ICASA

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

ANNUAL REPORT 2014/15

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GENERAL INFORMATION

1. GENERAL INFORMATION

1.1 ICASA DETAILS

Registered name:	Independent Communications Authority of South Africa
Registered Office Address:	Blocks A, B, C, D Pinmill Farm 164 Katherine Street Sandton 2196
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E-mail Address:	info@icasa.org.za consumer@icasa.org.za
Website Address:	www.icasa.org.za
Auditors:	Auditor-General South Africa
Bankers:	Nedbank First National Bank Investec Private Bank

1.2 ABBREVIATIONS AND ACRONYMS

ADSL	Asymmetrical Digital Subscriber Line
ADR	Alternate Dispute Resolution
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
ATU	African Telecommunications Union
BBBEE	Broad-Based Black Economic Empowerment
BWD	Broadband Wireless Access
CAP	Consumer Advisory Panel
CCC	Complaints and Compliance Committee
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHP	Complaints Handling Procedure
CNDB	Central Number Database
COA/CAM	Chart of Accounts and Cost Allocation Manual
CPE	Customer Premises Equipment
CRASA	Communications Regulators' Association of Southern Africa
CRM	Customer Relationship Management
CTO	Commonwealth Telecommunications Organisation
DCF	Disability Consultative Forum
DF	Direction Finding
DoC	Department of Communications
DPW	Department of Public Works
DTT	Digital Terrestrial Television
DVB-H	Digital Video Broadcasting – Handheld
ECA	The Electronic Communications Act
ECNS	Electronic Communications Network Service
ECS	Electronic Communications Service
EMC	Electromagnetic Compatibility
EXP	Effective Radiated Power
FL	Facilities Leasing
FM	Frequency Modulation
FTA	Free-to-Air
GAAP	Generally-Accepted Accounting Practice

GHz	Gigahertz
GMDSS	Global Maritime Distress and Safety System
GPRS	General Packet Radio Service
GRAP	General Recognised Accounting Practice
GSM	Global System for Mobile Communications
HDI	Historically-Disadvantaged Individual
HSDPA	High-Speed Downlink Packet Access
IBA	Independent Broadcasting Authority
IC	Interconnectivity
ICT	Information and Communications Technology
I-ECNS	Individual Electronic Communications Network Service
IMT	International Mobile Telephony
IPC	Internet Protocol Connect
IIC	International Institute of Communications
IPSASB	International Public Sector Accounting Standard Board
ISDN	Integrated System Digital Network
ISP	Internet Service Provider
IT	Information Technology
ITA	Invitation to Apply
ITR	International Telecommunications Regulation
ITU	International Telecommunications Union
JCPS	Justice Crime Prevention & Security
JSAC	Joint Spectrum Advisory Committee
LRIC	Long-Run Incremental Cost
LTE	Long Term Evolution
MB	Megabyte
MCTS	Mobile Cellular Telecommunication Service
MHz	Megahertz
MTEF	Medium-Term Expenditure Framework
MTR	Mobile Termination Rate
MTSF	Medium-Term Strategic Framework
NATJOC	National Joint Operational Centre
NERSA	National Electricity Regulator of South Africa
OHS	Occupational Health and Safety
Opex	Operational Expenditure

PAPU	Pan African Postal Union
PABX	Private Automatic Branch Exchange
PAJA	The Promotion of Administration Justice Act
PBS	Public Broadcasting Service
PEB	Party Election Broadcast
PFMA	Public Finance Management Act
PPCC	Parliamentary Portfolio Committee on Communications
QoE	Quality of Experience
QoS	Quality of Service
RF	Radio Frequency
RFI/RFID	Radio Frequency Identification
RIA	Regulatory Impact Assessment
RPA	Retail Postal Agency
SAPO	South African Post Office
SABA	Southern African Broadcasting Association
SABC	South African Broadcasting Corporation
SATFA	South African Table of Frequency Allocation
SATRA	South African Telecommunications Regulatory Authority
SKA	Square Kilometre Array
SMP	Significant Market Power
SMS	Short Message Services
SNG	Satellite News Gathering Service
SO	Strategic Objective
SOOG	Strategic Outcome-Orientated Goal
SRD	Short-Range Device
SWS	Switching Systems
TLTE	Telecommunications Line Terminal Equipment
TMDA	Time Division Multiple Access
TPS	Telecommunications and Postal Services
UHF	Ultra High Frequency
UPU	Universal Postal Union
USAASA	Universal Service and Access Agency of South Africa
USAO	Universal Service and Access Obligations
VANS	Value-Added Network Service
VHF	Very High Frequency
VoIP	Voice-over Internet Protocol
WRC	World Radio-communication Conferences

