May 2000
Section 88(3)	Penalty for late payment of licence fee	25 May 2000

---

## Regulations Under Consideration within ICASA

Section of The Act	Subject	Target Date
Section 33	Trunking, tracking, private communal repeaters, etc.	± 30 September 2001
Section 33	Mobile Data licences	As above
Section 34(1)	VANS and PTNs Manner of application	As above
Section 45	Fees and charges for the Mobile Cellular market	As above
Section 45	PSTS Rate Regime	As above
Section 49	Period for renewal of telecommunications service licenses	As above
Section 50	Manner of application for transfer of telecommunication service licences	As above
Section 51	Use of telecommunications facilities in terms of international agreements	As above
Section 54	Equipment type approval	As above
Section 55	Equipment standards	As above
Section 56	Types of equipment not requiring legislation	As above
Section 88(3)	Penalties for failure to pay frequency spectrum licence fees	As above
Section 89(1)	Numbering Plan	As above

---

## Regulations returned by the Minister for revision by ICASA

Section of The Act	Subject
Section 66(4)	Categories of Needy People

---

### Universal Service

The issue of Universal Service has come under serious scrutiny in most countries in recent years, and policies have been put in place to ensure that Universal Service is defined as well as funded in an appropriate manner. Although these experiences have developed in the context of different environments, they point toward possible future developments in South Africa.

The Department of Communications, in consultation with all stakeholders including ICASA, held a colloquium in March 2001 to discuss among others:

- > The Universal Service Agency and its role in relation to the Authority;
- > The Universal Service Fund and how universal service goals can be properly funded; and
- > Providing operators with more bandwidth so as to address the digital divide through increased obligations.

The colloquium is expected to culminate in the drafting of new policy direction and amendments to the Telecommunications Act.

### Constraints

The following projects could not be undertaken due to limitations of funding and other resources:

#### Community Service Obligations

The Authority could not conduct an audit into community service obligations of Vodacom and MTN due to lack of financial and human resources. The audits were due on the fifth anniversary of the incumbents, in terms of the conditions of their licences.

#### Network Quality of Service

The Authority could not conduct Quality of Service (QoS) audits, on Vodacom, MTN and Telkom's networks due to lack of financial and human resources.

#### Computerised complaints system

The Authority urgently needs a computerised complaints system. Presently all complaints are being handled manually. This poses a lot of cumbersome administrative challenges. An appropriate computer system will have to provide comprehensive case registration capabilities, workflow and reporting capabilities as well as allowing basic registration of information.

## 6 Support Services



### Administration

#### Achievements

Support Services was responsible for planning office accommodation for Council and Staff of the newly merged Authority. This was accomplished successfully.

Security was strengthened to safeguard ICASA assets and equipment.

Current service providers and systems were streamlined, to narrow provision to one service provider in each service area e.g. security, cleaning, etc.

Administration at regional offices increased due to the addition of the services of the Broadcasting Division.

Despite limited resources, the Unit performed effectively during the restructuring process.

#### Constraints

- > Certain projects could not be implemented due to budgetary constraints.
- > Delays in the integration process have caused low staff morale, which impacts on service delivery.

### Library and Records

#### *Library and Information Services*

ICASA's library has a specialised collection focusing on broadcasting regulation, inherited from the previous IBA library. The library is currently in the process of growing a collection of telecommunication material, which will meet the information needs of its Telecommunication Division. The collection will include copies of telecommunication licence

applications, supporting documentation, licences of national telecommunications operators, copies of submissions made to public hearings, as well as national and international books and journals on telecommunication.

Both the Authority and the external users use the library. External users include broadcasters, researchers, students, telecommunication operators etc. Various departments have submitted documents to the library i.e. the draft frequency plan, the review of the local content quotas, representations relating to amendments to Vodacom's frequency spectrum and telecommunications service licences etc.

Among others, the library keeps staff informed of new developments in the communications industry by distributing press clippings and the content pages of new journals electronically.

#### Records

ICASA, along with other statutory bodies, falls under the auspices of the National Archives of South Africa Act (Act No.43 of 1996) and is subject to the National Archives Regulations.

The functions of the Records Section is to manage the records of the Authority using classification terms and decentralised file stations with centralised control of the use of records management systems. Trim software is used to manage the database of records and for the purposes of archiving.

Additional financial and human resources are needed to integrate the systems of the two organisations (IBA and SATRA), and provide continued, adequate library and records management services.

### Information Technology

#### *Infrastructure*

Due to the merger, the two Information Technology Departments were required to integrate all computer systems. However, at the time of this report, the Authority is still operating two different systems.

To address the matter, the two Information Technology Departments joined forces and formed a committee to address integration issues, including IT standards (Software and Hardware). The following projects were identified:

- > LAN Connectivity - Integration of the two remote local area networks;
- > Common Messaging System;
- > WAN Upgrade;
- > ICASA Website Development;
- > Access Control System;
- > Common Platform - Operating System;
- > Common PABX System;
- > Common Financial System;
- > Common Human Resource System;
- > Common Fixed Asset Management System; and
- > Common Internet Service Provider.

Major IT projects, including software upgrades, maintenance of computer equipment, website development, upgrading of the WAN and major Telkom diginet links could not be undertaken as a result of lack of funds. Lack of replacement equipment and time delays in repairing faulty equipment resulted in a backlog.

### **Software Development**

The Information Technology Department is busy re-engineering the Telecommunication's Equipment Licensing system that was previously used by the Equipment Licensing Department.

The current system, which has been in use since 1995, was developed using Microsoft Access, which has certain shortfalls/limitations. Moreover, the current system does not fully support the activities carried out by the department as

prescribed by the SATRA Act of 1996. Some of the shortfalls include security, inflexibility and no provision for the recording of critical information (such as licence conditions). In addition, monthly reporting is tedious.

One of the primary user requirements is to change the current database platform to Oracle, in order to accommodate information growth. The proposed system will provide a robust computing environment, incorporating recording of received application details, recording of registered suppliers, custom/standard report facilities, a relational database management system (DBMS), financial details relating to each application and licences granted, among others.

The financial management module will be developed as part of the system to assist the Finance Department to manage finances generated from application, licence and amendment fees.

### **Achievements**

The link between the two foreign networks has been established using fibre optic cable. The new ICASA domain name has been registered - (i.e. [icasa.org.za](http://icasa.org.za)).

### **Challenges**

Challenges facing the Department include:

- > Development of the new ICASA Website;
- > Integration of the two infrastructures and systems (inclusive of messaging system, intranet, etc);
- > A common PABX System;
- > Wide Area Network (WAN) upgrade; and
- > Development of a robust and secure electronic Equipment Licensing System for the Telecommunications Division.



## Public Relations and Marketing

### Consumer awareness

Public awareness was created around the discussion paper on Local Content Quotas. Both print and electronic media were utilised. The success of this awareness programme was noted through the number of written and verbal submissions received by the Authority.

The Communications Unit assisted with the development and adoption of a new corporate identity for the merged organisation. The new logo was designed and launched at an official function in November 2000. This event was the Authority's first interaction with Stakeholders since the merger.

During the period of review, no public awareness programmes were undertaken by the Telecommunications Division, due to lack of resources and funds.

The Authority notes with concern that to date consumers and the general public remain largely unaware of ICASA and its functions. It is important that ICASA informs and educates the public of their rights and their form of recourse in cases where operators fail to meet their obligations.

## Human Resources (HR)

### Broadcasting Division

#### Achievements

The job evaluation system was approved and HR embarked on grading all positions based on the FSA - Contact Peromnes grading system.

The following positions, which were crucial within the IBA, were unable to be filled due to the merger with SATRA:

- > Internal Audit;
- > Head of Department: Finance;
- > Head of Department: Licensing and Monitoring;
- > Head of Department: Policy;
- > SPA to the Council; and
- > Unit Head: Technical.

Due to financial constraints, training and development was kept to a minimum. However, the following employee training and development was achieved:

- > Computer training (4 employees);
- > Business administration skills (12 employees);
- > Salary restructuring training (2 employees); and
- > Records and Library courses (4 employees).

