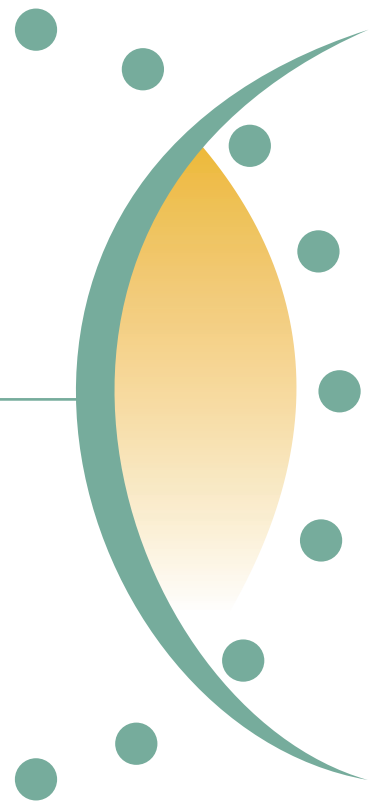


# Annual Report 2008/9

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA



**ICASA**

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# CHAIRMAN'S OVERVIEW



Paris Mashile

Dear stakeholders and fellow citizens at large, greetings to all of you. As it is customary, I hereby present a summary overview of the sector. It is roughly a synopsis of the thorny journey thus covered and the capricious road yet to be traversed.

As a regulator, there is need to pause and take stock determining to what extent the socio-economic policy objectives have been advanced. In this regard one has to take into cognisance the regulatory tool-kit which includes the licensing process, ensuring competition, enforcing the universal service obligation and facilitating the equitable and meritocratic allocation of scarce frequency resources.

The Altech court decision with regard to the conversion of VANs licences to individual licences was a watershed moment. For in one fell swoop managed liberalization was laid next to the bronze axe as an artefact in the museum of antiquity. All the licences conceived of in terms of the Electronic Communications Act (ECA) have been accordingly converted on time.

The Confederation Cup soccer event, which took place recently, was by all accounts, a roaring success. This, as a precursor of the FIFA Soccer World Cup, augers well for our preparedness, as a country, in terms of logistical arrangement such as all manner of ICT networks and services for example, will ensure that this will be the greatest show this side of eternity. Mobile TV will, without a doubt, have already been licensed and available by then.

As a country, through the leadership of the Department of Communications (DoC), we have committed ourselves to switching off the analogue signal by the 1<sup>st</sup> of November, 2011. This is a daunting challenge which will require huge investments of capital, financial, human and time resources. The shorter the dual illumination period, the less the operational electricity costs of running two transmitter systems simultaneously. We also have to ensure that the 5 million or so indigent TV households will have the subsidised digital to analogue convertor set-top boxes (STBs) installed as mantel-pieces adorning the tops of their analogue TV sets in their living rooms.

The landing of the Seacom optic-fibre cable on our shores is what the doctor ordered. Together with the about to be licensed INFRACO, and the EASSY cable which will follow soon thereafter, customers and consumers will indeed be spoilt for choice. With competition of this nature, broadband service will be ubiquitous and the ICT sector which is the engine of economic growth and social development will drive economic growth.

With regards to Markets and Competition, we are faced with daunting challenges. A measure of effective competition is when the consumers have countervailing power of getting the best quality of services at the lowest market prices. The mobile termination rates (MTR) are shamefully highest in South Africa compared with other peer countries and this is an indictment on us.

With such a high mobile penetration rate such as ours, the economies of scale and scope should dictate a lower termination rate. Anecdotal evidence show that new entrants pay averagely over 40% of their gross revenue to incumbents. This is an insurmountable barrier to entry which has to be speedily addressed. It is our determination to, by any means necessary, bring the incumbents to an understanding that the country is hurting. The ECA was, in essence, conceived to facilitate convergence of broadcasting, telecommunications and computing services. It is a paradox that in terms of the Act broadcasting networks are entitled to provide electronic services and not vice versa. The ECA needs to be revisited on this aspect not only in terms of technological advances but the changed market structure as well.

For effective competition to be manifested, there must be effective regulation. But without an in-depth understanding of the underlying technology, regulatory intervention would create a non-vibrant and hamstrung ICT sector. Technology tells you what can be and is done and regulation must facilitate this process. Technology is the tail that wags the dog (regulation).

The digital revolution, liberalization and competition are the reason why we have ubiquitous mobile services i.e. GSM. The internet has resulted in the world being shrunk to a global village, the so-called world wide web (www). The regulator should help facilitate the provision of all kinds of services imaginable that can be carried by these platforms.

The new broadband wireless technologies such as Wi-Max or LTE have the potential to cheetah pole-vault us into the millennium age of the information society and knowledge based economy. Using these technologies, relentless effort has to be pursued to bridge the digital divide by ensuring that health, educational, commercial and government services are delivered universally and primarily in those rural remote and underserved areas.

A couple of months ago we were inundated with concerns about an inexplicable and sudden upsurge of poor quality of mobile services including dropped calls, and delayed SMSs.

The operators have been hauled before Council and read the riot act. This is also undergirded by the recent release of the End-User Subscriber Charter which is now to be enforced. Operators should recall that, on their own volition, they did forswear to a Busy Hour (BH) grade of service (GoS) of 2%.

Regrettably, I do not have the luxury of time and space to address other equally important issues that you might want to hear from me. Suffice to say there will be another encounter for this engagement.

In signing off, I wish to thank the new Minister of Communications General (Retired) Sipiwe Nyanda and the Deputy Minister Dinah Pule for hearing us out for our cause and giving with their wisdom. The support we have so far been getting from the DoC is greatly appreciated. It is well to note that in the short period of their incumbency, there has been a momentum shift. Things are not what they used to be, it is a new ball-game that is being played on the turf and we are learning the rules fast and furious.

It will remiss if I did not acknowledge the immense contribution made and the foundation laid by the previous DoC administration under the leadership of the late Minister Dr Ivy Matsepe-Casaburri, Deputy Minister Roy Padayachee and ex Director General Lyndall Shope-Mafole. Their achievements will be borne as testimony to the recorded annals of the ICT sector. This is not to denude the support we received from the DoC staff as well. We were like family.

To my fellow Councillors, the CEO, General Managers and the staff in general, thank you for helping to row this leaky boat carrying precious cargo in these stormy and raging waves, from running aground. We all did it together.

Last but not least, to all stakeholders including consumers, licensed operators, ICT vendors and the investment community at large, thank you for your patience and forbearance and understanding where we fell short of meeting your expectations.

Yours truly,

A handwritten signature in black ink, appearing to read 'Paris Mashile', with a stylized flourish at the end.

**Paris Mashile**

Chairman

30 September 2009

# COUNCIL



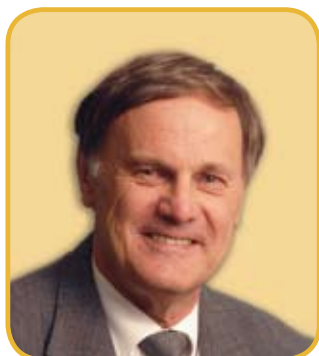
Brenda Ntombela  
1/11/06 - 31/10/10



Nomvuyiso Batyi  
1/07/08 - 30/06/12



Thabo Makhakhe  
1/07/08 - 30/06/12



Prof Jacobus van Rooyen SC  
1/10/06 - 30/09/10



**Chairman**  
Paris Mashile  
1/07/05 - 30/06/10



Dr Marcia Socikwa  
1/04/07 - 30/03/11



Mthobeli Zokwe  
1/07/05 - 30/06/09



Fungai Sibanda  
1/07/08 - 30/06/12



Robert Nkuna  
1/10/06 - 30/09/10

# COUNCIL REGULATORY PROJECTS

In terms of the Independent Communications Authority of South Africa Act (2000), as amended, Council is responsible for regulatory and licensing issues. During the period under review, Council implemented licensing, markets and competition, engineering and technology as well as consumer protection projects.

## 1. Licensing Projects

The Authority's major focus in the year was on completing the licence conversion process as required by the Electronic Communications Act (ECA).

### 1.1 Licence Conversion

In terms of the ECA, all licences issued in terms of the Telecommunications Act of 1996 and the Independent Broadcasting Act of 1993 had to be converted into class and individual licences to be issued for Electronic Communications Services (ECS), Electronic Communications Network Services (ECNS), Broadcasting Services (BS) and for the frequency spectrum.

This process was successfully concluded in January 2009 with the issuance of well over 600 class and individual licences. As part of the licence conversion process, the Authority also issued standard terms and conditions for these licences.

The Authority paid particular attention to the Value Added Network Services licensees by publishing a notice in a Government Gazette in December 2008 requesting information for the purposes of converting Value Added Network Service licences. The closing date for submission of information was 6 January 2009. Licensees who did not submit information by the closing date were converted but not issued. The Authority gave such licensees 90 working days, from 19 January 2009 to 26 May 2009, to furnish outstanding information.

On 16 January 2009, the Authority published a general notice calling upon all licensees to collect their licences from its Head Office or regional offices. The breakdown of licences that were converted is as follows:

- 96 Class Community Sound Broadcasting
- Three Class Low Power Sound Broadcasting
- One Class Community Television
- 13 Individual Commercial Sound Broadcasting
- One Individual Subscription Television
- One Individual Commercial Free-to-Air Television
- Three Individual Public Television Broadcasting
- 18 Public Sound Broadcasting

- 11 Individual Electronic Communications Service (ECS) and Individual Electronic Communications Network Services (ECNS) (former Publicly Switched Telecommunications Services, MCTS, and Wireless Data Services)
- Seven Individual ECS and Class ECNS (former USALS)
- 277 Individual ECS and Individual ECNS (former Value Added Network Services) licences
- 257 Individual ECS and ECNS (former VANS) were granted but not issued
- Seven Frequency Spectrum licences were confirmed

On 12 February 2009, the Authority published an erratum in a Government Gazette to convert VANS licences that were omitted in the 16 January 2009 notice. As a result:

- 11 Individual ECS and ECNS (former VANS) were granted and issued
- Seven Individual ECS and ECNS (former VANS) were granted and issued

In addition, the Authority has also granted and issued 24 Electronic Communications Service and three Private Electronic Communications Network licence exemptions.

## **1.2 Licence Fees Regulations**

The Authority developed Licence Fees Regulations to prescribe the administrative fees payable in respect of an application or registration for a licence, amendment, transfer or renewal as contemplated by the ECA. These regulations are meant to prescribe annual licence fees payable by licensees as contemplated by the ECA.

The Authority published draft regulations in November 2008, and conducted public hearings in January 2009. Final regulations were published on 1 April 2009.

## **1.3 Licensing Process and Procedures**

The Authority published the final Licensing Process and Procedures regulations. These provide all the forms and regulations pertaining to applications, registrations, amendments, transfers, renewals, termination and surrender of licences.

## **1.4 Licence Exemptions**

The Authority published the final Licence Exempt regulations. These regulations provide the terms and conditions for those who need to apply for exemption.

## **1.5 SAPO licence amendment**

The Authority has aligned the South African Post Office (SAPO) licence with the Postal Services Act (as amended), the ECA and the ICASA Act (as amended). The aligned SAPO licence was gazetted in October 2008.



## **2. Markets and Competition Projects**

### **2.1 Development of a Competition Framework**

The ECA mandates the Authority to develop a Competition Framework for the communications and postal industries that would allow for the “levelling of the playing field” for all operators. Developing a Competition Framework would, thus, outline the approach the Authority will take in conducting market studies to identify operators with significant market power, determine the existence or non-existence of effective competition and, where applicable, develop and impose pro-competitive remedies.

The Authority published Competitive Framework regulations in March 2008, and held public hearings in June 2008. To take the process forward in the new financial year, the Authority intends to:

- Inform stakeholders of the approach it would take in implementing market review in terms of chapter 10 of the ECA
- Conduct two market studies during the new financial year
- Engage stakeholders during the course of the two market studies, and inform them of its findings and the proposed regulatory action to follow.

### **2.2 Local Loop Unbundling**

In May 2007, the Minister of Communications issued a policy directive to the Authority to implement Local Loop Unbundling (LLU). LLU is a wholesale remedy aimed at making last mile infrastructure available to other operators as a supplementary measure for promoting competition in the communications sector/voice market.

In September 2008, the Authority held a workshop to kick-start the engagement with stakeholders in initiating the LLU process. Three working groups were established for facilitating continuous engagement with stakeholders. The completion of LLU regulations, particularly where cost orientation may be required, depend on a market review process being undertaken in terms of chapter 10 of the ECA.

### **2.3 Interconnection and Facilities Leasing**

The Interconnection and Facilities Leasing project is meant to create a framework to promote and facilitate the development of interoperable and interconnected networks among operators. The Authority deferred the completion of the regulations owing to the need to address significant technical and legal aspects raised by stakeholders during public hearings. The Authority intends to finalise the regulations in the new financial year.

### **2.4 Handset Subsidy**

The Handset Subsidy project seeks to promote transparency and facilitate greater choice for consumers and subscribers of mobile communication services. The Authority aims

to ensure that consumers are fully aware of the structure of costs related to end-user subscriber equipment. To this end, the Authority published Handset Subsidy regulations in June 2008. However, implementation of the regulations has been deferred owing to legal and other concerns raised by stakeholders. It is anticipated that the regulations will be put into force in the new financial year.

## **2.5 Carrier Pre-Select**

Carrier Pre-Select is the ability of a subscriber of an electronic communications service to access and use the electronic communication service of another licensed person or entity. The purpose of Carrier Pre-Select regulations is to make a determination as to which electronic communications services or facilities should be available for Carrier Pre-Select.

The Authority published draft regulations in December 2008, and intends to publish final regulations in the new financial year.

## **2.6 Review of Subscription Broadcasting Services (Development of Must Carry Obligations)**

The ECA requires the Authority to prescribe regulations regarding the extent to which subscription broadcast services must carry, subject to commercially negotiable terms, the television programmes provided by a public broadcast service licensee. The regulations that seek to effect this provision are referred to as the Must Carry regulations.

The regulations seek to amend the Subscription Broadcasting Services Regulations that were developed under the Independent Broadcasting Act No, 153 of 1993 (IBA Act). The IBA Act did not make provision for 'must carry'.

To this end, the Authority compared international benchmarks on the Must Carry Obligations and drafted a discussion document that was put in the public domain for comment. This was followed by the publication of Draft Regulations and Position Paper in May 2008. Final Regulations were published in October 2008.

## **2.7 Universal Access Regulations**

The aim of this project is to prescribe regulations that would enable universal access and service to the South African general public through their choice of media and electronic communications services. The objective is to bridge the digital divide in terms of access to broadcasting and electronic communications services.

The project is divided into two phases: the first phase involves prescribing a regulatory framework for payment of Universal Service and Access Fund ('USAF') by all licensees that are granted or considered to have been issued by the Authority in terms of the ECA.

The second phase involves prescribing regulations that would enable universal access and service to broadcasting and electronic communications services.

The Authority published a discussion document that was put in the public domain for comment, and later conducted a workshop with the Universal Service and Access Agency of South Africa and the Media Development and Diversity Agency on matters raised by interested parties and stakeholders, and to plan for public hearings.

The Authority published Final Regulations in October 2008.

## **2.8 Regulatory Framework for Digital Migration**

The aim of this project is to prescribe regulations that would enable the smooth transition from analogue to digital broadcasting and further manage the three dual illumination periods which the existing terrestrial broadcasters would simulcast both in analogue and digital transmissions.

The Department of Communications published the National Policy Framework on Digital Migration to enable the Authority to plan for the conversion process and publish an implementation plan for digital broadcasting.

The Authority published draft regulations for public comment in September 2008, held public hearings in December 2008, and published draft Digital Terrestrial Television Regulations in March 2009 for final comments before finalisation.

## **2.9 Review of the 1999 National and Provincial Elections Regulations**

The ECA requires the Authority to review the regulations relating to party election broadcasts ('PEBs'), political advertisements ('PAs'), the equitable treatment of political parties by broadcasting licensees and related matters in respect of the 2009 General Elections.

The Authority finalised its review of the existing regulations and published draft regulations in July 2008 for public comment, and conducted provincial workshops on the Draft Regulations in August 2008. Public hearings were conducted in October 2008, and Final Regulations were published in November 2008.

## **2.10 Review of Sport Rights Regulation**

The ECA requires the Authority to review the Sport Rights Position Paper and Regulations every four years. The review involves the assessment of the market and regulatory impact of the existing policy and regulations on sport broadcasting rights in South Africa.

In doing so, the Authority is required to consult with the Minister of Sport to ensure that subscription broadcasting services do not disadvantage free-to-air broadcasting of national sporting events, as identified in the public interest from time to time in the

acquisition of broadcasting rights for national sporting events that are identified as such from time to time.

The Authority developed the terms of reference for the study and appointed a service provider who submitted a report in June 2008. The discussion document on Sport Broadcasting Rights regulations was published in October 2008, and public hearings were held in January 2009.

The Authority intends to conclude this project in the new financial year after consulting with the Ministers of Communications and of Sport.

### **2.11 Review of South African Local Content Review**

The ECA also requires the Authority to review the South African Local Content Position Paper and Regulations every four years. Consultants were appointed to conduct research, and submitted a report on 30 May 2008. Consultations with stakeholders took place in August 2008, and a draft discussion document was published in November 2008 to solicit public comment. The Authority intends to conclude this project in the new financial year.

### **2.12 Review of Regulations on Advertising, Infomercials and Sponsorship**

The ECA requires the Authority to review regulations governing advertising, infomercials and sponsorship, and to prescribe regulations setting out the code of conduct and standards and practice in relation to these and other forms of commercial promotion in radio and television broadcasting services.

The Authority conducted desktop research and international benchmarking, and published Draft Regulations in February 2009 for public comment. The project will be finalised in the new financial year.

### **2.13 Review of Regulations relating to Code of Conduct for Broadcasters**

The Code of Conduct for Broadcasters is also a subject of review as required by enabling legislation. The Authority conducted research and published draft regulations for comment in December 2008. Public Hearings were held in March 2009, and the project will be finalised in the new financial year.

### **2.14 Unreserved Postal Services Regulations**

The Postal Services Act requires the Authority to regulate the unreserved postal services (Schedule 2). The Authority published a Discussion Document for comment in January 2009. This process was followed by a public consultation process that was conducted in a number of provinces. The regulations will be published in the new financial year.

### **3. Engineering and Technology Projects**

#### **3.1 Radio spectrum licence fees**

The Authority commissioned a scientific study to develop a new Radio Spectrum Licence Fees framework, that determines the economic value of the radio frequency spectrum. The study was completed during this financial year. The Authority intends to consult with all stakeholders before it finalises regulations governing radio spectrum licence fees.

#### **3.2 Review of the national radio frequency plan**

The Authority published the Draft Radio Frequency Plan for public comment in July 2008, which provides guidelines as to the allocation of frequencies for different services. The Authority will conduct public hearings in the next financial year and publish a final plan.

#### **3.3 Radio frequency identification (RFID) systems**

The Authority published final regulations in June 2008 to regulate the development and deployment of Radio Frequency Identification (RFID) systems. RFID systems are automatic identification sensor-based technologies used for a variety of purposes such as controlling manufacturing processes, tracking assets, enabling financial transactions and pay toll fees, as well as to allow secure building access and other applications.

#### **3.4 The exemption of certain radio frequencies from licensing**

The Authority took a decision to exempt from the licensing process radio devices that have a low probability of causing harmful interference. The frequency bands of these radio devices and conditions of their use were published in a Government Gazette in July 2008.

#### **3.5 Licensing framework for high demand frequencies**

The Authority published a findings document on the Licensing Framework for High Demand Frequencies in June 2008 pursuant to public hearings that were held the previous year. Many of the responses received raised concern about the provisions of the findings document. This prompted the Authority to conduct another round of consultation on this matter. Final Regulations will be published in the new financial year.

#### **3.6 Broadcasting spectrum**

The Authority is also responsible for frequency planning, the assignment of frequencies as well as related technical analysis. This role is particularly critical in the light of the imminent switch from analogue to digital technology platforms. As a result, the Authority needs to develop a new terrestrial broadcasting frequency plan which incorporates a new plan for Digital Terrestrial Television (DTT) and digital mobile services.

The terrestrial broadcasting frequency plan provides for broadcast frequency bands allocated to the different categories of broadcasting services and frequency assignments that are operational, licensed or spare. The Draft Terrestrial Broadcasting Frequency Plan was published in October 2008, and a workshop was held with industry stakeholders in March 2009. The final terrestrial broadcasting frequency plan for dual illumination period will be published in the new financial year.

## **4. Consumer Affairs Projects**

For reporting period, the Authority delivered the following Consumer Protection projects:

### **4.1 End-user and subscriber service charter regulations**

The Authority published the regulations on End-User and Subscriber Service Charter regulations in terms of the ECA for the provision of quality of service thresholds that network and service operators should adhere to in providing services to consumers. Subsequent to the publishing of the regulations, the Authority embarked on a further round of public consultation as the industry found the regulations too onerous and not implementable. The publication of final regulations will take place in the new financial year.

### **4.2 Regulations on conveyance of mail**

The regulations on Conveyance of Mail provide protection to consumers on mail tampering, fraud, theft and general violation of all postal articles. Draft regulations were published for comment in November 2008, and workshops with stakeholders and the public were conducted in January 2009. The Final Regulations are to be published in the new financial year.

### **4.3 E-Rate**

The ECA requires the Authority to prescribe regulations regarding the fifty-percent discount to be offered by ECS and ECNS licencees to public schools and public further education and training institutions. The Authority conducted public hearings and workshops on the E-Rate regulations during the reporting period. The Authority will further address the implementation plan for the E-Rate in the new financial year.

### **4.4 112 Emergency regulations**

The ECA requires the Authority to prescribe regulations on 112 Emergency for the ECS and ECNS licencees. These regulations prescribe the number 112 as the number to be used by the public in cases of emergency. Public hearings were held as part of the consultations, and final regulations were published during this reporting period.

## 5. Complaints and Compliance Committee

The Complaints and Compliance Committee (CCC) has jurisdiction over matters pertaining to non-compliance with licence conditions and contraventions of the ICASA Act or underlying statutes by licensees.

During the review period, the CCC adjudicated nine licensees charged with non-compliance of their licence conditions and made appropriate recommendations to Council as to sanction. The following cases were received from the ICASA Monitoring Unit:

**Radio Graaff-Reinet:** For ceasing all broadcast activities and obligations as set out in its licence conditions and failing to remit its signal distribution fees.

**Radio Grahamstown:** For failing to broadcast for more than a year without the consent of the Authority, thereby contravening its licence conditions.

**The Voice of Tembisa:** For failing, inter alia, to submit audited financial statements, programme schedules, programme recordings, log sheets and complaints reports as required by its licence conditions.

**Nkqubela Community Radio:** For failing to submit to the Authority audited financial statements, programming log schedules and audio recordings of programmes broadcast as required by its licence conditions.

**Moretele Community Radio:** For experiencing general management problems and failing to submit audited financial statements.

**Imbokodo Community Radio:** For failing inter alia to submit audited financial statements, logs and recordings of programmes broadcast, as well as not maintaining a 50% talk and 50% music programme format as per its licence conditions.

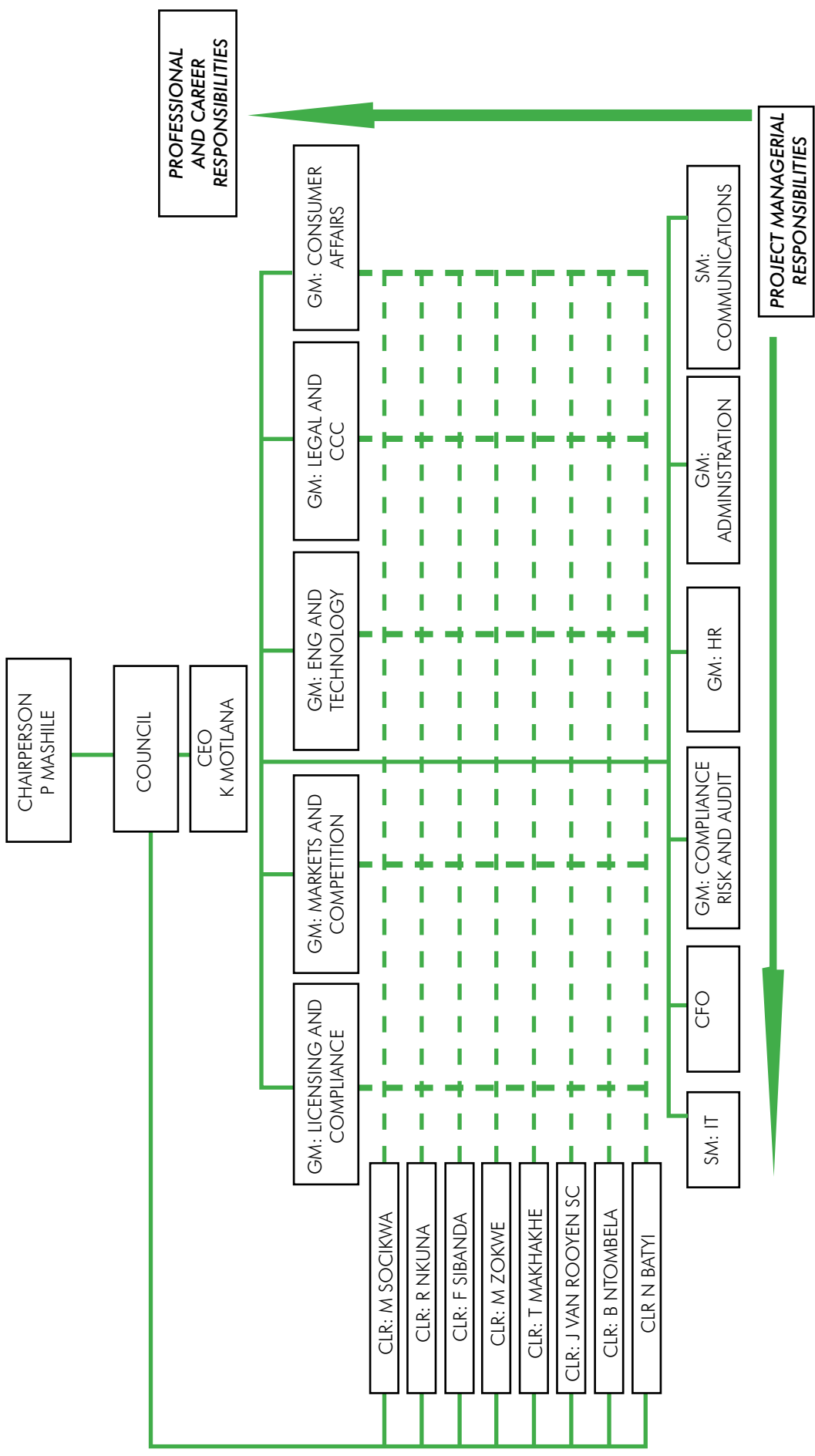
**Durban Youth Radio:** For failure to submit audited financial statements and recordings of programmes broadcast as per its licence conditions.