1.3 STRATEGIC OVERVIEW

The Independent Communications Authority of South Africa (ICASA, the Authority) is established pursuant to Chapter Nine of the Constitution of the Republic of South Africa and in terms of the Independent Communications Authority of South Africa Act No. 13 of 2000 as amended (the ICASA Act).

1. **Our Vision**
   To advance the building of a digital society.

2. **Our Mission**
   To ensure that all South Africans have access to a wide range of high-quality communication services at affordable prices.

3. **Our Values**
   Values are the essence from which organisations extract inspiration when crafting strategies. These are concepts that are entrenched in the fabric of every organisation and by which organisations are judged. All ICASA's regulatory activities are centred on 5 core values which are innovation, collaboration, accountability, results-driven and stakeholder-centric.

   - **Innovative**
     Willingness and ability to generate viable, new approaches and solutions.
     Finding different and better ways of applying best solutions to meet stakeholder needs.

   - **Collaborative**
     Eradicate 'silos' by developing a conscious mindset that aligns our work to organisational vision and strategy.
     Create synergies internally to fast-track organisational performance.

   - **Accountable**
     Execution of daily work in a proactive manner.
     Taking full responsibility for the work that we do in collaboration with others.

   - **Results-driven**
     Achieving high quality results that are consistent with organisational standards.
     Assessing coaching and performance against goals, as well as identifying areas of improvement (ensuring that work does not 'fall through the cracks').

   - **Stakeholder-centric**
     Carrying out our duties with the stakeholder in mind. Stakeholders are central to what we do and we welcome their feedback for a consistent and effective partnership.

4. Strategic outcomes-oriented goals of ICASA

The following ICASA strategic outcomes-oriented goals identify the areas of institutional performance that are critical to the achievement of its mandate.

SOOG1 – **Promote competition**
- Facilitate effective competition
- Ensure South African retail prices of ICT services fairly reflect costs
- Ensure effective broad based HDI/BBBEE participation in the sector

SOOG2 – **Promote the digital agenda**
- Facilitate universal access to broadband services at fair retail prices by 2020
- Promote the development of public, community and commercial broadcasting services in the context of digital migration

SOOG3 – **Promote efficient use of spectrum resources**
- Establish innovative approaches to technology and dynamic spectrum usage

SOOG4 – **Protect consumers**
- Promote consumer rights
- Ensure universal service and access

SOOG5 – **Modernise ICASA**
- Improve operational processes and performance measurement

Figure 1: 2015-2019 Goals

1.4 LEGISLATIVE MANDATE AND OTHER MANDATES

ICASA falls under schedule 1 of the Public Finance Act No. 1 of 1999 (PFMA).

ICASA's mandate is spelt out in the ICASA Act: Electronic Communications Act, No 35 of 2005 as amended (the EC Act); and Postal Services Act No. 24 of 1998 (the Postal Services Act) for the regulation of electronic communications, broadcasting and the postal sectors in the public interest.

The legislation also empowers ICASA to grant licences, monitor licensee compliance with licence terms and conditions, develop regulations for the three sectors, plan and manage the radio frequency spectrum and protect consumers of these services.

1.4.1 Constitutional mandate

The Constitution of the Republic of South Africa

The Constitution of the Republic of South Africa (RSA) mandates Parliament "*to establish an independent regulatory institution which is required to provide for the regulation of broadcasting in the public interest and to ensure fairness and a diversity of views broadly representing South African society*" (section 192). Parliament has deemed it fit to add the regulation of electronic communications, postal services and electronic transactions to the mandate of ICASA as the regulatory institution established pursuant to section 192 of the Constitution. ICASA is a licensing body, a regulator and a quasi-judicial body because it licenses, regulates, adjudicates and issues sanctions. ICASA is also an organ of state bound by the Bill of Rights.