A training and development panel was formed, which approved 22 applications for former IBA employees to use the IBA study scheme for study through various institutions.

Salary negotiations with employees' representatives were finalised without problems.

### Challenges

- > To maintain a good working relationship with the Communication Workers Union;
- > To continuously review and develop HR policies and procedures to ensure that the Authority is on par with new legislation/developments e.g. Labour Relations Act, Employment Equity Act, Basic Conditions of Employment Act and Gender issues; and
- > To ensure that all ICASA jobs are properly graded, in line with the industry within which we operate.

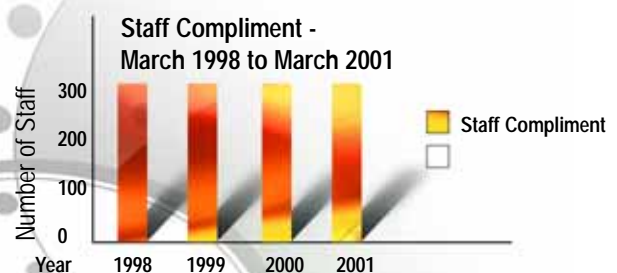
### Constraints

- > Lack of funds has limited the implementation of training and development of staff members; and
- > The merger with SATRA caused uncertainty within staff and led to the resignation of key staff members.

### Future Needs

- > To install and implement a performance appraisal and HR system.

### Telecommunications Division



#### Staff Complement

The total staff complement in the Telecommunications division as at end of March 2001 was 210, lower than the previous year 1999/00 (218).

The average personnel turnover for 2000/01 financial year was 7,34% compared to 5,77% in 1999/00. This is mainly attributable to fear and uncertainty about the restructuring process, low salaries and enhanced career opportunities in the industry.

Few appointments were made in the year under review. This was largely due to the merger between SATRA and IBA and budgetary constraints.

### **Human resources development**

The development of human resources is an integral part of building capacity and meeting the regulatory challenges that the Authority is facing because of the dynamic nature of both the international and national telecommunication industry.

Seven people attended courses abroad thanks to sponsorships by organisations such as USAID. The courses included areas such as management, marketing, laboratory techniques, Internet Protocol Networks, DSL technologies and methods of approval of radio equipment. Fewer staff members attended conferences due to financial and other constraints. Conferences attended include the ACT Summit, the ITU World Telecommunications Policy Forum and the World Radio-telecommunications Conference.

About 30 staff members received bursaries for undergraduate and post-graduate part-time studies. Of the 30 bursaries awarded by ICASA, 86,6% were awarded to black bursars and 36,6 % to females.

During the year 2000/01 the Skills Development Facilitator for ICASA was registered with the Information Systems, Electronics and Telecommunications Technology SETA (ISETT SETA) as required by law. The Authority also obtained a seat as part of a special interest group on the board of ISETT SETA.

Regionally, the Authority played a role in the TRASA's Training Co-ordination Committee, which co-ordinates the implementation of training initiatives for TRASA members and other stakeholders in the Southern Africa telecommunication sector.

### **Labour relations**

The management of the Telecommunications Division engaged the Communications Workers Union (CWU) in negotiations on salary increases. It is expected that the Union will play a pivotal role in shaping the future of the organisation during the process of restructuring.

# 7 Financial Statements



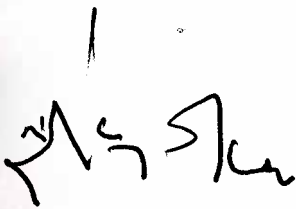
7.1 Independent Communications Authority of South Africa	28
7.2 Independent Broadcasting Authority	38
7.3 South African Telecommunications Regulatory Authority	47

# Independent Communications Authority

Financial Statements for the 9 months ended 31 March 2001

Auditor General's Report	29
Balance sheet	31
Income statement	31
Statement of change in equity	32
Cash flow statement	32
Notes to the annual financial statements	33
Detailed income statement	37

The annual financial statements were approved by the Chief Executive Officer on 25 July 2001 and are signed by:



N. Nyoka  
(Chief Executive Officer)

# Auditor General's Report



## Report of the Auditor-General on the financial statements of the Independent Communications Authority of South Africa for the period 1 July 2000 to 31 March 2001

### 1. Audit Assignment

In terms of the section 18 of the Independent Communications Authority of South Africa Act, 2000 (Act No. 13 of 2000), the Independent Broadcasting Authority (IBA) and the South African Telecommunications Regulatory Authority (SATRA) had been dissolved on 30 June 2000. The new entity established by this Act is the Independent Communications Authority of South Africa (ICASA), effectively a merger between the Independent Broadcasting Authority and the South African Telecommunications Regulatory Authority.

The financial statements as set out on pages 31 to 37, excluding the detailed income statement for the period ended 31 March 2001, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 16 (1)(b)(iii) of the Independent Communications Authority of South Africa Act, 2000 (Act No. 13 of 2000). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and the compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

### 2. Regularity Audit

#### 2.1 Nature and scope

##### 2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- > examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- > assessing the accounting principles used and significant estimates made by management, and
- > evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

##### 2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

#### 2.2 Qualification: Compliance audit

2.2.1 The Authority had not established the Broadcasting Technical Committee in terms of section 17(1) of the Independent Communications Authority of South Africa Act, 2000 (Act No. 13 of 2000).

2.2.2 The Authority had not established an audit committee in terms of section 77 of the Public Finance Management Act, (PFMA) 1999 (Act No. 29 of 1999).

#### 2.3 Audit opinion

##### 2.3.1 Financial audit

In my opinion, the financial statements fairly present, in all material respects, the financial position of the

Independent Communications Authority of South Africa at 31 March 2001 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

### **2.3.2 Qualified opinion: Compliance audit**

Based on the audit work performed, except for the matters referred to in paragraph 2.2, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulations, applicable to financial matters, has occurred.

## **3. Emphasis of matter**

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

### **3.1 Bank balance**

As mentioned in paragraph 2.2.1.1, page 1 of the 1999/2000 audit report, the call account had been debited with R78 058 on 30 July 1999 without the former IBA's approval. There were no supporting documents for this amount. This matter was at the time of writing this report still unresolved, despite repeated attempts to obtain information from the financial institution.

### **3.2 Value Added Tax**

As mentioned in paragraph 2.2.1.4, page 2 of the 1999/2000 audit report, supporting documentation could not be presented for tax invoices totalling R226 845. This matter was at the time of writing this report still unresolved.

### **3.3 Internal control and financial management**

A number of weaknesses reported in the reports ended 31 March 2000 and 30 June 2000, had been addressed. The following control weaknesses were apparent during the period under review:

- 3.3.1 A debtors age analysis could not be submitted.
- 3.3.2 Supporting documentation could not be presented for expenses totalling R59 404.
- 3.3.3 Controls over input and output Value Added Tax (VAT) were still not satisfactory. However consultants had been appointed to perform a VAT review which is currently underway.
- 3.3.4 The policies and procedures on the salary structure, fringe benefits and leave payments reported in the previous report, are still to be developed, approved and implemented. A restructuring project is in progress, where the structure of the Authority as a whole will be defined and the policies regarding salary

structure, fringe benefits, leave and other benefits or allowances will be set.

### **3.4 Travelling allowance**

Included in the amount of R41 341 830 in respect of salaries, was an amount of R381 600 paid to staff members as a travelling allowance according to an agreement dated 5 March 1998 entered into between the employees and the Department of Communications. In terms of this agreement, which was inherited by the former SATRA, an amount of R800 per month would be paid for a period of twelve months to all staff transferred from Pretoria to Sandton. Within the 12 months, SATRA and the staff were given the opportunity to reach an agreement for the period thereafter. To date, no new agreement has been entered into, although the allowance is still being paid. Furthermore, although this assistance is shown on the IRP5's as a travelling allowance, no income tax had been deducted in terms of section 8(1)(b) of the Income Tax Act, 1962 (Act No. 58 of 1962).

