



Annual Report 2006/07



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CHAIRMAN'S REVIEW

It is my honoured privilege to present to Parliament the Annual Report of the Independent Communications Authority of South Africa (ICASA) for the financial year 1 April 2006 to 31 March 2007.

The past year was marked by seismic changes on the regulation of communications. The coming into effect of the Electronic Communications Act of 2005, and the Independent Communications Authority Amendment Act of 2006 introduced radical changes in the way the communications industry will be regulated. The former provided for a new licensing regime and a review of regulations that sought to govern previously distinct, but now, converging technologies of telecommunication, broadcasting and computing.

The Authority has already embarked on a process to convert all licences that have been issued, and to audit all regulations to date to make them compliant with the EC Act. The latter provides for the incorporation and integration of the Postal Regulator, formerly from the Department of Communications, into ICASA. Staff members from the former Postal Regulator have relocated to ICASA's offices, and systems have been put in place to ensure their smooth and seamless integration into the Authority.

To enable the Authority to cope with attendant additional responsibilities, the Amendment Act increased Council capacity from seven to nine Councillors.

Changes in the regulatory approach warrant changes in the structural organisation of the Authority. This is the last Annual Report in which the Authority will be reporting its activities in terms of the Broadcasting and Telecommunications divisions with their respective licensing and policy components.

Thus, the two divisions have now been replaced by the Licensing, Markets and Competition, and Consumer Affairs



divisions. The regulatory activities of the former Postal Regulator are to be fused into the three new divisions.

The Engineering and Technology division is retained as is, and the Legal division has the added responsibility of accommodating the Complaints and Compliance Committee (CCC). Not only have we institutionalised the CCC but it has come into operation and has already resolved several cases satisfactorily.

Apart from the regulatory and operational vicissitudes outlined above, the Authority never flinched from implementing its mandate.

Highlights of the year include the introduction of Mobile Number Portability, ten-digit dialling, a new international dialling code for the country, and licensed new commercial radio service in the secondary markets of Limpopo, Mpumalanga and the North West.

The above-mentioned deliverables were guided by the Authority's quest to:

- Regulate the communications sector in the public interest, and to support national economic and social goals
- Position the communications sector as a sector of choice for local and international investors
- Promote innovation, competition and choice in the communications sector
- Promote universal service and access to disadvantaged individuals and communities
- Promote affordability of services for consumers

The economic significance of the ICT as a driver for the social development and economic growth of the sector cannot be overemphasised, as a catalyst for economic, social and technological development. The ECA has, with one fell swoop, got rid of monopoly practices of incumbents - be they publicly or privately owned. This is without doubt a welcome relief.

The convergence of networks such as PSTN, fibre-optics, mobile, cable and terrestrial to an IP-based protocol platform for the provision of multimedia services, including voice, video, data and mobility has led to technology and service neutrality.

This has brought us much closer to the full liberalisation of the sector, so that the Authority's role may in the near-term future be confined largely to the regulation of markets and competition.

It is also incumbent on the Authority to encourage and support the introduction of new technologies such as DVB-B, CDMA, WiMAX, software defined radios/cognitive radios, adaptive antennas and mesh networks will enhance the technically effective and economically efficient utilisation of the scarce and much sought after frequency spectrum.

At a conceptual level we have embraced the fact that the quality of life of South Africans, especially the marginalised, will be enhanced if we facilitate access to essential services such as education, health care and government services.

By leveraging electronic technologies to provide broadband services and applications we will be working towards achieving the Millenium Development Goals for our country as prescribed by the United Nations.

It is worth noting that the Authority also made a submission to the Parliamentary Committee appointed to review the role of institutions that support constitutional democracy. We pledged to continue to uphold our sacred mandate of regulating the sector without fear or favour or prejudice.

I wish to extend a warm welcome to Councillors Jacobus van Rooyen, Robert Nkuna, Brenda Ntombela, Marcia Socikwa as well as Karabo Motlana as our new Chief Executive Officer.

Finally, I would like to express my appreciation and gratitude to:

- The Minister and deputy Minister of Communications, and the Director General of the Department of Communications for their sustained, unwavering and unqualified support
- Members of the Parliamentary Portfolio Committee on Communications for their continued oversight, advice and wise counsel
- ICASA Councillors, executive management and staff for their commitment and involvement
- The broader public, consumers of communications services, industry players, licensees and all other stakeholders for their forbearance and understanding.



Paris Mashile
Chairman

COUNCIL MEMBERS



Chairperson, Paris Mashile
(1 July 2005 - 30 June 2010)



Licensing
Zolisa Masiza
(1 July 2004 - 30 June 2008)



Markets & Competition
Tracy Cohen
(1 July 2004 - 30 June 2008)



Engineering & Technology
Mthobeli Zokwe
(1 July 2005 - 30 June 2009)



Resigned
Mamodupi Mohlala
(1 October 2006 - 31 May 2007)



Legal, Complaints & Compliance Committee
Prof. Jacobus van Rooyen
(1 October 2006 - 30 September 2010)



Markets & Competition
Robert Nkuna
(1 October 2006 - 30 September 2010)



Consumer Protection
Brenda Ntombela
(1 October 2006 - 30 September 2010)



Licensing
Marcia Socikwa
(1 April 2007 - 30 March 2011)

CHIEF EXECUTIVE OFFICER'S OVERVIEW

I am honoured to present the Annual Report of the Independent Communications Authority of South Africa (ICASA) for the financial year ending March 2007.

I am pleased to report that, thanks to the contributions, commitment and efforts of Council and employees, ICASA received an unqualified audit report from the Auditor General.

In order to enhance ICASA's accountability and transparency with regard to revenue that it collects on behalf of the National Revenue Fund, we have, for the first time, prepared separate sets of financial statements.

Corrective measures were put in place to address the shortcomings highlighted by the Auditor General during the 2005-2006 audit process. These measures included:

- The development (and/ or revision) and implementation of policies dealing with the following: Asset Management, Budget, Administered Revenue, Supply Chain Management, Leave, Travel and Subsistence, Home Owners Allowance, Termination of Service, Cellular Phone and Data Card.
- Scheduled Budget and Projects review meetings, held monthly, quarterly and half yearly.
- The implementation of the Electronic Funds Transfer (EFT) system.

Human Capital Matters

Taking into cognizance the human capital challenges faced by ICASA in the previous financial year, ICASA elevated the position of head of human resources to the level of General Manager, and has also appointed a Chief Financial Officer. ICASA is currently in the process of filling vacancies at other levels.



During the financial year under review, the following Human Resources projects were undertaken:

- **Postal Regulator Staff** - With effect from 1 January 2007, ICASA took over staff from the Postal Regulator who previously reported to the Department of Communications.
- **Performance Management Review Process** - ICASA implemented a performance management system based on performance contracting. This was achieved with the valued contribution of the Communications Workers' Union to ensure that ICASA would achieve its organisational objectives.
- **Job Grading and Salary Benchmarking** - ICASA undertook and finalised a job grading exercise and benchmarked its salary levels with both the national market and the public sector.

Organisational realignment

On 19 July 2006, both the Electronic Communications Act, 2005 and the amendments to the ICASA Act came into effect. Council recognised the need to provide strategic direction and leadership to ICASA to give effect to the intentions of Parliament. To this end, Council approved a high-level structure focusing on ICASA's legislative mandate in respect of the following:

- Licensing
- Markets and Competition
- Consumer Affairs
- Legal and CCC (Complaints and Compliance Committee)
- Engineering and Technology.

In line with the high-level structure, Executive appointments were being finalised. Executive management was further tasked by Council with the responsibility of undertaking the organisational realignment process below the Executive layer. Executive management is in the process of finalizing the mapping of the human capital that currently exists in ICASA. Further, the human capital that was transferred from the Postal Regulator has now been fused into the portfolios referred to above. A service provider will be engaged to assist with taking the process forward. This will include the necessary consultative processes with the Communications Workers' Union and other stakeholders.

Information Technology

With a view to enhancing its spectrum-monitoring capabilities, ICASA purchased Direction Finding mobile units, 110 GHz Spectrum Analysers and 40GHz EMI Test Receivers. We are also in the process of implementing an IP based PABX system, which will promote ICASA's ability to do business cost-effectively and ensure that the organisation is at the cutting edge of technology. This will result in changes in ICASA's telephone contact details, but changes will be communicated to all stakeholders at the relevant time.

ICASA reviewed both the frequency spectrum management system (LS system) and the finance management system (JD Edwards) to assess their interoperability and interface. A decision has been taken to upgrade the JD

Edwards system. A Request for proposals on a spectrum management system that will interface with the JD Edwards system is being prepared for interested parties. All proposals will be considered, whereafter an appropriate spectrum management system will be chosen.

Acknowledgements

I would like to thank Council, past and present employees whose valued contribution, dedication and diligence ensured that ICASA can deliver on its mandate and within its allocated budget. I would also like to thank Parliament's Portfolio Committee on Communications; the Honourable Dr Ivy Matsepe-Cassaburi MP, Minister of Communications; the Department of Communications under the stewardship of Director-General Ms. Lyndall Shope-Mafole; National Treasury and the Auditor-General for their continued support and guidance.



Stanley Mamaregane

Acting Chief Executive Officer

31 July 2007

EXECUTIVE SUMMARY

The following is an Executive Summary of the projects undertaken by ICASA delivered during the 2006/07 financial year.

Telecommunications

On the regulatory front, the Authority has been immersed in delivering the following projects:

COA/CAM for Mobile and Fixed Telephony Operators: The Authority has requested financial statements from mobile operators with the purpose of analysing the costs involved in providing a mobile telephony service. All parties have agreed to finalise the process by September 2007. The analysis will enable the Authority to determine the costs of electronic communications services in South Africa.

The Authority has also received Telkom's audited financial statements. An analysis of these financial statements will enable the Authority to determine whether the prices charged to consumers for services are reasonable.

Mobile Number Portability: The Authority launched Mobile Number Portability in November 2006. Mobile Number Portability enables subscribers to switch from one service provider to another without losing their numbers. Mobile Number Portability is fully operational in the market.

Ten-digit dialling: Increased numbering capacity by 2 million numbers per exchange area to meet the needs of existing and new operators by launching ten-digit dialling and the introduction of a new international dialling code for the country

Enquiry into Handset Subsidy: The Enquiry into Handset Subsidy sought to itemize call charges and determine the cost of subsidized handsets to the consumer. The enquiry process is expected to be completed during the new financial year, and the findings will help to reduce the cost of electronic communications in South Africa.

Interconnection and Facilities Leasing Regulations: The Authority is currently developing regulations to govern Interconnection and Facilities Leasing regulations in an effort to 'level the playing field' and to enable new market entrants to compete with established operators. The Authority intends to finalise the regulations during the current financial year and to date, several interconnection agreements between various operators have been approved.

Market Intelligence and Market Definition: The Authority has initiated an information gathering exercises to identify dominant players in the communications market so as to develop regulations for the communications market.

In order to create competition and choice, and ultimately affordable services, the Authority has done the following:

- Issued frequency spectrum bands, numbering and community service obligations to Neotel, the second network operator
- Licensed 81 Value Added Network Services operators so that they were not held back by the licence conversion process as outlined in the Electronic Communications Act
- Issued three Under-Served Area Licences, granted six licenses subject to provision of additional information, and ordered four applicants to merge before licences could be issued
- Launched the ten-digit dialling format for local calls and a new international dialling code for South Africa, and published initial numbering plan records
- Collected the Universal Service Fund from licensed operators, and imposed obligations on operators to address the socio-economic needs of the country.

Broadcasting

The Authority delivered the following broadcasting policy projects:

- Conducted a Ten-year Review of Broadcasting Regulation aimed at improving the regulation of broadcasting services in South Africa
- Published a Code of Good Practice to guide broadcasting with regard to the provision of services to people with disabilities, in line with universal access and service policy objectives
- Conducted research with regard to programming for children, the youth, women and people with disabilities. A report will be published during the current financial year.
- Published a Community Sound Broadcasting Policy Position Paper, providing for a new policy and licensing framework.
- Participated in the Digital Migration Strategy process initiated by the Minister of Communication to provide guidelines for the transition from the use of analogue to digital equipment for the country.

The following licensing and licence amendment processes were undertaken in line with national policy objectives of promoting choice and competition in the broadcasting sector:

- Renewal of the SABC licences for XK FM and the amendment of Umhlobo Wenene FM
- Renewal of commercial broadcasting licences for 702 Talk Radio and Midi TV
- Amended commercial broadcasting licences for Kaya FM and 702 Talk Radio
- Licensed three new commercial radio stations for Limpopo, Mpumalanga and the North West for the secondary markets
- Granted 11 new Community sound Broadcasting licences for nodal areas in terms of the government's urban renewal and integrated sustainable rural development strategy
- Issued 28 Special Events community broadcasting licences
- Renewed nine community broadcasting licences in terms of the 4-year licensing framework
- Amended three community sound broadcasting services

- Conducted monitoring visits to 64 commercial and community broadcasters in the nine provinces to determine their compliance with licence conditions
- Received and adjudicated 75 complaints against broadcasters
- Conducted complaints hearings against three broadcasters
- Conducted the inauguration of members of the Complaints and Compliance Committee in terms of the Electronic Communications Act, 2005, to replace the Broadcasting Monitoring and Complaints Committee.

Engineering & Technology

The following projects were undertaken by the Engineering and Technology Division:

- Conducted public hearings in order to develop a licensing framework for the assignments of the 2.6GHz and 3.5GHz frequencies, for which a great demand exists
- Published a discussion Document calling for public comment on the use of use of personal locator beacons and radio frequency identification technologies
- Issued a total of 88 300 radio communication frequency licences
- Conducted Equipment Type Approval of Telecommunication Line terminal Equipment, Switching Systems, Radio Frequency Equipment and Line Maintenance organisations
- Recommended the use of Broadcasting Channel 65 for non-broadcasting services (the 800 MHz) on a secondary basis
- Enforced compliance with usage of the radio frequency spectrum through inspections and monitoring; cross-border interference, compliance and labelling campaigns, licence compliance, maritime surveys, high-site inspections and spectrum compliance.

Postal

The Postal Division delivered the following projects:

- Developed a Code of Practice for postal operators in the un-reserved sector (courier companies), registered and renewed registration of courier companies, and conducted research on secure mail, post boxes and philately
- Conducted Postal Inspections to enforce compliance with legislation and root out illegal operators and to ensure maintenance of standards in the postal sector and satisfactory customer service.
- Determine Pricing and Tariffs for the postal sector to ensure affordability of services in terms of Postal Services Act, 1998, as amended.

Consumer Protection

The Consumer Affairs department delivered on the following projects:

- Public Awareness and Education entailed conducting road shows in Limpopo, the Eastern Cape and Northern Cape Provinces on universal service and access, consumer rights, service to people with disabilities, number portability and e-rate
- Complaints Handling involves receiving of complaints from consumers regarding the quality of service rendered by operators. A total of 924 complaints were received and 679 cases were closed for the year under review. High-profile cases included complaints about drop calls and faulty equipment and billing.



*TELECOMMUNICATIONS
DIVISION*

The Telecommunications Division comprised of the Policy Analysis and Development, as well as the Licensing, Enforcement and Numbering Administration departments. Its responsibilities were to:

- review the activities of telecommunications service licensees and their regulatory accounting practices,
- assess the rates, terms and conditions of licensed telecommunications services,
- oversee the evolution of competition within the regulated telecommunication services
- issue licences to telecommunication service providers, and
- monitor and ensure compliance with relevant legislation, regulations and licence conditions by telecommunications service providers.

POLICY ANALYSIS AND DEVELOPMENT (PAD)

The Policy Analysis and Development Department was responsible for all regulatory policy initiatives undertaken with regard to the telecommunications industry. The department dealt with the following policy projects:

- Chart of Accounts and Cost Allocation Manual (COA/CAM),
- Number Portability Regulations,
- Handset subsidies,
- Interconnection and Facilities Leasing Guidelines,
- Interconnection Agreements,
- Market Definition,
- Market Intelligence, and
- Tariffs.

Chart of Accounts and Cost Allocation Manual (COA/CAM)

The Chart of Accounts and Cost Allocation Manual (COA/CAM) is an accounting separation methodology that seeks to detail the underlying cost of providing telecommunication

services, i.e. local or long-distance call. Such cost can then be compared to the charge levied by the operator in order to determine whether the change is reasonable.

(COA/CAM) for Mobile Communication Services

During 2006, Vodacom and MTN requested an extension for the submission of their audited Regulatory Financial Statements (RFS). These were submitted in February and March 2007 respectively. The Authority is in the process of reviewing and analysing the RFS. This information will also inform the call-termination and facilities leasing projects that are currently being undertaken as parallel processes.

(COA/CAM) for PSTS Operators Volume 3

The Chart of Accounts and Cost Allocation Manual (COA/CAM) for Public Switched Telecommunications Services operators was finalised in July 2002. Telkom submitted its audited regulatory financial statements in September 2004, based on Current Cost Accounting and Long-run Incremental Cost required by the regulations at the end of 2006. The Authority is in the process of reviewing Telkom's regulatory financial statements.

Number Portability

Number Portability regulations afford telecommunications users the right to choose an operator or a service provider, and/or to change location without losing their numbers. Number portability regulations provide consumers with choice, and ultimately encourage competition among operators.

The Minister promulgated Number Portability Regulations in September 2006. However, operators requested an extension for the date of implementation to enable them to perfect their systems. This resulted in delays in the implementation of mobile number portability in November 2006.

The licensing of Neotel, as a Second Network Operator, has provided the impetus to introduce number portability for public switched telecommunication services.

Enquiry into Handset Subsidies

The Enquiry into Handsets Subsidies was aimed at reviewing the relationship between subsidies of a handset, contract period and any other barrier preventing consumers from changing mobile operators.

After the publication of the document containing the Authority's findings and conclusions in February 2006, the Authority published draft regulations on mobile handset subsidies in June 2006.

Written representations were received from stakeholders, and public hearings were held in April 2007. Regulations are to be promulgated in the new financial year.

Interconnection and Facilities Leasing Regulations

Emanating from the promulgation of the Electronic Communications Act, the Authority deemed it necessary to prepare regulations setting out the framework and principles on interconnection and facilities leasing. The regulations will be published in the new financial year.

Interconnection and Fixed Links Agreements

The following interconnection and fixed-links agreements between operators were approved:

- Telkom and Bokone Telecoms,
- Telkom and Ilizwi Telecommunications,
- Telkom and Kingdom Communications,

- Telkom and Thinta Thinta Telecoms,
- Telkom and Neotel,
- Telkom and Cell C,
- Telkom, Cell C and Sentech,
- ECN Telecommunications (Pty) Ltd and Vodacom (Pty) Ltd,
- MTN Network Solutions (Pty) Ltd and Vodacom (Pty) Ltd, and
- Dimension Data (Pty) Ltd trading through its division Internet Solutions and Vodacom (Pty) Ltd.

Market Intelligence

The Authority embarked on a Market Definition project to gather information about the telecommunications market, and to minimise disjointed information. The findings of the report will enable the Authority to regulate the telecommunications industry more efficiently.

Market Definition

The Authority embarked on a Market Definition project to identify dominant industry players in the relevant wholesale and retail electronic communication markets. The outcome of this process will enable the Authority to identify possible regulatory instruments that may be used to level the 'playing field'. The discussion document on Wholesale Call Termination was published in January 2007, and comments were due by the end of March 2007.

Tariffs

VODACOM TARIFFS AUDIT TRAIL:2006/2007				
File No	Nature of Filing	Filing Date	Decision Date	Decision
1	Tariff Plans Amendments: Decrease of tariffs on messenger Tariff Plan	12 Apr 2006	18 Apr 2006	Approval
2	New SMS bundles on Prepaid and 4U contract tariff plans	25 Apr 2006	02 May 2006	Approval
3	3G Bolt on and Combi tariff plans for contract customers:	25 Apr 2006	02 May 2006	Approval
4	Big Bonus Voucher Tariff Plan, One Month Contract Packages and VANS off net tariffs	23 Jun 2006	30 Jun 2006	Approval
5	SOHO Tariff Plan	04 Jul 2006	11 Jul 2006	Approval
6	Tariff Plans Amendments: GPRS/3G Lodgement of Prepaid and Top up data bundles (Bolt-on)	13 Jul 2006	20 Jul 2006	Approval
7	Vodafone Passport Roaming Tariff Plan	04 Aug 2006	11 Aug 2006	Acknowledgement
8	Annual Tariff Filing	19 Sep 2006	26 Sep 2006	Approval
9	Decreases of out of bundles data services	29 Sep 2006	06 Oct 2006	Approval
10	Top Up 75S tariff plan	23 Oct 2006	30 Oct 2006	Approval
11	Data 85 Tariff Plan Introduction of additional bundles on the Corporate Direct Tariff Plan	14 Dec 2006	21 Dec 2006	Approval
12	Tariff Amendment: Data Roaming Tariff	15 Dec 2006	22 Dec 2006	Approval
13	Lodgement of new tariff for Premium MMS services	15 Mar 2007	03 Apr 2007	Approval
14	Data tariff plans amendment	23 Mar 2007	30 Mar 2007	Approval

MTN TARIFFS AUDIT TRAIL:2006/2007				
File No	Nature of Filing	Filing Date	Decision Date	Decision
1	Lodgement of call per second for all Tariff Plan and adjustments to other prepaid Tariff Plans	31 May 2006	07 Jun 2006	Approval
2	Amendments to the Corporate Mobility Tariff Plan	24 July 2006	01 Aug 2006	Approval
3	Lodgement of prepaid and hybrid roaming tariffs	12 Oct 2006	02 Nov 2006	Approval
4	Lodgement of Push to Talk over cellular phones tariff plan	04 Jan 2007	11 Jan 2007	Approval
5	Lodgement of 350 and 500 MB data tariff plans	16 Jan 2007	08 Feb 2007	Approval

CELL C TARIFFS AUDIT TRAIL:2006/2007

File No	Nature of Filing	Filing Date	Decision Date	Decision
1	Lodgement of Virgin Mobile's prepaid and post paid tariff plans	15 Jun 2006	26 Jun 2006	Approval

TELKOM TARIFFS AUDIT TRAIL:2006/2007

File No	Nature of Filing	Filing Date	Decision Date	Decision
1	Annual Rate Filing_Volume 1	05 Jun 2006	28 Jun 2006	Approval
2	DSL Filing_Volume 1	20 July 2006	17 Aug 2006	Approval
3	Spaces stream and supremecall calling plans_Volume 2	12 Apr 2006	N/A	Acknowledgement
4	Telkom Closer Calling Plans_Volume 2	17 May 2006	N/A	Acknowledgement
5	Annual Rate Filing_Volume 2	05 Jun 2006	N/A	Acknowledgement
6	Additional Telkom Closer Calling Plans _Volume 2	26 Sep 2006	N/A	Acknowledgement

Tariff evaluations

Tariff Filing for Under Service Area Licences (USALS) and Data Telecommunications Licensees

Nature of Filing	Filing Date	Approval Date
Karabotel Prepaid tariffs reduction	16 Jan 2007	22 Jan 2007
Wireless Business Solutions (WBS)_ Notification of changes in tariff structure	03 Apr 2006	21 Apr 2006
Wireless Business Solutions (WBS)_ Notification of changes in tariff structure and package names	29 Mar 2007	20 Apr 2007

LICENSING, ENFORCEMENT AND NUMBERING ADMINISTRATION (LENA)

The Licensing, Enforcement and Numbering Administration Department analysed and processed applications for telecommunications service licences, monitored compliance of licensees with applicable regulations, legislation and their respective telecommunications service licence conditions, and administered the numbering plan to ensure the fair and efficient use of numbers for present and future generations.