In the following matters complaints were received from parties other than the Monitoring Unit of ICASA:

**Y-FM v Igagasi 99.5 FM:** Y-FM alleged that Igagasi 99.5 FM had not complied with Schedule C of its licence conditions, which states that it had to broadcast in an adult temporary jazz format. This complaint was not upheld by the CCC.

**Democratic Alliance v Eden Community Radio:** For broadcasting a political advertisement within 48 hours of a by-election. They conceded the contravention and were fined R5 000, suspended until expiry of the present license. The licensee was also ordered to broadcast an apology.

# Organogram





# CHIEF EXECUTIVE OFFICER'S REVIEW



Karabo Motlana

The 2008/09 year, like most other years at ICASA, has proved challenging. ICASA had to grapple with the dynamics of introducing a new working model to the institution in line with the imperatives of the ECA. A considerable amount of time and effort has been expended to ensure that ICASA works to a single, integrated business plan that unites and drives management and Council efforts, and that procurement processes are streamlined and procurement occurs timeously.

It is imperative that all major elements and processes within our business are correctly identified, optimised and most critically, acted on. Considerable effort has also been expended to ensure that performance management is used to achieve workplace objectives.

Long before it became the new mantra, we have successfully used Performance Management System (PMS) to identify and benchmark workplace practices and goals and to ensure that the institution works to a measurable and identified set of goals across all divisions. A continuing effort will be made to ensure that PMS continues to be a marker of goals at ICASA and drives performance.

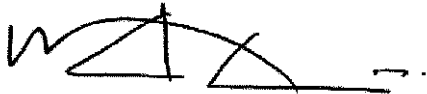
I must thank all staff for their commitment shown to the process, notwithstanding the concerns raised about the performance indicators and the size of awards. For the most part, the awards simply reflect the straitened times we find ourselves in.

Considerable effort has also been expended on ensuring that staff were properly trained and make optimal use of Individual Development Programs (IDP). ICASA spends way above the norm on training and a renewed focus will be placed on identifying suitable training opportunities.

A programme of institutional renewal was embarked upon in the year. It is hoped that the qualification and skills audit underway will be an important milestone in positioning ICASA as an ECA implementation capable regulator. It is hoped that in the coming

years the identification of our skills deficit, a 'gap analysis' between formal qualification and identified required regulatory skills that such a study will bring to light will be the focus of a renewed focus on the reskilling and upskilling of staff.

Lastly, ICASA has attended to the renewal and refurbishment of its working environments in the form of new equipment, vehicles and workplace tools, and the statement of account reflects this. It is sincerely hoped that all these initiatives advance our drive to become an effective and competent regulator.



**Karabo Motlana**

Chief Executive Officer

30 September 2009

# EXECUTIVE SUMMARY

The following is an Executive Summary of regulatory projects, as aligned to the strategic objectives of the Authority, undertaken during the 2008/9 financial year:

## **Liberalisation of the Communications Sector**

- Developed draft regulations for the Digital Migration process, to help migrate the SABC, M-Net and TBN to migrate from analogue to a digital technology platform.
- Advised the Minister of Communications against the merging of Under-Serviced Area Licences (USALs) into provincial entities (PUSANO) as being in conflict with the provisions of the ECA.
- 25 USAL licensee were issued with Individual Electronic Communications Service licences and Class Electronic Communications Network Service licences.
- Issued 24 Class ECS and 3 PECN licence exemptions.
- Published Invitation to Apply (ITA) for additional commercial sound broadcasting services for the primary markets of Gauteng, Western Cape and Kwa-Zulu/Natal.
- Registered 50 courier companies.
- Issued an aligned South African Post Office licence.
- Conducted compliance visits to SAPO's outlets across the country.

## **Strengthening Regulation**

- Published a Findings Document on the definition of Under-Serviced Area as contained in the Cell C licence.
- Developed Draft Compliance Manual for the terms and conditions, and other regulations in terms of the ECA.
- Conducted monitoring and compliance visits.
- Published Elections Regulations.
- Published Discussion Document on Sport Broadcasting Regulations.
- Published Regulations on Subscription Broadcasting Services.
- Published Code of Conduct for broadcasters.
- Drafted list of Radio Regulations to be reviewed.
- Drafted Frequency Spectrum Regulations, and Invitation To Apply regulations.
- Published Draft Mail Integrity Regulations.

## **Reducing the costs of doing business in South Africa**

- Analysed Telkom's annual Tariff Filing in line with Price Cap Regulations.
- Appointed a service provider to conduct SAPO's Tariff Review.
- Processed 67 tariff proposals.
- Published discussion document for the review of Frequency Spectrum Fees.

## Promoting Economic Growth

- Processed 297 numbering applications.
- Processed 36 interconnection agreements.
- Published Draft Radio Frequency Band Plan for comment.
- Published Draft Terrestrial Broadcasting Frequency Plan.

## Promoting Access to Basic Services

- Published Universal Access and Service Fund Regulations.
- Processed a total of 2 155 consumer complaints, 66 percent of which were resolved.
- Conducted 540 consumer public awareness workshops across the country.
- Conducted Assessment Studies on Consumer Awareness and the Impact of Number Portability.
- Published End-User and Subscriber Service Charter.
- Published E-Rate Regulations.

# **DIVISIONAL REPORTS 2008/2009**

# LICENSING AND COMPLIANCE DIVISION



Siphso Tsotetsi  
General Manager

The Licensing and Compliance Division (LCD) provides human capacity and budget resources to Council and its Committees in relation to the issuing of broadcasting, communications services and communications network service licences as well as postal services licences.

LCD is made up of the Licensing and Compliance departments. The division is also responsible for monitoring and ensuring compliance by licencees to the terms and conditions attendant to those licences.

## **1. Licensing**

For the reporting period, LCD implemented the following licensing projects:

### **1.1 Licensing of USALs in terms of the ECA**

Before the implementation of the ECA, the Authority ordered certain USAL applicants to merge so as to make their operations viable as a requirement for the issuance of a licence. As a result of this process, former USAL applicants were issued with 25 Individual and Class ECS and ECNS licences.

The merger process in the Chris Hani and Vhembe District municipalities has not been finalised. Meetings were held and correspondences were exchanged between the merging entities. By the end of the reporting period these mergers were still outstanding.

### **1.2 Merger of USALs into PUSANOs**

In September 2007 the Minister of Communications published a policy directive, in terms of the Electronic Communications Act (ECA), directing the Authority to merge Under-Serviced Area Licencees into one entity in cases where there are more than one licencee in a given province, and issue a Provincial Under-Serviced Area Network Operator (PUSANO) licence.

The Ministerial Directive required each PUSANO to be licensed for individual electronic communications networks and services, and that ownership and control of the new merged provincial licencees be in the hands of persons from historically disadvantaged groups residing in the designated licence area.

The Authority sought legal advice on the matter, and was advised that the Ministerial Directive is in conflict with the ECA. The Authority accepted the opinion and advised the Minister accordingly. As a result, the PUSANO project did not take off.

### **1.3 Trial Licences for Digital Migration**

The purpose of the Broadcasting Digital Migration project is to facilitate the country's transition from an analogue to a digital technological platform. The project's framework is informed by the National Policy on Digital Migration that was developed by the Department of Communications. On the basis of national policy, the Authority went on to publish the Draft Broadcasting Digital Migration Framework Regulations in October 2008.

It was during this time that the SABC and M-Net requested the Authority to grant them trial licences to conduct digital terrestrial broadcasting tests as part of their preparations for the digital migration and switch-over processes. The Authority granted the two operators trial licences for the period 1 November 2008 to 31 May 2009.

The Authority will finalise the Digital Migration Regulations in the 2009/10 financial year.

### **1.4 Licensing of Commercial Radio in Primary Markets**

The Authority appointed a service provider in July 2008 to conduct a market study on the viability of licensing additional commercial radio broadcasting services in the primary markets in Gauteng, KwaZulu-Natal and Western Cape Provinces. The feasibility study report was submitted to the Authority in January 2009. On the basis of the study's findings, the Authority published an Invitation To Apply in March 2009. The closing date for the submission of applications is 30 September 2009.

### **1.5 Registration of new Courier companies in unreserved postal services**

The Authority grants permission to entities that seek to provide unreserved postal services to register as courier operators for the delivery of parcels and goods. Forty-Six courier companies were registered during the financial year.

The Division also conducted workshops to create awareness about the registration process for providing unreserved postal services in KwaZulu-Natal Province (Newcastle, Pietermaritzburg, Durban and Richards Bay).

## 2. Compliance

The Compliance Department monitors compliance with the Electronic Communications Act, regulations, licence terms and conditions and all other applicable legislation. The department monitors compliance in relation to broadcasting services, electronic communication network/services (ECNS/ECS) and postal services licensees.

### 2.1 Broadcasting Service Licensees

#### 2.1.1 Compliance

For the period under review, the Compliance Department compiled 55 reports on broadcasting licensee's compliance with the ECA and the licence terms and conditions.

In addition, the department conducted 45 monitoring visits with the aim of assisting licensees in complying with the terms and conditions of their licences. The monitoring visits to broadcasters are listed below:

#### ***Kwa-Zulu Natal***

- Igagasi
- East Coast Radio
- Highway Radio (2 visits conducted)
- Durban Youth Radio (2 visits conducted)
- Radio Sunnysouth
- Ikhwezi FM
- Indosakusa
- Maputaland
- Eshowe Community Radio
- Newcastle Community
- Inanda

#### ***Eastern Cape***

- Radio Kingfisher
- Radio Graaff Reinet
- Radio Algoa
- Rhodes Music
- Inkonjane (4 visits conducted)
- Radio Unique
- Khanya

#### ***Gauteng***

- Jozi FM
- Tuks FM
- East Rand Stereo (2 visits conducted)
- Rainbow



- Thetha FM
- KAYA

### ***Mpumalanga***

- Greater Middleburg FM (2 visits conducted)
- M-Power
- Barberton

### ***Free State***

- Qwa-Qwa Radio (2 visits conducted)
- Mosupatsela
- Naledi
- Setsoto FM
- OFM

### ***North West***

- Vaaltar FM
- North West Radio
- Mafisa

### ***Northern Cape***

- Ulwazi FM

### ***Western Cape***

- Valley FM
- Bush Radio

### ***Limpopo***

- Capricorn FM
- Moletji FM (2 visits conducted)
- Mokopane FM

## **2.1.2 Complaints**

The Complaints and Compliance Department also receives, processes and investigates complaints against licencees. Some of the complaints emanate from the department's own initiative, whilst others are reported by members of the public and industry stakeholders.

Whereas, the department endeavours to address and resolve complaints against licencees and to encourage compliance, cases of a serious nature are referred to the Complaints and Compliance Committee (CCC). The CCC is a standing committee of the Authority that is mandated by the ECA to adjudicate complaints.

For the reporting period, the department received and processed 76 complaints categorised as follows:

- Technical 8
- Mismanagement 28
- Advertisement 8
- Programming 10
- Other 22

Of the above, 44 complaints were resolved by the department, whilst five were referred to the Complaints and Compliance Committee (CCC). The remaining 36 complaints were referred to industry-led bodies, notably, the Advertising Standards Authority of South Africa (ASA) and the Broadcasting Complaints Commission of South Africa (BCCSA).

## **2.2 Electronic Communications Services or Network Licensees**

### 2.2.1. Compliance Manual

In February 2009, the Authority appointed PYGMA Consulting and KGSP Konsult to conduct research and produce a draft Compliance Manual to be used by the Authority in enforcing the regulatory statutes and the various pieces of regulations that have been promulgated at the time of production of the manual. The consultants were also required to provide the Authority with assistance regarding the incorporation of future regulations into the manual, including changes to regulations already promulgated.

### 2.2.2 Cell C Community Service Telephones

The Authority embarked on a public process to make a determination about whether Cell C's community service telephones are located in under-served areas and whether Cell C has complied with its licence obligations. The Authority conducted public hearings in October 2008, and published its findings in February 2009, and invited Cell C to resubmit its roll-out plans.

## **2.3 Postal Services**

The South African Post Office (SAPO) licence requires the operator to comply with the following obligations:

- Customer care standards
- Delivery point and infrastructure roll-out

### 2.3.1. Customer Care Standards

Customer Care Standards refer to criteria used to measure SAPO's service delivery in terms of accessibility, convenience, staff competence and attitude, as well as security and the handling and resolution of complaints.

For the reporting period, the department conducted 46 monitoring visits to postal outlets across the country. The provincial breakdown of these monitoring visits were: six in the Eastern Cape; nine in the North West; 17 in Mpumalanga and Limpopo; two in KwaZulu/Natal and 12 in the Northern and Western Cape.

### 2.3.2 Delivery point roll-out and Infrastructure roll-out Audit

The department conducts monitoring visits to verify reports submitted by SAPO on delivery point and infrastructure roll-out targets achieved. SAPO's infrastructure roll-out was at 1 675 114 and that of delivery points at 22 733 780.

### 2.3.3. Customer Complaints

In terms of customer complaints, a total of 60 complaints were received and 34 of these were referred to SAPO for resolution; 22 were resolved by the department; two were referred to the CCC and the remaining two are still under investigation.

# MARKETS AND COMPETITION



Keith Weeks  
General Manager

The Markets and Competition Division (MCD) provides Council and its Committees with human capacity and budgetary resources in the development of regulations governing market and competition matters.

MCD is made up of the Competition and Market Analysis, Economic and Financial Analysis and Numbering Administration as well as the Policy Development Departments.

The MCD is responsible for developing regulations that promote competition, innovation and investment in services and facilities provided in the communications and postal sectors. The division pursues this objective by conducting financial and economic analysis of regulatory financial reports and pricing proposals; processing numbering applications and interconnection agreements; conducting market studies to identify significant market power among operators and whether competition is effective in the identified markets, and by developing and imposing pro-competitive remedies in markets where competition is found to be ineffective.

The Policy Development and Research Department, on the other hand, is responsible for the conceptualisation and research of policies for the communications, broadcasting and postal services sectors.

## **Competition and Markets Analysis Department**

During the reporting period, the Competition and Market Analysis Department delivered on the following projects:

### **Interconnection and Facilities**

The Authority processed 36 interconnection agreements in the year under review in terms of the existing Interconnection Guidelines of 2000 and the provisions of the ECA.

The Competition and Market Analysis Department also provided human capacity and budgetary resources to Council in delivering the following projects:

- Development of a Competition Framework
- Local Loop Unbundling
- Interconnection and Facilities Leasing
- Handset Subsidy

## **Economic and Financial Analysis and Numbering Department**

For the period under review, the Economic and Financial Analysis and Numbering Department delivered on the following projects:

### **Telkom Tariff Regime**

Telkom's 2008/09 tariff review was analysed and approved by the Authority in line with the Telkom Price Control Regulations and Licence Conditions. Notwithstanding the individual price adjustments to different tariff categories, the overall price increase of 2,8 % was approved by the Authority.

### **Postal Tariff Regime**

SAPO's 2009/10 annual tariff review was analysed and approved by the Authority and a 9,9 % increase was approved as opposed to the 14,6 % that was applied for.

### **Tariff Analysis**

In the year under review, 57 ad-hoc tariff applications were processed and analysed by the Authority in line with licence conditions. The applicants included the following operators: Cell C, MTN, Swiftnet, Telkom, Vodacom and Wireless Business Solutions.

### **Analysis of Regulatory Financial Reports**

The analysis of Telkom's 2006/07 Regulatory Financial Reports was completed and the Chart of Accounts and Cost Allocation Manual (COA/CAM) reports filed by MTN and Vodacom were also analysed. Capacity building workshops on the analysis of the COA/CAM reports were completed in line with set objectives.

A draft report on the analysis of the 2007/08 regulatory financial reports (COA/CAM) filed by Telkom, MTN and Vodacom has been developed for tabling in the 2009/10 financial year.

To supplement the COA/CAM processes, the Weighted Average Cost of Capital (WACC) benchmarking study was conducted to look into the validity of the WACC rates used by operators in relation to the cost profiles. The initial draft report was developed to establish an economic regulatory framework for the reserved postal services. Consultations with the South African Post Office were also conducted.

## **Numbering Applications**

A total of 315 numbering applications were processed in terms of the Numbering Plan Regulations and International Telecommunications Union (ITU) requirements.

### Number Audit

To promote effective use of numbering resources by licensed operators, the framework for the Number Audit was developed with the Audit Questionnaire and published in a Government Gazette.

### Numbering Plan

Initial consultations with stakeholders were conducted and a draft report drawn up to review the Numbering Plan regulations in line with the ECA. The development of the short code strategy was also incorporated in this study.

The Economic and Financial Analysis and Numbering department also provided human capacity and budgetary resources to Council with respect to the Carrier Pre-selection project.

## **Policy Research and Development Department**

The Policy Research and Development Department delivered the following projects during the period under review:

### **Definition of Universal Service and Access in the Postal Sector**

The Authority has drafted a Discussion Paper on the definition of Universal Service and Access in the Postal Sector for internal purpose and a copy was sent to the Department of Communications (DoC) for input. The DoC intends to issue a Ministerial Policy Directive.

### **Postal Market Study**

The DoC, in collaboration with the Authority, has commissioned a study to assess the postal industry's market structure. The project was completed in February 2009 and an action plan outlining further work is being drafted by the DoC. The Authority will use the findings of the study to liberalise the postal sector.

The Policy Research and Development Department also provided human capacity and budgetary resources to Council in relation to the following projects:

- Review of Subscription Broadcasting Services (development of Must Carry Obligations)
- Universal Access regulations - Obligations regarding contributions to the Universal Access and Service Fund
- Regulatory Framework for Digital Migration
- Review of the 1999 National and Provincial Elections Regulations
- Review of Sports Rights Regulations
- Review of South African Local Content
- Review of Regulations on Advertising, Infomercials and Sponsorship
- Review of Regulations relating to Code of Conduct for Broadcasters

# ENGINEERING AND TECHNOLOGY



Dumisa Ngwenya  
General Manager

The Engineering and Technology Division (ETD) provides human capacity and budgetary resources to Council and its Committees in relation to radio frequency planning and management. ETD comprises the frequency spectrum and the radio monitoring and regions departments.

## **Frequency spectrum department**

### **Radio Frequency Spectrum Management**

Enabling legislation mandates the Authority to allocate and manage the frequency spectrum efficiently in accordance with the International Telecommunications Union allocations. The frequency spectrum is a finite national resource, and the Authority is mandated to ensure that it is managed efficiently in order to realise the country's socio-economic and developmental goals.

For the year under review, the Spectrum Management Unit provided Council with human capacity and budgetary resources to deliver the following projects:

- Radio Spectrum Licence Fees Framework
- Review of the National Radio Frequency Plan
- Radio Frequency Identification Systems
- Radio Frequency Licensing exemptions
- Licensing Framework for High Demand Frequencies

### **Frequency Spectrum Licensing**

The Frequency Spectrum Licensing Unit issued the following licences:

<i>Category</i>	<i>New Applications received</i>	<i>Renewals</i>	<i>Pending applications</i>	<i>Cancelled Licences</i>
Aeronautical	2 016	5 092	572	519
Amateur	608	2 264	311	64
Fixed	201	70	33	15
Land Mobile (including Ski boats)	2 254	24 131	663	703
Maritime	624	3 247	56	243
Radio Dealer	370	4813	309	67
Satellite	16	41	4	16
<b>Total</b>	<b>6 089</b>	<b>39 658</b>	<b>1 948</b>	<b>1 627</b>

## Equipment Type Approval Department

For the year under review, the Equipment Type Approval Unit conducted consultative workshops with stakeholders on the Official List of Regulations on Equipment Type Approval, and held public hearings on Power Line Telecommunication Regulations (PLT). Both the final Official List and PLT regulations will be published in the new financial year.

The unit issued the following licences and registered equipment for type approval for telecommunication line terminal equipment (TLTE), switching systems (SWS), and radio frequency equipment (RF), as well as the licensing of maintenance organisations and the registration of suppliers.

<i>Category</i>	<i>New applications received</i>	<i>Licensed</i>	<i>Renewed</i>
RF equipment	1 585	1 534	
TLTE	301	203	602
SWS	110	63	520
LMO-1	40	18	205
LMO-2	9	5	56
Supplier registration	8	3	28
<b>Total</b>	<b>2 053</b>	<b>1 826</b>	<b>1 411</b>

The Equipment Type Approval Unit also took part in Standards South Africa-ICASA technical committees.



## Monitoring and Regions Department

### Regional Operations

The ECA vests the Authority with powers to control, plan, administer, manage, and license the frequency spectrum. The Monitoring and Regions Department is responsible for ensuring effective spectrum management by enforcing compliance with the ECA.

The department conducts inspections and monitors all licensees, broadcasting, frequency spectrum as well as communications service and network licensees, compliance with legislation, as well as compliance with licence terms and conditions. The Monitoring and Regions Department also ensures that licensees use their allocated frequency spectrum without interfering with other licensed users or services.

Through its enforcement functions, the department inspects seals and confiscates illegal telecommunications and radio equipment as well as search, trace, detect and identifies sources of undesirable electro-magnetic emissions.

The department also conducts verification and recording of the current spectrum usage and occupancy statistics, including progress on any migration processes.

Of the regularly monitored range of frequencies, the following were of significance:

### Compliance and Labelling campaigns

Regional offices, Cape Town, Port Elizabeth, Bloemfontein, Durban, Johannesburg and Pretoria conducted different compliance and enforcement campaigns throughout the year. Out of these campaigns, the following were achieved:

- Confiscated 471 units of equipment, including two-way radios and cellular apparatus. Illegal cordless phones were also located and confiscated.
- Closed down illegal broadcasters and confiscated radio and transmitting equipment.
- Labelling and type approval campaigns on retailers premises resulted in the removal of telecommunications equipment and radio-controlled toys that caused interference.
- Issued warnings and closed down unlicensed operators in the Industrial Scientific and Medical (ISM) band and
- Returned 223 units of confiscated equipment to owners who subsequently complied with the Act.

### License Compliance

The Regional Offices also collected outstanding licence fees, while sealing equipment of illegal users. A total of 1 234 radios were sealed to prevent them from operating due to non-payment of licence fees or at the request of the owner.

The department actioned 2 015 licensee files received from the Finance Division. In addition, the regions also processed a total of 790 new licences.

### Maritime functions

The Durban and Cape Town offices issued 116 maritime certificates. Other regional offices conducted 649 maritime restricted radio telephone examinations.

### High Site Inspections

From time to time, regional offices perform high-site inspections to proactively minimise interference and illegal transmissions on these high traffic carrying sites. 77 high site inspections were conducted during the reporting period. During audits, variations were found and compliance notices issued. New sites were commissioned to ensure compliance to the licence conditions and specifications, and alarm audits performed to ensure that there are no discrepancies in the number of users.

### Spectrum Compliance

A total of 275 interference cases were identified and reported of which 267 have been cleared.

### Projects

Regional offices are also involved in a number of special projects from time-to-time. The Bloemfontein regional office was involved in the implementation of the Remote Receiver Project, which enables investigation teams to monitor radio transmissions at remote locations and relay the data to the head office.

Another project was the DIVE (Database Integrity Verification Exercise), which involves using test apparatus for inspectors to enable them to verify licensee information out in the field.