1.4.2 Legislative mandate

The Broadcasting Act No. 4 of 1999

The Act makes provision for the Minister to develop broadcasting policy that contributes to democracy, development of society, gender equality, nation-building, provision of education and strengthening of the spiritual and moral fibre of society. The Act also provides for the charter of the South African public broadcaster.

The Independent Communications Authority of South Africa Act 13 of 2000, as amended

The primary objective of this Act is to establish an independent regulatory authority to regulate broadcasting in the public interest as required by section 192 of the Constitution. The Act established ICASA as an independent and impartial regulator (section 3). The Act provides for the regulation of electronic communications and postal services matters in the public interest (section 2); and allows ICASA to conclude concurrent jurisdiction agreements with any regulator in respect of areas of regulatory overlaps (section 4(3A)(b)).

The Electronic Communications Act, No 36 of 2005 (ECA), as amended

The substantive functions of ICASA pertain to issuing licences and regulating the broadcasting and electronic communications services as set out in the EC Act. ICASA has concurrent regulatory oversight / jurisdiction with the Competition Commission on competition matters in the sector (in terms of chapter 10 of the EC Act as well as section 4B(8)(b) of the ICASA Act). ICASA also has concurrent regulatory overseeing with the National Consumer Commission on matters relating to consumer protection (section 4(3A) of the ICASA Act read together with the Consumer Protection Act No. 68 of 2008).

The Competition Act No. 89 of 1998

The Competition Commission and Competition Tribunal play a complementary role or co-jurisdiction role with ICASA on competition matters within the electronic communications sector (section 82(1)). The Competition Commission holds ex post jurisdiction over competition matters whilst ICASA exercises ex ante jurisdiction over competition-related matters.

The Promotion of Administration Justice Act, No 3 of 2000 (PAJA)

PAJA binds both ICASA and the Complaints and Compliance Committee (CCC) in the exercise of their functions.

The Postal Services Act, No 124 of 1998

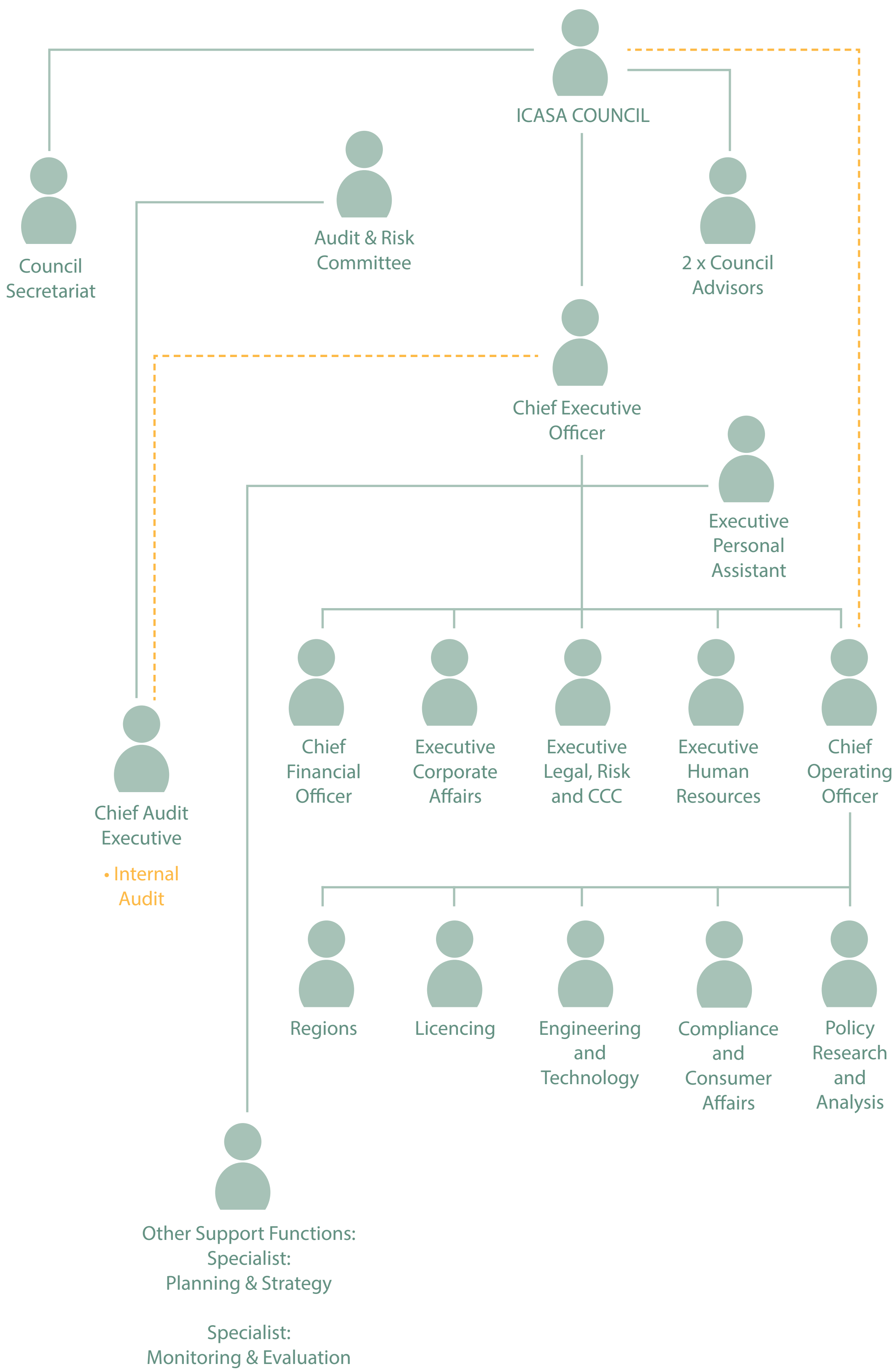
The Postal Services Act requires the Authority to license and monitor the South African Post Office (SAPO) in relation to the achievement of customer care standards and the provision of universal service obligations, including the rollout of street addresses and the provision of retail postal services in under-serviced areas.