The Authority dealt with a number of licensing, enforcement and numbering-related activities, including the following:

- Neotel, the Second National Operator (SNO)
- Licensing of Value-added Network Services and Private Telecommunication Network Services
- Under-serviced Area Licences (USALs)
- New Numbering Plan
- Collection of the Universal Service Fund (USF)
- Universal Service Obligations (USOs), and
- Enforcement

Neotel, the Second National Operator (SNO)

Neotel, the Second Network Operator, launched its range of wholesale services in August 2006.

Neotel continues to interact with the Authority on issues relating to access to frequency spectrum bands, application for numbering, community service obligation roll-out, network roll-out targets, and other pertinent issues in terms of its licence to provide a full range of public switched telecommunication services.

Licensing of Value-added Network Services and Private Telecommunication Network Services

The Authority received a total of 89 applications for Value-added Network Services VANS licences and successfully licensed 81 applicants. A total of 15 out of 16 applications

for Private Telecommunication Network Services (PTN) were also licensed.

Under-serviced Area Licences (USALs)

During the second licensing phase, the Minister published an Invitation to Apply (ITA) for 14 Under-serviced Areas. Public hearings were conducted in February and May 2006. Recommendations regarding the granting of the Under-serviced Area Licences were submitted to the Minister for consideration and decision.

In August 2006, the Minister awarded the following Under-serviced Area Licences:

1. Northcom Communications (Pty) Ltd – Northern Free State District – Free State Province
2. Nkangala Telecoms (Pty) Ltd – Nkangala District – Mpumalanga Province
3. Ukhahlamba Communications (Pty) Ltd – Ukhahlamba District – Eastern Cape Province

The Minister further granted the following licences, which have not yet been issued, subject to the submission of outstanding information:

4. Nyakatho Telecommunications (Pty) Ltd
5. Ilembe Communications (Pty) Ltd
6. Metsweding Telex (Pty) Ltd
7. Dinaka Communications (Pty) Ltd
8. ZeroPlus Trading (Pty) Ltd
9. PlatiTel (Pty) Ltd.

The Minister determined that the following licences will be granted and issued upon merger:

10. Eastern Cape Province – DC 13 Chris Hani District Municipality;
11. Limpopo Province – DC 34 Vhembe District Municipality;
12. Free State Province – DC 19 Thabo Mofutsanyana District Municipality; and
13. Mpumalanga – DC 30 Eastvaal (Gert Sibande) District Municipality.

The fourteenth (14th) Under-serviced Area licence application for the West Rand District Municipality is still under consideration.

In the third (3rd) phase of licensing an Invitation to Apply for licences was published for six (6) Under-serviced Areas. In April 2006, the Authority received a total of fourteen (14) applications for the six (6) Under-serviced Areas in question, namely:

1. Umzinyathi District Municipality
2. Uthukela District Municipality
3. Uthungulu District Municipality
4. Umgungundlovu District Municipality
5. Mopani District Municipality
6. Sekhukhune District Municipality.

Public hearings for these applications were held during November and December 2006. The Authority is in the process of finalising this licensing process.

New Numbering Plan

Following the development of a new Numbering Plan, the Authority published a notice to launch the New Numbering Plan, which introduced the mandatory ten-digit dialling format for local calls. This required fixed-line subscribers within the Republic to dial both the area code and the current seven-digit telephone number as from 16 October 2006.

Community Service Telephones (CSTs)

Vodacom	22 000
MTN	7 500
Cell C	52 000
Total	81 500

The new Numbering Plan also replaced the international dialling prefix '09' with '00'.

Owing to its neutrality and non-discriminatory structure, as well as its ability to reserve certain number ranges not currently in use for future growth, the new Numbering Plan accommodates new service demands and yields additional benefits for the provision of telecommunications services.

Collection of the Universal Service Fund (USF)

The Authority is required to collect contributions to the Universal Service Fund from licensed operators. These contributions are calculated as 0.2% of the annual turnover derived from the provision of the telecommunication services.

Further details regarding the revenue collected by the Authority for the National Revenue Fund are appended with the financial statements.

Universal Service Obligations (USOs)

As part of the licence conditions, the Authority imposes Universal Obligations (USO) on licensees. The imposition of such USOs is determined in accordance with the country's socio-economic needs, and thus varies from one licensee to the other. To date, the Authority has imposed the following USOs in the telecommunications sector:

Provision of Internet access to public/rural schools

Vodacom	5 000
MTN	5 000
Cell C	5 000
Sentech	1 500
WBS	1 000
Neotel	2 500
Total	20 000

Provision of Internet Access to Institutions for People with Disabilities (IPWDs)

Vodacom	140
MTN	140
Cell C	140
Total	420

Provision of Internet Access to Rural Clinics

Neotel	2 500
Total	2 500

Provision of Sim-card connection packages

Vodacom	2 500 000
MTN	2 500 000
Cell C	2 500 000
Total	7 500 000

Provision of terminal equipment (handsets)/1800MHz/Additional 3G USO

Vodacom	125 000
MTN	125 000
Cell C	125 000
Total	375 000

Provision of terminal equipment to Institutions for People with Disabilities (IPWDs)

Vodacom	1 400
MTN	1 400
Cell C	1 400
Total	4 200

Enforcement

The Enforcement Department was responsible for enforcing telecommunications licence conditions.

Swiftnet

With regard to the requirement that 30% of its shareholding must be vested in the hands of historically disadvantaged individuals, Swiftnet was in breach of its National Wireless Data Telecommunications Licence (NWDTL).

In January 2007, Swiftnet submitted an application to the Authority for the approval of a transfer of 30% of its shares to an entity of persons deemed to be compliant with Black Economic Empowerment requirements.

The matter is currently being analysed by the Authority so that a decision can be made in this regard.

MTN/ICASA/Cell C dispute

In 2004, MTN reviewed a decision made by the Authority which approved roll-out plans submitted by Cell C for the deployment of its obligation to roll out 52 000 Community Service Telephones (CSTs).

Judgment in the matter, handed down in February 2007, set aside the decision taken by the Authority to approve the roll-out of CSTs by Cell C.



***BROADCASTING
DIVISION***

The Broadcasting Division comprised of the Policy Development and Research, and the Licensing, Monitoring and Complaints departments. Its responsibilities were to develop policy and regulations, issue licences, monitor the activities of all broadcasters and their compliance with licence conditions, develop standards for the content of programmes, determine limitations on advertisements, and encourage programming diversity by public, commercial and community broadcasters.

The Division also sought to promote language diversity at the national and regional levels in broadcasting, to set appropriate local content quotas, keep broadcasting rules up to date in the face of technological change, and promote ownership and control of broadcasting services by previously disadvantaged individuals and groups.

POLICY DEVELOPMENT AND RESEARCH

The Policy Development and Research Department (PDRD) comprised of two units, namely Policy Development and Projects. The Policy Development Unit conceptualised and researched policies for the regulation of the broadcasting industry.

Policy development processes entailed public participation and consultation with key stakeholders. Once comment and input has been solicited from stakeholders, the information is analysed and developed into policy recommendation for Council's approval.

The end product of this process is the publication of a Position Paper. The Projects' unit then drafts regulations on the basis made in the recommendations of the Position Paper.

The PDRD delivered the following policy development and research initiatives:

- Ten-year Review of Broadcasting Regulation
- Code of Good Practice
- Research on programming for children, the youth, women, and people with disabilities

- Community Sound Broadcasting Policy Position Paper
- Digital Migration Strategy
- Licensing, Monitoring and Complaints Department
- Commercial Broadcasting Services
- Africa Media and Broadcasting Congress
- Digital Broadcasting Switchover Forum.

Ten-year Review of Broadcasting Regulation

The PDRD embarked on a consultative process to review its role as a regulator of the broadcasting industry since the advent of the new democratic dispensation. The purpose of this exercise was to assess the regulatory impact of the Authority's policies and regulations since inception to determine whether the objectives set out for the Authority have been achieved.

Code of Good Practice

The PDRD published a Code of Good Practice to provide guidelines to broadcasters in servicing the needs of people with disabilities.

Research on programming for children, the youth, women, and people with disabilities

The PDRD conducted research to determine how current licensees are meeting the programming needs of children, the youth, women and people with disabilities. The research process solicited input from relevant stakeholders.

As part of this consultative process, workshops and meetings were held in May, June and July 2006 with community sound broadcasting licensees, commercial sound broadcasting licensees, the SABC, youth groups, National Youth Commission, Disabled People of South Africa and relevant Non-Governmental Organisations.

A Research Report is being prepared to guide the process.

Community Sound Broadcasting Policy Position Paper

In June 2006, the PDRD published the Position Paper and Regulations on Community Sound Broadcasting Services. The Regulations provided for two annual window periods (April and October) during which eligible communities or entities could lodge their applications for community radio licences with the Authority.

The Position Paper and Regulations also provided for a new policy and licensing framework that enabled the Authority to speedily consider and take decisions regarding applications for community sound broadcasting licences so as to add diversity through the licensing of more community sound broadcasting services.

From September to November 2006, the Authority conducted several workshops in all the provinces to familiarise communities with the new framework and regulations.

Digital Migration Strategy

The Authority participated in a range of activities related to the Digital Migration process as initiated by the Minister to develop a national strategy for the transition from the use of analogue to digital technology platforms, including the adaptability of receiver sets.

To drive the process, the Minister established the Digital Migration Working Group. The final recommendations of the Working Group were presented to the Minister on 29 November 2006 and culminated in the development of a draft Digital Migration Strategy and Digital Broadcasting Implementation Plan for South Africa.

Once the Ministry has published a White Paper on Digital Migration, the Authority will develop a regulatory framework on digital broadcasting. The Authority has had to postpone the following projects since their regulatory frameworks are dependent on the finalisation of the Digital Migration Strategy:

- Satellite/cable/DVB-H (mobile broadcasting)

- Review of commercial free-to-air policies
- Review of Signal Distribution policy.

In addition to participating in the Digital Migration Working Group, the Authority attended the following conferences to enhance its understanding of digital broadcasting policy and licensing issues:

Africa Media and Broadcasting Congress

Held in October 2006 at the Sandton Convention Centre, the conference sought to clarify concepts and the technical aspects around digital migration, and to assist future role players to adapt to the convergence environment. Issues covered included the benefits and challenges of digital migration for consumers, manufacturers, suppliers and the media.

Commonwealth Telecommunications Organisation Digital Broadcasting Switchover Forum

Held from 29 January to 1 February 2007, the focus of this conference was to deliberate policy issues for a seamless transition from the analogue to the digital environment.

LICENSING, MONITORING AND COMPLAINTS DEPARTMENT

The Licensing, Monitoring and Complaints Department (LMCD) comprised of two units, namely, the Licensing Unit and the Monitoring and Complaints Unit. The Licensing Unit was responsible for processing applications for Signal Distribution and broadcasting licences for Sound and Television Broadcasting Services.

The Monitoring and Complaints Unit was responsible for protecting the public interest by ensuring that licensed broadcasters and signal distributors comply with their licence conditions. This included control, ownership, programme content and funding.

The unit, together with the Authority's Engineering Division, also ensured that broadcasters used the assigned frequencies and complied with the technical standards stipulated in their licence conditions.

The Monitoring and Complaints Unit also received complaints from the public and forwarded serious complaints to the Broadcasting Monitoring and Complaints Committee (BMCC) for adjudication. The BMCC was a standing committee, established in terms of the Independent Broadcasting Authority (IBA) Act.

Licensing Unit

The Licensing Unit issued, renewed and amended applications from the following categories of broadcasting services:

- Public Broadcasting Services
- Commercial Broadcasting Services
- Community Broadcasting Services

Public Broadcasting Services

Renewal of SABC Licence

The Authority renewed the licence of XK FM, a Northern Cape-based radio station serving the Khoisan communities.

Umhlobo Wenene FM amendment

The Authority granted an amendment to allow the expansion of the Umhlobo Wenene FM broadcasting footprint in the Eastern Cape and other parts of the country, as recommended by the Triple Enquiry Report. The application was made to increase access to Umhlobo Wenene FM in the greater Eastern Cape and to increase its national coverage from 74.08% to 83.41%.

Commercial Broadcasting Services

Renewal of Commercial Broadcasting Licences

The Authority approved the following Commercial Broadcasting Licence renewals:

- *702 Talk Radio*

702 Talk Radio applied for the renewal of its commercial sound broadcasting licence. The Authority was satisfied with its compliance with the licence conditions during its licence period. The Authority renewed the 702 Talk Radio

licence for a further 6-year period, until October 2012.

- *Midi TV*

Midi TV applied for a renewal of its commercial television broadcasting licence in respect of e-tv. The Authority was satisfied that e-tv had complied with its licence conditions during its licence period and had taken measures to address all the complaints and judgments made against it by adjusting its programming schedule. Midi's television broadcasting licence was renewed for a further 8 years and will expire in December 2014.

Licences amendments

The Authority approved the following licence amendments:

- *Kaya FM*

The Authority granted an amendment to Kaya FM's licence with regard to its shareholding structure. Kaya FM sold 24.9% of its shares to Shanike Investments No. 42 (Pty) Ltd ('Shanike'), a special-purpose vehicle, and disposed of equity shares held by Motsamai and Makana SPV.

- *702 Talk Radio*

The Authority approved the application made by Primedia Limited ('Primedia') for an amendment to 702 Talk Radio, its commercial sound broadcasting licence, to allow 702 Talk Radio to migrate from the medium-wave frequency to FM frequencies on 92.7 MHz in Johannesburg and 106.0 MHz in Pretoria, and allowed for a double-illumination period of 12 months.

The Authority also granted an application for exemption received from Primedia to allow it to control and own more than two FM stations, namely Highveld and KFM.

Broadcasting Licence Prior Written Approvals

The Authority received and considered request for prior written approvals in respect of shareholding structure of licensees, provided that such amendments would not result in change in ownership and control.

The Authority granted Kagiso Media Limited prior written approval in respect of the Jacaranda FM shareholding

structure. Kagiso Media Investment had decided, through an internal restructuring, to hold its 60% stake in Jacaranda FM (Proprietary) Limited directly, and not through Naledi Investment Holdings.

Licensing of Commercial Sound Broadcasting

Licences in secondary markets

In February 2005, the Authority invited applications for Commercial Sound Broadcasting Services in the secondary markets. In response to the invitation, the Authority received five applications from Limpopo, three from North West and three from Mpumalanga. No applications were received from the Northern Cape.

Hearings and deliberations in respect of the above-mentioned applications were held in September 2006 and recommendations regarding the preferred applicants were submitted to Council for consideration.

In March 2007, the Authority granted commercial sound broadcasting licences to:

- Capricorn FM, Limpopo
- M-Power, Mpumalanga
- Radio North West.

Test Licences

The Authority generally received and considered applications for Test Licences from individuals who wished to test new technologies or technological innovation within the broadcasting sector. This was in line with the provisions of the Electronic Communications Act aimed at encouraging research and development within the ICT sector.

Community Broadcasting Services

Licensing of Community Sound Broadcasting Services in Nodal Point areas:

In November 2004, the Authority invited applications for four-year community sound broadcasting licences in the Nodal Point Areas in terms of the government's urban renewal and integrated sustainable rural development strategy.

In June 2006, the Authority conditionally granted the following 11 community sound broadcasting licences:

- Alex FM
- Inanda Community Radio
- Vibe FM
- Alfred Nzo Community Radio
- Forte Community Radio
- Ekhephini Community Radio
- Inkonjana Community Radio
- Radio Gamkaland
- Sekhukhune Community Radio
- Tubatse Community Radio
- Ubuhlebeshowe Community Radio.

Special Event applications

The Authority generally received and considered applications for licences for Special Community Broadcasting Events from any persons, natural or juristic, for the broadcasting, on a non-profit or not-for-gain basis, of a special event taking place in communities. These non-renewable events licences were granted for a maximum of 30 days.

The Authority received 30 applications for Special Event licences:

- Radio Al-Ansaar X2
- Eastern CAPE Muslim Association
- Festival Radio
- Itheke FM X2
- Karabo FM
- KNI Radio X2
- Mafikeng FM
- MEFM Plett X2
- Ndwedwe Community Radio
- Phalaborwa Community Radio X2
- Radio Veritas
- Rainbow FM X2

- Siyaya FM
- Southern Cape Community Radio X3
- Soweto TV X2
- Star FM X3
- Ulwazi FM
- Midrand Community Radio

Special event applications from MEFM Plett and Chai FM were refused licences:

Renewals of Community Broadcasting Licences

The term of validity of a community sound broadcasting licence is four (4) years. The Authority can refuse an application for the renewal of a broadcasting licence only if the licensee has failed to materially comply with the licence conditions, and if the Authority is satisfied that the applicant would not so comply if the licence were to be renewed.

The Authority granted nine (9) four-year community sound broadcasting renewal applications to Radio TNG, Radio Namakwaland, Radio Helderberg, Radio Zibonele, Radio Maputaland, Voice of the Cape, Radio Atlantis, Radio Khwezi and East Wave Radio.

Amendments to Community Sound Broadcasting Licences

The following Community Sound Broadcasting Licence amendments were granted:

- *Radio Oranje Farm*

Oranje Farm Community Radio applied to change its name to Thetha FM.

- *Radio TNG*

An amendment was sought to enable the Radio TNG to change its name from Community Radio Technikon Northern Gauteng to Community Radio Tshwane University of Technology. This application was made in the light of the change in the name of the institution previously known as Technikon Northern Gauteng, which had been renamed Tshwane University of Technology.

- *Zibonele Community Radio*

Zibonele Community Radio applied to change its legal form from a voluntary association to a registered Section 21 company.

Low-power licences

The Authority invited applications for Low-power Sound Broadcasting Licences in February 2005. Subject to approval by the Authority, low-power sound broadcasting licences can be granted to cover small areas. A Low-power Sound Broadcasting Service is defined as a community, private or public sound broadcasting service that radiates power not exceeding one (1) watt.

The Authority turned down the application for a low-power sound broadcasting licence received from Harmony Gold Mining Company Limited. However, the applicant was given an opportunity to remedy the shortcomings in its application as per the provisions of the Electronic Communications Act. The Authority is still awaiting a response from Harmony.

Monitoring and Complaints Unit

The Monitoring and Complaints Unit (MCU) was comprised of the Monitoring and Complaints Sections. The Monitoring section monitored compliance by licensed broadcasters with the IBA Act and the Broadcasting Act, as amended, and with relevant regulations and license conditions.

The Complaints Section was responsible for the receipt, processing and investigation of complaints. This section also played the role of Registrar of Complaints for the Broadcasting Monitoring and Complaints Committee (BMCC).

The Monitoring and Complaints Unit dealt with the following:

- Monitoring of broadcasts
- Complaints
- Complaints Compliance Committee

Monitoring of broadcasts

The Monitoring Section compiled and published sixty (60) monitoring reports and paid monitoring visits to 64 licensed broadcasters.

A breakdown of the monitoring visits is given below.

Province	Commercial	Community
Gauteng	3	9
Mpumalanga		2
Limpopo		10
KZN	2	9
Eastern Cape		6
North West		3
Northern Cape		2
Western Cape	3	6
Free State	1	8
Subtotal	9	55
Grand Total	18	110

The following table was compiled on the basis of a number of reports:

Sector	Number
Community	40
Private	11
Public	9
Total	60

Complaints

The Complaints Section was responsible for receiving and investigating complaints about licenced broadcasters. If a complainant was not satisfied with the response received from broadcaster, the matter would be referred to the Broadcasting Monitoring and Complaints Committee. Complaints that fell within the Authority's area of jurisdiction were investigated. Legislation provides that complaints must

be investigate and finalised within fourteen working days. Complaints that fell outside the Authority's jurisdiction were referred to the relevant bodies, such as the Broadcasting Complaints Commission of South Africa (BCCSA) or the Advertising Standards Authority (ASA).

In the year under review, the Complaints Section received 75 complaints, which can be categorised as follows:

Complaints	Number
Advertising	1
Blasphemy	-
Defamation	3
Hate speech	1
Mismanagement	14
Pornography	3
Programming	7
Technical	7
Other	39
TOTAL	75

The geographical breakdown of complaints received is as follows:

Province	Number
Gauteng	33
KZN	9
Eastern Cape	8
Western Cape	7
Free State	4
Northern Cape	4
North West	2
Mpumalanga	4
Limpopo	4
TOTAL	75

Broadcasting Monitoring and Complaints Committee (BMCC)

Established in terms of the now repealed Independent Broadcasting Act, 153 of 1993, the BMCC, a standing Committee of Council was comprised of eleven (11) members namely:

- Advocate Jules Browde, SC (Chairperson),
- Ms Irene Baloyi,
- Mr Yaswant Gordhan,
- Advocate Fayeeza Kathree,
- Ms Irene Menell,
- Dr Sophia Mosime,
- Prof. Nomvula Mtetwa,
- Advocate Mhlahiseni Mthembu,

- Prof. Nomvula Mosime,
- Ms Renee Smith, and
- Prof. Tina Uys.
- Councillor Nadia Bulbulia represented ICASA.

The BMCC met on a quarterly basis or at such intervals as were deemed necessary. Three hearings were held during the period under review in respect of the following licensees:

- *Highway Radio*

In March 2006, the BMCC heard a submission against Highway Radio on allegations of failure to submit audited financial statements, failure to hold an Annual General Meeting (AGM), failure to submit minutes of the Board of

Directors' meetings, lack of community participation and mismanagement.

The BMCC found that the animosity that existed between various factions at Highway Radio resulted in the radio station's inability to effectively conduct its service to the benefit of the community.

The BMCC recommended that a widely publicised meeting be held within thirty (30) days to address the serious differences existing among employees at the radio station.

- *South African Jewish Board of Deputies vs. Radio 786*

A meeting was held by the BMCC in March 2006 to discuss a complaint lodged with the Authority by the Jewish Board of Deputies. This complaint, which dated back to 1998, was about broadcasts by the Islamic Unity Convention (IUC) under the auspices of Radio 786. The Jewish Board alleged that a programme broadcast by the radio station violated the Code of Conduct for broadcasting services contained in Schedule 1 of the repealed IBA Act of 1993.

The BMCC found that the licensee had contravened the Code as it broadcast material that was intended to prejudice relations between Jewish and Muslim communities.