# CONSUMER AFFAIRS DIVISION



**Phosa Mashangoane**  
**General Manager**

The Consumer Affairs Division (CAD) is responsible for protecting consumers from unfair business practices, ensure access to safe and good quality products and promote the interest of people with disabilities in relation to the provision of communications, broadcasting and postal services.

The CAD comprises the Complaints and the Public Education and Awareness Departments.

## **Complaints Department**

The Complaints Department receives and addresses complaints from consumers and members of the public in relation to communications, broadcasting and postal services and products. During the year under review, the department sought to increase public accessibility to its complaints-lodging systems by piloting a Consumer Help Desk Project in rural areas.

The Help Desk pilot initiative emanates from observations that, over the years, many consumer complaints originated from urban areas, indicating possible gaps in the system. The gaps could be attributed to limited access to communication amenities in the rural areas.

As a result, the CAD dispatched mobile Help Desks from regional offices to inform consumers and the public about their rights, and to record consumer complaints. The Mobile Help Desks visited shopping centres, tribal authority offices and other public places.

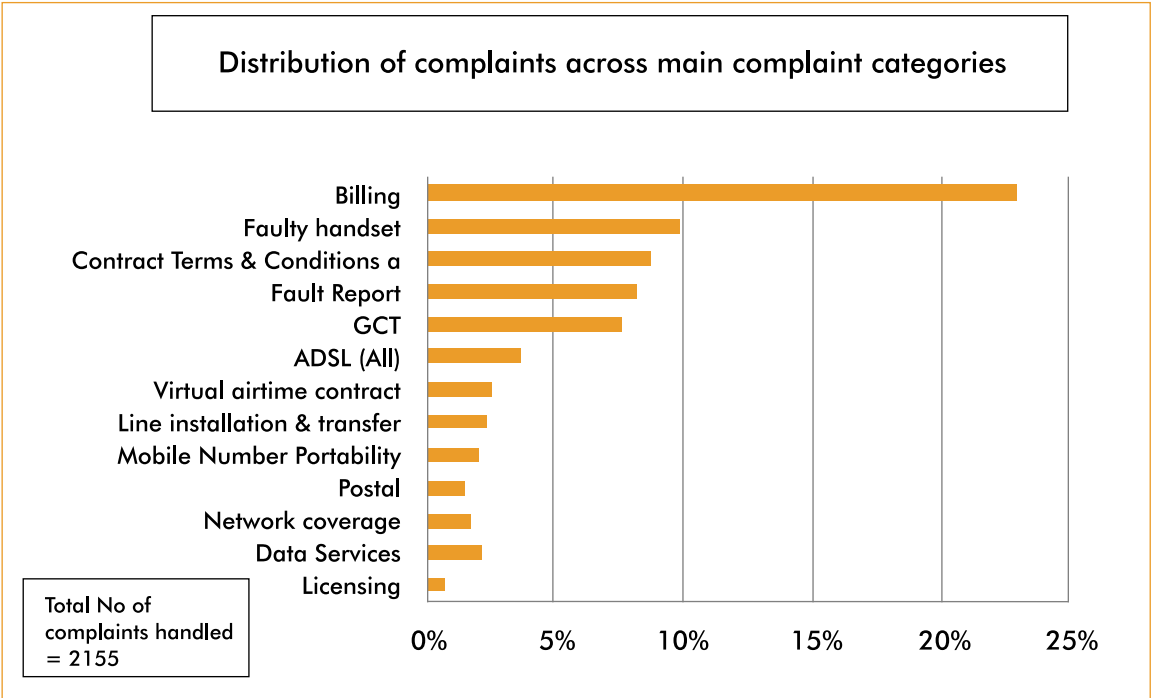
Complaints officers record complaints from people visiting the Mobile Help Desk, and relay these to Head Office for resolution. The Mobile Help desks visited the following areas:

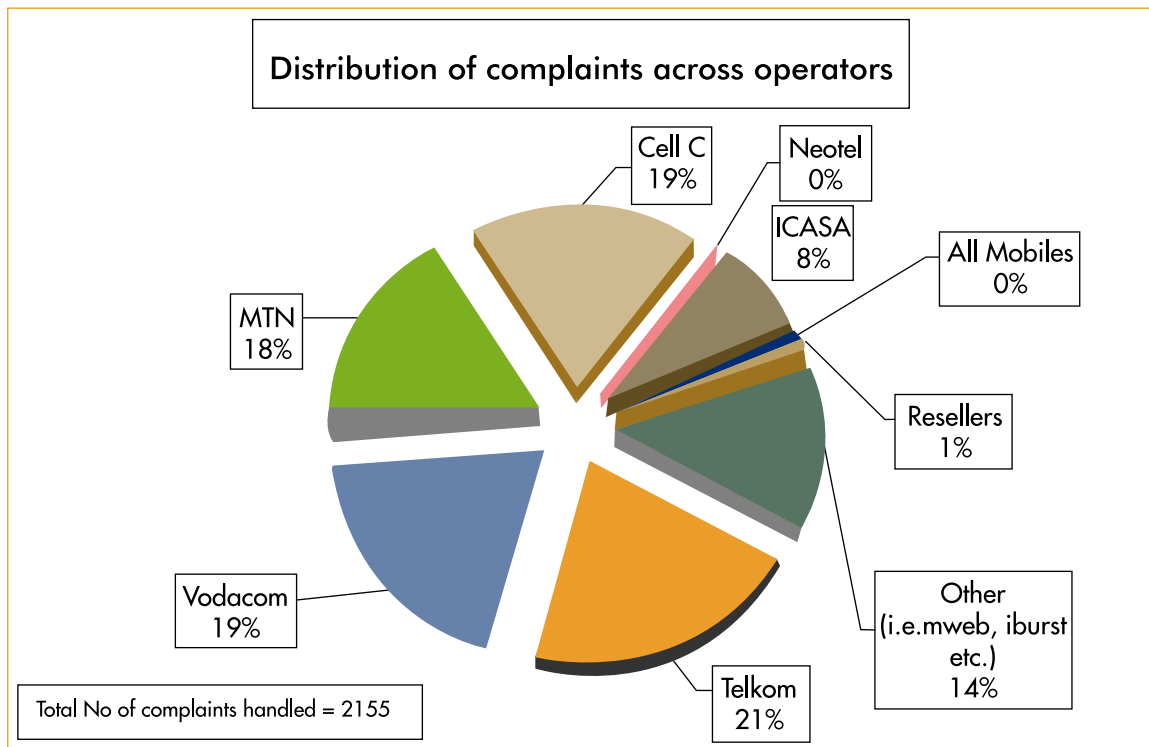
- Eastern Cape - Oxton, Queenstown, Ngonyama, Sidadweni, Xaba, Vikane Community Radio, Greater Amatole municipality offices and Port Alfred;
- Free State - Botshabelo, Ficksburg and Senekal;
- Northern Cape - Springbok;
- Limpopo - Thohoyandou, Seshego, Giyani, Nzhelele, Mookgophong, Gwarin, Phalaborwa and Tzaneen;
- Mpumalanga - Mbangwane, Thusong, Matsamo, Greater Middleburg municipality, Moutse, Komatipoort, Schoemansdal, Louisville, Barberton and Ekangala;
- KwaZulu-Natal - Port Shepstone, Radin, Port Edward and Pietermaritzburg;
- North West - Koster, Mogwase, Phokeng and Luka.

During the year under review, 2 155 complaints were recorded, 1 421 of which were resolved, and 734 are still outstanding. This constitutes a 66% success rate in the resolution of complaints compared to last year’s 61%. The increase in the success rate of resolving complaints is attributed to the division’s review of the complaints handling strategy, which included the piloting of the Mobile Help Desk.

**Categories of complaints received**

The majority of complaints received by the Authority related to billing, which made up 24% of the complaints received, followed by faulty handset with 9%. Other complaints received relate to contract terms and conditions, asynchronous digital subscriber lines, virtual airtime contract, line installation and transfer, mobile number portability, postal, network coverage, data services and licensing complaints. Categories of complaints received are outlined in the table below:





## Research

The Department commissioned two research projects on the impact of the Authority's Public Education and Awareness and the Mobile Number Portability project. The findings of the two studies will be released in the new financial year.

## Public Education and Awareness Department

The Public Education and Awareness Department provides information to consumers and the public about their rights in relation to communications, broadcasting and postal services and products. Public Education and Awareness campaigns are conducted regularly across the nine provinces through road-shows, workshops and public meetings.

The focus of these campaigns include complaints lodging, needs of people with disabilities, licensee' obligations towards consumers and the regulations the Authority had published to protect those rights.

### Public education workshops

The Department conducts public education workshops to empower communities with knowledge and information about the Authority's mandate as well as the rights of consumers in relation to communications services. During the period under review, the department conducted 433 public workshops and 124 community radio interviews around the country.

## **National campaigns**

The department participated and provided information in the following national campaigns: the International Consumer Rights Day, World Telecoms Day and Information Society, World Postal Day and International Day of People with Disabilities.

### World Telecommunications Day

The International Telecommunications Union (ITU) declared 17 May as World Telecoms and Information Society Day (WTISD) and it is celebrated every year. The department embarked on a number of public awareness campaigns in all the nine provinces with the main event being celebrated in Mier in the Northern Cape.

The theme for the event was: "Connecting Persons with Disabilities", and dovetailed very well with the Authority's newly published regulations on the Code of People with Disabilities. The Code prescribes standards to be adhered to by all licensees that provide broadcasting, electronic communications and electronic communications network services as well as postal service.

### Youth Day

In commemoration of Youth Day on 16 June the department visited several schools to raise awareness about career and job opportunities in the information and communication technology (ICT) industry.

### World Post Day

World Post Day is celebrated on 9 October each year as per the Universal Postal Union Congress declaration. The theme for 2008 was "Stay connected", a role played by the post office for many years as a site where messages had been communicated and goods delivered.

In celebrating World Post Day, the Authority participated in radio interviews on community radio stations and informed the public about the Authority's mandate with respect to postal services, visibility and accessibility of post offices. The message was centred on the role of the Authority as a postal regulator, as well as issues related to postal outlets' accessibility and complaints procedures.

### International Day of People with Disabilities

The Authority also took part in activities to celebrate International Day for People with Disabilities, to inform the public and people with special needs about the Authority's regulations, the obligation of broadcasting, communications service and network licensees as well as postal service licensees towards people with special needs.

### World Consumer Rights Day

World Consumer Rights Day is an annual event observed on 15 March as an occasion for mobilising consumer action. For the year under review, the Authority adopted the

theme, "Access and equal service to All". The Authority conducted the campaign from 13 February 2009 to 14 March 2009.

The campaign also saw the participation of industry licensees, stakeholders, associations of people with disabilities and the youth. During the campaign, communities were given the opportunity to raise their concerns about services they receive in relation to post offices, mobile network coverage and broadcasting services.

### **Establishment of Consumer Representative Forums**

During the reporting period, the Division piloted the establishment of Consumer Representative Forum (CRFs) in Mpumalanga, Limpopo and KwaZulu-Natal. The CRFs are voluntary community structures constituted by government representatives, community development workers, associations of people with disabilities and youth associations. The CRFs represent consumers on matters relating to communication services.

The division intends to seek the assistance of CRFs in disseminating information about the Authority's mandate and activities in relation to consumer protection matters.

### **Monitoring consumer protection regulations**

The Authority has appointed Temporary Monitoring Officers to monitor licensee compliance with regulations that were published in the previous financial year, namely, Code on People with Disabilities, the Regulations Setting out Minimum Customer Care Standard and the Complaints Handling Procedure regulations. The findings of the compliance reports will be published in the new financial year.

### **Consumer Advisory Panel**

The Electronic Communications Act provides for the establishment of a Consumer Advisory Panel (CAP) to advise the Authority on matters related to consumer protection. The CAP held four quarterly meetings in the year under review.

### **Support to Council**

The division provided human capacity and budgetary resources to Council in developing the following consumer protection regulations:

- End-User and Subscriber Service Charter
- Regulations on Conveyance of Mail
- E-Rate regulations

# LEGAL DIVISION



Stanley Mamaregane  
General Manager

The Legal Division provides support in relation to challenges on the Authority's regulatory activities as well as on those matters related to the corporate activities of the regulator.

## **Litigation – Regulatory Matters**

### **Islamic Unity Convention v ICASA and Others (Review Application)**

The Broadcasting Monitoring and Complaints Committee (BMCC) set down for hearing a complaint lodged by the South African Jewish Board of Deputies against the Islamic Unity Convention (IUC) on 13 to 17 March 2006. The hearing was in relation with the broadcasting of offensive content.

The Islamic Unity Convention 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 on which the complaint was to be adjudicated. The IUC was also 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 application with costs and directed that the BMCC hearing should proceed. The IUC has applied for leave to appeal the decision.

The BMCC proceeded with the hearing, but the IUC walked out of the proceedings and the complaint was adjudicated in its absence. The BMCC found the IUC guilty and recommended that Radio 786 desist from any further non-compliance with the Act and that it publishes the ruling and judgment of the BMCC in the manner detailed in the order.



The IUC instituted review proceedings against the outcome in which it was found guilty of contravening the Code of Conduct for broadcasters. The parties have agreed that the matter be referred back to the Complaints and Compliance Committee for rehearing.

### **Deukom (PTY) LTD v ICASA**

Deukom instituted review proceedings against the Authority's decision to refuse it a subscription broadcasting service licence. The Authority is opposing the application to have its decision reviewed and set aside. The parties are still exchanging pleadings, whereafter the matter will be set down for hearing by the High Court.

### **Caxton, CTP Publishers and Printers (PTY) LTD v ICASA and Others**

Caxton instituted review proceedings against the Authority's decision to grant a subscription broadcasting licence to Multichoice Africa (PTY) Ltd. The Authority is opposing the application to have its decision reviewed and set aside. The matter has been set down for hearing for 20 to 22 May 2009.

### **Vodacom (PTY) LTD v ICASA and Others**

Vodacom instituted review proceedings to have regulations promulgated by the Authority, which declared it a major operator, set aside. The Authority opposed the application. The parties are exploring the possibility of an out-of-court settlement as the action commenced prior to the promulgation of the ECA. Vodacom has since proposed to withdraw its application and the parties are exploring the proposal.

### **Black Earth Communications (Pty) LTD v ICASA**

Black Earth Communications (BEC) instituted review proceedings against ICASA's decision to refuse it a satellite broadcasting licence. ICASA opposed the application. BEC later instituted an interlocutory application which was dismissed with costs by the court. The parties are still exchanging pleadings, whereafter the matter will be set down for hearing by the High Court.

### **Altech Autopage v ICASA, Minister of Communications & Others**

Altech launched a two-part court application against ICASA, the Minister of Communications and 26 other respondents who are the holders of VANS licences. The first part, which was an urgent application, sought to interdict and restrain ICASA from conducting a competitive process to grant Individual Electronic Communications Network Service (I-ECNS) licences to selected VANS licencees.

The second part sought to review the Ministerial Policy Directive of September 2007 and various decisions by ICASA. The parties reached an out-of-court agreement in respect of Part A and the matter was to be adjudicated only in respect of Part B of the application. The court held, among others that Altech was entitled to self provide its own

telecommunications facilities with effect from 1 February 2005, which entitled it during the licence conversion process to an Individual Electronic Communications Network licence.

The court further set aside conditions in Altech's VANS licence that sought to limit its right to self provide telecommunications facilities. ICASA, together with the Minister, were ordered to pay the legal costs. The Minister lodged an application for leave to appeal against the judgment, which was also dismissed.

### **WAPA v ICASA**

The applicants launched an application for a declaratory order, in which they sought an order in the following terms:

- a. That holders of a VANS licence issued in terms of the Telecommunications Act have the right to self provide their own telecommunications facilities, and
- b. That ICASA is obliged to consider the rights of Amobia and members of WAPA who are holders of Value Added Network Service (VANS) licences in its interaction with them, including the conversion of such licences in terms of the ECA.

The applicants further submit that it is essential that existing rights insofar as self provisioning are clarified for purposes of conversion of licences in terms of the ECA. In light of the finalisation of the Altech matter, the parties are exploring the possibility of settling the matter out of court by withdrawing the application.

### **Vodacom (Pty) LTD v ICASA and Others (Handset Subsidies Regulations)**

Vodacom launched a two-part review application against ICASA, the Minister of Communications and eight other respondents. Part A, which was an urgent application, sought to interdict and restrain ICASA from implementing the operation of the regulations published by ICASA on 17 June 2008 in the Government Gazette No 31156, with Notice No 751 of 2008. The Regulations were scheduled to come into force on 17 August 2008.

By agreement between the parties, the implementation date was postponed to 1 February 2009, pending the determination of Part B of the application which is a review application in terms of which Vodacom seeks, among others, to have the regulations declared inconsistent with the Constitution and that they are ultra vires.

The parties settled the first part of the application out of court and are exploring the possibility of also settling the second part out of court.

### **Tetra Mobile v ICASA**

Tetra Mobile instituted urgent court proceedings in which it sought to review and set aside search and seizure warrants in which some of its equipment was seized as it operated without a valid licence issued by the Authority. The Authority is opposing the matter. The parties are still exchanging pleadings, whereafter the matter will be set down for hearing by the High Court.

### **X-Link, Connectnet and Datalinx v ICASA**

Applicants brought an application for a declaratory order to the effect that in terms of the Telecommunications Act, they were not required to hold licences. Parallel to that, applicants applied for licences in terms of the ECA for class Electronic Communications Service (ECS) licences, which have since been issued by ICASA.

In light of the issuance of the class ECS licences to the applicants, the applicants have proposed to withdraw their applications. The parties are still discussing the possible settlement of the matter, as the Authority has been of the view that they required a licence prior to the promulgation of the ECA.

### **Directory Solution CC v ICASA & Telkom Directory Solutions**

Directory Solution brought an application to compel the Authority to investigate a complaint it lodged against Telkom Directory Solutions. The parties entered into negotiation and explored the possibility of resolving the matter out of court. It was then agreed that the matter be referred back to the Authority to further investigate the complaint. The Authority is engaging both the complainant and the defendant in the investigation in an attempt to amicably resolve the issues.

### **Len Marshall v ICASA**

Len Marshall instituted legal action against ICASA for the purported recovery of an amount of R95 982,00 in respect of an alleged overpayment on licence fees. The matter was set down for trial on 5 December 2005, whereat Marshall requested a postponement of the case and tendered the Authority's wasted legal costs.

### **Trinity Broadcasting, Ciskei v ICASA**

Trinity Broadcasting, Ciskei instituted an action to compel ICASA to adjudicate its renewal application for a community television licence. The parties reached an out-of-court settlement.

### **Radio Pulpit v ICASA**

Radio Pulpit instituted review proceedings against the Authority's decision not to grant it a radio frequency 729 kHz medium frequency in the Western Cape. Radio Pulpit is

already licensed as a community broadcasting service in Gauteng. The Authority is opposing the matter. The parties are still exchanging pleadings, whereafter the matter will be set down for hearing by the High Court.

### **COSATU v ICASA, Vodacom, Vodafone and Others (Review Application)**

COSATU instituted review proceedings against ICASA to set aside the decision not to require prior regulatory written approval in respect of the Telkom-Vodafone share transaction, which affected Vodacom as a licensee. The parties are still exchanging pleadings, whereafter the matter would be set down for hearing by the High Court.

## **Litigation – Non-regulatory Matters**

### **Nothnagel v RAF and ICASA**

ICASA was served with a third party notice by the Road Accident Fund. The spouse of a late ICASA employee sought to join ICASA in an action for damages for loss of support as a result of the motor vehicle accident in which her husband was killed. The matter has been referred to ICASA's insurers who are opposing the action.

## **Litigation - Labour Matters**

### **A Snyman and N Suliman v ICASA**

The two employees referred an unfair labour practice dispute to the Council for Conciliation Mediation and Arbitration (CCMA) in 2006. The matter could not be resolved in conciliation after the parties were engaged in discussion in an attempt to resolve the issues. The CCMA has scheduled the arbitration proceedings for 15 May 2009.

### **Robbertse v ICASA**

The employee, Mr. Robbertse was previously brought before a Disciplinary Committee on charges of misconduct. He was found guilty and thereafter dismissed. The employee has referred the matter to the CCMA for arbitration, which has been set down for the 11 and 12 May 2009.

# COMMUNICATIONS AND INTERNATIONAL RELATIONS DIVISION



Jubie Matlou  
Senior Manager

The Communications and International Relations Division is responsible for the Authority's corporate communications and international relations.

## **Corporate Communications Department**

The Corporate Communications Department is responsible for the internal and external communication functions of the Authority.

### **Internal Communications and Events**

The Internal Communications and Events Unit arranges all internal communications and hosts events and functions for the benefit of all employees. For the period under review, the Unit used the following media channels to disseminate information within the organisation:

- Launched and published iNews – a daily electronic newsflash sent to all employees to communicate regulatory activities, as well as corporate events and light news about the Authority and its employees.
- Continued to publish Izindaba@ICASA – a quarterly newsletter distributed internally that focuses also on regulatory activities, as well as on corporate events and light news about the Authority and its employees.
- Arranged four staff meetings at Head Office, and two at each regional office to brief staff on corporate matters, and to allow them to raise issues of interest or of concern to Executive Management.

The Unit is also responsible for arranging and hosting of internal events for the benefit of employees. For the reporting period, the Unit hosted the following events:

- Farewell function for Councillors Tracy Cohen and Zolisa Masiza;
- Radio 702 Walk the Talk;
- Womens Day;
- Secretary's Day;
- Casual Day;
- 16 Days of Activism;
- End-of-the-year;
- Employee Wellness Week;
- Financial Wellness Week; and
- Sports Day.

In addition, the Unit also procured corporate gifts for Council, Executive Management and employees.

### **External Communications**

The External Communications Unit is responsible for media and stakeholder liaisons and branding the Authority to the outside world.

For the reporting period, the Unit arranged the following activities:

- Media liaison, including issuance of media releases and arranging interviews for Councillors regarding the regulatory activities of the Authority;
- Placed media notices in leading national dailies and regional titles about the Authority's new telephone numbers and other important calendar days of the industry such as the World Post Day;
- Published all media releases, government gazettes and other regulatory information on the website to facilitate online access for stakeholders;
- Coordinating the production and distribution of the Annual Report, and its tabling in Parliament;
- Facilitated responses to enquiries received by e-mail from stakeholders;
- Participated in roadshows and exhibitions aimed at consumer awareness, and youth participation in information and communications technologies;
- Arranged a Stakeholders Meeting to brief licensees and operators about the Authority's activities for the year;
- Commissioned the production of a corporate video outlining the Authority's mandate and deliverables;
- Kept a photo album of internal and external activities of the Authority; and
- Subscribed to a media monitoring service to keep Council and Executive Management abreast of the Authority's and industry's coverage in the media.

## International Relations

The International Relations Department coordinates the Authority's participation and representation in relevant international fora, events and conferences. At the core of this responsibility is the development of a calendar of international activities, arranging of bilateral activities and study visits, subscribing to membership of relevant continental and sub-continental organisations, and providing logistical support to Council, Executive Management and employees travelling abroad.

During the reporting period, the Authority took part, and was represented in the following fora:

- Universal Postal Union Congress;
- Universal Postal Union's Council of Administrators;
- Rural Telecommunications & Universal Access conference;
- Communications Regulators Association of Southern Africa's (CRASA):
  - AGM and Executive Committee meetings
  - Legal and Policy committee
  - Broadcasting committee;
  - Human Resources committee;
  - Migration Towards All Internet Protocol conference;
  - Next Generation Wireless Technologies conference;
  - Consumer Protection committee;
  - Revenue Generation committee;
  - Finance and Audit committee;
- Southern African Postal Regulators Association's (SAPRA)
- Southern African Development Community Roundtable of Ministers in the ICT's.

The department facilitated bilateral visits on fact-finding missions to South Africa from communications regulators from:

- Brazil;
- Tanzania; and
- Malawi

Finally, the department facilitated membership subscription to the following organisations:

- Communications Regulators Association of Southern Africa;
- Southern African Postal Regulators Association's;
- Commonwealth Telecommunications Organisation;
- Southern African Broadcasting Association, and the
- Association of African Regulators.

# HUMAN RESOURCES DIVISION



Montseng Mopeli  
General Manager

The Human Resources Division is responsible for staffing and recruitment, retention strategy, job grading and performance appraisal, training and capacity building as well as employee relations. For the reporting period, the focus was on the re-allocation of roles and re-designing of various positions, identification of competence gaps and training needs as well as conducting a review of processes and systems.

The other area that received the division's attention was improving administration processes and the upgrading of the Softline VIP for processing of remuneration payouts and leave management.

## **Talent Acquisition**

The reporting year opened with 59 funded vacancies, and 58 of these were filled. Half of the employees recruited during the reporting period were females. Fifty temporary positions were created to provide capacity to the Licensing and Compliance Divisions for the monitoring of the April 2009 General Elections.

At the end of the reporting period, the head-count was at 335, 1.2% percent less than the previous year.

## **Learning and Development**

The Authority values investing in talent management and development of employees to bridge identified skill gaps in the organisation. A recent development was to arrange for overseas-based training institutions to send experts to conduct classes on the Authority's premises to a larger group of employees as opposed to sending a few individuals abroad. One such arrangement is with the Commonwealth Telecommunications Organisation (CTO), a benefit the Authority enjoys as a result of its membership.