### **3.5 Internal audit**

An auditing firm had been requested by the Independent Communications Authority of South Africa to perform internal audit services within the broadcasting division and telecommunications division. No reliance had been placed on the work performed by internal audit, due to limited work performed during the period under review.

### **3.6 Financial statements**

In terms of section 40(c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) the accounting officer must submit the financial statements within two months after the end of the financial year to the Auditor-General. The financial statements were submitted in time, but due to amendments to the statements, the final financial statements were signed only on 25 July 2001.

## **5. Appreciation**

The assistance rendered by the staff of the Independent Communications Authority of South Africa during the audit is sincerely appreciated.



Doris L. T. Dondur  
for Auditor-General  
Johannesburg  
25/07/2001

Independent Communications Authority of South Africa  
Balance Sheet as at 31 March 2001

	Note	31 March 2001 R	30 June 2000 R
<b>Assets</b>			
<b>Non current assets</b>		<b>13,671,127</b>	<b>18,411,840</b>
Fixed assets	6	10,113,322	14,854,035
Capital work in progress	7	3,557,805	3,557,805
<b>Current assets</b>		<b>42,539,428</b>	<b>213,987,487</b>
Licences and other receivables		14,237,120	7,028,289
Cash and cash equivalents		28,302,308	206,959,198
<b>Total assets</b>		<b>56,210,555</b>	<b>232,399,327</b>
<b>Equity and liabilities</b>			
<b>Reserves</b>		<b>20,141,985</b>	<b>25,547,337</b>
Accumulated profit/(loss)		(13,589,357)	(8,184,005)
Start-up donation	3	33,731,342	33,731,342
<b>Current liabilities</b>		<b>36,068,570</b>	<b>206,851,990</b>
National revenue fund	4	14,239,608	184,638,810
Other payables	5	21,828,962	22,213,180
<b>Total equity and liabilities</b>		<b>56,210,555</b>	<b>232,399,327</b>

Independent Communications Authority of South Africa  
Income Statement for 9 months ended 31 March 2001

	Notes	9 Months to 31 March 2001 R	3 Months to 30 June 2000 R
Total revenue		74,122,171	24,234,829
Operating expenditure	2	79,527,523	25,059,363
<b>Net operating deficit for the period</b>		<b>(5,405,352)</b>	<b>(824,534)</b>

Independent Communications Authority of South Africa  
Statement of Changes in Equity for 9 months ended 31 March 2001

	R
<b>Balance at 31 March 2000</b>	<b>(7,359,471)</b>
Deficit for the 3 months ended	(824,534)
<b>Balance at 30 June 2000</b>	<b>(8,184,005)</b>
Deficit for the 9 months ended	(5,405,352)
<b>Balance at 31 March 2001</b>	<b>(13,589,357)</b>

Independent Communications Authority of South Africa  
Cash flow Statement for 9 months ended 31 March 2001

	Note	9 Months to 31 March 2001 R	3 Months to 30 June 2000 R
<b>Cash generated by operating activities:</b>		<b>(178,046,990)</b>	161,053,537
Cash received from customers		74,122,171	24,234,829
Cash paid to employees and suppliers		(74,176,910)	(23,289,307)
Net cash (used)/generated by operating activities	8	(54,739)	945,522
Obtained from the (increase)/decrease in working capital	9	(177,992,251)	160,108,015
<b>Cash utilised in investing activities:</b>		<b>(609,900)</b>	(355,460)
Aquisition of fixed assets	6	(609,900)	(560,402)
Adjustment of fixed assets	6	-	3,762,747
Adjustment of capital work in progress	7	-	(3,557,805)
<b>Net (decrease) /increase in cash and cash equivalents</b>		<b>(178,656,890)</b>	160,698,077
Cash and cash equivalents at the beginning of the period		206,959,198	46,261,121
<b>Cash and cash equivalents at the end of the period</b>		<b>28,302,308</b>	<b>206,959,198</b>

# Independent Communications Authority of South Africa

## Notes to the financial statements for the 9 months ended 31 March 2001

### 1. Accounting policies

The financial statements of the Authority are prepared on the historical cost basis and incorporate the following principal accounting policies.

#### 1.1 Income

The Authority is financed from money appropriated by Parliament.

#### 1.2 Licence fees

All licence fees and related income is accounted for on the accrual basis. In terms of section 15(3) of the Independent Communications Authority Act No. 13 of 2000, the Authority is required to pay all licence application fees and annual fees received into the National Revenue Fund within 30 days after receipt of such revenue.

#### 1.3 Government grants

All government grants are accounted for in the income statement in the year to which they relate.

#### 1.4 Fixed assets and depreciation

Fixed assets are shown at cost less accumulated depreciation. Fixed assets are depreciated using the straight-line method at rates that are estimated to write off each asset over its useful life.

During the period the annual depreciation rates were as follows:

	Telecommunications	Broadcasting
Cellular phones	20%	33%
Computer equipment	20%	33%
Computer software	50%	-
Furniture and fittings	16.70%	10%
Monitoring equipment	20%	33%
Motor vehicles	20%	25%
Office equipment	20%	33%
PABX	20%	-
Test equipment	20%	-

#### 1.5 Taxation

No provision has been made for income tax as the Authority is exempted in terms of section 10 (1) (cA) (1) of the Income Tax Act, 1962 (Act No.58 of 1962).

#### 1.6 Retirement benefits

Pension benefits are provided for employees by means of separate pension funds to which contributions are made.

#### 1.7 Provision for leave benefits

Provision for leave pay benefits included in the financial statements are calculated on outstanding leave due at year-end.

Independent Communications Authority of South Africa  
Notes to the financial statements for the 9 months ended 31 March 2001(continued)

	9 Months to 1 March 2001 R	3 Months to 30 June 2000 R
<b>2. Expenditure</b>		
Included in the operating expenditure is the following:		
Auditor's remuneration	576,811	21,183
Audit fees	576,811	21,183
Underprovision prior year	-	-
Depreciation	5,350,613	1,770,056
Fixed asset adjustments	(366,263)	204,942
Merger costs	-	735,061
Office accommodation	11,073,174	3,415,396
Professional fees	8,669,893	2,003,367
Councillor's remuneration	3,731,637	414,416
<b>3. Start up donation</b>		
Transfer of assets to SATRA by the Department of Communication with effect from 1 April 1997.	33,731,342	33,731,342
<b>4. Revenue collected by ICASA for the National Revenue Fund (NRF) was as follows:</b>		
Balance outstanding at the beginning of the year	184,638,810	39,924,591
Licence fees	49,369,630	41,591,221
Miscellaneous income	703,364	500,969
Interest	(2,115,925)	2,510,988
Net operating fees	400,716,948	119,110,092
Terminal equipment	631,475	193,639
Other	9,107,871	21,036,269
Total revenue collected for NRF	643,052,173	224,867,769
Transfer to NRF.	628,812,565	40,228,959
Outstanding revenue collected to be paid to NRF	14,239,608	184,638,810
<b>5. Accounts payable, provisions and accruals</b>		
<b>Accounts payable</b>		
Other	16,639,447	17,214,047
<b>Provisions and accruals</b>		
Annual leave	5,189,515	4,999,133
Audit fees	3,971,069	3,484,212
Bonus	418,362	185,768
Orders not invoiced	800,084	955,681
Spectrum management	-	32,728
	-	340,744
	21,828,962	22,213,180

Independent Communications Authority of South Africa  
Notes to the financial statements for the 9 months ended 31 March 2001 (continued)