In its ruling the BMCC recommended that the licensee be ordered to

- desist from any further non-compliance with the Act, including but not limited to the broadcasting and publication of hate speech, and
 - broadcast and/or publish the ruling of the BMCC, as well as its full judgment and this Order, at its own cost.
- *M-NET*

A BMCC hearing was held in April 2006 in respect of M-Net's alleged contravention of its licence conditions regarding the

payment of an annual licence fee.

The BMCC ruled as follows:

- M-NET was not in contravention of any provision of its licence.
- M-NET had correctly calculated the turnover with both the M-net and CSN channels as required by its licensee.
- Value-added tax could not be levied on any fees payable by M-NET.
- The question of the quantum would be resolved outside the BMCC proceedings.

Complaints Compliance Committee

The Electronic Communications Act (the EC Act), which came into effect in July 2006, provides for the dissolution of the BMCC and its replacement by the Complaints and Compliance Committee. At the time of dissolution, a number of outstanding complaints were still awaiting formal hearings. These were complaints against Nkqubela Community Radio, Radio 786, Kaya FM, Moretele Community Radio, Radio Mafisa, Radio Lentswe and Radio Platorand. The complaints awaiting formal hearing will be adjudicated by the CCC.

The Committee is constituted of seven (7) members, namely:

- Councillor Jacobus Van Rooyen , SC
- Elizabeth Kealeboga Moloto-Stofile (Chairperson)
- Suvendra Thakur
- Daniel Moalosi
- Refiloe Mzisa
- Nomveliso Ntanjana
- Izak Redelinghuys



***ENGINEERING AND
TECHNOLOGY***

The Engineering and Technology division comprises the Frequency Spectrum and the Radio Monitoring and Regions departments. The responsibilities of the Engineering and Technology division include:

- Support in the granting of frequency and station licences, certificates and authorisations
- Management and planning of access to the radio frequency spectrum
- Preparation of frequency band plans
- Investigation of radio communications interferences
- Assessment, adoption and management of technical standards relating to customer equipment and other devices.

FREQUENCY SPECTRUM DEPARTMENT

The Frequency Spectrum Department consists of following:

- Spectrum Management
- Radio-communications Frequency Licences
- Equipment Type Approval/Specifications
- Broadcasting Spectrum

Spectrum Management

The following notices were published with regard to the management of the radio frequency spectrum:

- Government Gazette No. 29351, dealing with a licensing framework for the most popular frequency bands and competing applications.
- Government Gazette No. 29685, dealing with the use of Personal Locator Beacons for emergency purposes.
- Government Gazette No. 29345, dealing with ICASA's decision on the sharing of the 800 MHz broadcasting frequency band between broadcasting and non-broadcasting services.
- Government Gazette No. 29161, dealing with the use of Radio Frequency Identification (RFID) systems.

Radio-communications Frequency Licences

Frequency licences are issued to radio-communications operators ranging from large-scale users who hold multitudes of frequencies to single-frequency users who use the licences for two-way radios or burglar alarms. During the reporting period more than 5 100 new spectrum licences were issued. This brings the total number of licences issued during the year in review to more than 88 300. Approximately 5 550 licences were cancelled, either on request or due to non-payment.

Equipment Type Approval/Specifications

All relevant standard telecommunications technical specifications are assessed by the national Standards Technical Committee (STC), TC 80, which is governed by Standards South Africa (formerly the South Africa Bureau of Standards).

The Standards Liaison Committee of ICASA oversees the work undertaken by the STC TC 80, as well as that carried out by Standards South Africa's TC 73 Committee (Electromagnetic Compatibility) and TC 74 (Communications Technology).

ICASA and Standards South Africa have a standing Memorandum of Understanding that governs their mutual cooperation and relationship. The approval of equipment and the approval of licences are done against relevant standards covering Technical Performance, Electrical Safety and Electro-magnetic Compatibility.

- *Telecommunication Line Terminal Equipment (TLTE)*

Telecommunication equipment that interfaces with the Public Switched Telephone Network (PSTN) is classified as Telecommunication Line Terminal Equipment (TLTE), sometimes also referred to as Customer Premises Equipment (CPE), Terminal Equipment or Telephone Attachments.

This category includes modems, all types of phones, fax machines, speech recorders and lightning protection devices, etc. One hundred and sixty-nine (169) TLTE licences were issued for the year under review.

- *Switching Systems (SWS)*

All types of telecommunication equipment that have one or more input ports and are capable of connecting to the Public Switched Telecommunication Network (PSTN), and a number of extension ports to which TLTE may be connected, as well as the ability to interconnect incoming and extension ports together for the purpose of exchanging electronic information, are classified as Switching Systems (SWSs).

This category includes Private Automatic Branch Exchange (PABX), Integrated Services Digital Network (ISDN), Automatic Call Distribution System (ACD) and Automatic Call Processing System (ACP), to mention a few. Fifty-two (52) SWS licences were issued in this category for the year under review.

- *Radio Frequency (RF) Equipment*

Radio Frequency Type approval relates to manually checking the performance of equipment from a provided test report with respect to a given standard and verifying compliance.

This category includes, amongst others, two-way radios, cellular phones and base stations, and short-range devices. Nine hundred and eighty-six (986) RF approvals were issued for the year under review.

- *Line Maintenance Organisations*

Two categories of Line Maintenance Organisations are licensed, namely Line Maintenance Organisation Type 1 (LMO-1) and Line Maintenance Organisation type 2 (LMO-2)

Line Maintenance Organisation Type 1 (LMO-1)

The organisation is licensed to install, alter and maintain ICASA-approved PABX switching units, as well as the associated extension-line cabling and terminal equipment. Seventeen (17) LMO-1 licences were issued for the year under review.

Line Maintenance Organisation type 2 (LMO-2)

The organisation is licensed to install and maintain telephone cabling and reticulation. One (1) LMO-2 licence was issued for the year under review.

Broadcasting Spectrum

The Broadcasting Spectrum Unit allocates and assigns broadcasting frequencies. Its activities for the year were:

- The Publication of the outcome of intention to use Broadcasting Channel 65 for non-broadcasting services (Government Gazette No. 29345).
- The processing of 136 broadcasting frequency applications.

MONITORING AND REGIONS

The Electronic Communications Act (ECA) gives the Authority the power to control, plan, administer, manage and licence the frequency spectrum. The Radio Monitoring and Regions (RM&R) department ensures effective spectrum management by enforcing compliance with enabling legislation.

The department conducts inspections and monitors the telecommunications and broadcasting industries to ensure that licensees comply with regulations, and with the terms and conditions of their licences. Regional offices (Pretoria, Johannesburg, Durban, Port Elizabeth, Cape Town and Bloemfontein) also ensure that licensees use their allocated frequency spectrum without interfering with other licensed users or services.

Through its enforcement functions, the department inspects dealers, seals and confiscates illegal telecommunication and radio equipment, and searches, traces, detects and locates undesired and interfering sources of electro-magnetic emissions. The department also undertakes verification and recording of the current spectrum usage and occupancy statistics, including progress on any migration process.

For the reporting year, the department's activities were as follows:

- Cross-border interference
- Compliance and labelling campaigns
- Licence compliance

- Maritime functions
- High-site Inspections
- Spectrum compliance
- State-of-the-art equipment
- Events

Cross-border Interference

Transtel experienced interference on the Radio Train order between Phalaborwa and Komatipoort. The department investigated the interference and traced its source to Mozambique. The source of the interference was a Code Division Multiple-access wireless telephone network implemented by the Mozambique fixed-line operator (TDM) in Maputo.

On the basis of the findings and subsequent notification of the relevant authorities, the Mozambican regulator (INCM) migrated all the licenced users, including TDM, out of the band. Further investigation by INCM revealed that there are unlicensed users in the band.

Subsequently, INCM requested ICASA to assist in the tracing of other illegal users. ICASA's Central Monitoring Office went to Maputo and did direction finding on these transmissions, and the results were given to INCM to do the necessary enforcement. A further request for assistance was received by ICASA for the same purpose.

Compliance and Labelling Campaigns

The regional offices conducted compliance and enforcement campaigns in their respective regions throughout the year. These compliance and enforcement campaigns yielded the following achievements:

- A total of 76 illegal radio transmitters and receivers were located and confiscated
- Illegal cordless phones were located and confiscated.
- Two illegal broadcasters were closed down and equipment was confiscated.

- Labelling and type approval campaigns in retailing businesses led to telecommunications equipment and radio-controlled toys being removed from the shelves of major stores.
- A total of 1 547 unlabelled cellular phones were confiscated.
- Warnings were issued to unlicensed operators in the Industrial Scientific and Medical (ISM) band.

It should be noted that some industry players are beginning to respond positively to this campaign and are now pursuing the type approval process. To date a total of 704 units of confiscated equipment have been returned after compliance with the Act had been proved.

Licence Compliance

Regional Offices have collected the outstanding licence fees and have sealed equipment on which fees are still outstanding so as to prevent any illegal usage that might pollute the spectrum.

The department closed a total of 3 718 files received from the Finance Department's Tracing and Collection section, including locally generated files. In addition, 489 radios were sealed due to non-payment of license fees, or at the request of the owner, to prevent them from operating. Confiscated equipment totalled 1 633 units.

Regional Offices have processed a total of 1 432 new licences, collecting application fees to the amount of R1 733 631.

Maritime Functions

ICASA's technical personnel who used to conduct marine surveys have been transferred to South African Maritime Safety Authority with effect from May 2006. However, they are still conducting Restricted Radio Telephone Operator and Global Maritime Distress and Safety System (GMDSS) examinations on behalf of ICASA in the coastal regions.

Two hundred and ninety-seven (297) GMDSS exams were conducted by the Durban and Cape Town offices, and exam fees collected amounted to R38 610. The coastal regions and the Pretoria region conducted 765 maritime-restricted radio telephone examinations and collected R 94 250 in examination fees.

High-site Inspections

Regional Offices also perform high-site inspections to proactively minimise interference and illegal transmissions. More than 200 high-site inspections were conducted in the past year. Audits were conducted and variations that were found resulted in the issuing of compliance notices. New sites were commissioned to ensure compliance to licence conditions and specifications. Alarm audits were also performed to ensure that there were no discrepancies in the number of users of the high-sites.

Spectrum Compliance

Out of a total of 661 interference cases, 446 have been cleared, representing a 67.47% success rate.



POSTAL DIVISION

Since its inception, the Postal Regulator has been located as a directorate within the Department of Communications (Doc). However, with the coming into effect of the ICASA Amendment Act of 2005, the Postal Regulator has been incorporated into ICASA's divisions of Licensing, Markets and Competition, Consumer Protection and Legal and the Complaints and Compliance Committee. In January 2007, the Postal Division relocated to the ICASA offices.

The Postal Division comprised of three departments, namely:

- Policy Research and Licensing
- Monitoring and Enforcement
- Pricing and Tariffs.

POLICY RESEARCH AND LICENSING

The Policy Research and Licensing department was responsible for registering and licensing postal operators and developed relevant policies and regulations to govern the postal industry.

The department undertook the following projects:

- Developed a code of practice for postal operators in the unreserved postal area (courier companies). The purpose of the Code is to develop uniform standards for the sector. The Code is binding to all postal operators.
- Registration of new unreserved postal operators and the renewal of existing operators. Currently there are 232 registered courier companies.
- Desktop research was completed on secure mail, post boxes and philately. The purpose of the research was to benchmark the way in which the three areas of postal services are regulated.
- Revised the application form for unreserved postal operators.

MONITORING AND ENFORCEMENT

The Monitoring and Enforcement department was responsible for ensuring compliance with legislation, licence conditions and regulations. The department executed this responsibility by monitoring the quality of postal services, inspecting the quality of services, promoting good customer service and handling customer complaints.

Compliance with legislation, licensing conditions and regulations is achieved through the following activities:

Postal inspections

Postal inspections were conducted to

- root out illegal operators in the reserved postal area, verify the location and operation of new postal outlets and monitor retail infrastructure roll-out;
- promote the functions and the interests of the Authority in the nine regional provinces; and
- enforce compliance to postal legislature and regulations in the industry.

Postal Services Delivery Standards

An independent monitoring project was undertaken on a three-year contractual basis. The purpose of this project was to ensure improvements on the delivery standards of the South African Post Office as a licensee.

Customer service

The Monitoring and Enforcement department conducted and participated in provincial outreach programmes to educate customers on postal issues. These outreach programmes entailed educating and informing customers about their rights and channels of redress with regard to postal services providers. The areas visited included Sekhukhune District, Vhembe District, Upington and North West.

Customer complaints

The Monitoring and Enforcement department received and responded to customer complaints on an on-going basis. During the past year, four customer disputes were resolved and the customers that had been negatively affected were compensated by SAPO.

Complaints about SAPO included poor customer service, non-delivery, mail theft and poor quality of service. Complaints about international mail and courier services were also received and resolved.

PRICING AND TARIFFS

The Pricing and Tariffs department determined postal pricing and tariffs for the reserved postal area of the South African Post Office. The department conducted economic and financial analyses of postal operators and evaluated tariff proposals to ensure the provision of reliable universal postal services at uniform and affordable rates. In the reporting year, the following activities were undertaken:

- A detailed economic and financial analysis of the South African Post Office's tariff increase proposal and financial information. Recommendations made regarding SAPO's proposal resulted in ICASA approving a 4.1% average general price increase for national tariffs and a 5.5 % average general increase for international tariffs.
- The approved tariffs were published, and addressed issues relating to postal fees and charges.
- Managed the quarterly regulatory reporting by the national operator (SAPO).
- Ongoing research was conducted on developments in international tariff regulation and reporting.



*LEGAL, CONSUMER
PROTECTION AND
INTERNATIONAL
RELATIONS*

LEGAL

Islamic Unity Convention vs. ICASA & S.A Jewish Board of Deputies ('Constitutionality')

In June 1998, the South African Jewish Board of Deputies (SAJBOD) lodged a complaint against the Islamic Unity Convention, broadcasting as Radio 786. It was alleged that a certain broadcast contravened the Code of Conduct for broadcasters in that, amongst other things, it denied the occurrence of the holocaust of Jewish people by the German Third Reich.

Radio 786 then instituted various proceedings that ultimately led to the Constitutional Court ruling in 2001 that the provision of the Code of Conduct for broadcasters under which the complaint was lodged was unconstitutional in that it offended the provisions of Section 16 of the Constitution, which deals with the right to freedom of expression. The Constitutional Court held that in adjudicating the complaint the BMCC had to use the text contained in Section 16(2) of the Constitution, which deals with unprotected speech.

The Broadcasting Monitoring and Complaints Committee (BMCC) subsequently made the necessary arrangements for the adjudication of the complaint, which was scheduled to be heard from 13 to 17 March 2006. However, Radio 786 instituted a constitutional attack against various provisions of the IBA Act, the ICASA Act and the BMCC Processes and Procedures in the Witwatersrand Local Division of the High Court. On 5 February 2007, the matter came before Van Oosten J for argument and it was held that the provisions referred to above were indeed inconsistent with the Constitution. The matter was referred to the Constitutional Court to confirm the said order. The Authority has now filed a notice of appeal, as well as an application for leave to appeal.

Islamic Unity Convention v ICASA and South African Jewish Board of deputies ('Urgent Application')

Subsequent to the BMCC arranging the hearing into the complaint lodged by the SAJBOD in June 1998, which was scheduled to be heard from 13-17 March 2006, Radio 786 launched an urgent application at the Witwatersrand Local Division to have the hearing postponed, primarily

because there was a pending constitutional attack on the provisions of the IBA Act under which the complaint was to be adjudicated upon, which meant that Radio 786 was not in a position to defend itself against the complaint as it did not have the 'charge sheet' or allegation of contravention.

On 9 March 2006, the court dismissed the urgent application with costs and directed that the BMCC hearing should proceed as previously scheduled. The Convention has applied for leave to appeal against the decision. The BMCC proceeded with the hearing as scheduled, but the Convention 'walked out' of the proceedings and the complaint was adjudicated in absentia. The BMCC found the Islamic Unity Convention guilty and recommended that Radio 786 desist from any further non-compliance with the relevant Act, and that it further publish the ruling and judgment of the BMCC in the manner detailed in the order. Radio 786 has instituted review proceedings against both the conviction and the sentence and the Authority has filed its opposing papers.

Goodnews Community Radio vs. ICASA and Izwi Lomzantsi

Goodnews Community Radio's review application against ICASA's decision not to grant it a four-year community sound broadcasting licence at the Durban Local and Coastal Division of the High Court was dismissed with costs. Goodnews Radio then applied for and was granted leave to appeal to the full bench of the Natal Provincial Division held at Pietermaritzburg. The appeal was also dismissed with costs. Goodnews filed a notice for condonation with the Supreme Court of Appeal (SCA), which was dismissed with costs.

Radio Rippel vs. ICASA

Radio Rippel instituted review proceedings against ICASA's decision to refuse the granting of a four-year community sound broadcasting licence at the Transvaal Provincial Division. Radio Rippel is yet to file its replying affidavits, whereafter the matter will be set down for hearing.

Radio Pretoria vs. ICASA

Radio Pretoria instituted review proceedings against the

Authority's decision to refuse the granting of a four-year community sound broadcasting licence. The High Court dismissed the Radio Pretoria application in favour of the Authority. Radio Pretoria then lodged an application for an appeal, which is pending before the SCA.

BAY FM vs. ICASA

Bay FM instituted review proceedings at the Witwatersrand Local Division against ICASA's decision not to grant it a four-year community sound broadcasting licence and also applied for interim relief to allow it to continue with its broadcasting activities pending the hearing of the review application. The parties reached an out-of-court settlement with Bay FM tendering the Authority's legal costs.

MTN vs. ICASA and CELL C

MTN launched review proceedings in the Witwatersrand Local Division against the Authority's decisions in respect of Cell C's roll-out plans for its community service telephones in areas that it deemed not to be under-serviced as they were situated mainly in urban areas. The Authority indicated that it would abide by the court's decision and filed the record of the proceedings sought to be reviewed. The court set aside the Authority's decision in this regard and referred the matter back for the Authority's reconsideration.

Vodacom (PTY) Limited vs. ICASA and Another

Vodacom instituted proceedings to request that the regulations that, amongst other things, declared it to be a major operator, be set aside as being invalid. The Authority took a decision to oppose the application on the basis that it had been brought prematurely as the Authority had not yet taken any decision about declaring the applicant a major operator. Vodacom proposed that the review be withdrawn in view of the pending promulgation of the Electronic Communications Act, which would render the review academic. The parties are exploring the possibility of an out-of-court settlement.

E K Moyo vs. Karabo Telecoms and six Others

This application was launched by Mr Moyo, who is challenging the validity of his removal as a director of Karabo Telecoms, a USAL licensee. The Authority is cited as an interested party and no relief is sought against it.

Imar Trader 25 cc t/a Siza Security vs. ICASA and another

The applicant approached the Natal Provincial Division with an urgent request for an order authorizing the Authority to adhere to the inspection warrant issued to it by the Magistrate, Pietermaritzburg, on 10 March 2006. The parties entered into out-of-court settlement negotiations. By agreement the applicant was to provide access to equipment and documents to the Authority.

Len Marshall vs. ICASA

Mr Marshall instituted action for the recovery of a purported amount of R95 982,00 by which the Authority had allegedly been overpaid for licence fees. ICASA is defending the matter. The matter was set down for trial on 5 December 2005, but was postponed at the request of Mr Marshall. Owing to the length of time that has elapsed without plaintiff taking any further steps regarding the matter, we have proposed that he withdraw the action with each party paying its own costs.

S vs. AEROSAT cc

The Port Elizabeth regional office laid criminal charges against Aerosat (the accused) immediately after the finalization of the civil court action that was instituted by Aerosat against the Authority. The main charge is that of operating without a valid licence, and the secondary charge relates to possession of radio apparatus without permission from the Authority. On 29 August 2006, the case was removed from the roll of the Port Elizabeth Regional Court to allow the State to work on its charge sheet and to secure a Section 212 affidavit from the CIPRO office. The Authority is assisting the prosecuting authorities in this regard.

Nothnagel v RAF and ICASA

ICASA was served with a third party notice by the Road Accident Fund, in accordance with the Uniform Rules of the Free State High Court, wherein the spouse of a late ICASA employee sought to join ICASA in an action to seek compensation for loss of support as a result of a motor vehicle accident in which her husband died. The matter has been deferred to ICASA's insurers at the time of the accident, who are opposing the matter. A trial date has not yet been allocated.

ICASA v Imvo Technologies

The Authority launched an application in the High Court (DCLD) to have its decision of awarding a PABX tender to Imvo Technologies set aside on the basis of non-compliance with several procedural aspects. The two parties reached an out-of-court settlement concerning the installation of the PABX system at ICASA.

ICASA v Roswika Digital Solution

ICASA instituted court proceedings to set aside a contract it entered into for multifunction photocopying devices. The matter is awaiting the allocation of a hearing date by the Registrar of the Witwatersrand Local Division.

CONSUMER PROTECTION

The Consumer Protection department is responsible for addressing issues affecting the consumers of communication services. The department consists of two units, namely Public Awareness and Education, and Complaints Handling.

Public Awareness and Education Unit

The Public Awareness and Education Unit conducts a range of community-awareness programmes on a continuous basis. The consumer-awareness programmes focus on, inter alia, universal service and access, consumer rights, current developments in the industry, services available to people with disabilities, competition and choice.

The Unit collaborates with other related agencies to address consumer affairs issues.

In the year under review, the department embarked on the following public awareness campaigns:

Mobile Number Portability

Following the launch of Mobile Number Portability, the Consumer Protection department embarked on a public awareness drive to educate consumers about the new regulation. Road shows were conducted, and pamphlets and posters - printed in all the eleven official languages - were distributed in public places such as post offices and libraries across the country.

E-rate

The department also embarked on a road-show to assess the implementation of the e-rate in public schools in Limpopo Province, the Eastern Cape and the Northern Cape. The e-rate project involves the charging of lower rates to public schools for Internet access. The e-rate project arose from the imposition of universal service obligations on telecommunications operators.

Other consumer-related challenges

Other road shows were organised as part of the campaign to increase public awareness and educate consumers to determine the quality of service that consumers receive in respect of:

- Inferior equipment
- Unfair or deceiving advertising
- Unfavourable contract terms (guarantees and warranties)
- Poor customer service
- Billing statements
- Installation
- Lack of understanding on tariffs
- Infringement of privacy.

Complaints Handling Unit

The Complaints Handling Unit receives complaints from consumers regarding the quality of service they receive from service providers. Some complaints are resolved internally, while others require escalation to service providers to arrive at solutions.

The statistics and tables below provide a breakdown of complaints received, and the various categories into which they fall.

The total number of complaints received during this period was 924, of which 679 were closed and 245 are pending.