A total 536 participants attended a range of classes that included refresher courses. From a budgetary viewpoint, the Authority spent R 2,7million on training, a figure that



represents 3% of the total salary budget, thereby exceeding the threshold set by the Department of Labour.

In addition, the Authority conducted a job competence profiling and skills audit. Once verified, the skills matrix will inform the selection of the right people, determining the correct level of the grade for appropriate remuneration as well as performance management and development plans.

## Employee Development

	Population Group by Gender								Total Female	Total Male	Total
	African		Asian		Coloured		White				
	F	M	F	M	F	M	F	M			
PARTICIPANTS	251	164	11	10	29	12	17	42	308	228	536
PERCENTAGE									57,5%	42,5%	100%

## Performance Management Framework

For the reporting period, the division used a manually-based Performance Management Framework that was introduced in 2007 to inculcate a culture of performance among employees. A total of 323 employees complied with the requirements and were eligible for a performance incentive. The amount allocated for this purpose was 89% of the labour bill as at the month of remuneration.

The HR division has introduced an integrated electronic performance management framework to enhance the practice and minimise the challenges experienced with previous systems. All the basic requirements were loaded, supporting documentation developed and the system's compatibility tested and approved. It is ready for implementation in the new year.

## Employee Relations

The Authority respects the rights of employees to organise and bargain collectively. A Recognition Agreement with the Communications Workers Union is in place and there is continuous consultation with the union when the Authority develops internal organisational policies and other substantive issues. The substantive negotiations were settled at an 11% salary increase across the board for the 2008/09 financial year.

To maintain fair and equitable people management practices, four new Human Resources policies were formulated namely:

- Funeral Benefit and Support Policy;
- Appreciation Policy;
- Farewell and Gift Policy; and
- Remuneration Committee's Terms of Reference.

The division also revised some of the existing policies, namely:

- Overtime Policy;
- Leave Policy;
- Disciplinary Code and Procedures;
- Grievances Policy;
- Job Evaluation Policy;
- Remuneration Policy;
- Induction Policy; and
- Employee Study Assistance Scheme

An Employment Equity and Skills Development Committee has been established to assist with the management of employee-related matters in the organisation.

### **Employee Wellness**

The Authority encourages a healthy lifestyle for all its employees. An Employee Wellness Week is celebrated annually to emphasise the importance of a living a healthy lifestyle. The Authority has engaged a service provider to assist employees in adopting wellness programmes.

### **Recognition and Appreciation**

To recognise the commitment of ICASA employees to the organisation, the long-service awards and funeral benefit scheme are among the initiatives that are intended to maintain high workplace morale and to encourage employee loyalty towards the organisation. For the reporting period, 38 employees received long service awards ranging between five and 30 years of service, altogether totalling 490 years of service.

### **Demographics**

The Authority takes employment equity into consideration in its recruitment processes. Out of a total workforce of 335 employees, 57% are female employees and 84% are previously disadvantaged individuals.

The staff profile for the 2008/09 financial year is provided in the table below:

**Year to date permanent employee demographic profile as at 31 March 2009**

	March 2008		March 2009		% Variance
Population Group	Total	% in each group	Total	% in each group	
<b>African</b>	238	70%	241	72%	2%
<b>Asian</b>	17	5%	17	5%	0%
<b>Coloured</b>	23	7%	23	7%	0%
<b>White</b>	61	18%	54	16%	-2%

The table below provides a Comparative Analysis in terms of Race, Gender & Rank:

HEADCOUNT STATS	Population Group								Total Female	Total Male	Grand Total
	African		Asian		Coloured		White				
	F	M	F	M	F	M	F	M			
Council	2	6						2	2	8	10
Executive Management	2	6				1		1	2	8	10
Senior Management	4	7		2	1			1	5	10	15
Managers	11	21		1		2		4	11	28	39
Total Management	19	40	0	3	1	3	0	8	20	54	74
General Staff	99	83	4	10	7	12	15	31	125	136	261
Total Staff	118	123	4	13	8	15	15	39	145	190	335
Percentages	35%	37%	1%	4%	2%	4%	4%	12%	43%	57%	100%

**Separations**

Labour turnover in the organisation represents 10,15% of the permanent workforce, which is 1,2% more than the previous year. A retention strategy is being formulated to ensure that the best talent and core skills are retained.

# ADMINISTRATION DIVISION



Barbara Ntuli  
General Manager

The Administration Division is responsible for asset and fleet management, office maintenance and rental, cleaning services, security and access services as well as library services, records and document management.

For the period under review the division delivered on the following projects:

## **Administration Business Processes**

The Administration Division developed business processes to strengthen controls as required by relevant legislation and audit purposes. To date, registry procedures, security and access control, and asset management are in place.

## **Staff Canteen**

The Administration Division established an operational staff canteen facility at head office. The Canteen has been certified by the Department of Health for compliance with health and safety standards. The objective of the canteen is to meet staff nutritional and refreshment needs and also save staff from having to leave the premises during lunch time.

## **General Elections Monitoring**

The division prepared and provided fully equipped office space for 50 temporary monitors for the April 2009 General Elections.

## **Training Room**

The division developed a training room facility that seats 26 delegates, to support the training needs of the Human Resources Division in line with the new approach of bringing trainers/experts to conduct training on the Authority's premises.

## **Library and Information Centre**

The library, located at the Head Office in Sandton, provides a reference and information service to a diverse clientele, from industry players, students and the general public doing research on the communications industry, or wanting access to the Authority's regulatory documentation. The library boasts a stock of industry publications and journals that are easily accessible to employees for reference purposes.

## **Records and Document Management**

The Authority handles a large volume of documentation in relation to its regulatory activities, as well as correspondence that needs to be tracked and responded to by respective divisions. The Administration division has begun developing a Records and Document Management System to address the filing needs of the organisation

## **Security Access and Control**

The Administration Division has conducted a review of its Security and Access Control system, both at head office and regional offices, and has begun upgrading the system.

# INFORMATION TECHNOLOGY AND SERVICES DIVISION



Roshan Algu  
Senior Manager

The Information Technology and Services Division provides hardware and software support to the Authority including the regional offices to enable them to execute their day-to-day duties. During the reporting period, the department completed a number of projects:

- Developed an Intranet site to improve internal communications and information sharing which will be launched in the new year.
- Migrated the website to a new hosting site for improved performance. A new design for the homepage was implemented.
- Implemented Mimecast email management service which includes email security, archiving, proactive protection, continuity, corporate identity & disclaimer management.
- Implemented the Firepass Remote Access (VPN) solution to allow users to access their electronic mail and shared folders remotely.
- Service level agreement concluded with a service provider for Alcatel PABX hardware and software warranties.
- Software update subscription concluded with a service provider for RightFax solution.
- Provided IT Infrastructure for the establishment of the Training Room.
- Implemented Microsoft Active Directory and set-up an Exchange server in order to facilitate the phase out of the Novell Network using GroupWise to a Microsoft network using Exchange, Outlook client.
- Concluded an agreement with Bytes Technology for the provision of data cabling at all ICASA offices.
- Updated a Data Recovery Plan, with the view to establishing a Data Recovery Centre in the new year.
- Implemented an asset tracking system for all computer laptops.

# **PERFORMANCE REPORTS 2008/2009**

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p>1. Liberalisation of Sector, access to basic services, economic growth and black economic empowerment</p> <p>(Migration of current TV broadcasters to digital environment)</p>	To migrate SABC 1, 2, 3, e-tv, TBN and M-Net from analogue to digital environment	Migrate SABC 1, 2, 3, e-tv, TBN and M-Net from analogue to digital environment	The Department of Communications published the National Policy on Digital Migration in June 2008. Consequently, the Market and Competition Division published draft broadcasting digital migration framework regulations on 3 October 2008. As result of the delay in publishing the National Policy by the Department of Communications, the SABC and M-Net were granted trial licences for digital terrestrial television broadcasting from 1 November 2008 to 31 May 2009. The Authority will finalise the Digital Migration Regulation during the 2009/10 financial year



## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p>2. Liberalisation of sector, access to basic services, economic growth and black economic empowerment</p> <p>(Merger of USALs into PUSANOs)</p>	<p>To issue PUSANOs licences to former USALs</p>	<p>Issuance of licences</p>	<p>The Minister of Communications approved and published a policy direction in Government Gazette No 30308 dated 17 September 2007, in terms of sections 3(1) and (2) of the ECA No. 36 of 2005, in respect of USALs. The Minister directed ICASA, in terms of section 3(2) of the ECA, to:</p> <p>a) where there is more than one licence in a province, merge the licences and issue one PUSANO licence. Each PUSANO must be licensed for individual electronic communications networks and services;</p> <p>b) ensure that the percentage of equity ownership and control to be held by persons from historically disadvantaged groups residing in the designated licence area, must not be less than 51% or such higher percentage as may be authorised by the Minister;</p>

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
3. Liberalisation of sector, access to basic services, economic growth and black economic empowerment (USALs licensing in terms of the ECA)	To amend, re-issue and issue USALs in accordance with the EC Act.	Issuance of USALs in accordance with the EC Act.	<p>c) further ensure that ownership and control by persons or companies interested in investing in the licensed entity, shall be restricted to 49% or less</p> <p>Licensing and Compliance received legal opinion which said that the directive is in conflict with section 3(3) of the ECA and that the Authority must identify and define underserved areas. Council approved the opinion and forwarded an explanatory letter to the Minister</p> <p>The Authority issued 25 I-ECS and C-ECNS licences to the former USALs in accordance with the EC Act. The Authority could not finalise the merger process in the Chris Hani and Vhembe District municipalities. Meetings were held and correspondences were exchanged between the merging entities to assist to finalise the merger process. To date the merger process is not yet been finalised</p>

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
4. Liberalisation of sector, access to basic services, economic growth and black economic empowerment (VANS and PTNS licensing in terms of the ECA)	To amend and re-issue VANS and PTNS issued after 19 July 2006 in accordance with the ECA	Issuance of VANS and PTNS in accordance with the ECA	The division has granted and issued 24 class ECS and three PECN licence exemptions
5. Liberalisation of sector, access to basic services, economic growth and black economic empowerment primary market (commercial radio)	Licensing of commercial sound broadcasting services in the Gauteng, WC and KZN provinces	Issuance of licences	The service provider (consultant) was appointed in July 2008 to conduct a market study on the viability of additional commercial broadcasting services in the primary markets in Gauteng, KwaZulu-Natal and Western Cape Provinces. The research report was submitted to the Authority on 12 January 2009. Subsequently the ITA for primary market (individual broadcasting licence for the provision of commercial sound broadcasting services) was published in the Government Gazette on 28 March 2009. The closing date for submission of applications is 30 September 2009

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p>6. Liberalisation of sector, access to basic services, economic growth and black economic empowerment</p> <p>(Registration of new courier companies in the unreserved postal services)</p>	To register approximately 50 courier companies	Issuance of certificates	<p>The Authority grants permission to entities that seek to provide unreserved postal services to register for providing parcel delivery services. Forty-six courier companies were registered and renewed during the financial year.</p> <p>The division also conducted workshops to create awareness about the registration process for the provision of unreserved postal services in KwaZulu-Natal province (Newcastle, Pietermaritzburg, Durban and Richards Bay)</p>
<p>7. Liberalisation of sector, access to basic services, economic growth and black economic empowerment</p> <p>(SAPO licence alignment and review)</p>	To issue aligned SAPO licence	Issuance of the licence	Council approved the aligned SAPO licence for publication and the licence was gazetted on 20 October 2008

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p>8. <b>Strengthen Regulation</b> (Monitoring of SAPO Licence Terms and Conditions)</p>	<p>Conducting of monitoring visits to SAPO's postal outlets</p>	<p>A compliance report</p>	<p>The division conducted monitoring visits to assist the licensee to comply with their terms and conditions. A compliance report has been drafted for publication. The report includes visits conducted to the following 46 postal outlets:</p> <p>Eastern Cape/Free State</p> <ul style="list-style-type: none"> <li>• Indwe</li> <li>• Molteno</li> <li>• Sterkstroom</li> <li>• Burgersdorp</li> <li>• Dorpdrecht</li> <li>• Queenstown</li> </ul> <p>North West/Gauteng</p> <ul style="list-style-type: none"> <li>• Tlhakgameng</li> <li>• Morokweng</li> <li>• Tosca</li> <li>• Ganyesa</li> </ul>

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
			<ul style="list-style-type: none"> <li>• Vryburg</li> <li>• Huhudi</li> <li>• Colene</li> <li>• Biza's Vlei</li> <li>• Molopo</li> </ul> <p>Mpumalanga/Limpopo</p> <ul style="list-style-type: none"> <li>• Thuthukani</li> <li>• Standerton</li> <li>• Perdekop</li> <li>• Baalfo</li> <li>• Grootvlei</li> <li>• Greylingstad</li> <li>• Vhufunu</li> <li>• Matala</li> <li>• Thohoyandou</li> <li>• Sibasa</li> <li>• Malode</li> <li>• Masingjita</li> <li>• Malamulela</li> <li>• Levubu</li> <li>• Maia</li> <li>• Yongani</li> <li>• Giyani</li> </ul>

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made								
			<p>KwaZulu-Natal</p> <ul style="list-style-type: none"> <li>• Impendle</li> <li>• Tailorshaff</li> </ul> <p>Western Cape/Northern Cape (including depots)</p> <ul style="list-style-type: none"> <li>• Muizenburg</li> <li>• Capricorn</li> <li>• Malmesbury</li> <li>• Dessenburg</li> <li>• Worcester</li> <li>• Gugulethu</li> <li>• Fishhoek</li> <li>• Wellington</li> <li>• Retreat</li> <li>• Constantia</li> <li>• West Beach</li> </ul> <p>The following customer complaints were processed:</p> <table border="0" style="width: 100%;"> <tr> <td>Received</td> <td style="text-align: right;">60</td> </tr> <tr> <td>Referred to SAPO</td> <td style="text-align: right;">34</td> </tr> <tr> <td>Resolved</td> <td style="text-align: right;">22</td> </tr> <tr> <td>Referred to CCC</td> <td style="text-align: right;">2</td> </tr> </table>	Received	60	Referred to SAPO	34	Resolved	22	Referred to CCC	2
Received	60										
Referred to SAPO	34										
Resolved	22										
Referred to CCC	2										

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
	<p>Compliance handling</p> <p>Mystery shopper and infrastructure rollout exercise</p>	<p>Receive process and investigate complaints and refer to CCC in the event of a dispute</p> <p>A compliance report</p>	<p>The division conducted a mystery shopper and infrastructure rollout exercise from 16 July 2008 to 27 November 2008.</p> <p>The following postal outlets were mystery shopped:</p> <ul style="list-style-type: none"> <li>• Gauteng 23</li> <li>• Limpopo 29</li> <li>• KwaZulu-Natal 20</li> <li>• North West 27</li> <li>• Eastern Cape 22</li> <li>• Mpumalanga 25</li> <li>• Northern Cape 13</li> <li>• Free State 26</li> <li>• Western Cape 16</li> </ul>
<b>9. Strengthen Regulation (Cell C CST's)</b>	Compliance by Cell C with its licence terms and conditions in respect to the rollout of Community Service Telephones in underserved areas	A findings document on the definition of an underserved area as contained in Cell C's licence	Hearings were conducted on 6 and 8 October 2008 and the Authority published its findings on 27 February 2009 in Government Gazette No. 31972



## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
10. Strengthen Regulation (Compliance Procedure Manual)	Compliance by licensees with the ECA, licence terms and conditions and the various regulations implemented by the Authority	Improved compliance by licensees	The Authority appointed PYGMA Consulting and KGSP to consult jointly. An International Benchmarking Report and a Draft Compliance Manual have been prepared for the Authority in preparation for the production of the compliance manual
11. Strengthen Regulation (Monitoring of Broadcasting services)	Conducting of monitoring visits to broadcasters and production of compliance reports  Complaints handling	Compliance report  Receives process and investigate complaints and refer to CCC in the event of dispute	The Division conducted monitoring visits to assist the licensees in complying with the terms and conditions of their licences  In producing 55 compliance reports, the following 45 broadcasters were visited:  KwaZulu-Natal <ul style="list-style-type: none"> <li>• Igagasi</li> <li>• East Coast Radio</li> <li>• Highway Radio x2</li> <li>• DYRX2</li> <li>• Radio Sunnysouth</li> <li>• Ikhwezi FM</li> <li>• Indonsanakusa</li> <li>• Maputaland</li> </ul>

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
			<ul style="list-style-type: none"> <li>• Eshowe Community Radio</li> <li>• Newcastle Community</li> <li>• Inanda</li> </ul> <p>Eastern Cape</p> <ul style="list-style-type: none"> <li>• Radio Kingfisher</li> <li>• Radio Graaff Reinet</li> <li>• Radio Algoa</li> <li>• Rhodes Music</li> <li>• Inkonjane x4</li> <li>• Radio Unique</li> <li>• Khanya</li> </ul> <p>Gauteng</p> <ul style="list-style-type: none"> <li>• Jozi FM</li> <li>• Tuks FM</li> <li>• East Rand Stereo x2</li> <li>• Rainbow FM</li> <li>• Thetha FM</li> <li>• Kaya FM</li> </ul> <p>Mpumalanga</p> <ul style="list-style-type: none"> <li>• GM FM x2</li> <li>• M-Power</li> <li>• Barberton</li> </ul>

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
			<p>Free State</p> <ul style="list-style-type: none"> <li>• Qwa-Qwa Radio x2</li> <li>• Mosupatsela</li> <li>• Naledi</li> <li>• Setsoto FM</li> <li>• OFM</li> </ul> <p>North West</p> <ul style="list-style-type: none"> <li>• Vaaltar FM</li> <li>• North West Radio</li> <li>• Mafisa</li> </ul> <p>Northern Cape</p> <ul style="list-style-type: none"> <li>• Ulwazi FM</li> </ul> <p>Western Cape</p> <ul style="list-style-type: none"> <li>• Valley FM</li> <li>• Bush Radio</li> </ul> <p>Limpopo</p> <ul style="list-style-type: none"> <li>• Capricorn FM</li> <li>• Moleletsi FM x2</li> <li>• Mokopane FM</li> </ul>

## LICENSING AND COMPLIANCE

### Licensing division

Strategic Objective	Key Performance Indicators	Output	Progress Made
			<p>During the period under review, the division received and processed 76 complaints categorised as follows:</p> <ul style="list-style-type: none"> <li>• Technical-8, Mismanagement-28;</li> <li>• Advertisement-8; Programming-10; Other-22</li> <li>• Resolved-44</li> <li>• Referred to CCC-5</li> <li>• Referred to other jurisdictions/bodies-36, ASA and BCCSA</li> </ul>

## MARKETS AND COMPETITION

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p>The development of rules and obligations for interconnection and facilities leasing</p>	<p>Interconnection and facilities leasing regulations to be developed</p>	<p>The publication of interconnection and facilities leasing regulations</p>	<p>Following workshop with stakeholders and legal review of draft regulations, further work was identified to be done on the regulations to ensure effective enforcement and implementation. This work is in progress and regulations to be finalised in 2009/2010</p>
<p>The development of a framework and project plan for the implementation of Local Loop Unbundling</p>	<p>The publication of regulations setting out the framework for the implementation of Local Loop Unbundling</p>	<p>The development of plan and working process for developing regulations and providing for implementation</p>	<p>Three working groups, finance, policy and technical, were established to ensure continuous engagement with stakeholders. Draft regulations were prepared, but completion on hold until competition framework is in place and market study updated</p>
<p>Promote the interests of consumers with regard to the price, quality and variety of EC services</p>	<p>Analysis of regulatory financial reports (fixed and mobile COA CAM) to inform the Authority on whether there is scope for price reductions given revenues, costs and profits</p>	<p>Analysis of Telkom's annual tariff filing and recommendation to council in line with price cap regulations. analysis of 2007/08 fixed and mobile COA CAM reports</p>	<p>Report on 2006/07 Telkom COA CAM submitted and presented to Council in April. Report on 2006/07 COA CAM presented in May. Recommendation on price cap and productivity factor made to Council in July and Council approved price increase of 2,8%</p>

## MARKETS AND COMPETITION

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Promote the interests of consumers with regard to the price and quality of postal services</b></p>	<p>Review of regulatory financial reporting requirements and price control regulation in the postal sector</p>	<p>Report reviewing the regulatory framework for reserved postal tariffs. SAPO 2009/10 Tariff Review</p>	<p>Service provider appointed. Preparatory engagements with SAPO (the operator) arranged to discuss information requirements for the review. Project to continue into the new financial year. Annual increase of 9.9% approved by Council and gazetted in January 2009</p>
<p><b>Implementation of competition framework in terms of s67 of the ECA</b></p>	<p>The development of an approach for implementing the competition framework in terms of s67 of the ECA</p>	<p>Publication of competition framework regarding the implementation of s67 of the ECA.</p>	<p>Regulations covering S67.4 of the ECA were released for public comment on 8 of March 2008, and public hearings held from the 2 – 4 June 2008. Framework to be published in the new financial year</p>
<p><b>Ensure efficient management of the numbering resource</b></p>	<p>Conduct a number audit to monitor compliance with numbering regulations</p>	<p>Document on number audit reporting format to be submitted to Council</p>	<p>Met with operators to develop audit questionnaire in July 2008. Questionnaire drafted and circulated to operators in August 2008. Received four responses by 29 August 2008. Conducted site visits on 23, 24 and 26 September 2008. The service provider prepared a report on response to the questionnaires. The questionnaire was revised and formally circulated to licensees at the end of October 2008. Responses were received from licensees in November 2008. Finalised questionnaire and gazette published</p>

## MARKETS AND COMPETITION

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Promote the development of public, commercial and community broadcasting services that are responsive to the needs of the public</b></p>	<p>Review of Subscription Broadcasting Services (development of Must Carry Obligations)</p>	<p>Amendment of Regulations on Subscription Broadcasting Services - Publication of Must Carry Regulations</p>	<p>The Authority gazetted and published the final Regulations in October 2008</p>
	<p>Obligations regarding contributions to the UASF</p>	<p>The publication of Regulations on contributions to the UASF</p>	<p>The Final Regulations were gazetted and published in October 2008</p>
	<p>Review of SA Content Quotas</p>	<p>The publication of discussion document providing a framework for commissioning procedures for independently produced South African programming</p>	<p>The Authority conducted public hearings on the 23 - 24 January 2009. Discussion document to be published in the new year</p>
	<p>Regulatory Framework for Digital Broadcasting</p>	<p>The publication of a Regulatory Framework for Digital Migration</p>	<p>The Authority published the Draft Regulations on 31 March 2009</p>
	<p>The development of obligations regarding sports broadcasting rights</p>	<p>The publication of sports broadcasting rights regulations for public comment</p>	<p>The discussion document on sports broadcasting rights regulations was published in October 2008</p>

## MARKETS AND COMPETITION

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Operational activities</b></p>	<p>Review regulations relating to a Code of Conduct for Broadcasters</p>	<p>Publication of regulations setting out a Code of Conduct for Broadcasters</p>	<p>The draft regulations were published for comments on 22nd December 2008. Hearings were held on 16 March 2009. Final Regulations to be published in the new financial year</p>
	<p>To review 1999 regulations regarding the broadcasting of party election broadcasts during the election period</p>	<p>Publish final Elections Regulations</p>	<p>Final Regulations published in November 2008</p>
<p><b>Operational activities</b></p>	<p>Interconnection agreement</p>	<p>Ongoing reviewing of lodged interconnection agreements</p>	<p>36 applications processed</p>
	<p>Tariff lodgments</p>	<p>Ongoing analysis of tariff proposals.</p>	<p>67 applications processed consisting of 1 to 5 tariff plans per application</p>
<p><b>Operational activities</b></p>	<p>Numbering Applications</p>	<p>Processing numbering applications (objective: approval/disapproval of normal applications within 21 days and 28 days for complex applications)</p>	<p>297 applications processed and approved</p>



## ENGINEERING AND TECHNOLOGY DIVISION

### Frequency Spectrum

Strategic Objective	Key Performance Indicators	Output	Progress Made
Review of spectrum fees	New spectrum licence fees regime	Regulations on spectrum fees	Draft regulations and justification document published for public comments. Final regulations to be published during the second quarter of 2009/10 financial year
Review of radio regulations to introduce new services and in line with ECA	Selected radio regulations reviewed in line with ECA	Reviewed radio regulations	List of regulations to be reviewed drafted. Phase 1 of project to be finalised during 2009/10 financial year
Maintain South African Table of Frequency Allocations (SAFTA) for effective spectrum management	Band Plan/SAFTA reviewed in line with the requirements of a converged environment	Reviewed radio frequency band plan	Draft radio frequency band plan published for public comments. Public comments analysed. Delay in conducting the public hearing and publication of the final band plan
To ensure that spectrum licensing is in place for effective spectrum management of high-demand bands	Spectrum licensing Framework for high-demand bands	Spectrum Licensing Regulations and ITA	Draft regulations and reasons documents completed. Delay in publication of the draft documents for public comment. Project to be completed during the third quarter of the 2009/10 financial year
Review of equipment type specification in line with international developments	Compliance with South African and international equipment standards	PLT and official list regulations	Final PLT and official list of standards drafted. Delay in publication of the final regulations