6. Fixed assets	Office equipment R	Computer equipment R	Monitoring equipment R	Furniture and fittings R	Motor vehicles R	Test equipment R	PABX R	Computer software R	Cellular phones R	Paintings & signboard R	Security equipment R	Kitchen equipment R	Total R
Net book value at 1 April 2000	428,749	3,988,111	6,545,528	2,209,690	943,249	4,996,220	677,829	34,460	1	83	-	2,516	19,826,436
Additions	9,362	5,647	-	88,111	-	166,334	25,734	260,111	5,103	-	-	-	560,402
Fixed asset adjustments *	110,375	(2,651,601)	(1,766,918)	62,296	(7,469)	594,476	(45,936)	(57,970)	-	-	-	-	(3,762,747)
Depreciation	(56,551)	(165,947)	(671,465)	(134,509)	(107,181)	(551,981)	(56,069)	(26,113)	-	(21)	-	(220)	(1,770,056)
<b>Net book value at 30 June 2000</b>	<b>491,935</b>	<b>1,176,210</b>	<b>4,107,145</b>	<b>2,225,588</b>	<b>828,599</b>	<b>5,205,048</b>	<b>601,559</b>	<b>210,489</b>	<b>5,104</b>	<b>62</b>	<b>-</b>	<b>2,296</b>	<b>14,854,035</b>
Cost at 30 June 2000	1,388,178	2,974,430	29,466,005	3,652,450	4,827,514	12,971,357	1,121,375	362,355	5,104	42,121	-	47,424	56,858,313
Accumulated depreciation	(896,243)	(1,798,220)	(25,358,860)	(1,426,862)	(3,998,915)	(7,766,309)	(519,816)	(151,866)	-	(42,059)	-	(45,128)	(42,004,278)
<b>Net book value at 30 June 2000</b>	<b>491,935</b>	<b>1,176,210</b>	<b>4,107,145</b>	<b>2,225,588</b>	<b>828,599</b>	<b>5,205,048</b>	<b>601,559</b>	<b>210,489</b>	<b>5,104</b>	<b>62</b>	<b>-</b>	<b>2,296</b>	<b>14,854,035</b>
Net book value at 1 July 2000	491,935	1,176,210	4,107,145	2,225,588	828,599	5,205,048	601,559	210,489	5,104	62	-	2,296	14,854,035
Additions	17,700	331,366	128,728	108,782	-	5,444	-	-	-	-	17,880	-	609,900
Depreciation	(172,122)	(472,694)	(2,063,876)	(415,325)	(321,541)	1,656,579)	(168,207)	(78,339)	(1,275)	-	-	(656)	(5,350,613)
<b>Net book value at 31 March 2001</b>	<b>337,513</b>	<b>1,034,882</b>	<b>2,171,997</b>	<b>1,919,045</b>	<b>507,058</b>	<b>3,553,913</b>	<b>433,352</b>	<b>132,150</b>	<b>3,829</b>	<b>62</b>	<b>17,880</b>	<b>1,640</b>	<b>10,113,322</b>
Cost at 31 March 2001	1,405,877	3,305,796	29,594,732	3,761,232	4,827,514	12,976,801	1,121,375	362,355	5,104	42,121	17,880	47,424	57,468,211
Accumulated depreciation	(1,068,364)	(2,270,913)	(27,422,735)	(1,842,187)	(4,320,455)	(9,422,888)	(688,023)	(230,205)	(1,275)	(42,059)	-	(45,784)	(47,354,889)
<b>Net book value at 31 March 2001</b>	<b>337,513</b>	<b>1,034,883</b>	<b>2,171,997</b>	<b>1,919,045</b>	<b>507,058</b>	<b>3,553,913</b>	<b>433,352</b>	<b>132,150</b>	<b>3,829</b>	<b>62</b>	<b>17,880</b>	<b>1,640</b>	<b>10,113,322</b>

\* This amount is the net book value of adjustments to fixed assets required to correct the difference on the fixed asset register, which had not been updated for a number of years:

	Cost R	Accumulated Depreciation R	Net Book Value R
Adjustment to correct difference on the fixed asset register	(6,863,455)	5,432,058	(1,431,397)
Re-allocation of Direction finding equipment to Capital Work in Progress (refer note 7)	(3,557,805)	1,226,455	(2,331,350)
	<b>(10,421,260)</b>	<b>6,658,513</b>	<b>(3,762,747)</b>

Independent Communications Authority of South Africa  
Notes to the financial statements for the 9 months ended 31 March 2001 (continued)

**7. Capital work in progress**

During the 3 months ended 30 June 2000, the Authority re-classified certain direction finding equipment as capital work in progress. This equipment with a cost of R 3 557 805 is still to be commissioned and therefore has not been depreciated.

	9 Months to 31 March 2001 R	3 Months to 30 June 2000 R
<b>8. Net cash (used) / generated by operating activities</b>	(54,739)	945,522
Net operating deficit	(5,405,352)	(824,534)
Adjustment for depreciation	5,350,613	1,770,056
<b>9. (Increase)/decrease in working capital</b>	(177,992,251)	160,108,015
(Increase)/decrease in debtors	(7,208,831)	24,958,919
(Decrease)/increase in creditors	(170,783,420)	135,149,096

**10. Fixed asset adjustments - abnormal item**

The asset adjustments are as a result of the correction of the fixed asset register which has not been updated for the last two financial years, all write-ups and write-offs have been approved via a council resolution.

The following fixed asset adjustments were made to correct the accounting records to the fixed assets register:

Cost	(392,479)	6,863,455
Accumulated depreciation	26,216	(5,432,058)
Write-back of depreciation on direction finding equipment	-	(1,226,455)
	<u>(366,263)</u>	<u>204,942</u>

**11. Comparative figures**

These amounts comprise the consolidated figures for the former Independent Broadcasting Authority and South African Telecommunications Regulatory Authority at the 30 June 2000, who merged with effect from 1 July 2000 to form ICASA. Comparative figures have been reclassified where considered necessary.

Independent Communication Authority of South Africa  
Detailed Income Statement for 9 months ended 31 March 2001

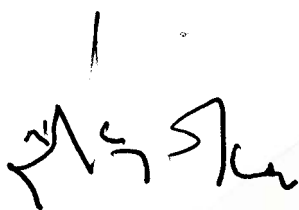
	Note	9 Months 31 March 2001 R	3 Months to 30 June 2000 R
<b>Income</b>		<b>74,122,171</b>	<b>24,234,829</b>
Government grants	1.3	74,122,171	24,234,829
<b>Operating expenditure</b>		<b>79,527,523</b>	<b>25,059,363</b>
Audit fees	2	576,811	21,183
Advertising		567,618	42,790
Bad debts		35,809	333,592
Bank charges		78,974	8,383
Data processing		1,314,265	357,801
Depreciation	2,6	5,350,613	1,770,056
Equipment rental & maintenance		1,354,965	216,570
Fixed asset adjustments	2,10	(366,263)	204,942
General expenses, stores & supplies		104,708	48,584
Incidental expenses		82,090	-
Insurance		902,988	19,876
Motor vehicle expenses		679,957	198,984
Merger costs		471,518	735,061
Other		48,551	-
Office accommodation	2	11,073,174	3,415,396
Office maintenance and repairs		119,750	11,926
Printing & stationery		1,025,016	182,786
Professional fees (Consultancy)		8,669,893	2,003,367
Publications		134,268	219,925
Rsc levies		137,229	59,032
Salaries & related expenses		41,341,830	13,577,624
Telephones, postage & fax		3,417,737	1,078,729
Training & conferences		558,669	154,339
Travelling & subsistence		1,847,353	398,417
Net operating deficit		(5,405,352)	(824,534)
Accumulated deficit at beginning of period		(8,184,005)	(7,359,471)
Accumulated deficit at end of period		(13,589,357)	(8,184,005)

# Independent Broadcasting Authority

Financial Statements for the 3 months ended 30 June 2000

Report of the Auditor-General	39
Balance sheet	41
Income statement	41
Statement of change in equity	42
Cash flow statement	42
Notes to the annual financial statements	43
Detailed income statement	46

The annual financial statements were approved by the Chief Executive Officer on 7 May 2001 and are signed by:



N. Nyoka  
(Chief Executive Officer)

## Report of the Auditor-General on the Financial Statements of The Independent Broadcasting Authority for the period 1 April 2000 to 30 June 2000

### 1. Audit Assignment

In terms of section 18 of the Independent Communications Authority of South Africa Act, 2000 (Act No. 13 of 2000), the Authority had been dissolved on 1 July 2000. The new entity established by this Act is the Independent Communications Authority of South Africa (ICASA), effectively a merger between the Authority and the South African Telecommunications Authority.