Distribution of Complaints Across Categories:

TABLE 1.A:	
<i>Telkom Complaints:</i>	
1. Installation	48
2. Line transfer	13
3. Line suspension	06
4. Fault reporting (POTS)	112
5. Faulty customer premises equipment	00
6. Telkom Internet	04
7. Terms and Conditions of Service Provision	01
8. Directory services	02
TOTAL =	186

TABLE 1.B:	
<i>Compliance to ADSL Regulations:</i>	
1. ADSL Installation	70
2. ADSL Fault reporting & clearance rates	40
3. ADSL Tariffs	14
4. ADSL Market competition	03
5. ADSL Local bandwidth capping	00
6. ADSL Broadband speed	02
7. ADSL Port prioritization	00
8. ADSL Contention ratios	00
9. ADSL Service Level Agreement	00
10. Enquiries	05
TOTAL =	168

TABLE 1.C:	
<i>Terms & Conditions of Service Provision (Contract):</i>	
	14
1. Entry clauses and upgrade	13
2. Exit clauses/terms	21
3. Warranties/Guarantees	00
4. Cooling-off period	00
5. Call limit/Barring facility	05
6. Non-compliance to number portability	44
7. Number retention	02
8. Blacklisting	15
9. Unsolicited merchandise	09
10. Unsolicited messages (SMS)	04
11. Customer confidentiality	06
12. Loss of airtime purchased (window period)	00
13. Faulty handset	35
14. Network locking	01
TOTAL =	169

TABLE 1.E:	
<i>All Mobile Operators:</i>	
1. Network coverage (service availability)	23
2. Call quality	00
3. Drop call	01
4. Community Service Telephones (CSTs)	13
5. Mobile Internet access (3G)	08
6. Type approval	02
TOTAL =	47

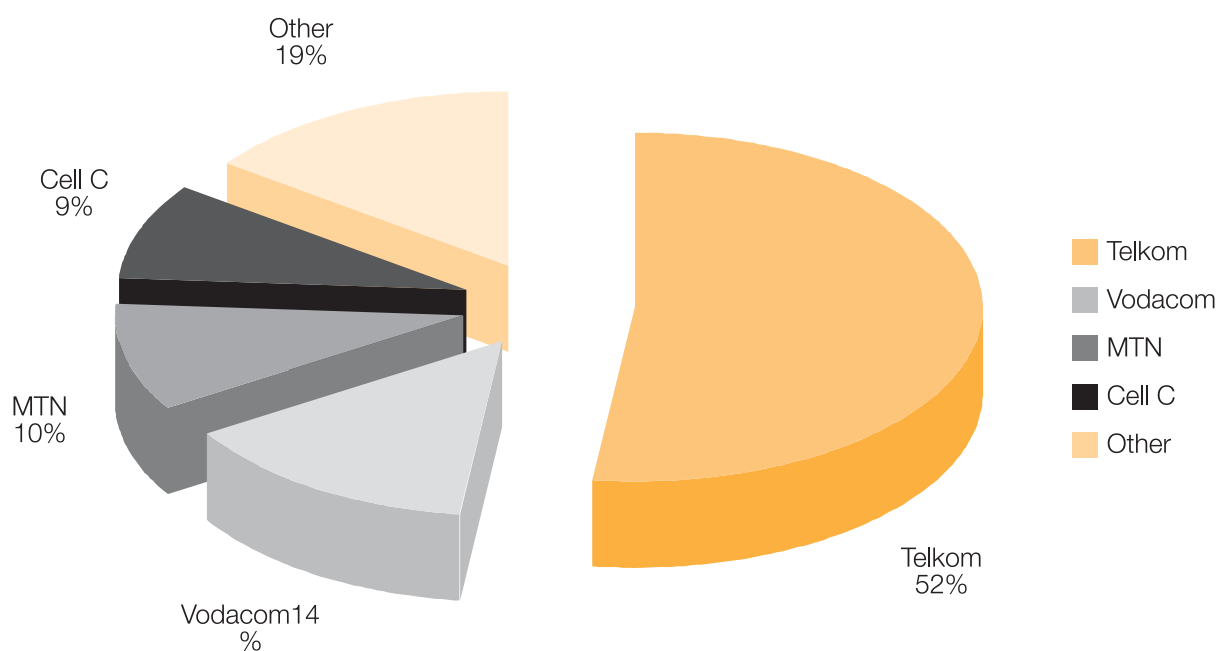
TABLE 1.D:	
<i>Categories applicable to all:</i>	
1. Billing	161
2. Operator response time to operator-assisted calls (ORT to OAC)	02
3. Service to people with disabilities	02
4. Misleading advertisements	06
5. General customer treatment (Complaints handling and resolution mechanisms)	19
6. Tariffs	19
7. Competition	04
TOTAL =	213

TABLE 1.F:	46
<i>Other:</i>	
1. Mobile public pay phones	06
2. Enquiry/Comment	55
3. Comment/Enquiry, SIM swap, beyond jurisdiction, insurance, fraud, grey imports, software failures, etc.	34
TOTAL	141

TABLE 2:

Abridged Tabular Representation of Main Complaints Categories:

No.	Complaints categories (consolidation of a long list)	No.	%
1.	Telkom service provision	186	20%
2.	Telkom ADSL	168	18%
3.	Mobile operators' Terms and Conditions of Service Provision	169	19%
5.	Complaints against all mobiles combined (e.g. Network coverage, call quality, drop call and 3G)	47	5%
6.	Billing	161	17%
7.	OTHER (141+ Table 1.D – Billing)	193	21%
8.	TOTAL	924	100%



Other Complaints Categories:

No.	Complaints categories (consolidation of a long list)	No.	%
1.	Telkom line installation	48	5%
2.	Telkom fault reports	112	12%
3.	ADSL installation	70	8%
4.	ADSL fault reports	40	4%
5.	Network coverage	23	3%
6.	Mobile Operators' Terms & Conditions of Service Provision	169	19%
7.	Compliance to MNP	44	5%
8.	Tariffs	19	2%
9.	General customer treatment	19	2%
5.	Complaints against all mobiles combined (e.g. Network coverage, call quality, drop call and 3G)	47	5%
6.	Billing	161	17%

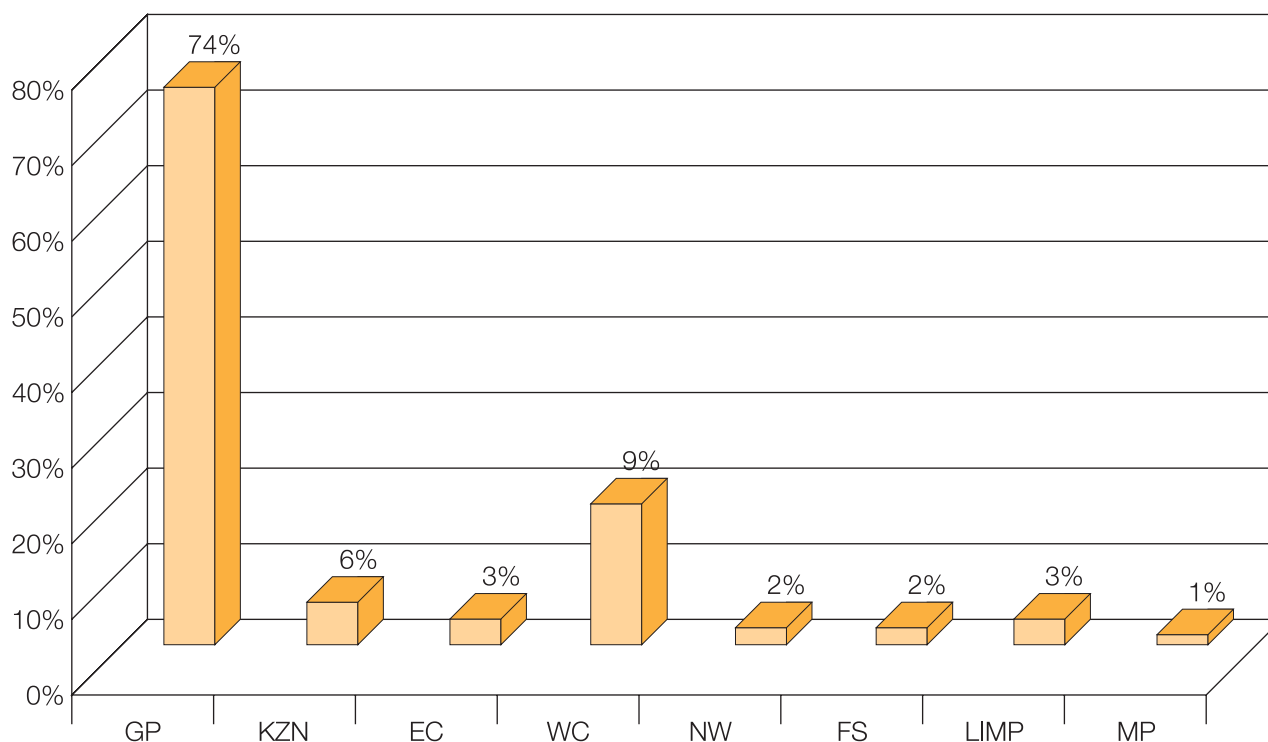


TABLE 3:

Distribution of Complaints Amongst Different Licensees:

Telkom	Vodacom	MTN	Cell C	Other
480	131	96	79	138
52%	14%	10%	9%	15%

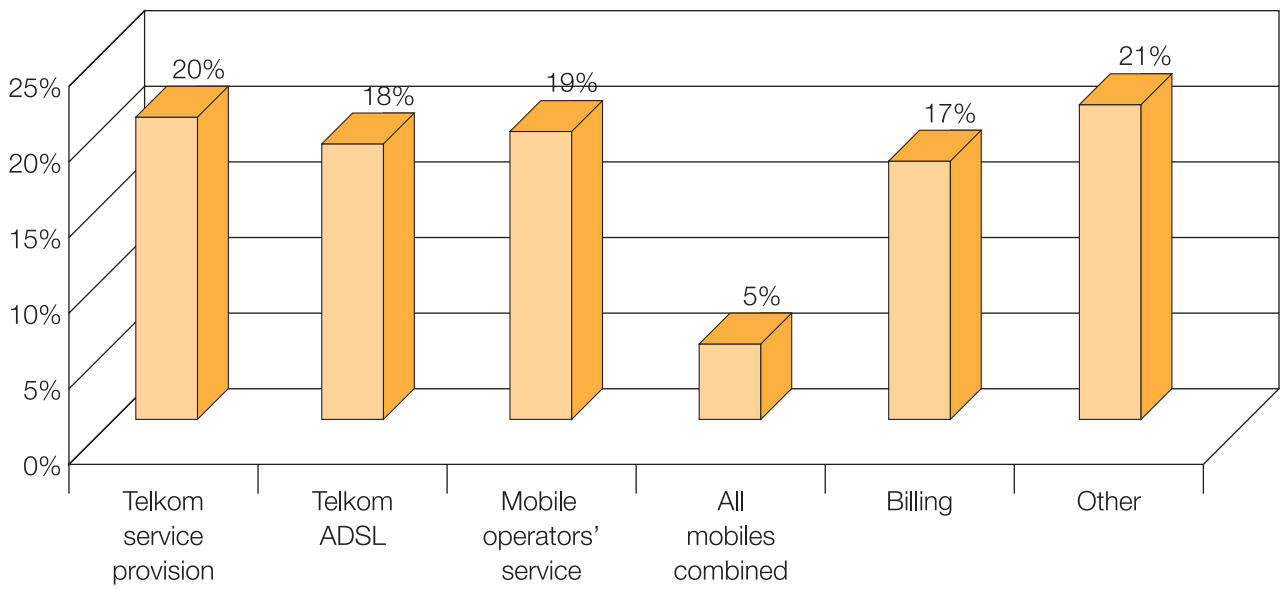
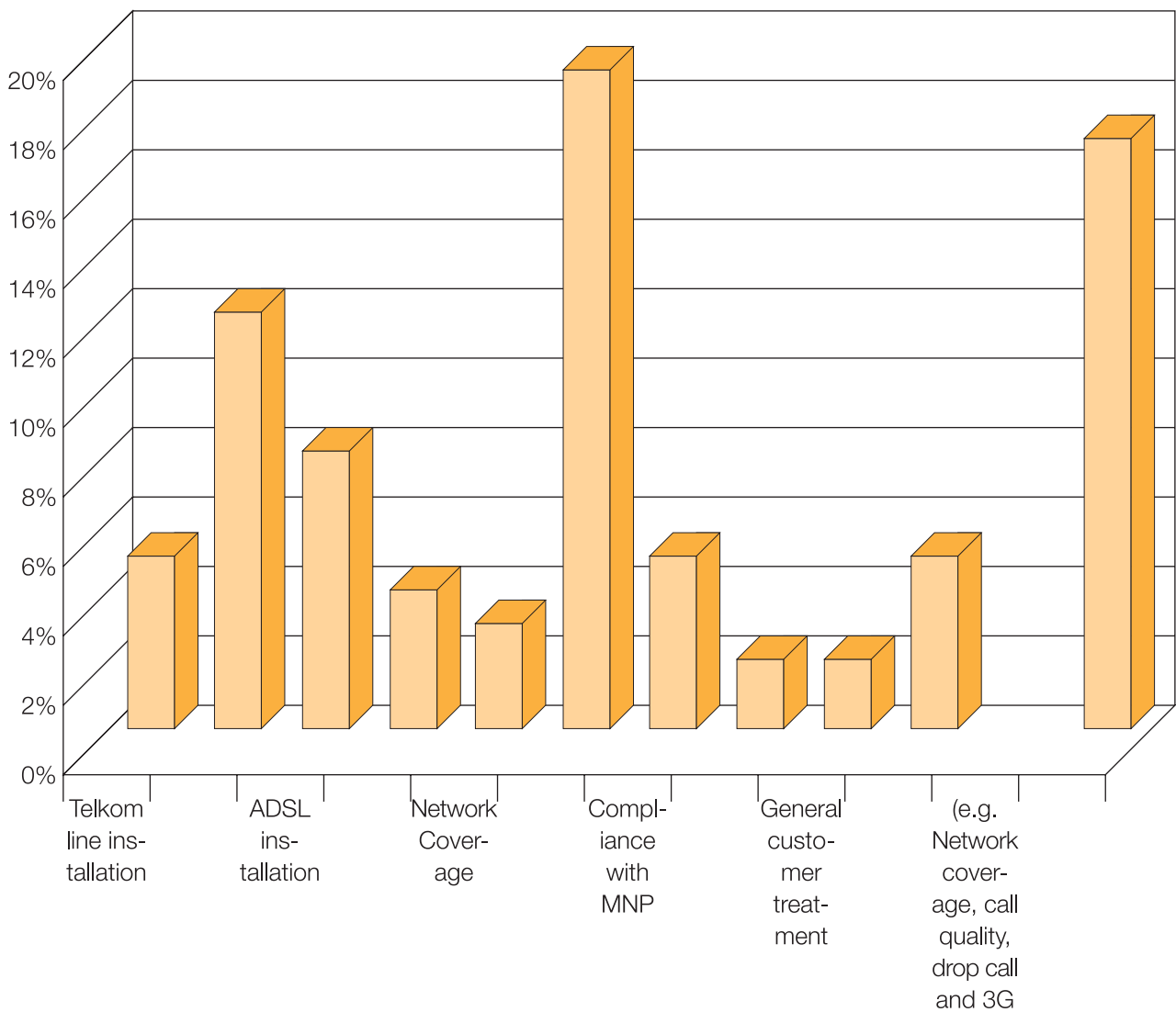


TABLE 4:

Distribution of Complaints Across Provinces:

GP	KZN	EC	WC	NW	FS	Limp	MP
681	53	26	87	23	15	28	11
74%	6%	3%	9%	2%	2%	3%	1%



INTERNATIONAL RELATIONS

The International Relations Unit coordinates the participation and representation of ICASA in international forums that relate to the regulation of the communications industry. At the core of this responsibility is the hosting of international study visits, and the provision of logistical support for ICASA's councillors and management members attending international conferences and undertaking study visits.

ICASA's international participation in industry events takes place at three levels, namely the Southern African (CRASA), continental (RIARC), and world-wide (e.g. the International Telecommunications Union) levels.

During the reporting year, the Authority participated in the following international/regional activities:

Communications Regulatory Authority of Southern Africa (CRASA)

Following the restructuring and renaming of the Telecommunications Regulatory Authority of Southern Africa, now known as the Communications Regulatory Authority of South Africa, ICASA continues to play an important role in the activities of the regional coordinating body of regulators of Southern Africa.

The Authority took part in processes to develop the strategic goals of the new body, such as the formulating of the vision and mission, and the alignment of its activities to incorporate the regulation of converging technologies and services in the communications sector.

The Authority participated in the following CRASA activities:

- CRASA's Strategic Business Plan Meeting in South Africa, 12–14 June 2006
- Frequency Plan Committee meeting in Malawi, 25–27 September 2006
- Legal and Policy Committee in Mauritius, 02–05 October 2006

- Numbering and Standards Committee, 11–12 December 2006. This Committee
 - deliberated on the establishment of the Numbering Operational Group (NOG);
 - reviewed the progress of the harmonisation process of Numbering plans in the SADC region;
 - discussed the appointment of an external consultant to conduct a research study on E-numbering for the region (E-NUM);
 - discussed the receipt and analysis of the research findings on the CRASA Harmonization Approach for Standards and Type Approval; and
 - reviewed licensing guidelines.

International Telecommunications Union (ITU)

The following meetings were attended:

- ITU Council 2006, Geneva, 18–29 April 2006
- 2nd session of the Regional Radio-communications Conference (RRC 06): Geneva
- ITU Plenipotentiary Conference (PP – 06), Turkey: 06–24 November 2006
- ITU Telecom World 2006, Hong Kong, 2–8 December 2006.

African Communication Regulatory Authority Network (RIARC/ACRAN)

- ACRAN Board meeting, Tanzania: 07–10 May 06
- African Children and African Media conference: 15–17 June Ohio.

International Institute of Communications (IIC)

- IIC Forum, London, 10–14 April 2006
- International Regulators Forum, Malaysian, 16–17 September 2006;
- International Institute of Communications 37th Annual Conference Malaysia, 18–19 September 2006

Southern African Broadcasting Association (SABA)

- Attended SABA Conference on Broadcasting Reforms, Mozambique, 13–16 August 2006.

Bilaterals

Mozambique

ICASA's technical team assisted the Communications Regulator of Mozambique (INCM) in tracing illegal operators/interference signals that were emanating from the Maputo area, causing interference with the Transtel CDMA system in the Komatipoort and Nelspruit areas. The technical tests were conducted from 29 January–2 February 2007.

ICASA hosted the following delegations on fact-finding missions:

- The Gambia Public Utilities Regulatory Authority (PURA), 2–5 May 2006
- Institutional capacity-building project for Sudan, 10–14 July 2006
- Angolan delegation, 18–21 July 2006
- Chinese delegation on 27 May–03 June 2006, and again on 13 October 2006.

Other Meetings

- Telecommunications Equipment Standards meetings: 11–20 September 2006. Sweden
- Number Portability 2006 Conference, 25–28 September
- Eastern Africa Submarine Cable (EASSy) meeting, Kenya, 4–6 July 2006
- Signing of Protocol by ICT Ministers of Eastern and Southern Africa, Rwanda. 27–29 August 2006;
- Telecommunications Policy and Research Conference (TPRC) 29 September – 1 October 2006;
- Asia Media Summit, 26 May–2 June 2006, Kuala Lumpur, Malaysia

- ICASA hosted the CTO digital broadcasting switch-over conference, 30 Jan - 01 Feb 2007, in Sandton
- ICASA co-hosted the 5th World Summit on Media for Children, 23 -28 March 2007
- Global System for Mobile Communications Seminar for Regulators and ICT e-Africa conference and tutorial, Kenya, 15– 21 May 2006
- 9th Mobile Regulation & Competition Law 2006, Belgium, 13–14 June 2006.

Capacity building

ICASA Councillors, managers/staff attended following courses:

- Regulatory Master class, UK, 23– 29 April 2006
- 19th International training programme in utility regulation and strategy, US, 19–30 June 2006
- 3G Broadband Wireless Access, 27 July – 6 August 2006, USA
- WiMAX /WiFi technologies training program, Canada, 31 July–4 August 2006
- Corporate Planning in Telecommunications, Canada, 14–18 August 2006
- 21st International Training Program in Utility Regulation and Strategy, US, 8– 19 January 2007
- Telecom Regulation Course: Strategies to achieve connectivity and convergence, 25 February–3 March 2007.

COMMUNICATIONS

The Corporate Communications Department is responsible for the internal and external communication environment of the Authority. These responsibilities include media and stakeholder liaison, industry exhibitions and internal events, as well as responding to general enquiries from operators and the public.

Media Liaison

For the year under review, the Communications Department was involved in the following activities:

- Responding to media enquiries and arranging interviews with mainstream and industry-based media and publications for Councillors and Project Managers
- Issuing Press Releases about the Authority's regulatory activities
- Conducting media briefings to selected journalist on pertinent regulatory projects
- Placing advertorials in select industry and business publications about ICASA's regulatory activities:
 - o BMI-Technology 2006 Communications Handbook
 - o 2007 Commonwealth Yearbook
 - o Leadership, September 2006
 - o Enterprise, October 2006
- Placing corporate advertisements in the mainstream newspapers about
 - o the World Telecommunications and Information Society Day
 - o the enactment of the Electronic Communications Act and the timeframes for its implementation by the Authority
 - o the incorporation of the of the postal division (the former Postal Regulator) into ICASA.

Stakeholder Relations

The Communications Department manages stakeholder relations by providing all affected parties and operators with information about the activities of the regulator, and maintains a database of contact details for this purpose.

The Department participated in the following stakeholder events and activities:

- Hosted a Stakeholder's Meeting / Brief to the Industry that coincided with the farewell function of Councillors Lumko Mtimde, Mamodupi Mohlala and Nadia Bulbulia
- Made presentation to international delegation visiting ICASA on fact-finding missions
- Received and re-routed general enquiries from operators and the public to ICASA's line functions for response and clarifications
- Up-dated the website about the Authority's regulatory developments, and created a dedicated webpage for the Electronic Communications Act regulations and related documents
- Created a web-page for the postal division
- Branded ICASA's public hearings and distributed promotional material and other information material
- Co-ordinated the photographing of all ICASA's internal and external events for purpose of developing a Photographic Gallery
- Co-ordinated the production and distribution of the 2006 Annual Report
- Profiled ICASA's new Council in mainstream newspapers.