## ENGINEERING AND TECHNOLOGY DIVISION

### Frequency Spectrum

Strategic Objective	Key Performance Indicators	Output	Progress Made
<b>Digital Migration Plan</b>	Digital migration frequency plan to facilitate digital migration	Terrestrial broadcasting plan incorporating the digital migration plan	Draft terrestrial broadcasting plan published for public comment and workshop held. Delay in publication of the final broadcasting plan
<b>Monitoring system architecture and monitoring methodologies and regulations</b>	Improvement of spectrum monitoring	A comprehensive design for the spectrum monitoring system at ICASA	As-is and to-be designs completed. Final monitoring system architecture design was completed
<b>Spectrum audit of identified vital bands and development of a robust/rigorous methodology for future spectrum audits</b>	Spectrum monitoring of high-demand bands to inform future assignments in these bands	Spectrum Monitoring of vital bands identified at WRC-07 Development of an audit methodology	Audit of the 450-470 MHz bands in Gauteng completed. Initial scans of the Bloemfontein region also completed. Several monitoring sites are down due to lightning damage, which is slowing progress
<b>Research and advisory programme</b>	Engagement of tertiary and research institutions	Research outputs and seminars – journal papers, conference papers and presentations	Spectrum management presentation done at Wits. PLT presentation done at ATU conference and Kemilinks conference

## CONSUMER AFFAIRS DIVISION

Strategic Objective	Key Performance Indicators	Output	Progress Made
Access to Basic Services	<p>Consumer complaints received and resolved</p> <p>Conducted public education and awareness programmes</p>	<p>Resolve 60% of consumer complaints received per annum</p> <p>Conduct 540 workshops and 180 radio talkshows</p>	<p>A total of 2 155 complaints were received, 64% were resolved in the year under review</p> <p>Complaints received per province:</p> <ul style="list-style-type: none"> <li>• GP 1 515 70%</li> <li>• WC 234 11%</li> <li>• KZN 117 5%</li> <li>• EC 84 4%</li> <li>• LIM 50 2%</li> <li>• NW 49 2%</li> <li>• MP 52 2%</li> <li>• FS 44 2%</li> <li>• NC 10 0.5</li> </ul> <p>Total 2 155 100%</p> <p>Complaints by category:</p> <ul style="list-style-type: none"> <li>• Billing 494 23%</li> <li>• Faulty handset 212 10%</li> <li>• Other 199 9%</li> </ul>

## CONSUMER AFFAIRS DIVISION

Strategic Objective	Key Performance Indicators	Output	Progress Made
			<ul style="list-style-type: none"> <li>• Fault report 176 8%</li> <li>• General Customer treatment 162 8%</li> <li>• Inquiry 65 3%</li> <li>• Virtual airtime 54 3%</li> <li>• Line installation and transfer 49 2%</li> <li>• Data services 45 2%</li> </ul>
			<p>Distribution of complaints across major respondents:</p> <ul style="list-style-type: none"> <li>• Telkom 448 21%</li> <li>• Vodacom 418 9%</li> <li>• MTN 386 18%</li> <li>• Cell C 401 19%</li> <li>• Neotel 3 0.14%</li> <li>• ICASA 176 8%</li> <li>• All mobiles 9 42%</li> <li>• Resellers 23 1%</li> <li>• Other 291 14%</li> <li>Total 2 155 100%</li> </ul>

## CONSUMER AFFAIRS DIVISION

Strategic Objective	Key Performance Indicators	Output	Progress Made
			<p>Conducted 433 workshops and 124 radio talkshows</p> <p>Conducted consumer roadshows in the following provinces with audience numbers ranging between 150 and 1000:</p> <ul style="list-style-type: none"> <li>• EC: Chaluma, Ukamahlamba</li> <li>• LP: Tzaneen, Makhwibidung, Mopani District Municipality</li> <li>• NW: Mogwase, Moses Kotana Municipality</li> <li>• MP: Louisville, Nkomazi Municipality, Mopani District, FS: Phuthaditjhaba, Thabo Mofutsanyana District</li> <li>• KZN: Swayiman, Umshwathi Municipality</li> <li>• NC: Daniel Skuil, Gatelopele Municipality</li> <li>• GP: Heidelberg, Lesedi Local Municipality</li> </ul>

## CONSUMER AFFAIRS DIVISION

Strategic Objective	Key Performance Indicators	Output	Progress Made
			<ul style="list-style-type: none"> <li>• WC: De Doorns, Garden Route/ Klein Karoo District Municipality</li> </ul> <p>Reached out to the following numbers of consumers through radio:</p> <ul style="list-style-type: none"> <li>• Ukhozi Fm: 2 359 000</li> <li>• Umhlobo Wenene Fm: 1 481 000</li> <li>• Lesedi Fm : 1 322 000</li> <li>• Motsweding Fm : 871 000</li> <li>• Thobela Fm : 993 000</li> <li>• Ligwalagwala Fm: 442 000</li> <li>• Ikwewezi Fm : 421 000</li> <li>• Mughana Fm : 347 000</li> <li>• Phalaphala Fm : 274 000</li> </ul> <p>Radio interviews held per province:</p> <ul style="list-style-type: none"> <li>• Free State (FS) 19</li> <li>• Limpopo (LP) 20</li> <li>• Western Cape (WC) 18</li> <li>• North West (NW) 9</li> <li>• Mpumalanga (MP) 4</li> <li>• Eastern Cape (EC) 12</li> <li>• Kwazulu Natal (KZN) 25</li> <li>• Northern Cape (NC) 1</li> <li>• Gauteng (GP) 3</li> </ul>

## CONSUMER AFFAIRS DIVISION

Strategic Objective	Key Performance Indicators	Output	Progress Made
			Printed material: <ul style="list-style-type: none"> <li>• Complaints handling processes pamphlet : 10 000 copies</li> <li>• Type approval pamphlets: 10 000 copies</li> <li>• 112 Emergency Services pamphlet: 10 000 copies</li> <li>• Consumer Rights Day pamphlet: 20 000 copies</li> </ul>
<b>Access to basic services</b>	Conduct impact assessment study on consumer awareness regarding the mandate of the Authority	Produce research report	Research report issued
	Conduct study on mobile number portability Feasibility study on the establishment of the call centre coordination of CAP activities	Produce research report Efficiency in serving the needs and interest of consumers Provide advice to the Authority on consumer matters and issues	Research report issued Feasibility study report issued  Four meetings held per annum

## CONSUMER AFFAIRS DIVISION

Strategic Objective	Key Performance Indicators	Output	Progress Made
	Pilot the establishment of Consumer Representative Forums (CRFs), in Kwa-Zulu Natal, Limpopo and Mpumalanga	Consumers represented by members of their communities	CRFs established in KwaZulu-Natal, Limpopo and Mpumalanga
	Pilot the monitoring of Consumer Protection Regulations	Compliance with consumer protection safeguards	Monitored compliance in Gauteng and North West
<b>Strengthening regulations</b>	Develop the End-User and Subscriber Service Charter	End-User and Subscriber service Charter gazetted	Regulations published
	Develop Mail Integrity Regulations	Mail Integrity Regulations gazetted	Regulations published
	Develop E-Rate Regulations	E-Rate Regulations gazetted	Regulations published



## LEGAL AND CCC

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>(Litigation matters)</b> Safeguard ICASA's interest in litigation matters</p>	<p>Defend court actions against ICASA, and enhance the legal standing of ICASA, generate favorable decisions for ICASA</p>	<p>IUC (Radio786) v ICASA (CPD)</p> <p>COSATU v ICASA, Vodacom, Vodafone and others (urgent application)</p> <p>Altech Autopage v ICASA</p> <p>Trinity Broadcasting, Ciskei v ICASA</p> <p>Deukom v ICASA</p> <p>Caxton Pty Ltd v ICASA</p> <p>Vodacom v ICASA (major operator)</p> <p>Black Earth (BEC) v ICASA</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Finalised</p> <p>Finalised</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>

## LEGAL AND CCC

Strategic Objective	Key Performance Indicators	Output	Progress Made
		WAPA(Amobia) v ICASA	Ongoing
		Vodacom v ICASA (Handset Subsidies)	Ongoing
		TETRA Mobile v ICASA	Ongoing
		XLink, Connectnet and Datalinx v ICASA	Ongoing
		Directory Solutions v ICASA	Ongoing
		Len Marshall v ICASA	Ongoing
		Radio Pulpit v ICASA	Ongoing
		COSATU v ICASA, Vodacom, Vodafone and others (review application)	Ongoing
		Nothnagel v RAF and ICASA	Ongoing
		A. Snyman and N Suliman v ICASA	Ongoing
		Joseph Robbertse v ICASA	Ongoing

## LEGAL AND CCC

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Legal support and opinions</b></p>	<p>Legally compliant and qualitative organisational decisions</p>	<p>ITA, digital broadcasting                      Notice in terms of section 93 of the ECA                      Classic FM                      Radio Algoa                      Internet Solutions                      By-laws, City of JHB                      Declaration of interest                      Vodafone/Telkom                      SAPO licence contravention                      Section 4 of the ECA</p>	<p>All opinions finalised</p>
<p><b>Contract: drafting and vetting</b></p>	<p>Avoid contracts or similar instruments that place onerous terms and conditions on ICASA</p>	<p>Drafted and vetted 60 contracts</p>	<p>Finalised</p>

## COMMUNICATIONS

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Promoting access to information</b></p> <p>Account to public and stakeholders</p>	<p>Production and tabling of Annual Report</p>	<p>Printing of 2 000 hard copies and 500 CDs of the 2007/08 Annual Report</p>	<p>2007/08 Annual Report printed and distributed to libraries and stakeholders</p> <p>Annual Report submitted to Minister and tabled in Parliament</p>
<p><b>Promoting access to information</b></p> <p>Facilitate stakeholder access to Authority's regulatory activities</p>	<p>Media liaison</p>	<p>Receive media enquiries and facilitate responses</p> <p>Issue media releases</p> <p>Arrange media interview for Chairperson and/or Councillors</p> <p>Media roadshows</p> <p>Website publishing</p>	<p>Facilitated response to nine media enquiries</p> <p>Issued 43 media releases</p> <p>Facilitated/arranged 16 media interviews</p> <p>Visited nine media houses in Eastern Cape/Limpopo and Northern Cape</p> <p>Published all media releases/gazettes on website</p>

## COMMUNICATIONS

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Promoting access to information</b></p> <p>Facilitate stakeholder access to Authority's regulatory activities</p> <p>Assess stakeholder feedback to Authority's performance</p>	<p>Stakeholder liaison</p>	<p>Sending licensees and operators regular updates/media notices about ICASA's regulatory activities</p> <p>Hosting briefing sessions and stakeholders' meetings</p> <p>Commissioned Stakeholders Reputation Audit</p> <p>Facilitate response to stakeholder enquiries</p>	<p>All media notices/Government Gazettes sent to the media, licensees/operators</p> <p>Stakeholders meeting held in October 2008</p> <p>Survey report presented to Council, Executive Management and divisional staff</p> <p>1 998 enquiries received of which 366 were formally concluded</p>

## COMMUNICATIONS

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Profile ICASA favourably before public and stakeholders</b></p> <p>Keep stakeholders informed of Authority's activities</p>	<p>Media notices</p> <p>Make ICASA visible to the public</p>	<p>Placement of notices in the mainstream and local media</p> <p>Participate in industry expos and exhibitions</p>	<p>Placed ICASA new contact details Notices in national, regional and local newspaper titles</p> <p>Took part in World Telecoms exhibition, and DoC youth expos</p>
<p>Monitor ICASA's media coverage</p>	<p>Make information about ICASA accessible to public</p> <p>Monthly and quarterly media Coverage reports</p>	<p>Distribution of ICASA brochures, leaflets</p> <p>Production of ICASA corporate video</p> <p>Record ICASA's activities</p> <p>Distribution of media coverage reports to Exco and Council</p>	<p>English version of DVD completed</p> <p>Maintain album of public hearings and other activities of ICASA</p> <p>Daily, monthly and quarterly reports distributed to Executive Management and Council</p>

## COMMUNICATIONS

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Promote flow of information within ICASA and staff welfare</b></p>	<p>Well Motivated staff</p>	<p>Hosting of internal functions and events for staff</p>	<p>Hosted the following events:</p> <ul style="list-style-type: none"> <li>• Farewell function for Cllrs Cohen and Masiza</li> <li>• Radio 702 Walk-The Talk</li> <li>• Women’s Day</li> <li>• Secretaries’ Day</li> <li>• Casual Day</li> <li>• 16 Days of Activism Against Abuse</li> <li>• End-of-Year function</li> <li>• Employee Wellness Week</li> <li>• Financial Wellness Week</li> <li>• Sports Day</li> </ul> <p>Procured corporate gifts for Council, Executive Management and employees</p>

## COMMUNICATIONS

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Promote flow of information within ICASA and staff welfare</b></p>	<p>Keep employees fully informed of corporate and regulatory developments within the organisation</p>	<p>Publish daily electronic newflash                      Arrange staff meetings                      Publish internal newsletter</p>	<p>Electronic newflash published every second day                      Four staff meetings arranged at Head Office, and two meetings for each regional office                      Four editions of internal newsletter published</p>



## INTERNATIONAL RELATIONS

Strategic Objective	Key Performance Indicators	Output	Progress Made
<p><b>Coordinate ICASA's interactions and relationships with international organisations</b></p>	<p>ICASA's participation and representation in international organisations</p>	<p>Attendance of meetings, and compliance with conventions</p>	<p>ICASA participated and was represented in the following fora:</p> <ul style="list-style-type: none"> <li>Universal Postal Union Congress</li> <li>Universal Postal Union Council of Administration</li> <li>Rural Telecommunications and Universal Access Conference</li> </ul>
<p><b>Participate in regional and continental ICT events and initiatives</b></p>	<p>Support regional and continental activities for harmonisation of regulations</p>	<p>Representation and submission of ICASA position in regional and continental fora</p>	<p>ICASA participated and was represented in the following fora:</p> <ul style="list-style-type: none"> <li>CRASA Executive Committee meeting in Botswana</li> <li>CRASA Working Committees meetings hosted by Botswana Telecommunications Authority:                             <ul style="list-style-type: none"> <li>• Legal and Policy Committee</li> <li>• Broadcasting Committee;</li> <li>• Human Resources, and</li> <li>• Empowerment Committee</li> </ul> </li> </ul>

## INTERNATIONAL RELATIONS

Strategic Objective	Key Performance Indicators	Output	Progress Made
			<p>CRASA Conferences-Migration Towards All IP and next Generation Wireless Technologies</p> <p>CRASA AGM and Committee Meetings:</p> <ul style="list-style-type: none"> <li>• Consumer Protection</li> <li>• Revenue Generation</li> <li>• Finance and Audit</li> <li>• Broadcasting</li> </ul> <p>SAPRA Executive Committee</p> <p>SADC Roundtable</p>
<b>Development of bilateral relations</b>	Sharing and exchange of ideas and experiences with other regulators	Hosting study groups from other regulators	<p>ICASA hosted delegations from:</p> <ul style="list-style-type: none"> <li>• Brazil</li> <li>• Tanzania</li> <li>• Malawi</li> </ul>
<b>Subscribe to membership of relevant international and regional organisations</b>	Keep abreast of industry trends and developments	Access to conference, workshops	<p>Subscriptions paid to:</p> <ul style="list-style-type: none"> <li>• CRASA</li> <li>• SAPRA</li> <li>• RIARC</li> <li>• IIC</li> <li>• CTO</li> <li>• SABA</li> <li>• AFUR</li> </ul>

## ADMINISTRATION DIVISION

Strategic Objective	Key Performance Indicator	Output	Progress Made
<p><b>Improve assets management</b></p>	<p>Accurate, updated asset register</p>	<p>Efficient management of, and effective planning for, acquisitions and disposals of ICASA assets</p>	<p>3 12 new computers rolled out to staff nationally New furniture allocated to users at Head Office  Redundant and damaged assets disposed off, eg furniture, computers etc.  Physical verification of assets nationally.</p>
<p><b>Development of administration business processes</b></p>	<p>Clear and accurate business processes</p>	<p>Effective systems, processes and controls documented</p>	<p>Draft administration business processes developed  Registry procedures manual developed  Draft security policy developed</p>

## ADMINISTRATION DIVISION

Strategic Objective	Key Performance Indicator	Output	Progress Made
<b>Improve fleet management</b>	Availability of an efficient fleet with cost effective maintenance plan	Provision and management of reliable fleet to fulfil the mandate of ICASA	21 new vehicles purchased as per business units' requirements  Reviewed the fleet maintenance plan with Nedfleet  Transport policy drafted
<b>Facilities management</b>	A feasibility study with recommendations on relocation options  Relocation of Durban, Port Elizabeth and Cape Town Regional offices	Provision of suitable and accessible/convenient offices  Provision of suitable, accessible and convenient offices	Consultants submitted and presented draft report on head office relocation to Executive Management  Explored funding models with Investec and Nedbank for head office property  New locations have been identified and negotiations are underway to procure new office space
	Office space planning	Office/workplace accommodation that adheres to health and safety legislative requirements	Final draft plans for office accommodation submitted by the space planner

## ADMINISTRATION DIVISION

Strategic Objective	Key Performance Indicator	Output	Progress Made
<p><b>Ensure effective knowledge management systems at ICASA</b></p>	<p>Records management (RM) programme implementation and maintenance</p>	<p>Centralised management of all ICASA records/ documents</p> <p>Accurate classification of records compliant with legislation</p>	<p>Reviewed the approved file plan to incorporate all functions in business units</p> <p>Started with the implementation of the file plan at Head Office</p> <p>Appointed the Records Management steering committee representative for all divisions</p> <p>Seconded two staff members to Records Management unit to assist in the implementation of a records management program</p> <p>Developed a registry's procedures manual</p>
	<p>Improve provision of industry information to all stakeholders (Head Office, regions, and external users).</p>	<p>Access to centralised collection for all public regulatory documentation</p>	<p>Continued liaison with all core divisions and committees to obtain public regulatory documentation for library recordkeeping</p> <p>Filing and classification of public regulatory documentation</p>

## ADMINISTRATION DIVISION

Strategic Objective	Key Performance Indicator	Output	Progress Made
	Transform the library into a virtual library/information		Purchased and subscribed to various electronic databases, and print publications, among others, Business Monitor International Online, and IEEE Explore Library catalogue available from individual's desktops
<b>Develop and implement health and safety programme</b>	Compliance to legislative requirements for health and safety standards	A health and safety programme that complies with relevant legislation.	<p>Health and Safety Representatives Committee in place</p> <p>Occupational health and safety (OHS) representatives appointed in compliance with legislation</p> <p>Occupational health safety representatives trained</p> <p>Developed a health and safety policy with directives that include and contingency plan for ICASA.</p>

## ADMINISTRATION DIVISION

Strategic Objective	Key Performance Indicator	Output	Progress Made
<p><b>Improve protection/security services</b></p>	<p>Provision of physical measures for preventing unauthorised entry to protect human resources and assets, detect any attempt to or actual break into the physical environment</p>	<p>A secure and safe working environment Adherence to minimum physical security standards</p>	<p>Installed security booths in Blocks A and B at Head Office  Installed cameras in strategic areas at Head Office  Performed security needs analysis at Head Office and Regional offices Report and drafted recommendations to improve security used  Developed security policy</p>

## HUMAN RESOURCES

Strategic Objective	Outcome	Output Indicators	Progress Made
<p><b>Implementation of an Integrated Performance Management (PM) Framework</b></p>	<p>A fully integrated PM practice to be introduced and applied and continuation of the interim tool until replaced</p>	<p>80% success rate on set objectives in respect of the new system implementation</p>	<p>A comprehensive procedure manual and user training manuals were produced and approved. The system compatibility to ICASA operating platform was tested and passed. Job profiles were loaded on the system for a pilot run with a representative sample at management level. Work is underway to review the applicable policy</p>
<p><b>Talent acquisition strategies to employ the right people</b></p>	<p>Facilitation of the application of the interim performance management tool for the implementation of the 2008/09 FY employee performance evaluation</p> <p>Filling of vacancies professionally, timeously and procedurally</p>	<p>Ensure that all the procedural requirements are met and principles complied with</p> <p>90% of currently approved 49 funded vacant permanent positions (44) to be filled by end of financial year</p>	<p>323 employees were eligible for the performance incentive</p> <p>R8 667 492 was awarded in bonuses, 89% of monthly salary bill</p> <p>80 permanent appointments. 18 were at management level and 30 were females</p> <p>74 temporary staff were procured, including 50 election monitors</p>



## HUMAN RESOURCES

Strategic Objective	Outcome	Output Indicators	Progress Made
<b>Learning and development strategy formulation</b>	Clinical job competence profiling and skills audit at manager level and above	Detailed report on the organisational competence status and required interventions	ICT Works have produced a compendium of competence profiles for all the jobs on the ICASA operational structure
	Implementation of the T&D strategy as per annual skills development plan	50% of managers and supervisors to go on managerial and leadership programmes	19 training programmes were delivered during Quarter 4, with 536 beneficiaries compared to seven, with 160 participants the previous quarter. 3% of labour cost was provided for employee development for the year
	Implementation of the employee study assistance programme to the job competence profiles	Annual bursary allocation in line with organisational competence requirements and retention strategy.	A total of 47 bursary applications received, 32 were approved and 15 were declined due to non compliance
<b>Sound employee relations practices</b>	Conduct an employee value proposition survey to identify workplace areas needing improvement for best people management practices at ICASA	A detailed survey feedback report on all aspects of human resources management that have impact on morale and retention  30% of sample to participate	A quantitative analysis questionnaire was designed, reviewed and tested for telephonic interviews. The targeted sample size was exceeded

## HUMAN RESOURCES

Strategic Objective	Outcome	Output Indicators	Progress Made
	Constructive engagement with organised labour representative structures on the basis of legislative guidelines	Revised recognition agreement for improved collective and inclusive Management/Labour relations	Management proposed amendments to the existing recognition agreement between ICASA and CWU. Awaiting a response from CWU
<b>Mitigation of organisational risk</b>	Intensify the employee assistance programme strategy by extending to other personal health risk areas	Introduce an executive lifestyle Programme and life-threatening disease management	Nine (81%) executives went for medical assessments. Individual feedback sessions were still in progress. The service provider is expected to deliver a consolidated executive health status report that will assist with the awareness of appropriate healthcare interventions for the organisation's senior officials
	Effective management of life- threatening diseases	Achieve an international benchmark of a minimum 23% utilisation rate for the entire programme	The utilisation rate was 20,3% as at 31 March 2009. The mix of appointments indicated an increase in family members' access to services. Although this is 3% below target, it is a 7% improvement from the previous year

## HUMAN RESOURCES

Strategic Objective	Outcome	Output Indicators	Progress Made
	Verification of qualifications and background checks for all appointments	Installation of a system-driven subscription service for ease of access to information 100% of all incumbents in positions to be verified	There was 60% completion at management level by the end of March 2009
	Reduction of labour turnover down to industry norm	Monitoring of labour turnover to manage loss of critical skill Annual total turnover at 7% maximum for 2008/09	34 terminations represent 10,2% of total headcount. This is 1,2% more than the termination rate at the end of the previous financial year 47,5% were as a result of 'better offers' and 5,9% (two) were due to death. 26,5% were at management level
	Audit, revise existing and formulate new HR policies, procedures and processes for enhanced people management practices	Revised and approved HR policies and procedures and introduction of new HR policies and procedures	Eight HR policies were revised and five new policies were formulated and approved To strengthen governance on people management matters, an Employment Equity and Skills Audit Committee was established
<b>HR operational efficiency and effectiveness improvement</b>			

## HUMAN RESOURCES

Strategic Objective	Outcome	Output Indicators	Progress Made
<b>Remuneration benefits review for equity and retention</b>	Reward and recognition strategy to enable the attraction and retention of best talent	Appropriate structures in accordance with corporate governance principles to guide the management of remuneration and reward strategies for the organisation	The decision to establish a Remuneration Committee was initiated with the formulation and approval of the applicable terms of reference by Council. The process of identifying suitable committee members within and externally was completed
	Introduce market related remuneration practice linked to performance at all levels on the operational structure	A 3 tier (min/mid/max) benchmarked remuneration structure for all levels of employment on the operational structure	An external Service Provider was signed up to assist with the analysis and review of the current remuneration strategy. Initiation and data gathering through interviews and HR records was completed
	Effective management of the Substantive Negotiations to minimize organisational risk	Finish negotiations with minimal disruptions to the functioning of the organization	The 2008/9 Substantive Negotiations were concluded in November 2008 with an agreement to adjust salaries by 11%. The implementation was retroactive to 1 July 2008