The financial statements as set out on pages 41 to 46 excluding the detailed income statement, for the period ended 30 June 2000 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 19(4) of the Independent Broadcasting Act, 1993 (Act No. 153 of 1993). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

### 2. Regularity audit

#### 2.1 Nature and scope

##### 2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- > examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- > assessing the accounting principles used and significant estimates made by management; and
- > evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

##### 2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters. I believe that the audit provides a reasonable basis for my opinion.

### 2.2 Qualification: Financial audit

#### Licence fees

Included in "National Revenue Fund" is licence fees amounting to R13 849 570 which could not be verified for accuracy and completeness due to the fact that private radio stations had done their own calculations for licence fees. The calculations had not been verified by the Independent Broadcasting Authority (IBA).

### 2.3 Qualification: Compliance audit

- (a) The Minister of Finance had not approved the councillors' remuneration packages in terms of section 7 of the Independent Broadcasting Authority Act, No. 153 of 1993. (IBA Act)
- (b) An approved budget in terms of section 15 of the IBA Act could not be produced for auditing. This had also been reported in the previous audit report.
- (c) The broadcasting technical committee had not been established in terms of section 21 of the IBA Act.

### 2.4 Audit opinion

#### 2.4.1 Qualified opinion: Financial audit

In my opinion, except for the effect on the financial statements of the matter referred to in paragraph 2.2, the financial statements fairly present, in all material respects, the financial position of the Independent Broadcasting Authority at 30 June 2000 and the results of its operations and cash flow for the period ended in accordance with prescribed accounting practice.

#### 2.4.2 Modified opinion: Compliance audit

Based on the audit work performed, except for the matters included in paragraph 2.3, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulation, applicable to financial matters, has occurred.

### 3. Emphasis of matter

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

#### 3.1 Internal control and financial management

There were various internal control weaknesses and financial management that became apparent during the audit on the following components:

#### **(a) Employee compensation cost**

- > Reconciliation of the payroll system on UNIQUE to the general ledger on the SUN system and to the cash records had not been done.
- > The salary journals for the period ending 30 June 2000 had not been reviewed and approved by a senior person.
- > Authorisation for deductions had not been kept on employees' files.
- > Leave forms had not been checked, authorised and/or approved.
- > Employee compensation cost had been incorrectly allocated and classified in the general ledger.
- > There were no detailed calculations of resignation pay and bonus. Although the calculations had been done on the resignation forms in no particular format it did not appear to be checked and approved by a senior person.

#### **(b) Bank balances**

Some cheques had not been recorded timely in the general ledger.

#### **(c) Accounts payable**

Reconciliations of the accounts payable had not been performed for the period under review.

#### **(d) Licensing fees**

- > The radio and television stations had not submitted their audited financial statements timely to the IBA. This resulted in private radio stations not being invoiced timeously. In certain cases no invoicing took place at all.
- > There were unknown deposits from private radio stations which were not timeously identified.
- > No evidence could be found that the miscellaneous income report had been reviewed.

#### **(e) Accounts receivable**

- > The reconciliations of accounts receivable had not been performed for the period under review.
- > The debtors' age analysis had not been presented for audit. There were no debtors' collection procedures in place. As a result thereof long outstanding debtors had not been followed up.

#### **(f) Value Added Tax (VAT)**

Controls over input and output VAT had not been satisfactory.

#### **(g) Statutory requirements**

In terms of section 18 of the IBA Act, all fees and penalties received in terms of section 67 must be paid to the national revenue fund. An amount of R13 849 570 which relates to licence fees had not been paid over timeously.

### **3.2 Policies and procedures**

A concern was raised with management for policies and procedures with regard to the following:

- > Although the total remuneration remained the same, the structure of the salary package as stated in the contract of employment differed with the actual salary package paid to the employee. This had been reported in the previous audit report. Management has indicated that the Authority is in the process of revising contracts of employment to reflect actual salary packages.
- > Eligibility of staff for fringe benefits such as car allowances, entertainment allowances, telephone allowances, reimbursive travel allowances and accommodation allowances was a matter of concern.
- > Pension contributions had been calculated based on 7.5 per cent of basic salary, car allowance and entertainment allowance. As the method used to calculate pension contributions had been inconsistent, I was unable to verify the accuracy of amounts calculated on the payslips.
- > No approval could be submitted for the formula used to calculate leave payments.

### **3.3 Internal audit**

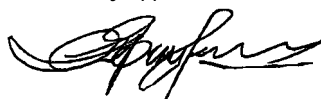
Upon evaluation of the internal audit department, it was found that no audit work was performed by internal audit and therefore no reliance could be placed on the work performed by internal audit.

### **3.4 Audit committee**

The audit committee had not met during the period 1 April 2000 to 30 June 2000.

## **4. Appreciation**

The assistance rendered by the Authority during the audit is sincerely appreciated.



JE van Heerden  
for **Auditor-General**  
Johannesburg  
25/05/2001

Independent Broadcasting Authority  
Balance sheet as at 30 June 2000

	Notes R	30 June 2000 R	31 March 2000 R
<b>Assets</b>			
<b>Non current assets</b>		1,550,510	1,724,068
Fixed assets	2	1,550,510	1,724,068
<b>Current assets</b>		32,895,677	33,391,002
Accounts receivable	3	5,731,588	26,142,605
Funds on call and on deposit	4	27,160,660	7,246,534
Cash on hand		3,429	1,863
<b>Total assets</b>		<b>34,446,187</b>	<b>35,115,070</b>
<b>Equity and liabilities</b>			
<b>Reserves</b>		17,669,621	17,662,507
Retained income		17,669,621	17,662,507
<b>Current liabilities</b>		16,776,566	17,452,563
Accounts payable and provisions		1,909,820	2,784,095
National revenue fund		13,849,570	13,849,559
Provision for audit fees		164,585	136,836
Provision for leave benefits		852,591	682,073
<b>Total equity and liabilities</b>		<b>34,446,187</b>	<b>35,115,070</b>

Independent Broadcasting Authority  
Income Statement for 3 months ended 30 June 2000

	Notes	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
Gross revenue		6,726,629	42,028,017
Administration expenses	5	(1,223,848)	(7,549,835)
Operating expenses	6	(5,668,211)	(26,574,653)
(Loss)/Income from operations		(165,430)	7,903,529
Investment income		172,544	436,356
<b>Net income for the period/year</b>		<b>7,114</b>	<b>8,339,885</b>

Independent Broadcasting Authority  
Statement of Changes in Equity for 3 months ended 30 June 2000

	Retained income R	
<b>Balance at 31 March 1999</b>	<b>9,322,622</b>	
Income for the year	8,339,885	
<b>Balance at 31 March 2000</b>	<b>17,662,507</b>	
Income for the 3 months	7,114	
<b>Balance at 30 June 2000</b>	<b>17,669,621</b>	

Independent Broadcasting Authority  
Cash flow Statement for 3 months ended 30 June 2000

	Notes	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
<b>Cash inflow from operating activities</b>		<b>19,920,795</b>	<b>3,141,868</b>
Cash receipt from customers		6,685,700	42,028,017
Cash paid to employees and suppliers		(6,704,320)	(32,543,445)
Cash generated from operations	8	(18,620)	9,484,572
Obtained from decrease/(increase) in working capital	9	19,948,493	(6,769,100)
Investment income		-	436,356
Interest paid		(9,078)	(9,960)
<b>Net cash outflow from investing activities</b>		<b>(5,103)</b>	<b>(1,566,499)</b>
Acquisition of fixed assets		(5,103)	(1,910,609)
Proceeds from disposals		-	344,110
<b>Net increase in cash and cash equivalent</b>		<b>19,915,692</b>	<b>1,575,369</b>
Cash and cash equivalent at beginning of period		7,248,397	5,673,028
Cash and cash equivalent at end of period		27,164,089	7,248,397

## Independent Broadcasting Authority

### Notes to the annual financial statements for the 3 months ended 30 June 2000

#### 1. Accounting policies

The annual financial statements of the authority are prepared on the historical cost basis and incorporate the following principal accounting policies, which have been applied consistently in all material respects:

##### 1.1 Income and expenditure

Operating income includes application fees, licence fees, interest received and government funding. Income and expenditure are recognised on the accrual basis.