Industry Exhibitions

The Communications Department represented ICASA in the following industry exhibitions and events, where promotional and information material was distributed:

- Satcom Africa 2007
- Futorex
- Provincial Workshops for Children and Media Summit
- Children and Media Summit
- Science and Technology Week

Internal Events

The Communications department hosted the following internal events:

- Take Girl Child to Work
- Youth Day
- Womens Day
- Casual Day
- Heritage Day
- Family Day
- 16 Days of Activism Against Child and Woman Abuse
- Year-end Function
- Welcoming Postal Division staff
- Printed and distributed corporate calendars
- Printed and distributed pocket editions of the Electronic Communications Act
- Produced and distributed on-line internal newsletters
- Facilitated internal staff meetings and maintained Suggestion Boxes

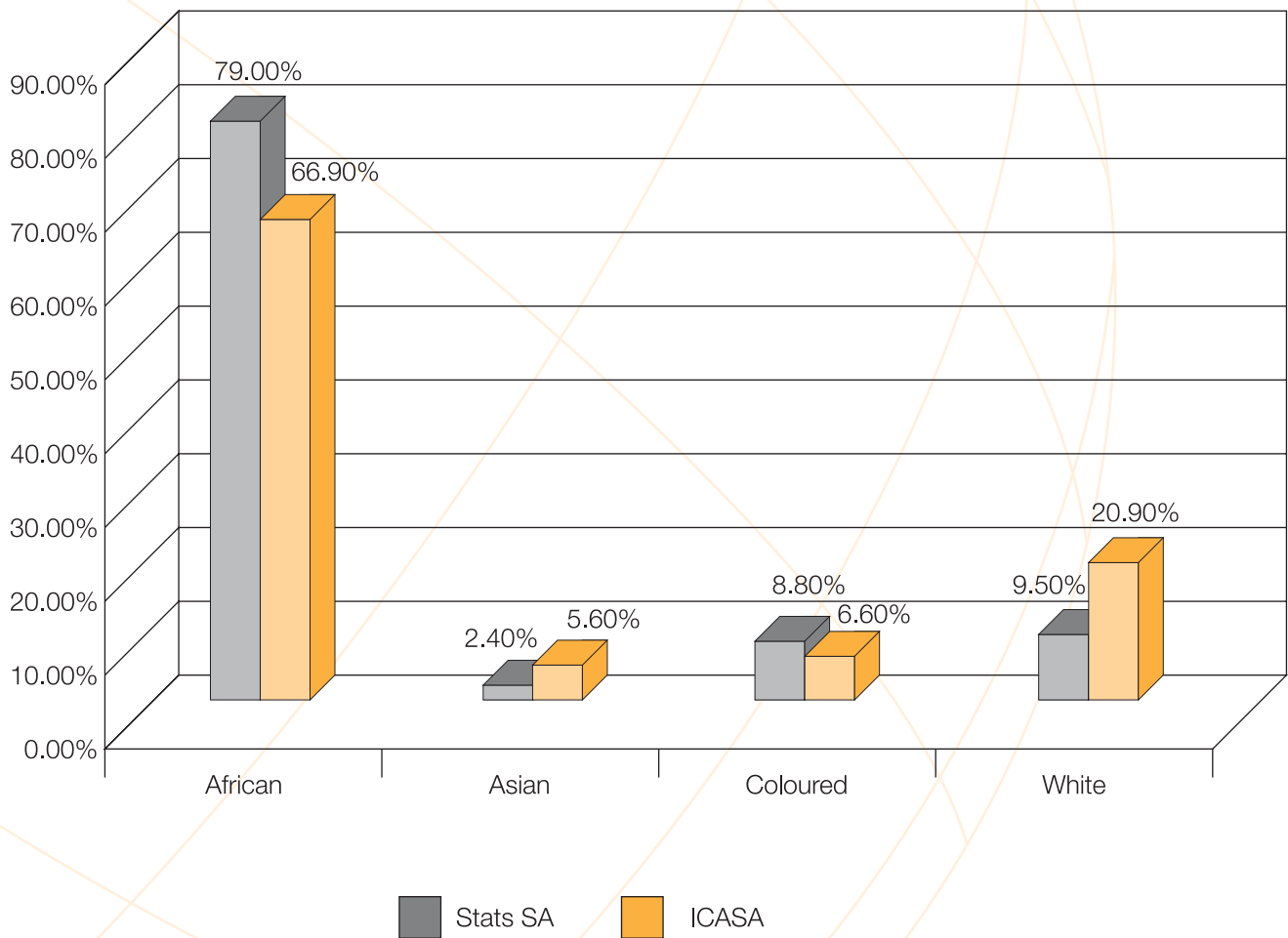


HUMAN RESOURCES

At the end of March 2007, ICASA had a total of 302 permanent employees and 23 temporary/short-term contract employees. An analysis of ICASA's demographics of permanent and long-term contract staff as at 31 March 2007 compares as follows with the official Census 2001 statistics of race distribution within South Africa:

Human Resources Demographics

Figure 1: Comparison of ICASA race statistics with the South African official population statistics 2001



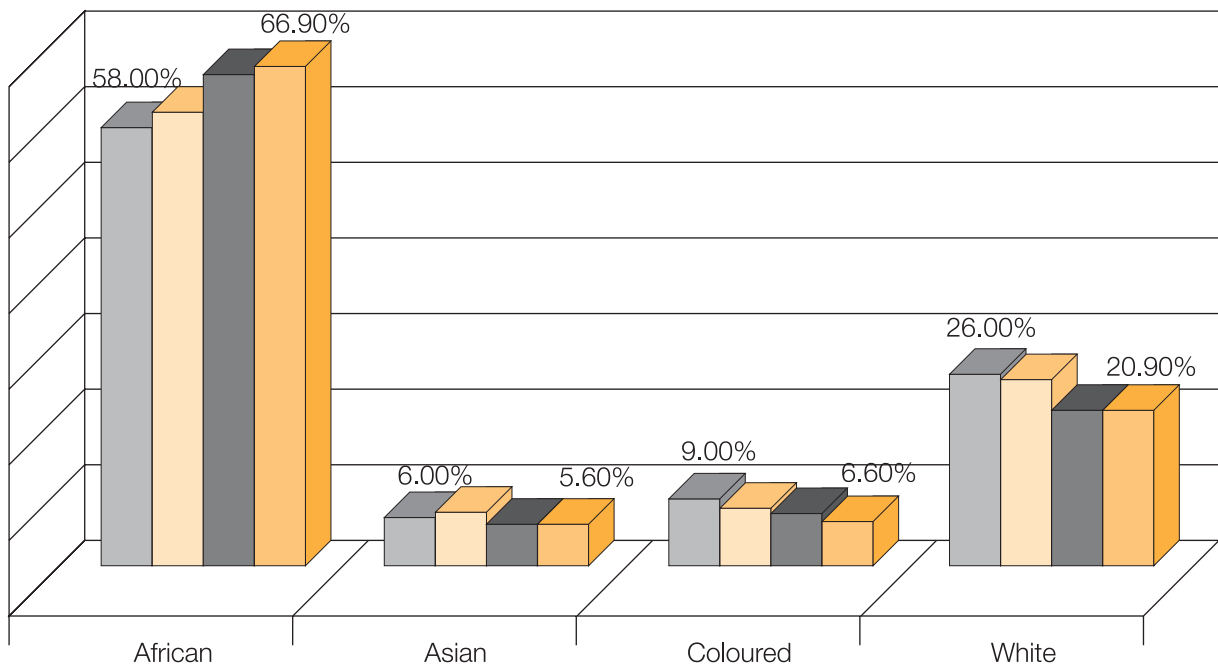
The pressing ability to retain key employees from being absorbed into the industry whilst striving to enhance fair representation with regard to both gender and race within ICASA still remains a challenge to the Authority.

Table 1: Demographic profile of ICASA's permanent and long-term contract staff as at 31 March 2007

Population group	Total	% In each group		% Variance
		March 2006	March 2007	
African	202	65.8	66.9	1.1
Asian	17	5.7	5.6	(0.1)
Coloured	20	7.6	6.6	(1.0)
White	63	20.9	20.9	0
Grand Total	302	100.0	100.0	0

The above statistics are presented graphically in Figure 2 below, in which the continued upward shift in African representation can be noted over the past four years, against the downward trend for the other population groups.

Figure 2: Demographic profile of ICASA's permanent and long-term contract staff as at 31 March 2007, versus March 2004, 2005 and 2006



An in-depth analysis of the Authority's various divisions reflects uneven distribution of races in some divisions, as can be seen in the breakdown per division in Table 2:

Table 2: Comparative analysis of racial representation per division as at 31 March 2007

Division	African	Asian	Coloured	White	Total
Broadcasting	21	0	4	3	28
CEO's office	1	1	0	0	2
Council	6	0	0	2	8
Council aides and support	12	1	1	2	16
Engineering and Technology	51	8	9	44	112
OFBS	55	2	5	10	72
Internal audit	5	2	1	0	8
Legal, Communications and Consumer Support	20	0	0	1	21
Telecommunications	18	2	0	1	21
Postal	13	1	0	0	14
Grand total	202	17	20	63	302

From the above, it is clear that under-representation of the targeted groups is still evident in the technically advanced area of Engineering and Technology. This area is still dominated by white males, and the availability and attraction of appropriately qualified and experienced males from the previously disadvantaged groups remains a challenge. The Authority is actively recruiting previously disadvantaged individuals into this technologically advanced division and has also embarked on training in this field.

An analysis of gender representation in ICASA reveals that, as shown in Table 3, women constitute 46.68% of ICASA's workforce, which is an increase from 46.2% in the previous year.

Table 3: Comparative Gender Status by Division as at 31 March 2007

Division	Female	Male	Total	% Female		% Variance
				2006	2007	
Broadcasting	15	13	28	57.6	53.6	(4)
CEO's office	2	0	2	100	100	0
Council	3	5	8	42.8	37.5	(5.3)
Council aides and support	12	4	16	75.0	75.0	0
Engineering and Technology	35	77	112	28.6	31.2	2.6
OFBS	41	31	72	57.5	56.9	(0.6)
Internal Audit	6	2	8	60	75	15
Legal, Communications & Consumer Support	9	12	21	57.1	42.8	(14.3)
Telecommunications	9	12	21	37.5	42.8	5.3
Postal	9	5	14	-	64.3	-
Grand total	141	161	302			

From the above it is evident that the situation with regard to racial and gender distribution is still a cause for concern in the area of Engineering and Technology. This will have to be addressed by way of interventions to attract females to the technical environment, which in the past was pursued predominantly by males as a career.

Figure 3: Staff complement at 31 March 2007 by Gender



Significant HR Activities

Transfer of ICASA Staff to South African Maritime Safety Authority (SAMSA)

With effect from 1 May 2006, four staff members from the ICASA Regional Offices who had previously been performing maritime radio survey duties were transferred to SAMSA after a process of consultation.

Job evaluation and grading. In June 2006, the former Acting CEO and Council approved the appointment of PE Corporate Services (PECS) to conduct a Job Evaluation and Grading Exercise for ICASA, which was necessitated by the existence of salary disparities and labour grievances that resulted from a previous exercise commissioned by the former CEO and conducted by Global Edge Consulting in February – March 2005.

The project, which involved extensive interviews with staff members, led to the development of Individual Job Profiles and the grading of positions by an Internal Grading Committee, facilitated by a consultant from PECS.

VIP Leave Module. The VIP leave module was activated in July 2006 after configuration and set-up on the VIP Payroll system. HR staff members received training in the application of the leave module and from August 2006 employees' leave credits have been reflected on their pay slips. This module assists with the management of leave through a computerised system that is integrated with the payroll.

Long Service Awards 2006. A total of 19 employees who qualified for Long Service Awards between 1 April 2006 and 1 December 2006 received their awards in December 2006.

ICASA Amendment Act - Postal Regulator Merger.

Following the promulgation of the ICASA Amendment Act, and after consultation and negotiation with the relevant representatives of organised labour, Postal Regulator Staff performing their function at the Department of Communications were integrated into ICASA with effect from 1 January 2007.

Performance bonuses. In line with the performance agreement reached with organised labour, performance bonuses were paid to staff in March 2007 after all staff members had received training to enable them to complete individual performance agreements. Staff members were evaluated on their performance, the relevant performance reviews were completed and moderated by the respective divisional heads, and representatives of organised labour were afforded the opportunity to participate during the moderation process.



*Overview of
Performance
for 2006-07*

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
ENGINEERING AND TECHNOLOGY				
Monitoring and Regions				
Monitoring frequency spectrum for optimum usage	Clearance of harmful interference and optimum usage of frequency spectrum	Frequency Spectrum audits and reports on interference	<ul style="list-style-type: none"> 470 interference cases cleared out of 661. 200 high-site inspections done. 	Inadequate monitoring equipment
Frequency spectrum				
Review spectrum licence fees	Revised spectrum licence fees	Regulations on spectrum fees i.t.o ECA	Research completed and draft regulations	Inadequate resources
Review South African Table of Frequency Allocations (SATFA) i.t.o ECA.	Band Plan review in line with ECA	Publish Draft Band Plan for public comment	Revised plan forwarded to Minister for comment i.t.o ECA	Delays in publishing the Band Plan as required by ECA
Sharing of 800MHz frequency band to introduce non-broadcasting services in the frequency band	800 MHz Frequency Band Shared between broadcasting and non broadcasting services	Licensing of non-broadcasting services in the band	<p>Sharing study finalised and findings published</p> <p>Licensing of non-broadcasting services in the 800 MHz band</p>	Inadequate spectrum to cater for demand from users
Update regulatory focus to introduce new communications services	5.8 GHz Regulations published	Regulatory framework on the licensing of 5.8 GHz	<p>Discussion document published for public comment and comments received.</p> <p>Hearings put in abeyance pending the outcome of the Spectrum Licensing Framework.</p>	Delay in introducing broadband fixed wireless access services in this band
	Development of Satellite licensing framework	Regulatory framework on the licensing of satellite services	<ul style="list-style-type: none"> Draft Satellite Framework published for public comment. Process incorporated into Spectrum Licensing Framework project 	

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
ENGINEERING AND TECHNOLOGY				
Frequency spectrum				
	Regulations on Radio Frequency Identification (RFID) frequency allocations	Publish Draft RFID discussion paper for public comment Create an enabling regulatory framework for RFID licences	<ul style="list-style-type: none"> • Research on RFID completed • Discussion document published for public comment • Hearings scheduled for June 2007 	
	Personal locator beacons (PLB) Regulations	Regulatory framework for PLB	Regulations published and process finalised	
Regulatory framework for High Demand frequency spectrum bands	Regulations on the licensing of High Demand frequency spectrum bands and the applicable licence fees payable	<ul style="list-style-type: none"> • Research into the licensing of high demand bands • Discussion paper for public comment and conduct public hearings • Regulations on the licensing framework and licence fees payable 	<ul style="list-style-type: none"> • Research completed • Discussion document published for comment and comments received. • Public hearings held in March 2007 	Delay in the finalisation of regulatory framework
Review of equipment type specification in line with international developments.	Compliance with South African and International equipment standards	Equipment standards published and enforced	TC80 standards approved in March 2007	Delay in the implementation of the standards
Introduction of Digital Broadcasting services	Digital Broadcast frequency band plan	<ul style="list-style-type: none"> • Inputs by South Africa given to ITU • Development of the band plan • Publish band plan for public comment • Gazette final band plan 	<ul style="list-style-type: none"> • Draft band plan finalised • South Africa's Digital requirements to the ITU. • Ongoing discussions with DoC 	Delay in adoption of the RRC-06 Digital Broadcasting by DoC

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
ENGINEERING AND TECHNOLOGY				
Frequency spectrum				
Audit frequency spectrum	High demand bands monitored for usage and enforce migration.	Report on 2.5 GHz band usage	2.5 GHz band monitored and report completed	Uncooperative operators who have not migrated
Review and streamline licensing processes	Compliance with turn-around time of processing and issuing licenses.	Improved turn-around time of processing radio frequency spectrum and equipment type approval licence applications	Licensing process reviewed and bottlenecks in the process identified. applications processing turn-around times: Type approval - 3 weeks, spectrum licences 6 weeks.	Delay in processing or issuing licences on time
Radio frequency Spectrum licenses in line with ECA	Radio frequency spectrum licenses issued in line with ECA.	All new and renewed radio frequency spectrum licenses issued in compliance with ECA	New spectrum licences issued in line with ECA by December 2006. New licence applications after December 2006 put in abeyance pending the completion of the ECA licence conversion process.	Delay in finalizing the license conversion process

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
BROADCASTING				
Policy and Research Development				
Workshops i.r.o the new policy and regulations on community sound broadcasting policy	Ensuring that the community sound broadcasting licensees and aspirant licensees are informed of the new policy, regulations, licensing requirements and procedures.	Workshops were held from 26 September to 10 November 2006 in the provinces.	The project has been completed.	

Research into programming for children, the youth, women, and people with disabilities	Research report into programming trends for the identified groups and a determination whether regulatory intervention is required The report to form part of the presentation to be done by the Authority at the 5 th World Summit on Children in March 2007.	Drafting of a Research Report	Report completed and presented during the 5 th World Summit on Children and the Media	
Amendment of regulations on Community Sound Broadcasting, Special Events Broadcasting and Low Power	Regulations promulgated under the empowering provisions of the EC Act	Publication for draft regulations for public comment Conduct public hearings Publish final regulations	Draft regulations completed ECA committee has published a mapping framework for public comment and has subsumed the draft regulations	

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
BROADCASTING				
Policy and Research Development				
Digital Migration/ Transition Strategy	Development of a Digital broadcasting migrating strategy	Participation in the Government's Digital Migration Working Group	Working group has finalised its report and the report has been submitted for the Minister of Communication's consideration	Delay in the implementation of the strategy, which may impact on the broadcasting of the 2010 Soccer World Cup

Licensing				
Licensing of community broadcasters in the nodal point areas	Licensing of community sound broadcasting services in identified rural and peri-urban areas of South Africa	Consider applications from the identified areas Issue licences to successful applicants Provide written reasons for decisions	<ul style="list-style-type: none"> Applications have been considered and 13 successful applicants have been notified Licence conditions issued 	

Secondary markets commercial sound broadcasting licences	Licensing of commercial sound broadcasting services in Mpumalanga, Limpopo, Northern Cape and North West	<ul style="list-style-type: none"> Evaluate applications received Conduct public hearings Award licences to successful applicants Provide written reasons and finalise the applicable licence conditions 	<ul style="list-style-type: none"> Hearings conducted Recommendations to Council finalised Successful applicants notified Written reasons finalised 	
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Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
BROADCASTING				
Licensing				
Licensing of Community sound broadcasting services	Licensing of more community sound broadcasting services to other communities in South Africa	<ul style="list-style-type: none"> Evaluate applications received Conduct public hearings Award licences to successful applicants Provide written reasons and finalise the applicable licence conditions 	<ul style="list-style-type: none"> 37 applications received Recommendations on applications for condonation approved by Council Analysis of applications completed Hearings for competing applicants held in Bloemfontein in March 	
Licensing of Subscription Broadcasting Services	Licensing of subscription broadcasting services.	<ul style="list-style-type: none"> Evaluate applications received Conduct public hearings Award licences to successful applicants Provide written reasons and finalise the applicable licence conditions 	A total of 18 applications were received and are under consideration.	

Monitoring and Complaints

Monitoring of broadcasters: To ensure compliance with licence conditions and relevant legislation.	Assessment of compliance by broadcasters with the relevant obligations	Compliance assessment reports	During the period under review the Monitoring Unit produced 15 monitoring reports. Twenty- three (28) broadcasters were visited during the period under review.	
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Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
BROADCASTING				
Monitoring and Complaints				
Complaints received	Complaints resolution	Analysis of Complaints Referral to the relevant adjudication body	The Complaints Unit received 18 complaints	Delayed establishment of the Complaints and Compliance Committee i.t.o the ICASA Act, as amended
Broadcasting Monitoring and Complaints Committee (i.t.o IBA Act)	Complaints resolution	Adjudication of complaints submitted i.t.o the IBA Act	No complaints were adjudicated by the BMCC (BMCC was dissolved on 19 July 2006)	Delayed establishment of the Complaints and Compliance Committee i.t.o the ICASA Act, as amended

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
TELECOMMUNICATIONS				
Licensing				
Licensing of Phase 2 Under-serviced Area services	Issuing of licences in the identified areas	<ul style="list-style-type: none"> Evaluate applications received Conduct public hearings Award licences to successful applicants Provide written reasons and finalise the applicable licence conditions 	Recommendation submitted and licences issued.	Non-compliance with the USAASA SLA by licensees

Licensing of Value-added Network Services	Issuance of VANS Licences	<ul style="list-style-type: none"> Evaluate applications received Award licences to successful applicants 	101 VANS licences issued to successful applicants	Non-compliance with licence conditions by licensees
Licensing of Private Telecommunications Networks Services	Issuance of PTN Licences	<ul style="list-style-type: none"> Evaluate applications received Award licences to successful applicants 	15 PTN licences issued	Non-compliance with licence conditions by licensees
Finalise Outstanding Licence terms and conditions of Neotel	Finalise outstanding licence conditions applicable to Neotel	<ul style="list-style-type: none"> Negotiate with Neotel on the payment terms of the fixed licence fee of R100 million, Provide retail services, and Determine commencement date for Community Service Obligation 	<ul style="list-style-type: none"> Agreement reached with Neotel on the payment terms Recommendation made to Council on the proposals from Neotel 	Non-agreement with Neotel on outstanding terms and conditions Delay in bringing competition in the communications sector
Ensure compliance with terms and conditions	Enforce compliance with the applicable licence conditions	Council approval for Swiftnet's application of 30% shareholding by BEE entity	Hearing with Swiftnet held on 16 March 2007 and Swiftnet requested to submit additional information	Delay by Swiftnet in submitting requested information

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
TELECOMMUNICATIONS				
Licensing				
Ensure compliance with obligations imposed	MTN/ICASA/Cell C Community Service Telephone Dispute	Successful resolution of the dispute between the three mobile operators	Meetings held to explore different options to resolve the dispute	Uncertainty regarding deployment of CSTs Possible legal action by Cell C

Ensure access to communication services	Imposition of Universal Service Obligations	Establishment of a working group consisting of ICASA and Operators (MTN, Vodacom, WBS, Sentech and Cell C) to assist in fast-tracking implementation of the USOs. Neotel incorporated into the working group	Working Committee established Analysis of Implementation Plans completed Council approved commencement of roll-out for MTN, Vodacom, Sentech, WBS and Cell C.	Delay in implementation
Ensure fair competition within the communications sector	Development of a Central Numbering Database (CNDB)	Expanded CNDB with 08X non-geographic data and cater for 100 unit size blocks. Revised Short Code Discussion paper that takes into account the numbering administrations inputs	Database in place Revised on ongoing basis Software upgraded Training ongoing Draft Short code strategy document concluded Project completed	Software crash One week lead time required for repairs
Market intelligence	Ensuring that ICASA has up-to-date market information on the communications sector	Finalisation of Market Intelligence Report	Report completed in January 2007	Information likely to be quickly outdated due to the dynamic industry being regulated by ICASA
Definition of relevant communications market i.t.o. ECA	Proper market delineation and definition of markets to assess Significant Market Power	<ul style="list-style-type: none"> Finalisation of wholesale call termination Publication of documents on other markets, i.e. ADSL, Leased Lines and Retail Services 	<p>Draft discussion document on wholesale call termination published and Public hearings conducted</p> <p>Draft discussion documents on ADSL, Leased Lines and Retail Services finalised</p>	Legal challenges on proposed regulations

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
TELECOMMUNICATIONS				
Policy Analysis and Development				
Review Interconnection and Facilities leasing Guidelines	Regulations on Interconnect and Facilities Leasing in terms of ECA.	<ul style="list-style-type: none"> Draft regulations for both facilities leasing and interconnection Public hearings Finalisation of the regulations. 	Draft regulations published for public comment	Legal challenges on proposed regulations