## INFORMATION AND TECHNOLOGY DIVISION

Strategic Objective	Key Performance Indicators	Output	Progress Made
<b>Warranties for new PABX</b>	Hardware and software warranties	New Service Agreement (SLA) and warranties in place	SLA concluded with service provider for Alcatel PABX hardware and software warranties Software update subscription concluded with service provider for RightFax Solution
<b>Software licensing</b>	Legal software	Microsoft Enterprise agreement	Enterprise agreement signed with Microsoft South Africa
<b>Improve customer service</b>	Develop intranet website for improved internal communication	Intranet site	Implemented Share Point. Developed intranet website
	Migrate the internet website from the previous hosted site to a new site Improve/Enhance internet website	Hosted at Verizon for flexibility and user friendliness of the internet website	Migrated the internet website to a new hosting site for improved performance. Also redesigned and improved the content on the website to improve user experience as well as to conform to the ECA
	Improved e-mail management	eMail archiving	Implemented Mimecast email management service, which includes email security, archiving, proactive protection, continuity, corporate identity and disclaimer management

## INFORMATION AND TECHNOLOGY DIVISION

Strategic Objective	Key Performance Indicators	Output	Progress Made
<b>Improve customer service</b>	Remote access to ICASA network	VPN purchased and installed	Implemented the Firepass Remote Access (VPN) solution to allow users to access their e-mails and shared folders remotely
	Enhancement to current training environment	Improved internal IT operations and services	Provided IT infrastructure for the establishment of the training room
	Enhancement to current infrastructure	Microsoft Active Directory and Exchange Server	Implemented Microsoft Active Directory and set up an Exchange server to facilitate the phase out of the Novell network using GroupWise to a Microsoft network using Exchange, Outlook client
	Preferred service provider for Data cabling	SLA concluded with preferred service provider	Concluded an agreement with Bytes Technology for the provision of data cabling at all ICASA offices

## FINANCE DEPARTMENT

Strategic Objective	Key Performance Indicators	Output	Progress Made
Empower Historically Disadvantaged individuals (HDIs) and Small, Medium and Micro Enterprises (SMMEs) through procurement	Increase procurement from HDIs to 60% for bids below R200K	67% of procurement spent on HDIs	Participation of HDI on procurement is 7% more than anticipated target  Target procurement has been introduced to increase the procurement from HDIs
	Increase procurement from HDIs to 60% for bids above R200K	29% of procurement spent on HDIs	Participation of HDIs on procurement is below by 31% on anticipated target  Targeted procurement has been introduced to increase the procurement from HDIs
Improvement of a travel management system and process	Travel expenditure report that improves accountability and decision-making	Updated travel expenditure report	Travel expenditure report completed for the fourth quarter  International travel plan for mandatory trips has been costed
	Effective travel process	Travel coordinator plan developed and implemented	Coordination processes between travellers and travel agent developed
Improve service delivery on procurement	Timely payment of travel expenses, which will result in satisfactory travelling	Implementation of lodge card	Lodge card implemented at the end of January 2009
	Reduce turnaround time on procurement to 30 days	Percentage of amount outstanding within 30 days is 90%	The outstanding amount within 30 days has improved by 12%

## FINANCE DEPARTMENT

Strategic Objective	Key Performance Indicators	Output	Progress Made
Improve procurement compliance	Compliance with Treasury Regulations	Updated supply chain management policy	Commenced workshops on the updated supply chain management policy. Exercise to be completed in the new financial year
Improve billing processes	Develop and implement the billing system for spectrum on JDE	Improved customer satisfaction and comply with General Accepted Accounting Practices (GAAP)	Development of the system was postponed to the next financial year
Improve revenue collection	<b>Telecom</b> 95% collection rate	Collection rate is at 98%	Collection rate is above target by 3%
	Spectrum collection rate of 90%	Collection rate is at 85%	Collection rate is below target by 5%
Improve asset management	<b>Postal</b> SAPO 100% Couriers 75%	Collection rate is at 100% Collection rate is at 80%	Target achieved Collection rate is above target by 5%
	<b>Broadcasting</b> Collection rate of 90%	Collection rate is at 100% for March 2009	Collection is above target by 10%
	Asset records that comply with GAAP	Updated and fairly stated assets register	Reconciliation and residual values reviewed. Three asset verification cycles completed



<b>FINANCE DEPARTMENT</b>			
<b>Strategic Objective</b>	<b>Key Performance Indicators</b>	<b>Output</b>	<b>Progress Made</b>
	Develop the asset database on JDE	Asset database	Development of the system was postponed to the next financial year
	Develop the asset life cycle management on JDE	Asset life cycle management	Development of the system was postponed to the next financial year
<b>Develop world class customer service in revenue</b>	Automate the receipt acknowledgement	Improve customer satisfaction	Development of the system was postponed to the next financial year
	Develop customer contract management on JDE	Improved customer satisfaction and internal processes	Development of the system was postponed to the next financial year
<b>Improve business processes</b>	Develop or enhance the business processes and control	Business processes and controls	Business processes for assets were developed
<b>Building the capacity to sustain supply chain</b>	Develop knowledge management	Programme of skills transfer	Skills were transferred in the projects undertaken. The framework was not established
	- Skills transfer	Improved value chain	Updated business for supply chain
	- Implement the business plans	Strategic partnership	Formed strategic partnership with four organisations out of target of five
<b>Drive Supply of Goods and Services as well as Financial Planning</b>	- Develop strategic partnership	Savings in the value chain	Term contracts for stationary and legal services were concluded and implemented
	Establish term contracts for service and goods procured on continuous basis		

# FINANCE REPORTS 2008/2009



Tubane Mosia  
Chief Financial Officer



Bruce Jooste  
General Manager  
Compliance, Risk and Audit

**Independent Communications Authority of South Africa**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2009**

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## **STATEMENT OF RESPONSIBILITY** **for the year ended 31 March 2009**


The Chief Executive Officer, in his capacity as Accounting Officer is responsible for the preparation and integrity of the annual financial statements and related information included in this annual report. In order for the Accounting Officer to discharge his responsibilities, management has developed and continues to maintain a system of internal control. The operations of ICASA are reviewed primarily through internal audit activities and the Audit Committee.

The internal controls include a risk based system of internal controls 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 Statements of Generally Accepted Accounting Practice, 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 Statements of GAAP. 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 March 2009 set out on pages 107 to 150, have been approved by Council and are signed on its behalf by:



**Karabo Motlana**  
CHIEF EXECUTIVE OFFICER  
31 May 2009

## Independent Communications Authority of South Africa

# REPORT OF THE AUDIT AND RISK COMMITTEE for the year ended 31 March 2009

## INTRODUCTION

The Audit and Risk Committee has pleasure in presenting to Parliament its report for the financial year ended 31 March 2009 as required by the Treasury Regulations issued in terms of the Public Finance Management Act, Act 1 of 1999 (as amended) (PFMA).

## AUDIT and RISK COMMITTEE MEMBERS AND ATTENDANCE

In accordance with its charter, the Audit and Risk Committee has met eight times since its 2008 report (dated: 31 July 2008). The membership and attendance at those meetings was as follows;

	<b>Meetings attended</b>
Sandile Swana - Chairperson	6
Rene Kenosi	8
Liezal Samuel - resigned 29 July 2009	3
Tsediso Gcabashe	6
Bongo Rulashe – resigned 23 April 2009	1

## AUDIT and RISK COMMITTEE RESPONSIBILITY

The Audit and Risk 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 and Risk Committee charter, which regulates its formal terms of reference.

## THE EFFECTIVENESS OF INTERNAL CONTROL

Audit and Risk Committee meetings are characterised by penetrating and robust debates. I have continued as chairman, to emphasise preventative surveillance audits and ongoing strengthening of controls spearheaded by our internal audit and risk units. We continue to advise senior management and councillors generally to comply with financial regulations and guidelines; and seek to properly advise where necessary. We are pleased to note that internal controls are working as intended and that no major abuse of organisational resources exists. The comments and emphasis of matter from the Auditor-General are welcome as they fall squarely within what we want to improve, namely to control all points of exit of funds in the organisation such as procurement; registry of payees in our payment systems; payroll and subsistence and travel allowances.

It was encouraging on the risk side to engage successfully with National Treasury and the Accountant-General to allow ICASA to successfully insure its valuable technical equipment which had continued to be exposed to enormous risk due to onerous and impractical treasury guidelines relating to the maximum annual insurance premiums payable.

Overall the number of cases requiring forensic investigations has been drastically reduced and on grounds of materiality there is nothing to comment on. ICASA is vulnerable to reputational risks due to the nature of its work and stakeholders, and at this time there are no profound reasons for concern in this particular area. The retention and recruitment of well qualified audit committee members remains a challenge as remuneration rates will have to be addressed in the current year. As performance becomes the key focus going forward the work of the Audit and Risk Committee will expand to ensure that appropriate quarterly performance reports reach parliament on time.

## EVALUATION OF THE FINANCIAL STATEMENTS

The Audit and Risk Committee has reviewed:

- the audited annual financial statements and discussed them with the Auditor-General and the 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.

The Audit and Risk Committee is 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 and Risk 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 and Risk Committee

31 July 2009

# AUDITOR-GENERAL'S REPORT

## for the year ended 31 March 2009

### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA FOR THE YEAR ENDED 31 MARCH 2009

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I have audited the accompanying financial statements of the Independent Communications Authority of South Africa (ICASA) which comprise the statement of financial position as at 31 March 2009 and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 116 to 150.

##### The accounting officer's responsibility for the financial statements

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

##### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the Independent Communications Authority of South Africa as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1 to the financial statements and in the manner required by the PFMA.

### **Emphasis of matter**

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

### **Basis of accounting**

8. The authority'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.

### **Fruitless and wasteful expenditure**

9. As disclosed in note 10 to the financial statements, fruitless and wasteful expenditure to the amount of R39 570 due to penalties and interest was incurred by ICASA.

### **Irregular expenditure**

10. As disclosed in note 10 to the financial statements, irregular expenditure to the amount of R387 081 was incurred by ICASA due to supply chain management processes not complied with.



## **Other matters**

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

### **Public Finance Management Act and Treasury Regulations**

11. The following instances of non-compliance with the PFMA, Treasury Regulations were identified:

- The entity did not submit its monthly management accounts to the Department of Communications as required by section 40 (1)(f) of the PFMA.
- No quarterly reports on the progress in achieving measurable objectives and targets were submitted by ICASA to facilitate effective performance monitoring, evaluation and corrective action, as required by Treasury Regulation 5.3.1
- The entity did not prepare and sign the performance contract with the CEO for the financial year 2008/09 as required by section 36 (5) of the PFMA.
- The entity did not pay its suppliers within 30 days of receipt of invoices as required by Treasury Regulation 8.2.3.

### **Independent Communications Authority of South Africa Act, (ICASA Act)**

12. The following instance of non-compliance with the Independent Communications Authority of South Africa Act (ICASA Act) was identified:

No performance management system was developed and no agreements were signed between the chairperson of the council and the minister, and the chairperson of the council and the new councillors appointed during 2008/09 financial year as required by section 6A of the ICASA Act.

### **Governance framework**

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

### **Key governance responsibilities**

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

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 40 of the PFMA).	✓	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	✓	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The Authority had an audit committee in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10.</li> </ul>	✓	
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The Authority had an internal audit function in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2.</li> </ul>	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓

9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2.	✓	
12.	Powers and duties assigned are in place, as set out in section 56 of the PFMA.	✓	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.	n/a	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	✓	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the authority against its mandate, predetermined objectives, outputs, indicators and targets.	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on performance information

15. I have reviewed the performance information as set out on pages 55 to 104.

### The accounting officer's responsibility for the performance information

16. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the authority.

## **The Auditor-General's responsibility**

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

## **APPRECIATION**

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

*Auditor-General*

Johannesburg  
31 July 2009



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## **Independent Communications Authority of South Africa**

# **REPORT BY THE ACCOUNTING OFFICER for the year ended 31 March 2009**

I have pleasure in presenting to Parliament the Independent Communications Authority of South Africa's ("ICASA") ninth annual report. The report covers the period 1 April 2008 to 31 March 2009. 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 the electronic communications and postal 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, telecommunications 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.

### ***Applicable legislation***

ICASA derives its mandate from the following statutes: ICASA Act of 1999, Postal Services Act of 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 position demonstrates that this basis is sound.

We continue to strive to improve the financial management of ICASA and financial policies have been developed and monitored 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 interest income of R19 million in the 2008/9 financial year (2007/2008 – R16.6 million).

## **Council and Executive Management's remuneration**

Details of Council and Executive Management's remuneration are set out in note 21 to the annual financial statements.

## **Events after the reporting date**

The conversion of licences in terms of the Electronic Communications Act (ECA) was completed during the financial year and the new licence fee regulations were implemented effective 1 April 2009. These regulations will significantly reduce the licence fees collected on behalf of the National Revenue Fund thereby reducing the corresponding interest the Authority earned on the amounts collected prior to it being transferred to the National Revenue Fund.

Legal costs, which have yet to be determined, were awarded against the Authority during May 2009 in a matter concerning Vodacom, the Congress of South African Trade Unions and the Department of Communications.

Except for the abovementioned matters, the 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 significantly affect the operations or results of the Authority.

It should be noted that the annual financial statements were submitted to the Auditor-General for audit on 31 May 2009 in accordance with the requirements of the Public Finance Management Act.


## **Administered Revenue Fund on behalf of National Revenue Fund**

Separate financial statements have been presented for the Administered Revenue Fund.

## **Business address**

Physical address:  
Blocks A, B, C & D  
Pinmill Farm  
164 Katherine Street  
Sandton  
2128

Postal address:  
Private Bag X10002  
Sandton  
2146



**Karabo Motlana**

Chief Executive Officer  
31 May 2009

## Independent Communications Authority of South Africa

# STATEMENT OF FINANCIAL POSITION as at 31 March 2009

	Note	31 March 2009 R	31 March 2008 R
<b>ASSETS</b>			
Non-current assets		76 442 622	70 261 738
Property, plant and equipment	11	73 668 527	67 333 193
Intangible assets	23	2 774 095	2 928 545
<b>Current assets</b>		71 586 954	77 042 866
Trade and other receivables	12	1 789 813	1 626 694
Prepayments and advances	13	8 083 228	9 844 335
Cash and cash equivalents	14	61 713 913	65 571 837
<b>TOTAL ASSETS</b>		<b>148 029 576</b>	<b>147 304 604</b>
<b>LIABILITIES</b>			
Current liabilities		36 284 427	41 798 613
Trade and other payables	15	17 645 535	21 688 263
Current portion of lease accruals	16	6 369 988	7 950 439
Current portion of deferred grants	17	12 095 227	11 569 871
Current portion of finance lease obligations	22	173 677	590 040
<b>Non-current liabilities</b>		81 383 063	80 723 718
Non-current portion of deferred income grants	17	81 360 410	75 108 515
Non-current portion of lease accruals	16	22 653	5 387 957
Non-current portion of finance lease obligations	22	-	227 246
<b>TOTAL LIABILITIES</b>		<b>117 667 490</b>	<b>122 522 331</b>
<b>FUNDS</b>			
<b>ACCUMULATED RESERVES</b>		30 362 086	24 782 273
Start-up fund		33 731 342	33 731 342
Accumulated deficit		(3 369 256)	(8 949 069)
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>148 029 576</b>	<b>147 304 604</b>

## Independent Communications Authority of South Africa

# STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2009

	Note	31 March 2009 R	31 March 2008 R
<b>REVENUE</b>			
Total grants appropriated	2	240 494 749	212 842 671
Other income	3	12 893 080	9 115 188
		<u>253 387 829</u>	<u>221 957 859</u>
<b>EXPENDITURE</b>			
		(254 987 752)	(224 507 781)
Administrative expenses	4	(37 208 010)	(29 505 951)
Staff costs	5	(133 316 499)	(117 655 847)
Audit fees	6	(2 374 049)	(1 002 327)
Other operating expenses	7	(70 649 040)	(65 268 901)
Depreciation	11	(10 342 566)	(9 970 364)
Amortisation	23	(1 097 588)	(1 104 391)
		<u>(1 599 923)</u>	<u>(2 549 922)</u>
<b>DEFICIT FROM OPERATIONS</b>			
Finance income	9	7 260 940	7 587 667
Finance costs	8	(81 204)	(170 491)
Total finance income		7 179 736	7 417 176
		<u>5 579 813</u>	<u>4 867 254</u>
<b>SURPLUS FOR THE YEAR</b>			



## Independent Communications Authority of South Africa

### STATEMENT OF CHANGES IN NET ASSETS for the year ended 31 March 2009

	<i>Accumulated deficit R</i>	<i>Start up Fund R</i>	<i>Total R</i>
Balance as at 31 March 2007	(13 816 323)	33 731 342	19 915 019
Surplus for the year	4 867 254	-	4 867 254
Balance as at 31 March 2008	<u>(8 949 069)</u>	<u>33 731 342</u>	<u>24 782 273</u>
Surplus for the year	5 579 813	-	5 579 813
Balance as at 31 March 2009	<u>(3 369 256)</u>	<u>33 731 342</u>	<u>30 362 086</u>

## Independent Communications Authority of South Africa

# CASH FLOW STATEMENT

for the year ended 31 March 2009

	Note	31 March 2009 R	31 March 2008 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from DoC		247 312 000	234 475 000
Cash paid to suppliers		(118 463 301)	(117 286 302)
Cash paid to employees		(106 589 042)	(93 023 511)
Employee's Income Tax (PAYE) paid		(26 690 048)	(22 454 315)
Cash (utilised in)/generated from operations	20	(4 430 391)	1 710 872
Finance income	9	19 342 058	17 517 012
Finance costs	8	(81 204)	(170 491)
Net cash flows from operating activities		<u>14 830 463</u>	<u>19 057 393</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	11	(17 929 340)	(31 156 974)
Acquisition of intangible assets	23	(943 138)	(2 045 227)
Proceeds on disposal of property, plant and equipment		184 091	-
Net cash utilised in investing activities		<u>(18 688 387)</u>	<u>(33 202 201)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(3 857 924)</b>	<b>(14 144 808)</b>
Cash and cash equivalents at the beginning of the year		65 571 837	79 716 645
<b>Cash and cash equivalents at the end of the year</b>	14	<u>61 713 913</u>	<u>65 571 837</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2009**

**1 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**1.1 Basis of preparation**

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (SA 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 Statements of GAAP as follows:

<i>Standard of GRAP</i>	<i>Replaced Statement of GAAP</i>
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies changes in accounting estimates and errors	AC 103: 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 and 3 has resulted in the following changes in the presentation of the financial statements:

- (a) Terminology differences:

<i>Standard of GRAP</i>	<i>Replaced Statement of GAAP</i>
Statement of financial performance	Comprehensive 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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2009**

- (b) The cash flow statement can only be prepared in accordance with the direct method.
- (c) Specific information has been presented separately on the statement of financial position such as:
  - i. Receivables from non-exchange transactions, including taxes and transfers;
  - ii. Taxes and transfers payable;
  - iii. Trade and other payables from non-exchange transactions;
- (d) Amount and nature of any restrictions on cash balances is required.

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

In 2008 the Accounting Standards Boards (ASB) approved the following GRAP statement:

- GRAP 2 (IAS 7) Cash Flow Statements
- GRAP 3 (IAS 8) Accounting policies, changes in accounting estimates and errors
- GRAP 4 (IAS 21) The Effects of Changes in Foreign Exchange Rates
- GRAP 5 (IAS 23) Borrowing Costs
- GRAP 6 (IAS 27) Consolidated and Separate Financial Statements
- GRAP 7 (IAS 28) Investments in Associates
- GRAP 8 (IAS 31) Interests in Joint Ventures
- GRAP 9 (IAS 18) Revenue from Exchange Transactions
- GRAP 10 (IAS 29) Hyperinflationary Economies
- GRAP 11 (IAS 11) Construction Contracts
- GRAP 12 (IAS 2) Inventories
- GRAP 13 (IAS 17) Leases
- GRAP 14 (IAS 10) Events after the reporting date
- GRAP 16 (IAS 40) Investment Property
- GRAP 17 (IAS 16) Property, Plant and Equipment
- GRAP 19 (IAS 37) Provisions, Contingent Liabilities and Contingent Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 100 (IFRS 5) Non-current assets held for sale and discontinued operations
- GRAP 102 (IAS 38) Intangible Assets

These statements are effective as from 1 April 2009 and therefore they were not applied in preparation of these financial statements.

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** **for the year ended 31 March 2009**

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 surplus or deficit.

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.

### **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 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 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 11).

#### ***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 12).

### **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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

Expenditure on capital projects in progress is capitalised as Capital Work-in-Progress and only allocated to the relevant asset category when the property, plant and equipment is commissioned and brought into use, from when they are depreciated.

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:

<i>Item</i>	<i>Useful life</i>
Office equipment	5-16 years
Computer equipment	5 – 17 years
Furniture and fittings	8 -15 years
Motor vehicles	10 – 15 years
Test equipment	10 – 17 years
Leasehold improvements	Over the period of the lease

The depreciation charge for each period is recognised in surplus or deficit. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 are included in surplus or deficit when the item is derecognised. The gains or losses arising from derecognition of an item of property, plant and equipment are 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 statement of financial performance 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

Amortisation on these costs is provided to write down the intangible assets, on a straight line basis, over their useful lives as follows:

<i>Item</i>	<i>Useful life</i>
Computer software	5 - 14 years

Expenditure on research is recognised as an expense when it is incurred. Costs associated with developing or maintaining computer software programmes are recognised 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 recognised 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 reporting 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 reporting date include cash and bank balances, trade receivables, prepayments and advances and trade payables. These instruments are generally carried at their estimated fair value.

#### **1.6.1 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

### **1.6.2 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 statement of financial performance within 'operational expenditure'.

### **1.6.3 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.

### **1.7 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 surplus or deficit 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.

### **1.8 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.



## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** **for the year ended 31 March 2009**

### **1.9 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.

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.

### **1.10 Retirement benefits**

The Authority operates defined contribution 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 plans in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance 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.

### **1.11 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.

### **1.12 Administered Revenue Fund on behalf of the 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.

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** **for the year ended 31 March 2009**

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.

### **1.13 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 the National Revenue Fund during the year are recognised 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.

### **1.14 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).

### **1.15 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 statement of financial performance. 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 statement of financial performance in the period in which they occur.

### **1.16 Irregular, 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) and 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.

## Independent Communications Authority of South Africa

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

	31 March 2009 R	31 March 2008 R
	<b>247 272 000</b>	234 475 000
Original allocation from Department of Communications ("DoC") Budget vote	<b>247 272 000</b>	222 475 000
Additional funds received from DoC	-	12 000 000
Capital portion of grant received	17 (18 872 478)	(33 202 201)
Released portion of previous deferred government grant	<b>10 843 790</b>	10 476 348
Portion released to statement of financial performance on disposal of property, plant and equipment	<b>1 251 437</b>	1 093 524
	<b><u>240 494 749</u></b>	<b><u>212 842 671</u></b>
<b>3 Other income</b>		
Bid handling fee	16 550	33 300
Other	1 018 730	38 097
Interest received from Administered Revenue Fund	<b>11 857 800</b>	9 043 791
	<b><u>12 893 080</u></b>	<b><u>9 115 188</u></b>
<b>4 Administrative expenses</b>		
General and administrative expenses	<b>1 252 780</b>	740 691
Travel and subsistence	<b>9 135 225</b>	7 511 586
Net foreign exchange (deficits)/ gains	155	(2 987)
Insurance	<b>414 684</b>	463 394
Printing and stationery	<b>1 688 175</b>	1 181 988
Publications	<b>1 793 195</b>	1 217 544
Publicity and advertising	<b>7 065 271</b>	5 653 107
Recruitment costs	<b>1 527 830</b>	1 822 781
Telephone postage and fax	<b>5 975 800</b>	6 128 358
Training and conferences	<b>8 354 895</b>	4 789 489
	<b><u>37 208 010</u></b>	<b><u>29 505 951</u></b>

## Independent Communications Authority of South Africa

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

	Note	31 March 2009 R	31 March 2008 R
<b>5 Staff costs</b>			
Council and Executive Management's remuneration	21	16 162 116	13 996 708
Salaries and wages		109 285 880	97 271 340
- Salaries		84 149 359	71 830 831
- Performance awards		7 979 656	7 214 336
- Periodic payments		6 056 807	5 684 837
- Temporary staff		716 541	939 094
- Leave expenses		(2 095 900)	206 492
- Overtime pay		1 041 099	1 094 575
- Defined contribution plan expense		11 438 318	10 301 175
Social contributions (Employer's contribution)		7 405 503	5 960 799
- Medical aid		6 563 881	5 336 294
- UIF		521 732	473 877
- Workman's compensation		319 890	150 628
- Long-service awards		463 000	427 000
		<b>133 316 499</b>	<b>117 655 847</b>

### 6 Audit fees

- External audit	2 153 768	1 002 327
- Internal audit	220 281	-
	<b>2 374 049</b>	<b>1 002 327</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

	31 March 2009	31 March 2008
Note	R	R
<b>7 Other operating expenses</b>		
Consultants, contractors and special services	18 279 187	16 609 356
Equipment items expensed	188 079	196 472
Legal fees	4 130 424	4 911 200
Maintenance repairs and running costs		
- Property and buildings	248 297	371 405
- Machinery and equipment	1 230 538	290 964
- Motor vehicles	2 068 666	1 354 005
- Other maintenance and repairs	2 552 616	2 204 652
Information technology	5 133 924	6 358 440
Bank charges	168 216	275 132
Rental in respect of operating leases and other related expenses		
- Rental of buildings	27 106 149	24 029 311
- Lights and water	1 429 052	886 290
- Rates and taxes	833 227	839 876
- Garden maintenance	70 705	59 893
- Office cleaning	883 089	1 290 976
- Security costs	1 163 058	1 120 602
- Equipment	(51 741)	109 102
Loss on disposal of property, plant and equipment	1 067 346	1 094 014
Transaction costs	1 299 003	489 703
Associations	1 432 538	1 763 214
Other	1 416 667	1 014 294
	<u>70 649 040</u>	<u>65 268 901</u>
<b>8 Finance costs</b>		
Interest expense paid on finance leases	61 043	108 750
Interest – other	20 161	61 741
	<u>81 204</u>	<u>170 491</u>

## Independent Communications Authority of South Africa

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

	31 March 2009	31 March 2008
Note	R	R
<b>9 Finance income</b>		
Interest received from cash and cash equivalents	<u>7 260 940</u>	<u>7 587 667</u>
Reconciliation of interest received to the cash flow statement interest:		
Interest as disclosed above	7 260 940	7 587 667
Interest received from Administered Revenue Fund	11 857 800	9 043 791
Interest accrued at year end	(783 975)	(1 007 292)
Interest accrued in the prior year	<u>1 007 293</u>	<u>1 892 846</u>
	<u>19 342 058</u>	<u>17 517 012</u>

### 10 Fruitless, wasteful and irregular expenditure

Included in expenditure per the statement of financial performance is the following:

	31 March 2009
	R
<b><i>Fruitless and wasteful expenditure</i></b>	
Motor vehicle licences	264
Other penalties	22 862
Interest costs	<u>16 444</u>
	<u>39 570</u>

#### **Motor vehicle licences**

Penalties imposed on late renewal of motor vehicle licences.