##### 1.2 Fixed assets

Fixed assets are shown at cost less accumulated depreciation. All fixed assets are depreciated using the straight line method to reduce the carrying value of the assets to their estimated realisable value over their useful lives.

The depreciation rates are as follows:

Office machines	33%
Computer equipment	33%
Monitoring equipment	33%
Furniture and fittings	10%
Cellular phones	33%
Kitchen equipment	33%
Motor vehicles	25%

##### 1.3 Taxation

No provision for normal SA taxation has been made as the Authority is exempted from income tax in terms of section 10(1)(cA)(1) of the Income Tax Act, 1962 (Act No. 58 of 1962).

##### 1.4 Retirement benefit arrangements

Pension benefits are provided for employees by means of separate pension funds to which contributions are made.

##### 1.5 Provision for leave benefits

Provision for leave benefits included in the financial statements is calculated on outstanding leave due at year end.

## Independent Broadcasting Authority

Notes to the annual financial statements for the 3 months ended 30 June 2000 (continued)

### 2. Fixed assets

	Office machines R	Computer equipment R	Monitoring equipment R	Furniture and fittings R	Cellular phones R	Paintings and sign board R	Kitchen equipment R	Motor vehicles R	Total R
Net book value at 1 April 1999	-	610,081	4,615	1,084,558	3,302	-	-	26,077	1,728,633
Additions	492,950	853,226	518,000	-	1,680	42,121	2,632	-	1,910,609
Disposals	(389,305)	(368,365)	(56,229)	(379,045)	(4,981)	(39,725)	3,563	(10,055)	(1,244,142)
Depreciation	(42,699)	(278,714)	(218,429)	(109,175)	-	(2,313)	(3,679)	(16,022)	(671,032)
<b>Net book value at 31 March 2000</b>	<b>60,946</b>	<b>816,228</b>	<b>247,957</b>	<b>596,338</b>	<b>1</b>	<b>83</b>	<b>2,516</b>	<b>-</b>	<b>1,724,068</b>
Cost at 31 March 2000	337,366	2,288,294	1,258,954	1,084,377	1	42,121	47,424	69,917	5,128,454
Accumulated depreciation	(276,420)	(1,472,066)	(1,010,997)	(488,039)	-	(42,038)	(44,908)	(69,917)	(3,404,386)
<b>Net book value at 31 March 2000</b>	<b>60,946</b>	<b>816,228</b>	<b>247,957</b>	<b>596,338</b>	<b>1</b>	<b>83</b>	<b>2,516</b>	<b>-</b>	<b>1,724,068</b>
Net book value at 1 April 2000	60,946	816,228	247,957	596,338	1	83	2,516	-	1,724,068
Additions	-	-	-	-	5,103	-	-	-	5,103
Disposals	-	-	-	-	-	-	-	-	-
Depreciation	(6,226)	(109,324)	(35,578)	(27,292)	-	(21)	(220)	-	(178,661)
<b>Net book value at 30 June 2000</b>	<b>54,720</b>	<b>706,904</b>	<b>212,379</b>	<b>569,046</b>	<b>5,104</b>	<b>62</b>	<b>2,296</b>	<b>-</b>	<b>1,550,510</b>
Cost at 30 June 2000	337,366	2,288,294	1,258,954	1,084,377	5,104	42,121	47,424	69,917	5,133,557
Accumulated depreciation	(282,646)	(1,581,390)	(1,046,575)	(515,331)	-	(42,059)	(45,128)	(69,917)	(3,583,047)
<b>Net book value at 30 June 2000</b>	<b>54,720</b>	<b>706,904</b>	<b>212,379</b>	<b>569,046</b>	<b>5,104</b>	<b>62</b>	<b>2,296</b>	<b>-</b>	<b>1,550,510</b>

## Independent Broadcasting Authority

Note to the annual financial statements for the 3 months ended 30 June 2000

### 3. Accounts receivable

Included in the accounts receivable are the following:

	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
Licence debtors	5,330,074	25,444,532
Provision for bad debts	(265,420)	(265,420)
Staff debtors	179,861	476,420
Prepaid expenses	407,441	407,441
Other	79,632	79,632
	<u>5,731,588</u>	<u>26,142,605</u>

### 4. Funds on call and on deposit

This amount represents call deposits of which R 500 000 are funds which have been pledged to the bank as security for monthly salaries, home loans and micro loans.

### 5. Gross revenue

Included in gross revenue for the year are the following:

	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
Government funding	6,685,700	33,865,332
Licence and application fees	-	7,998,341
Miscellaneous income	-	164,344
	<u>6,685,700</u>	<u>42,028,017</u>

### 6. Administration and operating expenditure

Included in administration and operating expenditure are the following:

	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
Depreciation	178,661	671,032
Merger costs	735,061	3,059,206
Office accommodation	991,756	5,413,384
Payroll costs	3,722,424	15,940,245
Professional fees and costs	599,533	2,892,753

### 7. Abnormal item - Bad debts written off

The abnormal item is the result of a write-off of expenses incorrectly recorded as accounts receivable in previous years, these amounts have been written off in full in the current year.

# Independent Broadcasting Authority

Note to the annual financial statements for the 3 months ended 30 June 2000 (continued)

	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
<b>8. Net cash generated by operating activities</b>	<b>809</b>	<b>9,484,572</b>
Net profit for the year	7,114	8,339,885
Adjustment for:		
Depreciation	178,661	671,032
Investment income	(172,544)	(436,356)
Finance cost	9,078	9,960
Profit on disposals	(21,500)	-
Assets written off	-	900,051
<b>9. Decrease/(increase) in working capital</b>	<b>19,735,020</b>	<b>(6,769,100)</b>
Decrease/(Increase) in debtors	20,411,017	(21,445,685)
(Decrease)/Increase in creditors	(675,997)	14,676,585

## 10. Comparatives figures

Comparative figures for the previous financial year have been reclassified where applicable.

# Independent Broadcasting Authority

Detailed Income Statement for 3 months ended 30 June 2000

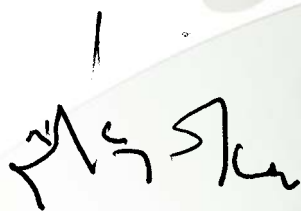
	Notes	3 Months to 30 June 2000 R	12Months to 31 March 2000 R
<b>Total revenue</b>		<b>6,726,629</b>	<b>42,464,373</b>
Government funding		6,685,700	33,865,332
Licence and application fees		-	7,998,341
Investment income		-	436,356
Miscellaneous income		409,29	164,344
<b>Total expenses</b>		<b>6,892,059</b>	<b>34,124,488</b>
Advertising and publicity		19,423	369,390
Bad Debts written off	7	153,822	-
Asset's written off		-	900,051
Depreciation		178,661	671,032
Equipment hire/Software hire		44,183	406,226
Meetings and conferences		6,352	56,288
Merger costs		735,061	3,059,206
Motor vehicle cost		-	25,689
Office accommodation		991,756	5,413,384
Office maintenance and repairs		11,926	812,389
Office supplies		53,431	1,291,062
Other staffing costs		32,292	723,062
Payroll costs		3,722,424	15,940,245
Professional fees and costs		599,533	2,892,753
Telecommunications		160,298	465,259
Travelling and subsistence		182,897	1,098,452
<b>(Deficit)/surplus for the year</b>		<b>(165,430)</b>	<b>8,339,885</b>

# Telecommunications Regulatory Authority

Financial Statements for the 3 months at 30 June 2000

Report of the Auditor-General	48
Balance sheet	49
Income statement	49
Statement of change in equity	50
Cash flow statement	50
Notes to the annual financial statements	51
Detailed income statement	56

The annual financial statements were approved by the Chief Executive Officer on 7 May 2001 and are signed by:



N. Nyoka  
(Chief Executive Officer)

# Report of the Auditor-General on the Financial Statements of The South African Telecommunications Regulatory Authority for the period 1 April 2000 to 30 June 2000

## 1. Audit assignment

In terms of section 18 of the Independent Communications Authority of South Africa Act, 2000 (Act No.13 of 2000), the Authority had been dissolved on 30 June 2000. This act established the Independent Communications Authority of South Africa (ICASA), effectively a merger between the said Authority and the Independent Broadcasting Authority.