Economic and Financial analysis of the provision of fixed-line services by Telkom	Review of Telkom's Chart of Accounts Cost Allocation Manual	Economic and Financial Review Telkom's Regulatory Financial Reports	Review of Telkom's RFR underway	Legal challenges on the proposed regulations
Economic and Financial analysis of the provision of mobile telecommunications services by Vodacom and MTN	Development of MTN and Vodacom's Chart of Accounts Cost Allocation Manual	Review of Vodacom and MTN's Regulatory Financial Reports (RFRs)	Vodacom and MTN'S Regulatory Financial Reports currently being analysed	Legal challenges on the proposed regulations
Ensure affordability of communication services and products	Regulations on Handset subsidies	Publish Draft Regulations for public comment Conduct public hearings Develop Handset Subsidies Regulations.	Draft regulations published for comment and public hearings conducted	Litigation
Create conducive environment for competition in the sector	Enquiry into the SAT 3 undersea cable and landing station	Draft discussion document on an Enquiry into Landing Stations	Draft discussion document was prepared and aligned with the EC Act. Discussions currently underway with DOC	

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
COMMUNICATIONS				
Media Liaison	Providing information regarding the Authority's regulatory activities to the media, and responding to media enquiries	Provide up-to-date information to the media	69 radio, television and print media interviews were provided by ICASA Chairperson and project managers – around Mobile Number Portability, 10-digit dialing, ADSL regulations, Call Termination Interviews conducted in several official languages ICASA responded to 33 media enquiries regarding MNP, 10-digit dialing, ADSL regulations 11 Media Releases issued, including Channel 65, USAL Hearings, Call Termination, and Postal Tariffs & Community Radio Hearings	Negative publicity for the Authority

External Marketing	Visibility of the Authority to stakeholders and the public	Preparation of media inserts and advertorials	<p>Placement of corporate advertisement welcoming Postal Division into ICASA in Beeld, Business Day, The Star & Sowetan. Coordinate placement of advertisements announcing MNP and 10-digit dialing</p> <p>Proofreading of MNP Posters and leaflets Displayed ICASA exhibitions stand and distributed promotional material at ICASA public hearings – Secondary Market Commercial Radio, USAL & Community Radio</p>	
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Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
COMMUNICATIONS				
Responding to General Enquiries	Timeous response to enquiries filed by the public and stakeholders about ICASA's regulatory activities	Providing written responses to all enquiries	<p>A total of 1 076 enquiries were received from the public and operators regarding regulatory and consumer issues.</p> <p>Publication of the 30 days ECA Notice DVDs</p> <p>Distribution of regulatory information via stakeholders list</p> <p>Incorporation of postal operators into the ICASA stakeholders database</p>	Integrity of Authority at stake if enquiries not managed professionally
ICASA Website	Uploading content on website about ICASA's regulatory activities	Ensuring that up to date information is placed on the website	<p>An ECA dedicated webpage created for all ECA documents</p> <p>A Postal Division webpage created on the main menu</p> <p>Uploading all media releases issued, tender notices</p>	Integrity of Authority undermined when stakeholders do not have access to ICASA's regulatory activities
Annual Report	Production and tabling of Annual Report	Publication of the annual report	2005-2006 financial year timeously published	

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
LEGAL, CONSUMER PROTECTION AND INTERNATIONAL RELATIONS				
Legal				
Litigation	Safeguard ICASA's interests in litigation matters	Favourable court decisions for ICASA	FINALISED MATTERS: <ul style="list-style-type: none"> • Otherchoice – Court dismissed the application in favour of ICASA • COPASA vs. ICASA & Another – matter settled out of court between Cell C and COPASA • Aerosat vs. ICASA & Others – matter finalised with applicant's assets auctioned to recoup ICASA's costs • Tetramobile vs. ICASA – matter settled out of court • S Mrwata vs. ICASA – application for constructive dismissal dismissed • S Mopeli vs. ICASA – application for an increased remuneration dismissed • DG Burger vs. ICASA – application for condonation for late filing of an application dismissed • R Neepal vs. ICASA – application before the Durban Labour Court withdrawn by the applicant • Ntuli Consulting – matter settled out of court • IMVO Technologies – matter settled out of court 	Adverse court decisions.

			<ul style="list-style-type: none"> • MTN vs. Cell & ICASA – court set aside ICASA’s decision to approve Cell C’s Community Service Telephones • Islamic Unity Convention – court confirmed that certain provisions of the IBA Act and the applicable regulations were unconstitutional. Decision awaiting confirmation of Constitutional Court • Bay FM – matter settled out of court <p>ONGOING COURT CASES:</p> <p>Vodacom vs. Icasa Siza Security v ICASA A Snyman vs. ICASA N Suliman vs. ICASA S vs. Aerosat (criminal)</p> <ul style="list-style-type: none"> • Len Marshall • Nothnagel (awaiting court date) • Rippel (filing papers) • Radio Pretoria (matter pending before SCA) • Hoogelegen/Cape Town Site (filing papers) • L A Thipe vs. ICASA 	
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International Relations

Bilateral relations	Strengthening of relations with other regulatory and related bodies	Information sharing with other regulatory bodies	<p>ICASA hosted the following meetings:</p> <ul style="list-style-type: none"> • The Gambia Public Utilities Regulatory Authority (PURA); 02 – 05 May 2006; • Institutional capacity building project for Sudan; 10 – 14 July 2006; • Angolan delegation; 18 -21 July 2006; • Hosted the Commonwealth Telecommunications Organisation's Digital Switchover conference In January 2007 • Co-hosted the 5th World Summit on Children and the Media in March 2007 • Chinese Delegation; 13 October 2006- Exchange of ideas on postal regulatory issues 	
Communications Regulators Association of Southern Africa	Capacity building and information sharing with CRASA members Preparation of guidelines and harmonisation of regulation in the SADC region	Enhanced regulatory capacity within SADC	<ul style="list-style-type: none"> • Legal and Policy Committee met in Mauritius from 02 – 05 October 07 • Strategic Business Plan Committee met for the 3rd time in Lesotho from 16 – 20 October 2006 • Numbering and Standards Committee met on 11 – 12 December 06 	

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
LAW, CONSUMER PROTECTION AND INTERNATIONAL AFFAIRS				
Consumer Protection				
To investigate allegations of billing malpractices by Telkom	Establish accuracy of Telkom's bills w.r.t. the Rounding-off Principle and VAT calculation.	More bill statements acquired from domestic accounts. Ongoing	Veracity of complainant's claims proven on preliminary basis	Bigger sample size needed Lack of human capital to collect bigger sample size Customers from whom samples have been collected may have high expectation of the outcome Domestic customers unwilling to assist with their bill accounts
To investigate availability of telecoms service at public schools	Ascertain E-Rate preparedness in public schools	Phase 2 of the project was supposed to have been undertaken in October 2006	Project canned for time being	Lack of human and material capital to execute the project. Changes in ICT landscape may affect research findings. Business realities: Cost/Benefit analysis of servicing rural schools
To investigate allegations of overcharging on spectrum license fees sold by radio dealers to their customers.	Compliance with regulated license fees	Ongoing	Preliminary report written on the investigation	Database on radio dealers not updated Poor response rate from radio dealers Inability to verify allegations due to poor response rate
To draft Service Charter Guidelines for End-user Subscribers	Guidelines on Service Charter	Ongoing	Guidelines drafted and submitted	Lack of budget to conclude the project in 2006 financial year

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
LAW, CONSUMER PROTECTION, INTERNATIONAL AFFAIRS				
Consumer Protection				
Consumer complaints handling and resolution	Satisfactory resolution of consumer complaints	<ul style="list-style-type: none"> Speedy investigation of complaints Recommendations regarding resolution of complaints 	Report compiled and submitted Total handled = 502 Total closed = 217 Total pending = 285 Success Rate = 43%	Unsatisfactory responses from licensees

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
FINANCE AND BUSINESS SUPPORT				
Administration				
Supply Chain implementation in terms of Supply Chain legislation	Implementation of the Supply Chain Policy in line with PFMA and Treasury Regulations	Drafting of SCM Policy Approval of Policy and relevant structure Implementation of Policy	Policy approved and structure implemented Policy being workshopped with ICASA staff	Non-adherence to the policy
Assets Management	Creation of updated and accurate national assets register	Accurate Asset Register	Updated Asset Register Interface on JDE and Asset Pro done Asset verification done Procedure Manual is being developed	Unaccounted assets Assets not properly valued
Sound records and document management	Records management practices compliant with legislation and MISS standards	Draft Records Management Policy developed	Records Management Information compliance audit exercise 100% complete File plan development 87% complete Clean-up operation 25% complete RM Policy and Procedure Manual 25% complete	Loss of valuable information Non-adherence to legislation

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
FINANCE AND BUSINESS SUPPORT				
Information Technology				
Improved service delivery of IT	Improved IT customer service	Acquisition of Radical Help Desk System Order placed for new server	Training received by Helpdesk Administrator. Training for additional person will be scheduled in second week of April. Configuration of system will take place by 30 April 2007	Users not logging calls to Help Desk and calls not being logged to monitor/report on SLA This risk is addressed by ensuring that technicians attend to the request logged in the helpdesk only.
Access to communication (PABX upgrade)	Improved communication through call centre, VOIP, Fax and Telephones	Agreement signed on 25 Jan 2007. Cabling started at Head Office and Regions	The system has been installed, project on track	Poor communication

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
FINANCE AND BUSINESS SUPPORT				
Finance				
Improve Financial performance	Improved budget expenditure	Prevent unauthorized expenditure	Expenditure within allocation. Of the funds allocated 91% has been spent and 7% has been committed	
	Improved liquidity	Current assets should be more than current liabilities	The liquidity has been improved from 1.3 to 2.7	
Improve Financial reporting	Achieved unqualified report and complied with Treasury Regulation	Prepare financial statements of Administered Revenue on GAAP	Administered Revenue has been reported on an accrual basis for the first time	
Improve revenue management	Efficient collection of licence fees payable by users	Existence of customers	Customer database of Postal and Spectrum was verified.	
		Maintenance of debtors books	The licenses of the customers were reviewed and non compliance followed up. About R20.1m which was not billed previously because licenses conditions were not followed was billed.	

		Accurate debtors and revenue accounts.	The debtor's accounts were cleaned up	
Improve payment processes	Reduce fraud, improve payment cycle and comply with Treasury Regulation	Implement Electronic funds transfer payment system	EFT was implemented from 1 March 2007.	

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
HUMAN RESOURCES				
Facilitate the recruitment and selection process	Advertisement, interviews and letters of notification to successful candidate	Set up recruitment center to facilitate recruitment & speedup the filling of vacant positions	22 positions filled CEO and GM positions were advertised and are in the process of being filled.	Excessive recruitment costs, attracting and retaining the right HR capital
Facilitate the process for termination of service	Letter of resignation, pension fund withdrawal, SARS Tax directive (as applicable)	Terminations concluded as per employee notification, contract expiry or dismissal	Timeous processing of terminations	Delay in payments of benefits from Pension Fund
Ensure that employees' remuneration is executed accurately and timeously in accordance with legislation	Monthly Payroll processing of amendments that affect employees' remuneration, i.e. banking details, home owner's allowance, acting allowance, medical aid, 3rd party beneficiary payments, etc.	Payment of salary due date Payroll Admin staff attended Systems training and 2007 Tax seminar Implemented salary increments for Senior Management and above	Reduced error rate Leave status with report is updated monthly and reflected on pay-slip. Arrangements to transfer Payroll run and 3 rd party payments to Finance are in progress.	
Effective management of historical leave accumulated	Appropriate clearance of accrued leave excess	Reminders to all staff regarding outstanding leave to be taken or forfeited	Reports on employee leave status sent to department managers	Some departments are not in a position to allow for leave to prevent the forfeiting of excessive historical leave.
Implement the VIP Leave module and interface to the VIP Payroll to enable the management of leave	Leave credits on employee payslips Leave capturing on the system	Module monitored for efficiency and accuracy of record.	Leave module continues to run efficiently and leave is updated monthly. No problems identified A few leave balance queries have been received and are being investigated	Excessive leave accruals have to be used within 3 months in the new FY or be forfeited

Audit the payment of Home Owner's Allowance to employees	Audit findings to be concluded from data collected	Revised Home Owners' Allowance Policy	Policy consultation with CWU	Leave, Home-Owners Separation policies are to be consulted with management by end April 2007
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Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
HUMAN RESOURCES				
To assist with transfer of Postal Regulator Staff to ICASA	Negotiations and signed transfer agreement	Postal staff transfer took place in January 2007	Staff participated in the annual performance incentive scheme, consultation and job evaluation structures Preparation of induction Programme is underway	Treating former Postal staff in accordance with DoC HR practices may create anomalies
Execute administration and processing of employee benefits and general HR administration matters timeously	<ul style="list-style-type: none"> • Leave applications • Client and stakeholder queries • Bursary administration • Training requests • Employee records • Management (Personal Files) • Reference checking • Home loan applications (A/ Forbes) • Medical Aid applications/ changes • Pension fund applications and withdrawals • Terminations of Service • Leave Bonus payouts • Workman's Compensation (Injury on duty) 	<p>Investigating the reduction of Medical Aid schemes from 5 to a maximum of 2</p> <p>Investigating the re-introduction of the EAP programme in the 2007/8 FY</p>	<p>The sourcing of an Actuary not possible due to financial constraints. Attempting to move the process with own internal resources.</p> <p>Own resources to be analysed</p>	<p>Salary and 3rd party – payroll processing and payment residing in HR a risk owing to absence of segregation of duties</p> <p>Different Medical Aid and Pension Schemes create disparities in Employer contributions and inequality in apportioning of benefits among employees (Unfair Labour Practice)</p>

Grade all positions within ICASA	Positions graded and remuneration hierarchy developed	<p>Job grading committee training exercise commenced and report on findings drafted</p> <p>30 job profiles revised and interviewed</p> <p>119 positions been graded</p>	<p>Market comparisons on job grades and earnings completed</p> <p>Preliminary report delivered on 15 March 2007. Final review for four outstanding areas by 19 April 2007</p>	<p>Adjustments required may exceed available funds</p> <p>Project deadlines have passed</p>
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Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
HUMAN RESOURCES				
Organisational Performance and Development	Performance-based incentive process – 2006/7 FY	<p>Introduced an interim performance review management process</p> <p>Comparisons between DoC and ICASA EPMS systems</p>	<p>Trained 230 staff members</p> <p>Prepared organisation for the 2007/8 Performance Agreements</p> <p>286 employees subjected to the process</p>	<p>Process is rushed to meet financial year deadlines.</p> <p>Consultation (CWU) process not thorough as the Union did not consult their members adequately</p> <p>Process depended on the outcome of consultations with CWU</p>

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
POSTAL SERVICES				
Tariff Regulation	Approved/Determined Postal Tariffs	Rate Process Analysis & Recommendations report Gazette publication Press Release	Completed (Rate process/programme completed for 2007/2008) Completed (Economic/ financial analysis of SAPO tariff increase application completed. Recommendations made to ICASA Council and approved) Completed (approved tariffs published in the Government Gazette) Completed (Press release posted on ICASA website through ICASA Communications Unit)	Transition from approvals by Minister to ICASA Council
	Approved tariff Structures (including resolved tariffs/ pricing related queries & complaints	Progress feedback & input to tariff gazette Analysis and recommendations Input to tariff determination	Ongoing analysis and evaluation of tariffs/ pricing related issues and structures. Revised and published the tariff gazette to effect changes to tariff structures	
Regulatory information management/ facilitation	Regulatory reports	Ensure reporting by the licensed operator/stakeholder management	Quarterly reporting meetings coordinated and managed	Transition – Reporting lines and structures under review to incorporate ICASA's envisaged structure
Research and Development	Keeping abreast with international trends	Desktop research conducted on: <ul style="list-style-type: none"> Secure mail Post boxes Philately Postal Insurance 	Secure mail, post boxes and philately research was finalised.	

Strategic objective	Outcome (KPIs)	Outputs	Progress made	Risks
POSTAL SERVICES				
Ensure monitoring and compliance of the licence and registration conditions	Well-informed consumers	<p>Implementation of Year 1 of the independent monitor report</p> <p>Development of a database for registered unreserved operators</p> <p>Monitoring of encroachment in the reserved area</p>	<p>Recommendations sent to SAPO for implementation.</p> <p>Registered 60 Unreserved operators were registered.</p>	Envisaged full incorporation into ICASA structure
Economic/Tariff regulation framework	Alignment and guidelines for tariff setting.	Guidelines/Input to tariff analysis and evaluation	<p>Ongoing, preliminary research conducted on International tariffs/mail.</p> <p>Ongoing monitoring of economic indicators. Provided input to tariff analysis and evaluation (SAPO's application)</p> <p>Preliminary research on the trends/moves from Generally Accepted Accounting Standards (GAAP) to International Accounting Reporting Standards</p> <p>Impact analysis/ research/review of Price CAP. Need identified for the study and project deferred to 2007/2008 financial year</p>	Staff Compliment – Interim structure. (Limited staff compliment)

<p>Promote the development of postal services that are responsive to the needs of users and consumers</p>	<p>Good and reputable post offices</p>	<p>Implementation of mystery shopper recommendations.</p> <p>Customer Complaints/ Disputes resolved</p> <p>Outreach programmes for consumers</p> <p>Development of the Code of Practice for the Postal Sector</p> <p>Ongoing renewals of existing registered operators.</p>	<p>Mystery shopper recommendations were sent to the Post Office for implementation.</p> <p>Four pending cases were finalised. SAPO compensated customers.</p> <p>Education and awareness programmes were conducted in the different provinces.</p> <p>The Code of Practice was finalised and sent to Council for approval.</p> <p>This project is ongoing.</p>	<p>Envisaged full incorporation into ICASA</p>
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Chief Executive Officer,
Karabo Mollana
03/09/2007-

General Managers



**General Manager
Human Resources,**
Montseng Mopeli
08/01/2007-



**General Manager
Licensing,**
Siphso Tsotetsi
05/06/2007-



**General Manager
Consumer Protection,**
Phosa Mashangoane
01/07/2007-



Chief Financial Officer,
Tubane Mosia
06/11/2006-



**General Manager
Legal, Complaints &
Compliance Committee,**
Stanley Mamaregane
01/06/2007-



**General Manager
Engineering & Technology,**
Dumisa Ngwenya
01/08/2007-

The cover features a large, stylized globe graphic on the right side, composed of thin, light-colored lines forming a grid of latitude and longitude. A thick, solid orange arc curves across the top and right sides of the page. On the left side, there are three overlapping grayscale images: a top section showing a blurred digital display with numbers and text, a middle section showing a close-up of a computer keyboard, and a bottom section showing a complex, geometric lattice structure, possibly a building's framework or a technical diagram. The main title is centered in the white space of the globe.

*ANNUAL FINANCIAL
STATEMENTS*

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Statement of Responsibility
for the year ended 31 March 2007

The Acting Chief Executive Officer, in his capacity as accounting officer, under the supervision of Council is responsible for the preparation and integrity of the annual financial statements and related information included in this annual report.

In order for Council to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Council reviews its internal controls primarily through internal audit activities and the Audit Committee.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the entity's policies and procedures. Trained, skilled personnel with an appropriate segregation of duties implement these controls. They are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

To review the system of internal control, an internal audit function has been set up that conducts operational, financial and specific audits and co-ordinates audit coverage with the Auditor-General. The Auditor-General is responsible for reporting on the annual financial statements.

The annual financial statements have been prepared in accordance with South African Generally Accepted Accounting Practice Standards and incorporate responsible disclosure in line with the accounting philosophy of the entity. The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

Council believes that the entity will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements for the year ended 31/03/2007 set out on pages 89 to 133, have been approved by Council and are signed by:



ACTING CHIEF EXECUTIVE OFFICER
31 May 2007

Report by the Audit Committee
for the year ended 31 March 2007

INTRODUCTION

The Audit Committee has pleasure in presenting to Parliament its report for the financial year ended 31 March, 2007 as required by the Treasury Regulations issued in terms of the Public Finance Management Act , Act 1 of 1999 (as amended) (PFMA).

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

In accordance with its charter, the Audit Committee has met eight times since its 2006 report (dated: 31 July 2006). The membership and attendance at those meetings was as follows;

Meetings attended	Meetings
Sandile Swana (Chairperson – appointed 22 May 2007)	5
Graham Rosenthal (Member – retired 31 July 2007)	8
Ismail Mamoojee (Chairperson – resigned 30 April 2007)	3
Rene Kenosi (Member)	8
Danie Du Plessis (Member – appointed 22 May 2007)	2
Liezel Samuel (Member – appointed 22 May 2007)	1

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee has:

- complied with its responsibilities and obligations as set out in section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13; and
- complied with and discharged all its responsibilities according to the Audit Committee charter, which regulates its formal terms of reference .

THE EFFECTIVENESS OF INTERNAL CONTROL

In its 2006 report the Audit Committee noted the need for improvement in internal controls as well as compliance with prescribed policies and procedures and regulations. The organisation has been hampered in its efforts to comply fully with the previous management letter and audit committee recommendations by vacancies at executive level, particularly at CEO and CFO level for prolonged periods of time in the period.

The audit committee concurs with the Auditor General that at this time there are no grounds for a qualified audit opinion. However issues of house keeping and monthly management accounting will have to receive sustained attention in order to make audit processes smoother in the coming year. This emphasis will manifest itself in the annual internal audit plan, the frequency of Audit Committee Meetings and reports to council on progress in the period leading to 31 March 2008.

The chairman of the audit committee has addressed the full council on the above as a basis for setting up a platform for excellence in governance and internal control more generally going forward.

EVALUATION OF THE FINANCIAL STATEMENTS

The Audit Committee has reviewed:

- the audited annual financial statements and discussed them with the Auditor General and the acting Chief Executive Officer (in his capacity as accounting officer);
- the Auditor-General's management letter and related management responses and
- the accounting policies and practices.

A number of significant adjustments resulting from the audit have been given effect in the annual financial statements particularly affecting fixed assets. The Audit Committee is

Report by the Audit Committee
for the year ended 31 March 2007 continued...

satisfied that the annual financial statements comply in all material respects with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended.

The Audit Committee concurs and accepts the conclusion of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



Sandile Swana
Chairperson
Audit Committee
31 July 2007

INTRODUCTION

1. I have audited the accompanying financial statements of ICASA which comprise the statement of financial position as at 31 March 2007, appropriation statement, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 91 to 120.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practices (GMP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, '1996 (Act No.108 of 1996) read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 647 of 2007, assued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basic of accounting

8. The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of ICASA as at 31 March 2007 and its financial performance and

cash flows for the year then ended, in accordance with the basis of accounting as described in note 1, and in the manner required by the PFMA.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Internal control

10. Lack of capacity in the finance section, non-compliance with policies and procedures as well as poor monitoring and supervisory controls resulted in material errors in financial statements.