#### **Other penalties**

Include the reimbursement of bank charges incurred by staff due to late payment of salaries as a result of load shedding.

#### **Interest costs**

Interest charges levied due to late payment of supplier accounts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

	31 March 2009
<b>Irregular expenditure</b>	<b>R</b>
Fire fighting equipment	2 896
IT costs	16 359
Employee wellness costs	154 482
Payroll project	88 237
Leasehold improvements	12 882
Time management system	25 951
Media monitoring service	4 696
Data backup and recovery service	10 531
Advertising costs	71 047
	<u>387 081</u>

**Fire fighting equipment/ Advertising costs**

Comparative quotations were not requested for work performed.

**Employee wellness costs**

Appointment of a service provider contrary to procurement processes notwithstanding the successful roll-out of an employee-wellness program.

**Payroll project**

Payroll software support services being provided without any contract in place.

**Leasehold improvements**

Additional services provided in respect of office improvements without a variation order approval.

**Time management system**

Comparative quotations were not requested for the installation of a time management system.

**Media monitoring service**

Comparative quotations were not requested for an ICASA media perception report.

**IT costs/Data backup and recovery service**

Comparative quotations not requested and data backup and recovery services provided contrary to procurement policies and procedures.

**Corrective Action**

All incidents of fruitless, wasteful and irregular expenditure are being investigated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

**11 Property, plant and equipment**

2009 Cost	Office and Computer Equipment R		Furniture and Fittings R		Motor Vehicles R		Test Equipment R		Finance Lease Assets R		Leasehold Improvements R		Total R
	<b>Balance at 1 April 2008</b>	26 016 976	8 238 175	11 778 526	50 246 153	1 789 090	4 116 031	102 184 951					
Additions	10 262 401	1 159 477	3 269 087	2 561 316	-	677 059	17 929 340						
Disposals	(1 027 795)	(607 700)	(1 611 652)	(600)	-	-	(3 247 747)						
<b>Balance at 31 March 2009</b>	<b>35 251 582</b>	<b>8 789 952</b>	<b>13 435 961</b>	<b>52 806 869</b>	<b>1 789 090</b>	<b>4 793 090</b>	<b>116 866 544</b>						
<b>Accumulated Depreciation</b>													
<b>Balance at 1 April 2008</b>	9 097 005	2 984 969	2 784 067	18 666 537	1 045 678	273 502	34 851 758						
Depreciation	4 352 029	786 359	1 109 644	3 373 032	596 364	125 138	10 342 566						
Disposals	(579 974)	(494 008)	(922 210)	(115)	-	-	(1 996 307)						
<b>Balance at 31 March 2009</b>	<b>12 869 060</b>	<b>3 277 320</b>	<b>2 971 501</b>	<b>22 039 454</b>	<b>1 642 042</b>	<b>398 640</b>	<b>43 198 017</b>						
<b>Net carrying amount at 31 March 2009</b>	<b>22 382 522</b>	<b>5 512 632</b>	<b>10 464 460</b>	<b>30 767 415</b>	<b>147 048</b>	<b>4 394 450</b>	<b>73 668 527</b>						



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

**11 Property, plant and equipment**

2008 Cost	Office and Computer Equipment		Furniture and Fittings		Motor Vehicles		Test Equipment		Finance Lease Assets		Leasehold Improvements		Total R
	R	R	R	R	R	R	R	R	R	R	R	R	
<b>Balance at 1 April 2007</b>	20 800 368	5 521 085	7 349 295	35 619 181	1 789 090	2 911 996	73 991 015						
Additions	5 670 333	2 933 947	5 283 113	16 065 546	-	1 204 035	31 156 974						
Disposals	(453 725)	(216 857)	(897 223)	(1 438 574)	-	-	(3 006 379)						
Adjustment	-	-	43 341	-	-	-	43 341						
<b>Balance at 31 March 2008</b>	<b>26 016 976</b>	<b>8 238 175</b>	<b>11 778 526</b>	<b>50 246 153</b>	<b>1 789 090</b>	<b>4 116 031</b>	<b>102 184 951</b>						
<b>Accumulated Depreciation</b>													
<b>Balance at 1 April 2007</b>	5 023 855	2 525 526	1 892 920	16 739 583	447 273	121 257	26 750 414						
Depreciation	4 520 416	609 273	1 049 351	3 040 674	598 405	152 245	9 970 364						
Disposals	(447 266)	(149 830)	(201 545)	(1 113 720)	-	-	(1 912 361)						
Adjustment	-	-	43 341	-	-	-	43 341						
<b>Balance at 31 March 2008</b>	<b>9 097 005</b>	<b>2 984 969</b>	<b>2 784 067</b>	<b>18 666 537</b>	<b>1 045 678</b>	<b>273 502</b>	<b>34 851 758</b>						
<b>Net carrying amount at 31 March 2008</b>	<b>16 919 971</b>	<b>5 253 206</b>	<b>8 994 459</b>	<b>31 579 616</b>	<b>743 412</b>	<b>3 842 529</b>	<b>67 333 193</b>						

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

	31 March 2009 R	31 March 2008 R
Staff receivables	1 055 143	726 436
Less: Impairment of staff receivables	<u>(170 875)</u>	<u>(185 348)</u>
Net staff receivables	884 268	541 088
Interest receivable	783 976	1 007 293
Other receivables	<u>121 569</u>	<u>78 313</u>
	<u>1 789 813</u>	<u>1 626 694</u>

**Impairment of receivables**

Opening balance	185 348	107 838
Impairments recognised in surplus and deficit	30 959	82 773
Impairments recovered	<u>(45 432)</u>	<u>(5 263)</u>
Closing balance	<u>170 875</u>	<u>185 348</u>

As at 31 March 2009, fair values of trade and other receivables were R1 789 813 (2008: R1 626 694).

As of 31 March 2009, trade receivables of R30 959 (2008: R82 773) were impaired and provided for. The amount of the provision was R170 875 as of 31 March 2009 (2008: R185 348). The individually impaired receivables mainly relate to staff that had left the employment of the Authority without settling their outstanding staff receivables in full. It was assessed that a portion of the receivables is expected to be recovered.

As at 31 March 2009 accounts receivable totalling R570 211 (2008: R150 856) were past due but not impaired. These relate to a number of independent staff debtors for whom there is no recent history of default.

The aging of these receivables is as follows:

Amounts in 30 days and less	17 378	1 948
Amounts in 61 to 90 days	864	490
Amounts in 91 days +	<u>551 969</u>	<u>148 418</u>
	<u>570 211</u>	<u>150 856</u>

## Independent Communications Authority of South Africa

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

The above-mentioned receivables mainly related to bursaries, standing advances, travel and cellular phones. The bursaries are recouped when the staff member stops studying, leaves the employment of the Authority or changes the course that the person was initially sponsored for. The employee is expected to serve a term equivalent to the term sponsored. Standing advances relate to amounts advanced to employees who are not office-bound and is repayable when the employee resigns.

Travel and cell phone debtors refer to amounts that the employee owes the Authority after a business trip or for excess/personal usage of the cell phone provided to the employee by the Authority. No impairment is provided as these amounts are recovered from employees.

As at 31 March 2009 R Nil (2008: R Nil) of trade and other receivables were denominated in foreign currencies. All trade and other receivables balances were denominated in ZAR which is the Authority's functional and presentation currency.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Authority does not hold any collateral as security.

### 13 Prepayments and advances

	<b>31 March 2009 R</b>	31 March 2008 R
Insurance	-	257 336
Office rental	<b>2 951 124</b>	2 814 469
Computer equipment, motor vehicles, furniture, software guarantees and others	<b>5 132 104</b>	6 772 530
	<b><u>8 083 228</u></b>	<b><u>9 844 335</u></b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

**14 Cash and cash equivalents**

	<b>31 March 2009 R</b>	31 March 2008 R
Cash and balances with banks		
- Current accounts	<b>27 321 083</b>	31 179 887
- Short-term deposits	<b>34 370 866</b>	34 370 867
Cash on hand	<b>21 964</b>	21 083
	<b><u>61 713 913</u></b>	<u>65 571 837</u>

The cash and cash equivalents balances did not include any restricted cash nor did the Authority have any borrowing facilities at the end of each reporting period.

**15 Trade and other payables**

Trade payables	<b>5 549 374</b>	3 641 213
Accrued expenses	<b>6 718 945</b>	10 167 031
Bonus accrued	<b>1 667 191</b>	1 344 195
Leave liability accrued	<b>3 542 685</b>	5 666 163
Other	<b>167 340</b>	869 661
	<b><u>17 645 535</u></b>	<u>21 688 263</u>

The fair value of trade and other payables was R17 645 535 (2008: R21 688 264).

**16 Lease accruals**

Current portion of lease accruals – included in current liabilities	<b>6 369 988</b>	7 950 439
Non-current portion of lease accruals – included in non-current liabilities	<b>22 653</b>	5 387 957
Net lease accruals – to be released over the period of the leases	<b><u>6 392 641</u></b>	<u>13 338 396</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

**17 Deferred income grants**

	31 March 2009 R	31 March 2008 R
Balance as at the beginning of the year	<b>86 678 386</b>	65 046 056
Capital portion of grant received	<b>18 872 478</b>	33 202 201
Amount realised in statement of financial performance	<b>(10 843 790)</b>	(10 476 348)
Amount realised on disposal of property, plant and equipment	<b>(1 251 437)</b>	(1 093 523)
Balance at the end of the year	<b>93 455 637</b>	86 678 386
Short-term portion	<b>(12 095 227)</b>	(11 569 871)
Closing balance	<b>81 360 410</b>	75 108 515

The deferred income grants are relate to all grants utilised for the purchase of property, plant and equipment as well as intangible assets and they are deferred over the period in which the items of property, plant and equipment and intangible assets are expected to be utilised. The breakdown between the short-term portion and the long-term portion is difficult to estimate, however, an estimate of the short-term term portion was arrived at by using the amount realised in each year. The actual results may differ from the estimated amount.

**18 Commitments**

Contracted for but not provided in the annual financial statements	<b>8 167 142</b>	4 308 621
Authorised but not contracted for	<b>3 029 808</b>	217 776
	<b>11 196 950</b>	4 526 397

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

**19 Operating lease arrangements**

At 31 March 2009 outstanding commitments existed under non-cancellable operating leases which fall due as follows:

Up to 1 year	<b>15 588 187</b>	24 900 606
2 to 5 years	<b>1 533 384</b>	15 069 274
	<b><u>17 121 571</u></b>	<u>39 969 880</u>

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 AC105 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 and Port Elizabeth.

The terms of the leases vary with expiry dates between 31 August 2008 and 31 October 2010. Escalation clauses range between 8 and 15 percent depending on the lease agreements. At 31 March 2009 the Authority had no commitments under non-cancellable operating leases as lessor.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

**20 Reconciliation of surplus to cash generated from operations**

	31 March 2009 R	31 March 2008 R
Surplus for the year	5 579 813	4 867 254
Adjusted for:	(10 010 204)	(3 156 382)
- Depreciation	10 342 566	9 970 364
- Amortisation	1 097 588	1 104 391
- Finance income	(19 342 058)	(17 517 012)
- Finance costs	81 204	170 491
- Deficit on disposal of property plant and equipment	1 067 346	1 094 014
- Decrease in lease accruals	(6 945 755)	(5 905 323)
- Increase/(decrease) in receivables and prepayments	1 597 987	(6 509 932)
- Decrease in payables	(4 042 724)	(6 596 375)
- Increase in deferred income grants	6 777 251	21 632 330
- Decrease in finance lease liability	(643 609)	(599 330)
Cash (utilised in)/generated from operations	<u>(4 430 391)</u>	<u>1 710 872</u>

## Independent Communications Authority of South Africa

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

#### 21 Council and Executive Management's remuneration

Details of remuneration paid are as follows:

Council	Date of Appointment	Date of Resignation/ End of Term	Remuneration	
			31 March 2009 *R	31 March 2008 *R
P Mashile	01/07/2005		<b>1 077 132</b>	954 143
T Cohen	01/07/2004	30/06/2008	<b>255 269</b>	741 819
M Mohlala	01/11/2006	31/05/2007	-	113 154
ZR Masiza	01/07/2004	30/06/2008	<b>246 011</b>	741 819
R Nkuna	18/10/2006		<b>829 283</b>	741 819
BB Ntombela	01/11/2006		<b>829 283</b>	741 819
JCW Van Rooyen SC	01/01/2007		<b>747 466</b>	702 737
MM Socikwa	01/04/2007		<b>829 283</b>	741 819
M Zokwe	01/07/2005		<b>829 283</b>	741 819
NA Batyi	04/08/2008		<b>567 392</b>	-
TLV Makhakhe	10/07/2008		<b>619 770</b>	-
FK Sibanda	01/10/2008		<b>438 646</b>	-
<b>Total</b>			<b>7 268 818</b>	6 220 948

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



## Independent Communications Authority of South Africa

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

#### 21 Council and Executive Management's remuneration (continued)

##### Permanent Executive Management

Executive Management	Date Appointed	Title	Remuneration 31 March 2009			Remuneration 31 March 2008				
			Salary R	Performance Bonus R	Acting Allowance R	Total R	Salary R	Performance Bonus R	Acting Allowance R	Total R
B Motlana	03/09/07	CEO	1 447 156	73 020	-	1 520 176	774 182	67 934	-	842 116
T Mosia	06/11/06	CFO	762 282	73 020	-	835 302	752 696	62 815	-	815 511
M Mopeli	08/01/07	GM: HR	733 769	73 020	-	806 789	672 207	59 583	-	731 790
S Mamaregane	01/04/99	GM: Legal	733 769	73 020	17 114	823 903	639 557	59 583	60 000	759 140
K Weeks	03/03/08	GM: Markets and Competition	733 769	73 020	-	806 789	58 458	-	-	58 458
S Tsotetsi	05/06/06	GM: Licensing	733 769	73 020	-	806 789	682 273	58 583	-	740 856
P Mashangoane	01/07/07	GM: Consumer Affair	733 769	73 020	-	806 789	505 465	44 688	-	550 153
D Ngwenya	01/08/07	GM: Engineering and Technology	733 769	73 020	-	806 789	456 441	39 722	-	496 163
BL Ntuli	01/11/2008	GM: Administration	696 966	73 020	70 000	839 986	-	-	-	-
BG Jooste	01/11/2008	GM: Compliance, Risk and Audit	696 966	73 020	70 000	839 986	-	-	-	-
<b>Total</b>			<b>8 005 984</b>	<b>730 200</b>	<b>157 114</b>	<b>8 893 298</b>	<b>4 541 279</b>	<b>392 908</b>	<b>60 000</b>	<b>4 994 187</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

**21 Council and Executive Management’s remuneration  
(continued)**

*Acting Executive Management*

Name	Title	Salary R	Remuneration 31 March 2008		Total
			Performance Bonus R	Acting Allowance R	
B Jooste	GM: Compliance, Risk and Audit	580 307	54 326	30 000	<b>664 633</b>
R Langa	GM: Markets and Competition	595 920	54 326	120 000	<b>770 246</b>
P Molefe	GM: Engineering and Technology	580 763	54 326	33 692	<b>668 781</b>
B Ntuli	GM: Administration	593 587	54 326	30 000	<b>677 913</b>
<b>Total</b>		<b>2 350 577</b>	<b>217 304</b>	<b>213 692</b>	<b>2 781 573</b>

Summary of Council and Executive Management’s remuneration:

	31 March 2009 R	31 March 2008 R
<i>Council</i>	<b>7 268 818</b>	6 220 948
<i>Executive Management</i>	<b>8 893 298</b>	4 994 187
<i>Acting Executive Management</i>	-	2 781 573
	<b><u>16 162 116</u></b>	<b><u>13 996 708</u></b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

**22 Finance lease obligations:**

	<b>31 March 2009 R</b>	31 March 2008 R
Current portion of finance lease obligations:	<b>173 677</b>	590 040
Non-current portion of finance lease obligations:	-	227 246
	<u><b>173 677</b></u>	<u>817 286</u>

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

**31 March 2009**

	<u><i>Up to 1 year</i></u>	<u><i>2 - 5 years</i></u>	<u><i>Total</i></u>
Instalments	<b>177 020</b>	-	177 020
Finance costs	<b>(3 343)</b>	-	(3 343)
<b>Present value</b>	<u><b>173 677</b></u>	<u>-</u>	<u><b>173 677</b></u>

**31 March 2008**

	<u><i>Up to 1 year</i></u>	<u><i>2 - 5 years</i></u>	<u><i>Total</i></u>
Instalments	708 080	233 391	941 471
Finance costs	(118 040)	(6 145)	(124 185)
Present value	<u><b>590 040</b></u>	<u><b>227 246</b></u>	<u><b>817 286</b></u>

## Independent Communications Authority of South Africa

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

#### 23 Intangible assets

	31 March 2009 R	31 March 2008 R
<b>Cost</b>		
Opening balance	7 464 765	5 419 538
Additions	943 138	2 045 227
Closing balance	<u>8 407 903</u>	<u>7 464 765</u>
<b>Accumulated amortisation</b>		
Opening balance	(4 536 220)	(3 431 829)
Amortisation	(1 097 588)	(1 104 391)
Closing balance	<u>(5 633 808)</u>	<u>(4 536 220)</u>
Closing net book amount	<u>2 774 095</u>	<u>2 928 545</u>

#### 24 Contingent liabilities

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 is noted for legal cases that may have unfavourable decisions.

Contingent liabilities - various legal cases	<u>3 159 332</u>	<u>-</u>
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#### 25 Related party relationships and transactions

The Independent Communications Authority of South Africa (ICASA) is a Schedule 1 entity in terms of the Public Finance Management Act (PFMA). The related party disclosure is required in terms of AC126, related party disclosures, the specific guidance given by the South African Institute of Chartered Accountants.

ICASA's related parties consist of government departments, state-owned enterprises, public entities in the national sphere of government, close family members of related parties and key management personnel at ICASA. Refer to note 21 for all transactions between ICASA and key management personnel.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2009**

**25 Related party relationships and transactions (continued)**

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

	<b>31 March 2009 R</b>	31 March 2008 R
Grants received from the Department of Communications	<u><b>247 272 000</b></u>	<u>234 475 000</u>

***Purchases of goods and services***

SITA (Pty) Limited	<b>669 710</b>	1 342 264
Government Printing Works	<b>1 138 854</b>	727 191
South African Broadcasting Corporation	<b>519 331</b>	8 258
Telkom SA Limited	<b>1 655 294</b>	2 514 908
South African Bureau of Standards	-	1 090
Eskom	-	90 130
	<u><b>3 983 189</b></u>	<u>4 683 841</u>

***Closing balances at the end of the financial year were as follows:***

SITA (Pty) Limited	<b>(302 015)</b>	205 597
Government Printing Works	<b>87 171</b>	243 465
South African Broadcasting Corporation	<b>429 289</b>	-
Telkom SA Limited	<b>145 598</b>	258 234
	<u><b>360 043</b></u>	<u>707 296</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2009**

**26 Financial risk management**

***Forward foreign exchange contracts***

No forward 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.

***Liquidity risk***

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority finances its operations through grants received from the Department of Communications and interest earned on positive bank balances. These are the only sources of finance for the Authority due to the fact that the Public Finance Management Act prohibits the Authority from raising loans and other forms of short-term and long-term borrowings.

***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 2009**

**Critical accounting estimates**

Useful lives of property, plant and equipment and intangible assets

Management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as its intangible assets. The estimates are based on the assessed conditions of the assets, changes in technology such as new technical innovations being introduced in the industry thus rendering our assets obsolete as well as expected future spending on capital assets. These estimates can change significantly as a result of changes in the conditions of assets, introduction of new technologies and availability of finance resources to fund expected future spending on capital assets.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

**Risk management policies**

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

## ICASA Administered Revenue Fund

# ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009

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## ICASA Administered Revenue Fund

# STATEMENT OF RESPONSIBILITY

## for the year ended 31 March 2009

The Chief Executive Officer, in his capacity as Accounting Officer is responsible for the preparation and integrity of the annual financial statements and related information included in this annual report.

In order for the Accounting Officer to discharge his responsibilities, management has developed and continues to maintain a system of internal control. The operations of ICASA are reviewed primarily through internal audit activities and the Audit and Risk Committee.

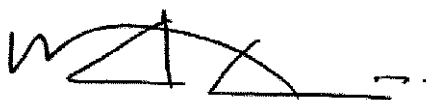
The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the fund'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 Statements Generally Accepted Accounting Practice and incorporate responsible disclosure in line with the accounting philosophy of the fund. The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Council believes that the fund will be a going concern in the year ahead. For this reason it continues to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements for the year ended 31 March 2009 set out on pages 152 to 181 have been approved by Council and are signed on its behalf by:



**Karabo Motlana**  
CHIEF EXECUTIVE OFFICER  
31 May 2009

## ICASA Administered Revenue Fund

# REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2009

## INTRODUCTION

The Audit and Risk Committee has pleasure in presenting to Parliament its report for the financial year ended 31 March 2009 as required by the Treasury Regulations issued in terms of the Public Finance Management Act , Act 1 of 1999 ( as amended ) (PFMA ).

## AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

In accordance with its charter, the Audit and Risk Committee has met eight times since its 2008 report (dated: 31 July 2008). The membership and attendance at those meetings was as follows;

	Meetings attended
Sandile Swana - Chairperson	6
Rene Kenosi	8
Liezel Samuel - resigned 29 July 2009	3
Tsediso Gcabashe	6
Bongo Rulashe – resigned 23 April 2009	1

## AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk 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 and Risk Committee charter, which regulates its formal terms of reference.

## THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit and Risk Committee concurs with the views of the Auditor-General for the basis for a qualification. The Committee further agrees with the Auditor-General that there are weaknesses in the Spectrum System creating doubt on the integrity of R41 797 045 worth of debtors. Management has assured the Audit and Risk Committee that whilst this could not be done during the current audit due to system limitations, this apparent discrepancy will be fully addressed during the current financial year including the implementation of an effective system of internal control to manage all debtors, including spectrum debtors.

The above measures will contribute to an improved internal control environment, effective monthly reporting and the resolution of the presentation format by National Treasury of the annual financial statements for subsequent financial years will ensure that the financial statements will be tabled on time.

## EVALUATION OF THE FINANCIAL STATEMENTS

The Audit and Risk Committee has reviewed:

- the audited annual financial statements and discussed them with the Auditor-General and the 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.

The Audit and Risk Committee is 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 and Risk 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 and Risk Committee

30 September 2009

## ICASA Administered Revenue Fund

# AUDITOR - GENERAL'S REPORT

## for the year ended 31 March 2009

### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMAMNCE INFORMATION OF THE INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA ADMINISTERED REVENUE FUND FOR THE YEAR ENDED 31 MARCH 2009

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I have audited the accompanying financial statements of the Independent Communications Authority of South Africa Administered Revenue Fund (ICASAARF) which comprise the statement of financial position as at 31 March 2009, and the statement of financial performance, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 161 to 181.

##### The accounting officer's responsibility for the financial statements

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

##### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Basis for qualified opinion**

### **Accounts receivable**

7. Included in accounts receivable as disclosed in note 3 to the financial statements is spectrum debtors of R41 797 045. I was unable to obtain sufficient appropriate audit evidence and perform alternative audit procedures that I considered necessary to satisfy myself as to the existence and valuation of these accounts receivable at year-end.