The financial statements as set out on pages 49 to 56 excluding the detailed statement, for the period ended 30 June 2000, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 94 of the Telecommunications Act, 1996 (Act No. 103 of 1996). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

## 2. Regularity audit

### 2.1 Nature and scope

#### 2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- > examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- > assessing the accounting principles used and significant estimates made by management, and
- > evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

#### 2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

## 2.2 Audit opinion

### 2.2.1 Financial audit

In my opinion, the financial statements fairly present, in all material respects, the financial position of the South African Telecommunications Regulatory Authority at 30 June 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

### 2.2.2 Compliance audit

Based on the audit work performed, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulations, applicable to financial matters, has occurred.

## 3. Emphasis of matter

### 3.1 Internal audit

Upon evaluation of the internal audit department, it was found that no audit work had been performed by internal audit.

### 3.2 Travelling allowance

Included in the amount of R9 822 908 in respect of salaries was an amount of R127 200 paid to staff members as a travelling allowance according to an agreement dated 5 March 1998 entered into between the employees and the Department of Communications. In terms of this agreement, which was inherited by the former SATRA, an amount of R800 per month would be paid for a period of twelve months to all staff transferred from Pretoria to Sandton. Within the 12 months SATRA and the staff were given the opportunity to reach an agreement for the period thereafter. To date no new agreement has been entered into, although the allowance is still being paid. Furthermore, although this assistance is shown on the IRP5's as a travelling allowance, no income tax had been deducted in terms of section 8(1)(b) of the Income Tax Act, 1962 (Act No. 58 of 1962).

### 3.3 National revenue fund

In terms of section 88(4) of the Telecommunications Act, 1996 (Act No.103 of 1996), the Authority shall pay all fees and penalties received into the national revenue fund within 30 days of receipt thereof. At 30 June 2000 an amount of R142 493 733 had not yet been paid over to the national revenue fund, but was kept in a deposit account as reflected in the bank balance at 30 June 2000.

## 4. Appreciation

The assistance rendered by the staff of the South African Telecommunications Regulatory Authority during the audit is sincerely appreciated.



Doris L.T. Dondur  
for Auditor-General  
Johannesburg, 24 July 2001

South African Telecommunications Regulatory Authority  
Balance Sheet as at 30 June 2000

	Note	30 June 2000 R	31 March 2000 R
<b>Assets</b>			
<b>Non current assets</b>		<b>16,861,330</b>	<b>18,102,367</b>
Fixed assets	9	13,303,525	18,102,367
Capital work in progress	6	3,557,805	-
<b>Current assets</b>		<b>181,091,811</b>	<b>44,857,328</b>
Licences and other receivables	5	1,296,702	5,844,604
Cash and cash equivalents		179,795,109	39,012,724
<b>Total assets</b>		<b>197,953,141</b>	<b>62,959,695</b>
<b>Equity and liabilities</b>			
<b>Reserves</b>		<b>8,091,190</b>	<b>8,709,364</b>
Accumulated loss		(25,640,152)	(25,021,978)
Start-up donation	2	33,731,342	33,731,342
<b>Current liabilities</b>		<b>189,861,951</b>	<b>54,250,331</b>
National revenue fund	8	170,575,767	39,924,591
Other payables	7	19,286,184	7,178,140
Pre-payments	7	-	7,147,600
<b>Total equity and liabilities</b>		<b>197,953,141</b>	<b>62,959,695</b>

South African Telecommunications Regulatory Authority  
Income Statement for 3 months ended 30 June 2000

	Notes	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
Operating income		17,549,129	64,500,000
Operating expenditure	3	18,167,303	75,680,881
<b>Net operating deficit for the period</b>		<b>(618,174)</b>	<b>(11,180,881)</b>

South African Telecommunications Regulatory Authority  
Statement of Changes in Equity for 3 months ended 30 June 2000

	R
Balance at 31 March 1998	(1,590,278)
Loss for the year	<u>(12,250,819)</u>
<b>Balance at 31 March 1999</b>	<b>(13,841,097)</b>
Loss for the year	(11,180,881)
<b>Balance at 31 March 2000</b>	<b><u>(25,021,978)</u></b>
Loss for the 3 months ended	(618,174)
<b>Balance at 30 June 2000</b>	<b><u><u>(25,640,152)</u></u></b>

South African Telecommunications Regulatory Authority  
Cash flow Statement for 3 months ended 30 June 2000

	Note	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
<b>Cash generated by operating activities:</b>		<b>141,132,743</b>	<b>(88,143,281)</b>
Cash received from customers		<u>17,549,129</u>	<u>552,040,205</u>
Cash paid to employees and suppliers		<u>(16,575,908)</u>	<u>(550,910,279)</u>
Net cash (used)/generated by operating activities	10	<u>973,221</u>	<u>1,129,926</u>
Obtained from the decrease/ (increase) in working capital	11	<u>140,159,522</u>	<u>(89,273,207)</u>
<b>Cash utilised in investing activities:</b>		<b>(350,357)</b>	<b>(1,946,779)</b>
Adjustment of fixed assets	12	<u>3,207,448</u>	<u>(1,946,779)</u>
Adjustment of capital work in progress	6	<u>(3,557,805)</u>	<u>-</u>
<b>Increase/ (decrease) in cash and bank</b>		<b>140,782,385</b>	<b>(90,090,060)</b>
Cash and cash equivalents at the beginning of the year		<u>39,012,724</u>	<u>129,102,784</u>
Cash and cash equivalents at the end of the period		<u><u>179,795,109</u></u>	<u><u>39,012,724</u></u>

## South African Telecommunications Regulatory Authority

### Notes to the annual financial statements for the 3 months ended 30 June 2000

#### 1. Accounting policies

The annual financial statements of the Authority are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those of previous years.

##### 1.1 Income

Operating income comprises of Government funding.

##### 1.2 Licence fees

All licence fees and related income in terms of section 88 of the Telecommunications Act, No. 103 of 1996 are accounted for on a cash basis. The Authority is required to pay all licence application fees and annual fees received into the national revenue fund in terms of section 88(4) of the Telecommunications Act No. 103 of 1996.

##### 1.3 Government grants

All government grants are accounted for in the income statement for the year to which they relate.

##### 1.4 Fixed assets and depreciation

Fixed assets are shown at cost less accumulated depreciation. Fixed assets are depreciated on the straight line method at rates which are estimated to write off each asset over its useful life.

The depreciation rates per annum are as follows:

Monitoring equipment	20%
Test equipment	20%
Motor vehicles	20%
Computer equipment	20%
Office equipment	20%
Cellular phones	20%
Furniture and fittings	16.7%
PABX	20%
Computer software	50%

##### 1.5 Taxation

No provision has been made for income tax as the Authority is exempted in terms of section 10 (1) (cA) (1) of the Income Tax Act, 1962 (Act No.58 of 1962).

##### 1.6 Retirement benefits

Pension benefits are provided for employees by means of separate pension funds to which contributions are made.

#### 2. Donation

Transfer of assets to SATRA by the Department of Communication with effect from 1 April 1997.

South African Telecommunications Regulatory Authority  
Notes to the annual financial statements for the 3 months ended 30 June 2000  
(continued)

	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
<b>3. Expenditure</b>		
Included in the operating expenditure is the following:		
Auditor's remuneration	21,183	225,054
Audit fees	21,183	150,000
Underprovision prior year	-	75,054
Depreciation	1,591,395	12,310,807
Asset write off	204,942	-
Rental premises	2,423,640	9,803,697
Professional fees	1,403,834	4,342,446
Councillor's remuneration	414,416	2,933,407

**4. Asset write-off - abnormal item**

The asset write off is a result of the correction of the fixed asset register which has not been updated for the last two financial years, all write-ups and write-offs have been approved via a council resolution.