Material corrections made to the financial statements submitted for audit

11. Material adjustments were made to the annual financial statements submitted for audit on 31 May 2007. These adjustments related to a decrease in revenue by R10,7million, an increase in expenditure of R1,4million, an increase in property plant and equipment of R26,8million and an increase of R30,1million in deferred grants.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

12. I have audited the performance information as set out from page 59 to 80

Responsibilities of the accounting authority

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

Responsibility of the Auditor-General

14. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.
15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
16. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

Audit findings

17. No audit findings.

APPRECIATION

18. The assistance rendered by the staff of the ICASA during the audit is sincerely appreciated.



*Ms. M.A. Masemola for Auditor-General
Johannesburg
31 July 2007*



A U D I T O R - G E N E R A L

Report by the Accounting Officer to Parliament for the year ended 31 March 2007

Report by the Accounting Officer to Parliament

I have pleasure in presenting to Parliament the Independent Communications Authority of South Africa's ("ICASA") seventh annual report. The report covers the period 1 April 2006 to 31 March 2007. As required by section 16(1)(b)(i) of the ICASA Act 13 of 2000 ("ICASA Act". ICASA has prepared a detailed annual report for the activities during the financial year under review.

Background

ICASA is the regulator of communications, postal and the broadcasting sectors. It was established in July 2000 in terms of the ICASA Act.

ICASA's key functions are to:

- make regulations and policies that govern postal, communications and broadcasting services;
- issue licences to providers of telecommunication, broadcasting and postal services;
- monitor the environment and enforce compliance with rules, regulations and policies;
- hear and decide on disputes and complaints brought by stakeholders;
- plan, control and manage the frequency spectrum and
- protect consumers from unfair business practices, poor quality services and harmful or inferior products.

The CEO of ICASA, Ms Jackie Manche, resumed her duties in September 2006 and tendered her resignation in December 2006. During the year under review, the postal regulatory activities previously performed by the Department of Communications were transferred to ICASA with effect from 1 January 2007.

After the promulgation of the amendments to the ICASA Act on 19 July 2006, the Minister of Communications, on

the recommendations of the National Assembly appointed the following Councillors: Councillors M Mohlala, R. Nkuna, BB Ntombela, MM Socikwa and JCW van Rooyen SC for a term of four (4) years.

Applicable legislation

ICASA derives its mandate from the following statutes: ICASA Act, Postal Services Act 1998, Electronic Communications Act 35 of 2005, and the Broadcasting Act of 1999.

General review of the state of financial affairs

The annual financial statements have been prepared on a going concern basis and the financial performance and positions demonstrate that this basis is sound.

Progress has been made to improve the financial management of ICASA and financial policies have been developed to give effect to this.

In the 2005-2006 financial year National Treasury issued a circular whereby ICASA was granted permission to retain interest earned on favourable bank account balances. ICASA recognised R14.1million (2005-2006 – R11.3million) as interest income for the financial year under review.

Council and Executive Managements' remuneration

Details of Council and Executive managements' remuneration are set out in note 23 to the annual financial statements.

Events after the reporting date

Council and Executive Management are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with within the financial statements that would affect the operations or results of the Authority significantly.

Report by the Accounting Officer to Parliament
for the year ended 31 March 2007 continued...

It should be noted that the annual financial statements were submitted to the Auditor General for audit on 31 May 2007, in accordance with the requirements of the Public Finance Management Act. However, due to events subsequent to the reporting date and audit adjustments, the financial statements have been adjusted accordingly and signed by the Accounting Officer on 31 July 2007.

National revenue fund (NRF)

Separate financial statements have been presented for administered revenue on behalf of the National Revenue Fund (NRF) in the current financial year.

Business address

Physical address:	Postal address:
Pinmill Farm	Private Bag X10002
164 Katherine Street	Sandton
Sandton	2146
2128	



Stanley Mamaregane
Acting Chief Executive Officer
31 July 2007

Statement of financial performance
for the year ended 31 March 2007

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
REVENUE			
Total grants appropriated	2	190 877 914	159 174 178
Surplus on disposal of property, plant and equipment	3	-	239 748
Other income	4	123 146	-
		191 001 060	159 413 926
EXPENDITURE			
Administrative expenses	5	(25 173 831)	(23 232 865)
Staff costs	6	(93 696 753)	(88 540 792)
Audit fees	7	(1 007 998)	(944 807)
Other operating expenses	8	(53 534 573)	(59 759 080)
Depreciation	12	(6 242 176)	(3 340 748)
Amortisation	25	(863 117)	(679 360)
Finance costs	9	(198 298)	(59 504)
		(180 716 746)	(176 557 156)
SURPLUS / (DEFICIT) FROM OPERATIONS		10 284 314	(17 143 230)
Interest income	10	14 114 103	11 260 152
SURPLUS / (DEFICIT) FOR THE YEAR		24 398 417	(5 883 078)

*Statement of financial position
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
ASSETS			
Non-current assets			
Property, plant and equipment	12	47 240 601	39 194 337
Intangible assets	25	1 987 708	2 027 029
		49 228 309	41 221 366
Current assets			
Trade and other receivables	13	2 363 301	4 001 719
Prepayments and advances	14	2 597 795	346 819
Cash and cash equivalents	15	79 716 645	54 117 736
		84 677 741	58 466 274
TOTAL ASSETS		133 906 050	99 687 640
LIABILITIES			
Current liabilities			
Trade and other payables	16	20 053 859	17 154 598
Current portion of lease commitments	17	5 567 684	3 145 886
Current portion of finance lease obligations	24	556 292	-
Provisions	18	8 230 781	10 213 010
		34 408 616	30 513 494
Non-current liabilities			
Deferred income grants	19	65 046 056	54 385 681
Non-current portion of lease commitments	17	13 676 035	19 271 863
Non-current portion of finance lease obligations	24	860 324	-
		79 582 415	73 657 544
TOTAL LIABILITIES		113 991 031	104 171 038
EQUITY			
ACCUMULATED RESERVES			
Start-up fund		33 731 342	33 731 342
Accumulated deficit		(13 816 323)	(38 214 740)
TOTAL EQUITY AND LIABILITIES		133 906 050	99 687 640

Statement of changes in net assets
for the year ended 31 March 2007

	Accumulated (deficit)/surplus R	Start up Fund R	Total R
Balance as at 31 March 2005 as previously reported	(44 019 351)	33 731 342	(10 288 009)
Retrospective application of SA GAAP accounting policy changes and estimates;			
Property, plant and equipment			
- Accumulated depreciation	12 749 670	-	12 749 670
- Reversal of deferred income grants	(12 749 670)		(12 749 670)
Balance as at 31 March 2005 as restated	(44 019 351)	33 731 342	(10 288 009)
SA GAAP Adjustment			
Property, plant and equipment - Cost	11 687 689	-	11 687 689
Deficit for the year restated	(5 883 078)		(5 883 078)
Deficit for the year as previously reported	(5 883 078)		(5 883 078)
SA GAAP Adjustment	2 048 401		2 048 401
Reversal of deferred income grants	(2 048 401)		(2 048 401)
Balance as at 31 March 2006 as restated	(38 214 740)	33 731 342	(4 483 398)
Surplus for the year	24 398 417	-	24 398 417
Balance as at 31 March 2007	(13 816 323)	33 731 342	19 915 019

Cash Flow Statement
for the year ended 31 March 2007

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from grants		201 538 289	150 489 000
Cash paid to employees and suppliers		(174 854 763)	(176 579 679)
Cash generated from/(utilised in) operations	22	26 683 526	(26 090 679)
Interest received		14 114 103	11 260 152
Interest paid		(198 298)	(59 504)
Net cash inflows / (outflows) from operating activities		40 599 331	(14 890 031)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	12	(14 191 300)	(5 073 254)
Acquisition of intangible assets	25	(809 122)	(609 672)
Proceeds on disposal of property, plant and equipment		-	239 748
		(15 000 422)	(5 443 178)
Net increase / (decrease) in cash and cash equivalents		25 598 909	(20 333 209)
Cash and cash equivalents at the beginning of the year		54 117 736	74 450 945
Cash and cash equivalents at the end of the year	15	79 716 645	54 117 736

*Notes to the annual financial statements
for the year ended 31 March 2007*

1 Accounting policies

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

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

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

Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Reporting date	Balance sheet date

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

1.1 Basis of preparation

The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit and loss.

The annual financial statements incorporate the following principal accounting policies, which are consistent in all material respects with those applied in the previous year, except where stated otherwise.

*Notes to the annual financial statements
for the year ended 31 March 2007*

1.2 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that effect the amounts presented in the annual financial statements and related disclosures. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Annual evaluation of property, plant and equipment

The Authority reviews its property, plant and equipment for possible impairment, changes in useful life and changes in residual values at the end of each financial year (refer note 12).

Provision for impairment of receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. The calculation of the amount to be provided for impairment of receivables requires the use of estimates and judgements (refer note 13).

1.3 Property, Plant and Equipment

Property, plant and equipment (owned and leased) are stated at historical cost less depreciation and adjustment for any impairments. Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Purchases of property, plant and equipment at a cost of less than R5 000 are expensed during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write off the cost, less residual values, of each asset over their estimated useful lives as follows:

Item	Useful life
Office equipment	5-10 years
Computer equipment	5 years
Furniture and fittings	8 years
Motor vehicles	10 years
Test equipment	10 years

Leasehold improvements over the period of the lease

The depreciation charge for each period is recognised in profit or loss.

*Notes to the annual financial statements
for the year ended 31 March 2007*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gains or losses arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Repairs and maintenance are charged to the income statement in the period in which they occur.

1.4 Intangible assets

Acquired computer software licences are carried at cost less any accumulated amortisation and any impairment losses. Amortisation on these costs is provided to write down the intangible assets, on a straight line basis, over their useful lives as follows:

Item	Useful life
Computer software	5 years

Expenditure on research is recognised as an expense when it is incurred.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Authority, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortised over their estimated useful lives.

Internally generated brands are not recognised as intangible assets.

1.5 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable at balance sheet date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

1.6 Financial Instruments

Financial instruments carried on balance sheet date include cash and bank balances, trade receivables, prepayments and advances and trade payables. These instruments are generally carried at their estimated fair value.

Financial assets

The Authority classifies its financial assets as loans and receivables. Management determines the classification of its

*Notes to the annual financial statements
for the year ended 31 March 2007*

financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial liabilities

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate method.

Gains and losses

Gains or losses arising from changes in financial assets or financial liabilities carried at amortised cost are recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.7 Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents include cash on hand, deposits held on call with banks and bank current accounts.

1.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'operational expenditure'.

1.9 Government grants

The Authority is financed from money appropriated by Parliament. Government grants are recognised when there is reasonable assurance that they will be received and that the Authority will comply with the conditions associated with the grant.

Government grants to cover operating expenses are recognised in profit or loss immediately.

Government grants relating to specific long-term projects are included in non-current liabilities as deferred income and are released to income on a systematic basis in subsequent years in the same period as the relevant expense.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are released to income on a systematic basis in subsequent years over the estimated life of the related assets.

1.10 Trade and other payables

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

*Notes to the annual financial statements
for the year ended 31 March 2007*

1.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any penalty incurred as a result is recognized as an expense in the period in which termination occurs.

1.12 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated leave liability as a result of services rendered by the employees up to the balance sheet date.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.13 Retirement Benefits

The Authority operates defined contribution benefit plans, the assets of which are held in trustee-administered funds. Pension benefits are mainly provided by membership of the Government Employees Pension Fund (GEPF). Contributions to the defined contribution benefit plans in respect of service in a particular period are included in the employees' total cost of employment and are charged to the income statement in the year to which they relate as part of the cost of employment. The Authority has no legal or constructive obligation to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

1.14 Start-up Fund

In terms of section 20(1) of the Independent Communication Authority of South Africa Act (Act No.13 of 2000), "All assets, rights and obligations, which immediately before the establishment date (of ICASA), vest in the former authorities pass to the Authority on that date." Accordingly this start-up fund, which arose from the transfer of assets to the South African Telecommunications Regulatory Authority by the Department of Communications (DoC) with effect from 1 April 1997, was transferred to ICASA on 1 July 2000.

1.15 National Revenue Fund (NRF)

In terms of section 15(3) of the Independent Communication Authority of South Africa Act (Act No. 13 of 2000), the Authority is required to pay all fees received and held on their behalf to the NRF within 30 days after receipt of such revenue.

Separate bank accounts are held for the purpose of collecting these revenues and paying them across to the NRF. The Authority has an obligation in terms of statute to administer these funds on behalf of National Treasury and to pay them across within a prescribed time limit.

*Notes to the annual financial statements
for the year ended 31 March 2007*

1.16 Interest received

In accordance with a National Treasury communication (dated 12 July 2004) all interest earned on surplus funds and funds collected on behalf of National Revenue Fund during the year is recognized as revenue.

Interest received is recognised on a time portion basis using effective interest method. When a receivable is impaired, the Authority reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest of the instrument, and continues unwinding the discount at interest income.

1.17 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).

1.18 Foreign currencies

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Unrealised differences on monetary assets and liabilities are recognised in the income statement in the period in which they occur.

1.19 Irregular and Fruitless and Wasteful Expenditure

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

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The Public Finance Management Act (PFMA),
- Regulations issued in terms of the PFMA by National Treasury.

All irregular, fruitless and wasteful expenditure is charged against revenue in the period in which it is incurred.

1.20 Changes in accounting policy

The Authority has identified prior accounting policy that was not in accordance with international interpretations and applications. Retained income has been adjusted for prior-periods.

The adoption of the new and revised standards and interpretations has resulted in changes to the Authority's accounting policy in the following area that have affected the amount reported for the current and prior years;

- IAS 16 Property, plant and equipment requires that the residual values and useful lives of assets must be reassessed on an annual basis. This was taken into account when re-calculating the depreciation charge.

*Notes to the annual financial statements
for the year ended 31 March 2007*

1.21 Comparative information

Where necessary, comparative figures has been re-classified to conform with changes in presentation in the current year and in order to comply with IFRS.

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
2 Transfers and grants received			
Government grants received		201 538 289	150 489 000
Original allocation from Department of Communications ("DoC") Budget vote		199 738 000	144 489 000
Additional funds received from DoC	(a)	1 800 289	6 000 000
Capital portion of grant received	19	(17 318 396)	-
Released portion of previous deferred government grant	12 & 25	6 658 021	4 020 108
Deferred income utilised for operations and projects		-	10 665 070
Deferred income on Postal roll over		-	(6 000 000)
		<u>190 877 914</u>	<u>159 174 178</u>

(a) The ICASA Amendment Act transferred the postal regulatory functions from Department of Communications to ICASA.

The additional funding transferred related to the transferred staff salaries for the period between 01 January 2007 to 31 March 2007.

3 Surplus on disposal of property, plant and equipment

Surplus on disposal of property, plant and equipment	-	<u>239 748</u>
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4 Other income

Bid handling fee	2 960	-
Other	120 186	-
	<u>123 146</u>	<u>-</u>

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
5 Administrative expenses			
General and administrative expenses		507 138	1 052 663
Travel and subsistence		7 052 282	7 350 606
Regional service levy		59 545	286 996
Net foreign exchange deficits		5 355	86 517
Insurance		886 756	973 927
Printing and stationery		1 426 986	1 183 470
Publications		1 014 255	1 028 590
Publicity and advertising		3 639 512	3 291 042
Recruitment costs		1 572 128	631 551
Telephone, postage and fax		5 226 041	4 623 124
Training and conferences		3 783 833	2 724 379
		25 173 831	23 232 865
6 Staff costs			
Council and Executive Managements' remuneration	23	10 108 256	7 303 952
Salaries and wages		78 197 152	74 777 648
- Salaries		57 039 300	56 224 422
- Performance awards		7 672 675	3 574 742
- Periodic payments		3 028 068	1 596 846
- Temporary staff		494 317	799 028
- Leave payments		622 173	2 532 935
- Overtime pay		476 652	531 030
- Severance packages		854 907	2 172 009
- Defined pension contribution plan expense		8 009 060	7 346 636
Social contributions (Employer's contribution)		5 194 635	4 403 192
- Medical aid		4 467 082	3 972 010
- UIF		386 287	363 632
- Official unions and associations		-	67 550
- Workman's compensation		341 266	-
Other long-term employee benefits including long service leave, surplus sharing and deferred compensation		196 710	2 056 000
		93 696 753	88 540 792

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
7	Audit fees		
	- External audit	797 465	672 197
	- Internal audit	210 533	272 610
		1 007 998	944 807
8	Other operating expenses		
	Consultants, contractors and special services	8 568 066	7 994 390
	Equipment items expensed	3 572	493 647
	Legal fees	5 244 771	5 337 526
	Maintenance, repairs and running costs		
	- Property and buildings	157 709	2 679 184
	- Machinery and equipment	371 881	57 091
	- Motor vehicles	1 199 647	1 391 405
	- Other maintenance and repairs	1 774 990	49 490
	Penalties	-	757 000
	Information technology	5 024 062	3 934 480
	Regulatory bodies and related expenditure	-	1 146 345
	Bank charges	209 823	379 591
	Rental in respect of operating leases		
	- Buildings	27 232 369	22 518 372
	- Equipment	604 387	6 557 938
	Other	3 143 296	6 462 621
		53 534 573	59 759 080
9	Finance costs		
	Interest paid	198 298	59 504
10	Interest income		
	Interest received from cash and cash equivalents	14 114 103	11 260 152

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
11 Fruitless, wasteful and irregular expenditure			
Included in expenditure per the statement of financial performance is the following:			
Fruitless and wasteful expenditure			
Cash stolen from sale of scrapped assets		-	118 034
Interest costs		39 712	59 504
		<u>39 712</u>	<u>177 538</u>
Potential fruitless and wasteful expenditure			
Onerous contract for office equipment maintenance		-	431 946
Recruitment fees		-	246 999
Event management fees		-	176 251
Labour dispute settlement		-	2 172 009
Penalty on late PAYE payments		-	757 000
		<u>-</u>	<u>3 784 205</u>
Potential irregular expenditure			
Security costs		-	556 239
Insurance costs		-	723 927
Printing costs		-	312 147
Consulting fees		-	1 200 000
		<u>-</u>	<u>2 792 313</u>

Notes to the annual financial statements
for the year ended 31 March 2007

12 Property, plant and equipment	Office and Computer Equipment R	Furniture and Fitting	Motor Vehicles R	Test Equipment R	Finance lease assets R	Leasehold Improvements R	Total R
Cost							
Balance as at 1 April 2006	15,361,264	5,518,026	9,270,250	47,585,197	-	1,404,632	79,139,368
Scrapping	(4,534,823)	(816,743)	(1,920,956)	(12,067,132)	-	-	(19,339,653)
Additions	9,973,927	819,803	-	101,116	1,789,090	1,507,364	14,191,300
Balance as at 31 March 2007	20,800,368	5,521,085	7,349,295	35,619,181	1,789,090	2,911,996	73,991,015
Accumulated Depreciation							
Balance as at 1 April 2006	7,866,962	2,889,677	3,206,449	25,918,305	-	63,638	39,945,031
Scrapping	(4,512,625)	(807,275)	(1,920,956)	(12,195,938)	-	-	(19,436,793)
Depreciation	1,669,518	443,124	607,427	3,017,215	447,273	57,619	6,242,176
Balance as at 31 March 2007	5,023,855	2,525,526	1,892,920	16,739,583	447,273	121,257	26,750,414
Net carrying amount as at 31 March 2007	15,776,513	2,995,559	5,456,375	18,879,598	1,341,817	2,790,739	47,240,601

Notes to the annual financial statements
for the year ended 31 March 2007

12 Property, plant and equipment	Office and Computer Equipment R	Furniture and Fitting	Monitoring Equipment R	Motor Vehicles R	Test Equipment R	Leasehold Improvements R	Total R
Cost							
Balance as at 1 April 2005 as previously reported	9,958,588	5,475,242	26,557,791	6,022,259	11,641,531	-	59,655,411
Additions	654,065	60,127	2,476,467	1,259,108	306,234	317,253	5,073,254
Disposals	-	-	-	(370,999)	-	-	(370,999)
Re-classification and transfers	-	(757,556)	(29,034,258)	-	29,034,258	757,556	-
Balance as at 31 March 2006 as previously reported	10,612,653	4,777,813	-	6,910,368	40,982,023	1,074,809	64,357,666
SA GAAP adjustment	4,748,610	740,213	-	2,359,882	6,603,174	329,823	14,781,702
Balance as at 31 March 2006 as restated	15,361,264	5,518,026	-	9,270,250	47,585,197	1,404,632	79,139,368
Accumulated depreciation							
Balance as at 1 April 2005 as at previously reported	8,193,084	3,348,361	19,513,640	4,567,291	11,044,202	-	46,666,578
SA GAAP adjustment	(949,467)	(716,603)	(19,513,640)	(1,375,776)	12,812,611	51,580	(9,691,295)
Balance as at 1 April 2005 as restated	7,243,617	2,631,758	-	3,191,515	23,856,813	51,580	36,975,283
Depreciation	623,345	257,919	-	385,933	2,061,494	12,058	3,340,748
Disposals	-	-	-	(370,999)	-	-	(370,999)
Balance as at 31 March 2006 restated	7,866,962	2,889,677	-	3,206,449	25,918,305	63,638	39,945,031
Net Carrying Amount as at 31 March 2007	7,494,302	2,628,349	-	6,063,801	21,666,891	1,340,995	39,194,337

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
13 Trade and other receivables			
Staff receivables		493 741	614 497
Less: Impairment of staff receivables		(107 838)	(26 606)
Net accounts receivable		385 903	587 891
VAT – due from SARS		-	1 917 747
Interest receivable		1 892 846	1 421 025
Other receivables		84 552	75 056
		2 363 301	4 001 719
14 Prepayments and advances			
Insurance		-	84 880
Office rental		2 597 795	261 939
		2 597 795	346 819
15 Cash and cash equivalents			
Cash and balances with banks			
- current accounts		27 132 860	46 682 258
- short term deposits		52 575 798	7 387 626
Petty cash		7 987	47 852
		79 716 645	54 117 736
16 Trade and other payables			
Trade creditors		20 053 859	14 718 119
Amount due to the Department of Communication relating to VAT funding		-	2 436 479
		20 053 859	17 154 598

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
17 Lease commitments			
Current portion of lease commitments – included in current liabilities		5 567 684	3 145 886
Non-current portion of lease commitments – included in non-current liabilities		13 676 035	19 271 863
Net lease commitments – to be released over the period of the leases		19 243 719	22 417 749

18 Provisions

	PAYE penalty	Leave pay	Bonus	Legal fees	Total
	R	R	R	R	R
Opening balance at 1 April 2005	343 000	6 797 140	4 500 000	-	11 640 140
<i>Provisions made during the year</i>	757 000	4 970 403	3 710 661	431 946	9 870 010
<i>Utilisation of provisions during the year</i>	-	(6 797 140)	(4 364 081)	-	(11 161 221)
<i>Unused amounts reversed during the year</i>	-	-	(135 919)	-	(135 919)
Balance at 31 March 2006	1 100 000	4 970 403	3 710 661	431 946	10 213 010
<i>Provisions made during the year</i>	-	1 189 196	3 897 032	-	5 086 228
<i>Utilisation of provisions during the year</i>	-	(622 173)	(6 446 284)	-	(7 068 457)
Balance at 31 March 2007	1 100 000	5 537 426	1 161 409	431 946	8 230 781

SARS is still assessing the late payment of PAYE which happened during the IBA and SATRA regime.