### **Qualified opinion**

8. In my opinion, except for the effect of the matters described in the basis for qualified opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of the ICASA ARF as at 31 March 2009, financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury and in the manner required by the PFMA.

### **Emphasis of matters**

Without qualifying my opinion, I draw attention to the following matters on which I do not express a qualified opinion:

### **Basis of accounting**

9. 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.

### **Restatement of corresponding figures**

10. As disclosed in note 13 to the financial statements, the corresponding figures for the prior period were restated as result of errors discovered in the current year financial statements of the ICASA ARF, and for the year ended 31 March 2008.

### **Other matters**

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

### **Non-compliance with applicable legislation**

11. Public Finance Management Act and Treasury Regulations
  - The entity did not develop a system of internal controls to effectively manage the spectrum debtors as required by section 38(1)(a)(i) of the PFMA.
  - The entity did not strengthen its efforts to collect all revenue due to the entity as required by Treasury Regulation 11.2.1 and paragraph 12.1 of the internal
  - In terms of section 40(2) of the PFMA, the Auditor-General is required to submit an audit report on the financial statements to the accounting officer within two months of the receipt of the statements. Due to material adjustments to the financial statements and late submission of audit evidence, the reporting phase of the audit of the ICASA ARF was delayed.

### **Governance framework**

12. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

### Internal control deficiencies

13. Section 38(1)(a)(i) of the PFMA states that the accounting officer must ensure that the constitutional entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified of opinion	CE	RA	CA	IC	M
7	Accounts receivable	5		3		

Legend	
<b>CE = Control environment</b>	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
<b>RA = Risk assessment</b>	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
<b>CA = Control activities</b>	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2

Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
<b>IC = Information and communication</b>	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
<b>M = Monitoring</b>	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

### Key governance responsibilities

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

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	

No.	Matter	Y	N
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 40 of the PFMA).	✓	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	✓	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The ICASAARF had an audit committee in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10.</li> </ul>	✓	
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The ICASAARF had an internal audit function in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2.</li> </ul>	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2.	✓	
12.	Powers and duties assigned are in place, as set out in section 44 of the PFMA.	✓	



No.	Matter	Y	N
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.	n/a	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	n/a	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	n/a	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Fund against its mandate, predetermined objectives, outputs, indicators and targets. (Treasury Regulation 5.1,5.2 and 6.1).	n/a	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	n/a	

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on performance information

15. Performance information was reported and audited as part of the Independent Communications Authority of South Africa.

### APPRECIATION

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

*Auditor General*

Johannesburg  
30 September 2009



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## ICASA Administered Revenue Fund

# REPORT BY THE ACCOUNTING OFFICER for the year ended 31 March 2009

It is with pleasure that the Independent Communications Authority of South Africa (ICASA) presents to Parliament of the Republic of South Africa, the annual financial statements of the Administered Revenue Fund for the year ended 31 March 2009.

### **Background**

ICASA regulates the electronic communications, postal and broadcasting sectors. 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.

### Events after the reporting date

The Electronic Communications Act (ECA) was implemented with effect from 1 April 2009. The implementation of the ECA will lead to a reduction of fees collected by the Fund which will lead to a corresponding reduction in interest earned. ICASA utilises this interest to augment its budget allocation.

An employee in the Administered Revenue Fund section was cautionarily suspended on 29 May 2009 for allegedly committing fraud relating to the collection of frequency spectrum licence fees. Investigations are ongoing.

Except for the change in the licence fees structure for electronic communications and the alleged fraud committed by the employee, the Council and Executive Management are not aware of any other matter or circumstance arising since the end of the financial year not otherwise dealt with within the financial statements that would significantly affect the operations or results of the Fund.

It should be noted that the annual financial statements were submitted to the Auditor-General for audit on 31 May 2009 in accordance with the requirements of the Public Finance Management Act.

## ICASA Administered Revenue Fund

# REPORT BY THE ACCOUNTING OFFICER for the year ended 31 March 2009

### Business address

#### *Physical address:*

Pinmill Farm  
Blocks A, B, C and D  
164 Katherine Street  
Sandton  
2128

#### *Postal address:*

Private Bag X10002  
Sandton  
2146



#### **Karabo Motlana**

CHIEF EXECUTIVE OFFICER

31 May 2009

## ICASA Administered Revenue Fund

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2009

	Note	31 March 2009 R	31 March 2008 R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>682 314 400</b>	690 648 714
Trade and other receivables	5	665 495 892	629 367 337
Cash and cash equivalents	6	16 818 508	61 281 377
<b>TOTAL ASSETS</b>		<b>682 314 400</b>	690 648 714
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>682 314 400</b>	690 648 714
NRF Payables	7	682 314 400	690 648 714
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>682 314 400</b>	690 648 714

## ICASA Administered Revenue Fund

# STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2009

	Note	31 March 2009 R	31 March 2008 R
<b>REVENUE</b>	3	2 267 355 373	2 092 784 211
<b>OTHER INCOME</b>	3	12 586 364	20 472 803
		<u>2 279 941 737</u>	<u>2 113 257 014</u>
<b>EXPENDITURE</b>		(2 298 517 064)	(2 133 717 677)
Impairment of accounts receivable	2	(11 006 201)	(21 917 715)
Commission		(193 647)	(193 172)
Bank charges		(23 456)	(13 360)
Transfers to DoC		(2 287 293 760)	(2 111 593 430)
		<u>(18 575 327)</u>	<u>(20 460 663)</u>
<b>DEFICIT FROM OPERATIONS</b>			
		(18 575 327)	(20 460 663)
<b>NET FINANCE INCOME</b>		18 575 327	20 460 663
Unearned income		16 833 849	10 468 041
Finance income	10	13 599 278	19 036 413
Finance costs	9	(11 857 800)	(9 043 791)
		<u>-</u>	<u>-</u>
<b>NET SURPLUS FOR THE YEAR</b>			
		-	-

## ICASA Administered Revenue Fund

# CASH FLOW STATEMENT

for the year ended 31 March 2009

	Note	31 March 2009 R	31 March 2008 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash received from licensees		2 312 557 486	1 981 465 906
Cash transferred to National Revenue Fund through DoC		(2 357 526 376)	(1 941 799 679)
Cash paid to customers		(578 596)	(125 644)
Cash (utilised in)/generated from operations	8	(45 547 486)	39 540 583
Finance income	10	12 942 417	9 043 791
Finance costs	9	(11 857 800)	(9 043 791)
Net finance income		1 084 617	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(44 462 869)</b>	<b>39 540 583</b>
Cash and cash equivalents at the beginning of the year		61 281 377	21 740 794
<b>Cash and cash equivalents at the end of the year</b>	6	<b>16 818 508</b>	<b>61 281 377</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2009

**1 Summary of Accounting Policies**

**1.1 Basis of preparation**

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (SA 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 Statements of GAAP as follows:

<i>Standard of GRAP</i>	<i>Replaced Statement of GAAP</i>
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies changes in accounting estimates and errors	AC 103: 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 and 3 has resulted in the following changes in the presentation of the financial statements:

(a) Terminology differences:

<i>Standard of GRAP</i>	<i>Replaced Statement of GAAP</i>
Statement of financial performance	Comprehensive 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

(b) The cash flow statement can only be prepared in accordance with the direct method.

(c) The statement of changes in net assets has not been prepared for the fund as it collects funds on behalf of the National Revenue Fund and hence it is not expected to have equity, retained earnings and reserves.

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

- (d) Specific information has been presented separately on the statement of financial position such as:
- i. Receivables from non-exchange transactions, including taxes and transfers;
  - ii. Taxes and transfers payable;
  - iii. Trade and other payables from non-exchange transactions;
- (e) Amount and nature of any restrictions on cash balances is required.

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

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 surplus or deficit.

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.

### **1.2 Standards and interpretations issued but not yet effective**

At the date of authorisation of the 2009 financial statements, the Accounting Standards Board had issued certain standards which were not yet effective.

- (a) The following Standard was issued but not yet effective. However ICASA decided to early adopt the Standard as it enhances the fair presentation of the financial statements:
- GRAP 23 Revenue from Non-exchange Transactions
- (b) The following Standards and Interpretations were issued but not yet effective. These statements are effective as from 1 April 2009 and therefore they were not applied in preparation of these financial statements
- GRAP 2 (IAS 7) Cash Flow Statements
  - GRAP 3 (IAS 8) Accounting policies, changes in accounting estimates and errors
  - GRAP 4 (IAS 21) The Effects of Changes in Foreign Exchange Rates
  - GRAP 5 (IAS 23) Borrowing Costs
  - GRAP 6 (IAS 27) Consolidated and Separate Financial Statements
  - GRAP 7 (IAS 28) Investments in Associates
  - GRAP 8 (IAS 31) Interests in Joint Ventures



## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** **for the year ended 31 March 2009**

- GRAP 9 (IAS 18) Revenue from Exchange Transactions
- GRAP 10 (IAS 29) Financial Reporting in Hyperinflationary Economies
- GRAP 11 (IAS 11) Construction Contracts
- GRAP 12 (IAS 2) Inventories
- GRAP 13 (IAS 17) Leases
- GRAP 14 (IAS 10) Events after the reporting date
- GRAP 16 (IAS 40) Investment Property
- GRAP 17 (IAS 16) Property, Plant and Equipment
- GRAP 19 (IAS 37) Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 (IFRS 5) Non-current assets held for sale and discontinued operations
- GRAP 102 (IAS 38) Intangible Assets

### **1.3 Significant judgments**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect 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 receivable***

A provision for impairment of accounts receivable is established when there is objective evidence that ICASA Administered Revenue 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.

### **1.4 Revenue Recognition**

Revenue comprise fees earned from application fees, issue of licences, licence amendment fees and the annual licence fees from Broadcasting Services, Frequency Spectrum Services, Postal Services and Telecommunications Services. Revenue is recognised and measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time proportion basis using the effective interest rate method.

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## for the year ended 31 March 2009

### 1.5 Financial instruments

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

#### 1.5.1 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.

#### 1.5.2 Licence fees receivables

Licence fees receivables are recognised initially at fair value and subsequently measured at amortised 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 Administered Revenue 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 recognised in the income statement.

#### 1.5.3 Licence fees due to National Revenue Fund

Licence fees due to the National Revenue Fund are recognised initially at fair value and subsequently measured at amortised cost using the bond rate.

### 1.6 National Revenue Fund (NRF)

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 of receipt.

## 2 Financial risk management

Information about ICASA Administered Revenue Fund's exposure to risks, its objectives, policies and processes for measuring and managing such risks, as well as quantitative disclosure, are discussed in this note.

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** **for the year ended 31 March 2009**

### **2.1 Credit risk**

Credit risk is the risk that ICASA Administered Revenue Fund may suffer a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises mainly from Administered Revenue Fund trade receivables. The licensees of Administered Revenue Fund have to apply for a licence in terms of the relevant legislation to conduct any activities.

Financial assets which potentially subject the Administered Revenue Fund to concentrations of credit risk consist principally of cash and cash equivalents and trade 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.

ICASA Administered Revenue Fund collects the majority of its revenue from reputable mobile telecommunications companies and fixed line telecommunications operators who receive good credit ratings from the credit rating agencies. No financial losses have been suffered as a result of licensees failing to meet their licence obligations.

Frequency spectrum licensees are diverse and they comprise different licensees from Government Departments, major telecommunications companies, broadcasting licensees, security companies, etc. There is no significant exposure from major corporations and Government Departments. It must be noted though that collecting from minor licensees and some corporations do pose a challenge due to the minimal value of the amounts outstanding as well as the resources that are available to ICASA to collect these amounts.

Broadcasting licensees and postal licensees are insignificant when compared to the telecommunications licensees and whilst diverse do not pose any major concentration of credit risk.

As previously indicated, the Electronic Communications Act was implemented with effect from 1 April 2009 and it is not clear yet whether the implementation of the ECA will cause a major shift in the credit risk. It is expected though that the opening up of the markets will bring about more players in the market and this might have an impact on the profitability and credit ratings of the major operators. Only the passing of time, the competitiveness of the markets, the availability of finance and the actions of the newly licensed operators as well as major operators will determine whether the profitability of major operators is affected or not.

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>31 March 2009 R</b>	<b>31 March 2008 R</b>
Cash and cash equivalent	<b>16 818 508</b>	61 281 377
Trade and other receivables	<b><u>665 494 892</u></b>	<u>629 367 337</u>
	<b><u>682 314 400</u></b>	<b><u>671 565 860</u></b>

The maximum exposure to credit risk for trades receivable by type of customer was as follows:

Broadcasting services	<b>27 024 717</b>	23 944 829
Frequency spectrum services	<b>29 366 909</b>	21 093 453
Telecommunications services	<b>590 813 510</b>	567 534 992
Postal services	<b><u>18 290 756</u></b>	<u>16 794 063</u>
	<b><u>665 495 892</u></b>	<b><u>629 367 337</u></b>

### **Impairment losses**

Impairment losses are recognised for all known bad debts and are provided on a specific basis. The movement in the provision for impairment of trade and other receivables was as follows:

#### **Impairment of receivables**

Balance at 1 April of prior year	<b>(26 458 798)</b>	(25 013 886)
Impairments recognised in profit and loss`	<b>(11 006 201)</b>	(21 917 715)
Reversals of impairments recognised in profit and loss	<b><u>13 355 648</u></b>	<u>20 472 803</u>
Closing balance	<b><u>(24 109 351)</u></b>	<b><u>(26 458 798)</u></b>

As at 31 March 2009, fair values of trade and other receivables were R689 605 243 (2008: R573 820 392).

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

As of 31 March 2009, trade receivables of R 11 006 201 (2008: R 21 917 715) were impaired and provided for. The amount of the provision was R 24 109 351 as of 31 March 2009 (2008: R 26 458 798). The individually impaired receivables mainly relate to frequency spectrum debtors, broadcasting services debtors and postal service debtors.

As at 31 March 2009 accounts receivable totalling R14 000 000 (2008: R28 684 415) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default.

The aging of these receivables is as follows:

Trade receivable past due but not impaired

Amounts in 91 days +	<u>14 000 000</u>	<u>28 684 415</u>
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Based on past experience, the Administered Revenue Fund does not impair accounts receivable that are not past due unless they are known to be bad debts.

The above-mentioned receivables relate mainly to the telecommunications licensee for multi-media and carrier of carriers licenses, short-payments by broadcasting and telecommunications licensees, interest on late payment of licence fees, Universal Service and Access Fund contributions and VANS licence fees. The major debtor entered into a payment agreement with the Authority and they have been paying in accordance with the agreed-upon payment plans. The other accounts receivable balances were not provided for due to the fact that there was an undertaking from the parties concerned that the outstanding amounts will be settled and for some debtors, there was a high probability that the amounts outstanding will be recovered based on the payment patterns of the customers concerned.

As at 31 March 2009 R Nil (2008: R Nil) of trade and other receivables were denominated in foreign currencies. All trade and other receivables balances were denominated in ZAR which is the ICASA Administered Revenue Fund's functional and presentation currency.

The creation and release of provision for impaired receivables have been included in 'other expenses' in the income statement (note 3). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

## **ICASA Administered Revenue Fund**

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

### **2.2 Forward foreign exchange contracts**

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

### **2.3 Interest rate risk**

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

### **2.4. Liquidity risk**

Liquidity risk is the risk that the Administered Revenue Fund will not be able to meet its financial obligations as they fall due. The Administered Revenue Fund collects licence fees from the Telecommunications Services Licensees, Broadcasting Services Licensees and the Postal Services Licensees. All the fees collected are paid over to the National Treasury through the Department of Communications within 30 days of their collection.

All the operating costs of the Administered Revenue Fund section are financed by ICASA through grants it receives from the Department of Communications and interest earned on positive bank balances. These are the only sources of finance available to ICASA due to the fact that the Public Finance Management Act prohibits ICASA from raising loans and other forms of short-term and long-term finance. Furthermore, ICASA is prohibited from utilising the fees it collects to fund its operations.

### **2.5 Fair values**

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

### **2.6 Risk management policies**

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

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

### 3 Licence and application fees

	31 March 2009 R	31 March 2008 R
<b>3.1 Broadcasting services</b>		
Community Sound Broadcasting licence application fees	232 500	136 250
Commercial Television licence fees	23 772 626	22 064 963
Commercial Sound Broadcasting licence fees	15 470 829	12 227 213
Unwinding adjustment	1 077 226	70 670
	<u>40 553 182</u>	<u>33 718 144</u>
<b>3.2 Telecommunication services</b>		
Net operating income (NOI) licence fees	1 777 341 162	1 662 613 803
Fixed licence fees	8 333 333	18 333 333
Universal Service Fund	206 313 581	182 673 416
Telecommunications network licence application fees and licence fees	2 380 589	2 315 760
Unwinding adjustment	41 406 006	20 002 242
	<u>2 035 774 672</u>	<u>1 876 827 426</u>
<b>3.3 Frequency spectrum</b>		
Commercial radio application fees	2 033 499	1 910 147
Miscellaneous fees	228	2 717
Radio frequency equipment fees	1 268 993	976 867
Type approval labels	207 904	252 564
Annual licence fees	163 778 692	157 812 217
Type approval	5 150 904	4 954 824
Exam-related fees	180 565	103 704
	<u>172 620 785</u>	<u>166 013 039</u>

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009

	31 March 2009 R	31 March 2008 R
<b>3.4 Postal services</b>		
<b>Courier licence fees</b>		
Reserved	18 370 734	16 218 102
Unreserved	36 000	7 500
	<u>18 406 734</u>	<u>16 225 602</u>
<b>TOTAL REVENUE</b>	<u>2 267 355 373</u>	<u>2 092 784 211</u>
<b>3.5 Other Income</b>		
<b>Impairments recovered</b>		
Telecommunications services	12 584 864	20 472 803
Postal services	1 500	-
	<u>12 586 364</u>	<u>20 472 803</u>
<b>TOTAL REVENUE AND IMPAIRMENTS RECOVERED</b>	<u>2 279 941 737</u>	<u>2 113 257 014</u>

## 4 Taxation

No provision has been made for income tax as the Administered Revenue Fund is exempted in terms of Section 10(1) (cA) (1) of the Income Tax Act 1962 (Act No. 58 of 1962).



## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009

	31 March 2009 R	31 March 2008 R
<b>5 Trade and other receivables</b>		
Broadcasting services	27 024 717	24 045 778
Frequency spectrum services	41 797 045	23 503 661
Telecommunications services	602 492 725	509 443 390
Postal services	18 290 756	16 827 563
Total receivables	689 605 243	573 820 392
Less: impairment of accounts receivables	(24 109 351)	(26 458 798)
Broadcasting services	-	(100 950)
Postal services	-	(36 500)
Telecommunications services	(11 679 215)	-
Frequency spectrum services	(12 430 136)	(26 321 348)
	<u>665 495 892</u>	<u>629 367 337</u>

## 6 Cash and cash equivalents

Balances with banks		
Deposit accounts	7 611 345	9 820 347
Call accounts	9 200 964	51 457 099
Postal	6 199	3 931
	<u>16 818 508</u>	<u>61 281 377</u>

The cash and cash equivalents balances did not include any restricted cash. The Authority held R Nil (2008: R Nil) of restricted cash to satisfy conditions of guarantee arrangements.

## ICASA Administered Revenue Fund

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

	31 March 2009 R	31 March 2008 R
<b>7 NRF Payables</b>		
Cash payable to NRF	16 818 508	61 281 377
<b>Funds payable to licensees</b>	<b>93 237 949</b>	60 468 098
Spectrum licensees billed in advance	92 323 458	59 317 070
Unallocated accounts	914 491	1 151 028
NRF payables from cash and advance billings	<u>110 056 457</u>	<u>121 749 475</u>
Amounts accrued	572 257 943	568 899 239
<b>Total NRF payables</b>	<b><u>682 314 400</u></b>	<b><u>690 648 714</u></b>

The fair values of NRF payables were R110 056 457 (2008: R121 749 475). The spectrum licences are due and payable on 31 January each year. The licensees have to pay the full amount outstanding at the end of January each year. This implies that 75% of all revenue settled by licensees is received in advance by the Administered Revenue Fund.

The amounts accrued consists of amounts accrued from the licence holders and are payable to the National Revenue Fund through the Department of Communications.

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

	31 March 2009 R	31 March 2008 R
<b>8 Cash (utilised in)/generated from operations</b>		
<b>Funds accrued for the year</b>	-	-
Adjustments for:		
Finance income	(12 942 417)	(9 043 791)
Finance costs	11 857 800	9 043 791
	<u>(1 084 617)</u>	<u>-</u>
Changes in net working capital:		
Increase in accounts receivable	(44 462 869)	(39 540 583)
Increase in trade and other payables	(36 128 555)	(101 095 709)
Increase in NRF provisions and accruals	(11 693 018)	142 450 328
Increase in NRF provisions and accruals	3 358 704	-
Decrease in intercompany accounts	-	(1 814 036)
	<u>(45 547 486)</u>	<u>39 540 583</u>
<b>9 Finance costs</b>		
Finance costs transferred to ICASA	11 857 800	9 043 791
	<u>11 857 800</u>	<u>9 043 791</u>
<b>10 Finance income</b>		
Interest on late payment of licence fees	1 741 478	9 992 622
Interest received from cash and cash equivalents	11 857 800	9 043 791
	<u>13 599 278</u>	<u>19 036 413</u>

Reconciliation of finance income disclosed on the statement of financial performance to the finance income disclosed on the cash flow statement:

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

	<b>31 March 2009 R</b>	<b>31 March 2008 R</b>
Finance income levied on late payment of invoices and settled by customers	<b>1 084 617</b>	-
Finance income received from cash and cash equivalents	<b>11 857 800</b>	9 043 791
	<b><u>12 942 417</u></b>	<b><u>9 043 791</u></b>

## 11 Related party relationships and transactions

The Independent Communications Authority of South Africa (ICASA) is a Schedule 1 entity in terms of the Public Finance Management Act (PFMA). The related party disclosure is required in terms of AC126, related party disclosures, the specific guidance given by the South African Institute of Chartered Accountants.

ICASA's related parties consist of government departments, state-owned enterprises, public entities in the national sphere of government, close family members of related parties and key management personnel at ICASA. Refer to note 21 of the Independent Communications Authority of South Africa's Annual Financial Statements for all transactions between ICASA and key management personnel.

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

Licence fees transferred to the Department of Communications	<b><u>2 287 293 760</u></b>	<b><u>2 111 593 430</u></b>
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### Sales of goods and services

SITA (Proprietary) Limited	<b>288</b>	336
Sentech Limited	<b>17 614 784</b>	15 304 591
South African Broadcasting Corporation	<b>19 995</b>	59 192
South African Post Office		
Telkom SA Limited	<b>94 869 292</b>	92 597 543
	<b><u>112 504 359</u></b>	<b><u>107 961 662</u></b>

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## for the year ended 31 March 2009

The outstanding balances with each of the above-mentioned entities as at 31 March of each year was as follows:

	<b>31 March 2009 R</b>	<b>31 March 2008 R</b>
<b>Balances in respect of fees collected</b>		
Department of Communications	<u>16 818 508</u>	<u>61 281 376</u>
<b>Sales of goods and services</b>		
SITA (Pty) Limited	4 282	4 282
Sentech Limited	22 742 817	35 171 743
South African Broadcasting Corporation	40 776	42 654
Telkom SA Limited	30 273 423	30 181 581
South African Post Office	<u>18 290 756</u>	<u>17 479 309</u>
	<u>10 324 250</u>	<u>6 765 857</u>

## 12 Contingent liabilities

The Administered Revenue Fund section is responsible for the collection of revenue and for transferring the funds collected to National Treasury. All legal challenges are dealt with by the Independent Communications Authority of South Africa and no individual legal challenges are brought against the Administered Revenue Fund. Refer to the Annual Financial Statements of the Independent Communications Authority of South Africa for all legal contingent liabilities.

## ICASA Administered Revenue Fund

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

## 13 Prior period adjustments

### 13.1 Statement of Financial Position

	<i>Previously Reported 31 March 2008 R</i>	<i>Prior year Adjustment</i>	<i>Restated 31 March 2008 R</i>
<i>Current assets</i>	<u>671 565 860</u>	<u>19 082 854</u>	<u>690 648 714</u>
<i>Total liabilities</i>	<u>671 565 860</u>	<u>19 082 854</u>	<u>690 648 714</u>

### 13.2 Statement of Financial Performance

<i>Revenue</i>	<u>2 098 671 428</u>	<u>14 585 586</u>	<u>2 113 257 014</u>
<i>Expenditure</i>	<u>2 097 306 034</u>	<u>15 950 980</u>	<u>2 113 257 014</u>
<i>Funds accrued for the year</i>	<u>1 365 394</u>	<u>(1 365 394)</u>	<u>-</u>

In the prior year the Frequency Spectrum licence fees were calculated per transaction, as compared to the current year when a global split of 75% to 25% was computed.

In the current year the advance payments were restated by R 19 082 854 as a result of the change in the method of calculation. In line with the basis of accounting adopted in the current year the fund cannot have surpluses and/or retained earnings in the annual financial statements.









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