The following fixed asset adjustments were made to correct the accounting records to the fixed assets register:

Cost	6,863,455	
Accumulated depreciation	(5,432,058)	
Write-back of depreciation on direction finding equipment	(1,226,455)	
	<u>204,942</u>	

**5. Licences and other receivables**

During the 1997/1998 financial year, a number of cheques amounting to R359 540 was misappropriated. 50% of the value amounting to R179 770 was written off as irrecoverable during the current period while the remaining 50% has been reflected under other receivables. A final settlement of this amount was received from the bank on 4th July 2001.

**6. Capital work in progress**

During the period, the Authority re-classified certain direction finding equipment as capital work in progress. This equipment with a cost of R 3 557 805 is still to be commissioned and therefore has not been depreciated.

South African Telecommunications Regulatory Authority  
Notes to the annual financial statements for the 3 months ended 30 June 2000  
(continued)

	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
<b>7. Accounts payable, provisions and accruals</b>		
<b>Accounts payable</b>	15,304,227	3,284,188
Other	15,304,227	3,284,188
<b>Provisions and accruals</b>	3,981,957	3,893,952
Annual leave	2,631,621	2,219,121
Audit fees	21,183	150,000
Bonus	955,681	955,681
Orders not invoiced	32,728	20,790
Spectrum management	340,744	548,360
Total other payables	19,286,184	7,178,140
USF Prepayment - Vodacom	-	7,147,600
	19,286,184	14,325,740

**8. Revenue collected by SATRA for the National revenue fund (NRF)  
was as follows:**

Balance outstanding at the beginning of the year	39,924,591	-
Licence fees	41,576,572	82,563,561
Miscellaneous income	474,689	5,707,378
Interest	2,338,444	14,766,580
Net operating fees	119,110,092	384,113,944
Terminal equipment	193,639	272,192
Other	7,186,699	116,550
Total revenue collected for NRF	210,804,726	487,540,205
Transfer to NRF	40,228,959	447,615,614
Outstanding revenue collected to be paid to NRF	170,575,767	39,924,591

South African Telecommunications Regulatory Authority  
Notes to the financial statements for the 3 months ended 30 June 2000 (continued)

9. Fixed assets	Radio frequency monitoring equipment	Test equipment	Data equipment	PABX	Motor vehicles	Office equipment	Furniture & fitting	Computer software	Cellular phones	Total
Net book value at 1 April 1999	12,006,548	6,556,234	4,851,418	906,666	1,875,750	468,038	1,574,282	141,559	85,900	28,466,395
Additions	287,036	751,880	458,328	-	2,103	52,284	395,148	-	-	1,946,779
Depreciation	(5,996,013)	2,311,894	(2,137,863)	(228,837)	(934,604)	(152,519)	(356,078)	(107,099)	(85,900)	(12,310,807)
<b>Net book value at 31 March 2000</b>	<b>6,297,571</b>	<b>4,996,220</b>	<b>3,171,883</b>	<b>677,829</b>	<b>943,249</b>	<b>367,803</b>	<b>1,613,352</b>	<b>34,460</b>	<b>-</b>	<b>18,102,367</b>
Cost at 31 March 2000	30,074,283	11,727,609	10,849,559	1,144,185	4,674,599	790,378	2,238,450	214,198	176,438	61,889,699
Accumulated depreciation	(23,776,712)	(6,731,389)	(7,677,676)	(466,356)	(3,731,350)	(422,575)	(625,098)	(179,738)	(176,438)	(43,787,332)
<b>Net book value at 31 March 2000</b>	<b>6,297,571</b>	<b>4,996,220</b>	<b>3,171,883</b>	<b>677,829</b>	<b>943,249</b>	<b>367,803</b>	<b>1,613,352</b>	<b>34,460</b>	<b>-</b>	<b>18,102,367</b>
Net book value at 1 April 2000	6,297,571	4,996,220	3,171,883	677,829	943,249	367,803	1,613,352	34,460	-	18,102,367
Fixed assets adjustments*	(1,766,918)	760,810	(2,645,954)	(20,202)	(7,469)	119,737	150,407	202,141	-	(3,207,448)
Depreciation	(635,887)	(551,981)	(56,623)	(56,069)	(107,181)	(50,325)	(107,217)	(26,113)	-	(1,591,395)
<b>Net book value at 30 June 2000</b>	<b>3,894,766</b>	<b>5,205,048</b>	<b>469,307</b>	<b>601,559</b>	<b>828,599</b>	<b>437,215</b>	<b>1,656,542</b>	<b>210,489</b>	<b>-</b>	<b>13,303,525</b>
Cost at 30 June 2000	28,207,051	12,971,357	686,137	1,121,375	4,757,597	1,050,811	2,568,073	362,355	-	51,724,756
Accumulated depreciation	(24,312,285)	(7,766,309)	(216,830)	(519,816)	(3,928,997)	(613,596)	(911,531)	(151,866)	-	(38,421,231)
<b>Net book value at 30 June 2000</b>	<b>3,894,766</b>	<b>5,205,048</b>	<b>469,307</b>	<b>601,559</b>	<b>828,599</b>	<b>437,215</b>	<b>1,656,542</b>	<b>210,489</b>	<b>-</b>	<b>13,303,525</b>

\* This amount is the net book value of all adjustments to fixed assets during the period. Refer note 12 for details.

South African Telecommunications Regulatory Authority  
Notes to the annual financial statements for the 3 months ended 30 June 2000  
(continued)

	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
<b>10. Net cash generated / (used) by operating activities</b>	<b>973,221</b>	<b>1,129,926</b>
Net operating deficit	(618,174)	(11,180,881)
Adjustment for depreciation	1,591,395	12,310,807
<b>11. Decrease in working capital</b>	<b>140,159,522</b>	<b>(89,273,207)</b>
Decrease/(Increase) in debtors	4,547,902	(866,916)
Increase/(Decrease) in creditors	135,611,620	(88,406,291)
<b>12. Fixed assets adjustment</b>		
Cost	(9,865,961)	-
Additions	555,299	-
Adjustments to correct difference on fixed assets register	(6,863,455)	-
Re-allocation of direction finding equipment	(3,557,805)	-
Accumulated depreciation	6,658,513	-
Adjustments to correct difference on fixed assets register	5,432,058	-
Write-back of depreciation on direction finding equipment	1,226,455	-
Net book value	(3,207,448)	-

South African Telecommunications Regulatory Authority  
Detailed Income Statement for 3 months ended 30 June 2000

	Note	3 Months to 30 June 2000 R	12 Months to 31 March 2000 R
<b>Income</b>		<b>17,549,129</b>	<b>64,500,000</b>
Government grants	1.3	17,549,129	64,500,000
<b>Operating expenditure</b>		<b>18,167,303</b>	<b>75,680,881</b>
Audit fees	3	21,183	225,054
Bad debts	5	179,770	-
Bank charges		8,337	59,152
Data processing		357,801	551,515
Depreciation	9	1,591,395	12,310,807
Asset write off	4	204,942	-
Equipment rental & maintenance		172,387	1,412,359
General expenses, stores & supplies		43,182	290,885
Incidental expenses		2,345	42,745
Insurance		19,876	740,213
Motor vehicle expenses		198,984	1,183,703
Office accommodation		2,423,640	9,803,697
Other		727,616	1,579,794
Printing & stationery		95,127	824,892
Professional fees (Consultancy)		1,403,834	4,342,466
Publications		155,425	680,581
Rsc levies		59,032	67,679
Salaries & related expenses		9,357,895	35,232,995
Telephones, postage & fax		782,227	3,201,241
Training & conferences		146,785	980,686
Travelling & subsistence		215,520	2,150,417
Net operating (loss)/Profit		(618,174)	(11,180,881)
Accumulated loss at beginning of year		(25,021,978)	(13,841,097)
Accumulated loss at end of year		(25,640,152)	(25,021,978)