The leave pay and bonus provisions relate to the existing liabilities arising as a result of services rendered by employees. The leave pay provision is provided for based on cost-to-company packages. The bonus provision comprises three months pro-rata remuneration in respect of the 13th cheque liability, which is paid in December.

The legal provision is in respect of an onerous contract for maintenance of office equipment. The supplier has been informed of ICASA's intention to cancel the contract, which may lead to litigation.

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
19 Grants - Deferred Income			
Balance as at 1 April 2006		54 385 681	50 321 190
Operating expenses and projects		-	(10 171 427)
Fixed assets expensed		-	(493 644)
Postal regulator funding		-	6 000 000
Capital portion of grant received		17 318 396	-
Amount realised in income statement		(6 658 021)	(4 020 108)
Reversal of deferred income grants		-	12 749 670
Balance as at 31 March 2007		65 046 056	54 385 681
20 Commitments			
Commitments for the acquisition of property, plant and equipment			
- Contracted for but not provided in the annual financial statements		28 166 758	12 727 000
- Authorised but not contracted for		1 625 651	12 125 000
		29 792 409	24 852 000
21 Operating lease arrangements			
At 31 March 2007 outstanding commitments existed under non-cancellable operating leases which fall due as follows:			
Up to 1 year		22 882 404	29 069 569
1 to 5 years		39 365 480	78 348 900
		62 247 884	107 418 469

The operating leases entered into represent arrangements to lease office premises and certain computer equipment. The operating lease commitments comprise cash flow commitments. These commitments do not take account of the straight line basis of accounting required by IAS17 Leases. The commitments are mainly in respect of property leases for ICASA's Head Office in Sandton and regional offices in Cape Town, Durban, Bloemfontein, Nelspruit and Port Elizabeth. The terms of the leases vary with expiry dates between 31 October 2007 and 31 October 2010. Escalation clauses range between 8 and 15 percent depending on the lease agreements. At 31 March 2007 the Authority had no commitments under non-cancellable operating leases as lessor.

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
22 Reconciliation of surplus / (deficit) to cash generated from / (utilised in) operations			
Surplus / (Deficit) for the year		24 398 417	(5 883 078)
Adjusted for:		(10 550 151)	(9 798 479)
- Depreciation		6 242 176	3 340 748
- Amortisation		863 117	679 360
- Surplus on disposal of property, plant and equipment		-	(239 748)
- Interest received		(14 114 103)	(11 260 152)
- Interest paid		198 298	59 504
- Decrease in provisions		(1 982 229)	(1 427 131)
- Lease commitments		(3 174 028)	(951 060)
Increase in finance lease liability		1 416 616	-
Operating cash flow before working capital		13 848 266	(15 681 557)
Working capital changes		12 835 260	(10 409 122)
- Decrease in receivables and prepayments		(612 558)	(14 368 956)
- Increase in payables		2 899 261	12 645 012
- Increase in deferred income grants		10 548 557	(8 685 178)
Cash generated /(utilised in) operations		26 683 526	(26 090 679)

*Notes to the annual financial statements
for the year ended 31 March 2007*

31 MARCH	31 MARCH
2007	2006
(R)	(R)

23 Council and Executive Managements' remuneration

10 108 256	7 303 952

Details of remuneration paid are as follows:

Councils	Date of Appointment	Date of Resignation/ End of Term	Remuneration	
			31 March 2007 *R	31 March 2006 *R
M Langa	01/09/2000	30/06/2005	-	169 123
P Mashile	01/07/2005		791 416	638 677
N Bulbulia	01/07/2002	31/08/2006	180 942	525 234
T Cohen	01/07/2004		614 757	525 234
M Mohlala	18/07/2002	31/08/2006	228 915	525 234
M Mohlala	1/11/2006		282 301	-
L Mtimde	01/07/2002	30/06/2006	211 106	525 234
ZR Masiza	01/07/2004		613 459	525 234
R Nkuna	18/10/2006		308 356	-
BB Ntombela	01/11/2006		282 301	-
JCW Van Rooyen SC	01/01/2007		169 381	-
M Zokwe	01/07/2005		613 371	393 926
TOTALS			4 296 305	3 827 896

*Council remuneration is at cost to company and they do not receive performance bonuses

Notes to the annual financial statements
for the year ended 31 March 2007

PERMANENT EXECUTIVE MANAGEMENT

Executive Management	Date of Appointment	Date of Resignation	Title	Remuneration 31 March 2007				Remuneration 31 March 2006	
				Salary R	Performance Bonus R	Acting Allowance R	TOTAL R	Salary R	TOTAL R
JB Manche	01/07/2004	30/12/2006	CEO	1 131 123	-	-	1 131 123	928 229	928 229
B Mohlala	16/08/2004	15/11/2005	CFO	-	-	-	-	411 122	411 122
T Mosia	06/11/2006		CFO	240 642	16 636	-	257 278	-	-
M Mopeli	01/01/2007		GM: HR	118 862	17 252	-	136 114	-	-
P Hlapolosa	04/05/1998	28/02/2006	GM: Telecom	-	-	-	-	493 366	493 366
J Naidoo	01/10/2001	31/03/2006	GM: Legal	-	-	-	-	539 891	539 891
E Nhlapo	01/08/2001	30/06/2006	GM: Broadcasting	420 836	-	88 923	509 759	563 557	563 557
W Skowronski	30/06/2006		GM: Spectrum & Engineering	206 895	-	-	206 895	539 891	539 891
Total				2 118 358	33 888	88 923	2 241 169	3 476 056	3 476 056

Notes to the annual financial statements
for the year ended 31 March 2007

ACTING EXECUTIVE MANAGEMENT

Executive Management	Acting from	Acting to	Title	Remuneration 31 March 2007			TOTAL R
				Salary R	Performance Bonus R	Acting Allowance *R	
B G Jooste	01/07/2006	09/09/2006	CEO	402 026	67 236	62 021	531 283
M. P S Mamatgane	06/03/2006 28/06/2006 15/01/2007	28/06/2006 14/01/2007 -	GM: Telecom GM: Legal CEO	430 778	96 562	125 052	652 392
**L Langa	01/03/2007		GM:Postal	131 681	58 651		190 332
**V Letsiri	01/01/2007	28/02/2007	GM:Postal	110 435	58 651	20 000	189 086
P Molefe	01/07/2006		GM: Technology	406 682	63 659	47 323	517 664
P Moleele	28/06/2006		GM: Telecom	394 155	63 659	47 323	505 137
M Ngxingo	16/01/2007		GM: Legal	384 394	62 317	53 823	500 534
SP Tsotetsi	03/06/2006		GM: Broad casting	484 354	-	-	484 354
Total				2 744 505	470 735	355 542	3 570 782

* The acting allowance is apportioned in terms of the acting period.

** Transferred from Department of Communication to ICASA on 1 January 2007

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
24 Finance lease obligations: non current (S)			
Non-current portion of Finance lease obligations:		860 324	-
Current portion of Finance lease obligations:		556 292	-
		<u>1 416 616</u>	<u>-</u>

Reconciliation between the total of the minimum lease payments and the present value:

	Up to 1 year	1 - 5 years	Total
Instalments	708 080	941 471	1 649 550
Finance costs	(151 788)	(81 147)	(232 935)
Present value	<u>556 292</u>	<u>860 324</u>	<u>1 416 616</u>

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)24
25 Intangible assets			
Cost			
Balance as at 1 April 2006			11 326 263
Additions			809 122
Scrapping			(6 715 848)
Balance as at 31 March 2007			<u>5 419 537</u>
Accumulated Amortisation			
Balance as at 1 April 2006			9 299 234
Amortisation			863 117
Scrapping			(6 730 522)
Balance as at 31 March 2007			<u>3 431 829</u>
Net carrying amount at 31 Mar 2007			<u>1 987 708</u>
Cost			
Balance as at 1 April 2005 as previously reported			13 402 598
Additions			609 672
Re-classification			408 007
Balance as at 31 March 2006 as previously reported			<u>14 420 277</u>
SA GAAP Adjustment			(3 094 014)
Balance as at 31 March 2006 as restated			<u>11 326 263</u>
Accumulated Amortisation			
Balance as at 1 April 2005 as previously reported			11 675 248
SA GAAP Adjustment			(3 055 374)
Balance as at 1 April 2005 as restated			8 619 874
Amortisation			679 360
Balance as at 31 March 2007			<u>9 299 234</u>
Net carrying amount at 31 Mar 2006			<u>2 027 029</u>

*Notes to the annual financial statements
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
26 Contingent liabilities			
Litigation (a)		-	2 320 000
		-	2 320 000

The Authority's decisions are often challenged through the legal system. There are a number of ongoing legal cases which the Authority is in the process of defending or instituting. The final outcome cannot be reliably determined as it is dependent on the strength of both parties' case and the Judiciary's findings. A contingent liability has been noted for legal cases that may have unfavourable decisions. An estimate of final costs has been made based on time spent by attorneys and legal counsel to date on the cases plus estimated time to finalise the cases.

27 Related party relationships and transactions

During the year the Authority entered into the following arm's length transactions with related parties.

Department of Communications			
Grants received (note 2)		201 538 289	150 489 000
Payments made (note 16)		2 436 479	-

28 Financial risk management

Forward foreign exchange contracts

No foreign exchange contracts were entered into during the current year under review.

Credit risk

Financial assets which potentially subject the Authority to concentrations of credit risk consist principally of cash and cash equivalents and other receivables. The cash and cash equivalents are placed with high credit quality financial institutions. Trade and other receivables are presented net of the allowance for doubtful receivables. The Authority has no significant concentration of credit risk.

Interest rate risk

Cash and cash equivalents have maturities of less than three months and are not subject to significant interest rate risk.

Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

*Notes to the annual financial statements
for the year ended 31 March 2007*

Risk management policies

There is no significant exposure to foreign currency risk, interest rate risk, credit risk and liquidity risk.

29 Restatement

The Authority did adjust its opening balance sheet and comparative figures for the retrospective application of SA GAAP restatements.

29.1 Reconciliation of accumulated deficit at 1 April 2005

	GAAP 1 April 2005 R	GAAP restatements - IAS 16	GAAP 1 April 2005 R
ASSETS			
Non-current assets	15 121 190	12 749 670	27 870 860
Current assets	80 738 744	-	80 738 744
TOTAL ASSETS	95 859 934	12 749 670	108 609 604
LIABILITIES			
Current liabilities	33 540 930	-	33 540 930
Non-current liabilities	72 607 013	12 749 670	85 356 683
TOTAL LIABILITIES	106 147 943	12 749 670	118 897 613
EQUITY			
ACCUMULATED RESERVES	(10 288 009)	-	(10 288 009)
Start-up fund	33 731 342	-	33 731 342
Accumulated deficit	(44 019 351)	-	(44 019 351)
TOTAL EQUITY AND LIABILITIES	95 859 934	12 749 670	108 609 604

*Notes to the annual financial statements
for the year ended 31 March 2007*

29.2 Reconciliation of accumulated deficit at 31 March 2006

	GAAP 31 March 2006 R	GAAP restatements - IAS 16	GAAP 31 March 2006 R
ASSETS			
Non-current assets	14 735 607	26 485 759	41 221 366
Current assets	58 466 274	-	58 466 274
TOTAL ASSETS	73 201 881	26 485 759	99 687 640
Current liabilities	30 513 494	-	30 513 494
Non-current liabilities	58 859 474	14 798 070	73 657 544
LIABILITIES	89 372 968	14 798 070	104 171 038
EQUITY			
ACCUMULATED RESERVES	(16 171 087)	11 687 689	(4 483 398)
Start-up fund	33 731 342	-	33 731 342
Accumulated deficit	(49 902 429)	11 687 689	(38 214 740)
TOTAL EQUITY AND LIABILITIES	73 201 881	26 485 759	99 687 640

*Notes to the annual financial statements
for the year ended 31 March 2007*

29.3 Reconciliation of net deficit for the year ended 31 March 2006

	GAAP 31 March 2006 R	GAAP restatements - IAS 16	GAAP 31 March 2006 R
REVENUE	<u>159 413 926</u>	<u>2 048 401</u>	<u>161 462 327</u>
EXPENDITURE	(176 557 156)	(2 048 401)	(178 605 557)
SURPLUS / (DEFICIT) FROM OPERATIONS	<u>(17 143 230)</u>	<u>-</u>	<u>(17 143 230)</u>
Income from Investment	11 260 152	-	11 260 152
SURPLUS / (DEFICIT) FOR THE YEAR	<u>(5 883 078)</u>	<u>-</u>	<u>(5 883 078)</u>

Notes supporting the restatements

Property, plant and equipment

IAS 16 - Property, plant and equipment states that an entity is required to assess the useful life and residual value of items of property, plant and equipment at least at each year-end. The Authority has previously, under SA GAAP, accounted for residual values based on the requirement of AC 123.

The Authority has assessed the useful lives and residual values of all individual components of property, plant and equipment and adjusted the carrying values of both the property plant and equipment and the deferred income grant accordingly.



*ADMINISTERED
REVENUE ON BEHALF
OF NATIONAL REVENUE
FUND*

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Report by the Accounting Officer to Parliament
for the year ended 31 March 2007

Report by the Accounting Officer

It is with pleasure that ICASA presents to Parliament of the Republic of South Africa, the Annual Financial Statements on the Administered Revenue for the year ending 31 March 2007. In prior financial years ICASA reported the Administered Revenue on a cash basis in its main financial statements.

Background

ICASA regulates the communications, broadcasting and postal sectors which are governed by the Broadcasting Act, Electronic Communications Act (which repealed the IBA Act and the Telecommunications) and the Postal Services Act. In terms of the ICASA Act, all monies collected in its regulatory activities must be paid over to the National Revenue Fund within 30 days of receipt.

ICASA collects fees from the following:

- Broadcasting;
- Telecommunications;
- Frequency Spectrum; and
- Postal Services.

Postal regulatory functions previously performed by the Department of Communications were transferred to ICASA with effect from 1 January 2007.

Previously, licence fees were recognized on the cash accounting basis. Accordingly, an impairment analysis was not required and was not conducted. During the financial year under review, licence fees were based on an accrual

basis, and accordingly the impairment of the corresponding debtors was carried out.

For the period under review, Revenue increased by 16% from the 2005/2006 financial year with an average growth of 17% in respect of Broadcasting and Telecommunication fees.

Events after the reporting date

Council and Executive Management are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with within the financial statements that would affect the financial statements for Administered Revenue significantly.

Business address

Physical address:	Postal address:
Pinmill Farm	Private Bag X10002
164 Katherine Street	Sandton
Sandton	2146
2128	



Stanley Mamaregane
Acting Chief Executive Officer
31 July 2007

INTRODUCTION

1. I have audited the accompanying financial statements of the ICASA Administered Revenue which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out from pages 129 to 133.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996) read with section 4 of the Public Audit Act, 2004 (Act

No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

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

Basis of Accounting

8. The policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in accounting policy note 1.1.

Report of the Auditor-General to Parliament on the Financial Statements of the ICASA Administered Revenue
for the year ended 31 March 2007

Opinion

9. In my opinion, the financial statements present fairly, in all material respects, the financial position of the ICASA Administered Revenue as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting as described in note 1, and in the manner required by the PFMA.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

OTHER REPORTING RESPONSIBILITIES

Material adjustments made to the financial statements submitted for audit

10. Material adjustments were made to the annual financial statements submitted for audit on 31 May 2007. These adjustments related to an increase in licence and application revenue of R367.2 million, an increase in impairment of accounts receivable of R20 million, an increase in interest income of R11.6 million, an increase in accounts receivable of R347.2 million and an increase in National Revenue Fund payables of R346 million.

APPRECIATION

11. The assistance rendered by the staff of ICASA during the audit is sincerely appreciated.



*Ms. M.A. Masemola for Auditor-General
Johannesburg
31 August 2007*



A U D I T O R - G E N E R A L

*Statement of financial performance
for the year ended 31 March 2007*

Notes 31 MARCH	31 MARCH	2007 (R)	2006 (R)
Licence and Application Fees	2	2 121 114 457	1 826 976 601
Expenditure		(25 029 916)	(22 537)
Impairment of accounts receivables	3	(25 013 886)	(1 150)
Bank charges		(16 030)	(21 387)
		2 096 084 541	1 826 954 064
Interest income		11 606 643	10 812 341
		2 107 691 184	1 837 766 405
Funds transferred		(1 725 297 144)	(1 455 223 367)
Licence and Application fees transferred to National Revenue			
Fund during the year		(1 713 706 531)	(1 444 432 413)
Net Interest income transferred to ICASA		(11 590 613)	(10 790 954)
Funds accrued to the year		382 394 040	382 543 038

*Statement of financial position
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
Assets			
Current Assets			
Accounts receivables	3	405 541 534	402 737 880
Cash and cash equivalents	4	21 740 794	43 330 057
Total Assets		427 282 328	446 067 937
Liabilities			
Current liabilities			
Inter-company loans		1 814 036	1 824 316
National Revenue Fund payables	5	425 468 292	444 243 621
Total liabilities		427 282 328	446 067 937

Cash Flow Statement
for the year ended 31 March 2007

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from licensees		1 692 117 268	1 460 740 631
Cash transferred to National Revenue Fund and ICASA		(1 725 313 174)	(1 455 244 754)
Cash generated (utilized in) /generated from operations		(33 195 906)	5 495 877
Interest received		11 606 643	10 812 341
Net (decrease) / increase in cash and cash equivalents		(21 589 263)	16 308 218
Cash and cash equivalents at the beginning of the year		43 330 057	27 021 713
Cash and cash equivalents at the end of the year	4	21 740 794	43 330 057

*Notes to Administered Revenue
for the year ended 31 March 2007*

1 Accounting policies

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

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

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

Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Reporting date	Balance sheet date

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

1.1 Basis of preparation

The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit and loss.

The annual financial statements incorporate the following principal accounting policies, which are consistent in all material respects with those applied in the previous year, except where stated otherwise.

*Notes to Administered Revenue
for the year ended 31 March 2007*

The annual financial statements incorporate the following principal accounting policies:

1.2 Significant judgments

In preparing the annual financial statements, management is required to make estimates and assumptions that effect the amounts represented in the annual financial statements and related disclosures. It also requires management to exercise its judgment in the process of applying the accounting policies. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Provision for impairment of accounts receivables

A provision for impairment of accounts receivables is established when there is objective evidence that ICASA will not be able to collect all amounts due according to the original terms of receivables. The calculation of the amount to be provided for impairment of accounts receivables requires the use of estimates and judgments.

1.3 Revenue Recognition

Revenue comprise fees earned from application fees, issue of licences, licence amendment application fees and the annual licence fees from Broadcasting Services, Frequency Spectrum Services and Telecommunications Services.

Revenue is accounted at amortized cost/basis using the risk free bond rate.

1.4 Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at fair value; they comprise deposits held on call with banks and bank accounts.

1.5 Licence fees receivables

Licence fees receivables are recognized initially at fair value and subsequently measured at amortized cost using the risk free government bond rate, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that ICASA will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the risk free bond rate. The amount of the provision is recognized in the income statement.

1.6 Licence fees due to National Refund Fund

Licence fees due are recognized initially at fair value and subsequently measured at amortized cost using the bond rate.

1.7 National Revenue Fund

In terms of section 15(3) of the Independent Communications Authority Act (Act No.13 of 2000), ICASA must pay all fees received to the National Revenue Fund within 30 days after receipt.

*Notes to Administered Revenue
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
2. Licence and Application fees			
2.1. Broadcasting Services			
Community Sound Broadcasting licence application fees		211 400	141 100
Commercial Television licence fees		43 479 511	36 007 994
Commercial Sound Broadcasting licence fees		13 427 467	12 454 142
Community sound licence fees		-	50
Public Broadcasting Licence fees		-	20 000
Unearned fiancé income		(452 043)	(348 003)
		<u>56 666 335</u>	<u>48 275 283</u>
2.2. Telecommunication Services			
Under Serviced Area Licence application fees		420 000	1 230 000
Net operating income licence fees		1 642 435 418	1 435 196 476
Fixed licence fee		53 972 962	-
Universal Service Fund		153 438 705	142 033 677
Telecommunications Network licence application fees		544 883	891 631
Unwinding adjustment		12 278 928	8 357 946
Unearned finance income		(3 337 240)	(2 554 794)
		<u>1 859 753 656</u>	<u>1 585 154 936</u>
2.3. Frequency Spectrum			
Commercial radio application fees		3 521 070	1 674 627
Commercial radio licence fees		160 475 180	130 839 357
Miscellaneous fees		32 407	816 292
South African Maritime Safety Authority		-	303 225
Radio frequency equipment fees		1 310 355	1 266 871
Type Approval Labels income		329 524	450 669
Annual licence fees		34 842 021	54 811 648
Type approval		4 043 023	3 319 797
Exam related fees		79 886	63 896
		<u>204 633 466</u>	<u>193 546 382</u>

*Notes to Administered Revenue
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
2.4. Postal Services			
Annual Licence fees		61 000	-
		<u>2 121 114 457</u>	<u>1 826 976 601</u>
3. Accounts Receivables			
Broadcasting services		23 933 668	41 851 197
Frequency spectrum services		37 248 879	55 608 047
Telecommunications Services		373 101 156	306 088 760
Debtors unapplied (Broadcasting services)		-	1 723 510
Postal services		61 000	-
Vat output		-	370 313
Unearned finance income		(3 789 283)	(2 902 797)
		<u>430 555 420</u>	<u>402 739 030</u>
Less: impairment of accounts receivables		<u>(25 013 886)</u>	<u>(1 150)</u>
Broadcasting services		(100 950)	(1 150)
Telecommunications services		(24 912 936)	-
		<u>405 541 534</u>	<u>402 737 880</u>
4. Cash and cash equivalents			
Balances with banks			
Call accounts		11 090 138	9 125 531
Deposit accounts		10 650 656	33 646 406
USAL Bank account		-	978 032
Cash clearing account		-	(419 912)
		<u>21 740 794</u>	<u>43 330 057</u>

*Notes to Administered Revenue
for the year ended 31 March 2007*

	Notes	31 MARCH 2007 (R)	31 MARCH 2006 (R)
5. National Revenue Fund payables			
Cash with banks		21 740 794	43 330 057
Licence fees receivables		61 941 127	82 262 574
Accruals for licence fees		368 614 293	320 476 456
Inter-company loans		(1 814 036)	(1 824 316)
		450 482 178	444 244 771
Impairments of receivables		(25 013 886)	(1 150)
		<u>425 468 292</u>	<u>444 243 621</u>







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