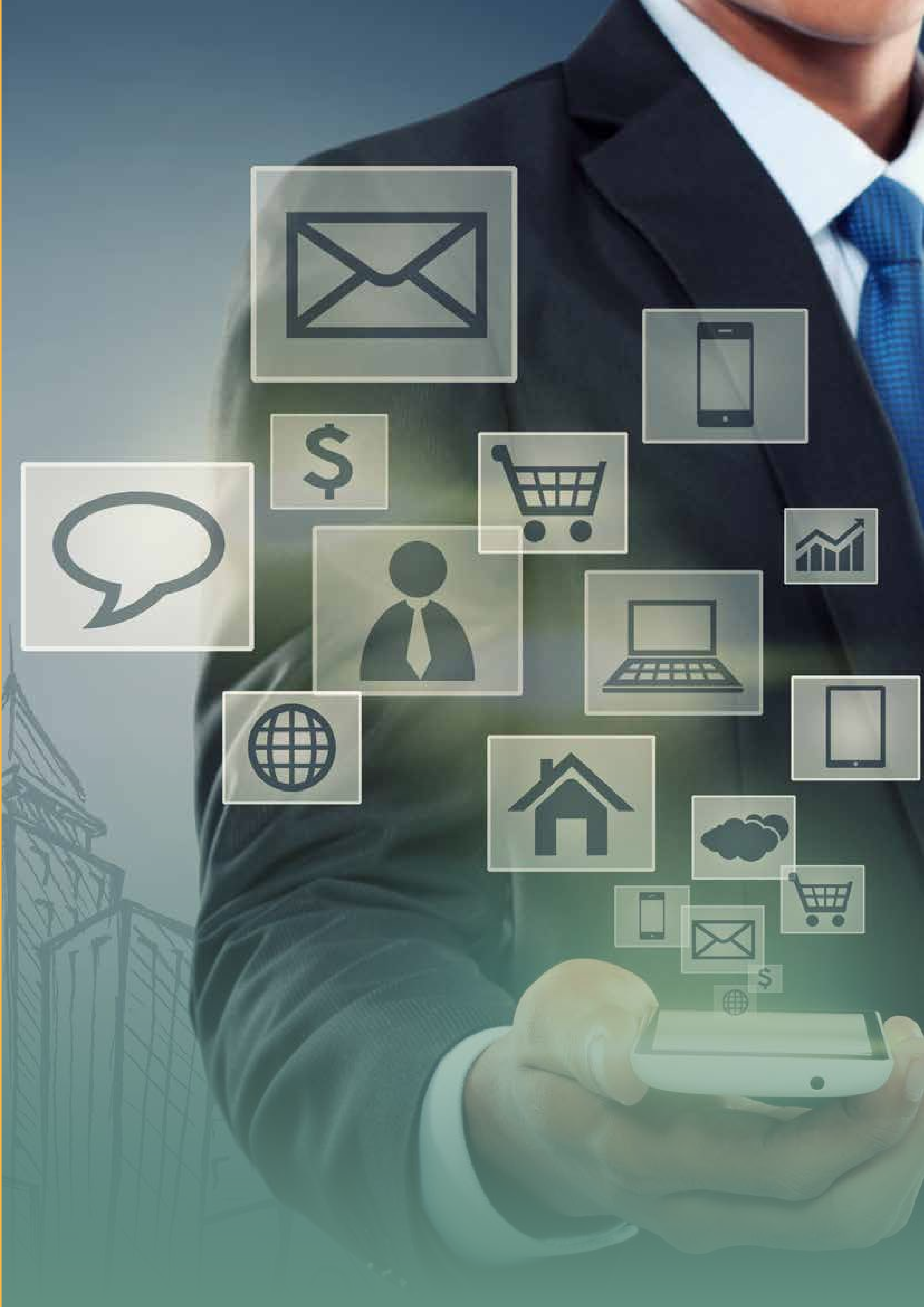
1.5 ICASA COUNCIL

ICASA Councillors are appointed through a public parliamentary process outlined in the ICASA Act. The term of office for the Chairperson is five years, whereas that of Councillors is four years. The Council complement for the year under review is as follows:

Council member	Term of office
Dr. Stephen Mncube	(Chairperson) – 2010 to 2015
Ms. Nomvuyiso Batyi	2013 to 2017
Mr. William Currie	2010 to 2014 (Term ended 30 September 2014)
Mr. Joseph Lebooa	2010 to 2014 (Term ended 30 September 2014)
Mr. Rubben Mohlaloga	2013 to 2017
Ms. Ntombizodwa Ndhlovu	2010 to 2014 (Term ended 31 October 2014)
Ms. Katharina Pillay	2013 to 2017
Mr. William Stucke	2010 to 2014 (Term ended 31 October 2014)
Dr. Marcia Socikwa	2011 to 2015 (Resigned 31 January 2015)

1.6 ICASA STRUCTURE





Dr Stephen Mncube - *Chairperson*

1.7 CHAIRPERSON'S **FORWARD**

The Independent Communications Authority of South Africa (ICASA) is an institution established in terms of Chapter 9 of the Constitution to support and promote democracy in South Africa. Equally important, it is an Institution specially designed to promote democracy in the Information and Communications Technology (ICT) ecosystem. ICASA is required to discharge this mandate by ensuring fairness and diversity of views broadly representing the South African society as well as providing universal access to a wide range of high-quality communications services at affordable prices in the regulation of broadcasting, telecommunications and postal services.

In the past year, the President of the Republic, Honourable Jacob Zuma, announced the establishment of the Department Of Telecommunications and Postal Services as a separate department from the Department of Communications. A number of commentators expressed different views with the effect that ICASA was lost in the midst. However, we will continue unabatedly and ensure that our mandate is achieved as an organisation. In ICASA, there was no confusion and we are grateful to the President for issuing the proclamation that clarified how we should continue doing our work especially as ours was and will always have to be a highly complementary relationship with the policymakers so that we can ameliorate the service to consumers of electronic communications, including broadcasting and postal services.

We consistently ensure that everything we do is ethical and lawful, because we understand that the environment in which we operate is fluid and volatile. However, we are confident and it's all thanks to the valuable inputs and strategic leadership brought in by the Council, CEO and his executive team.

In order to progress optimally, the organisation needs to evolve and introduce new ways of doing things, improve workflow process as well as encourage a high performance culture within its workforce. The Authority undertook an organisational realignment process which was successfully completed in the past financial year. We made a commitment to our staff that no-one would be relieved of their duties and we achieved that goal seamlessly with everyone's involvement. We are pleased that all of us are moving in the same direction and there is synergy and cooperation between all ICASA divisions.

ICASA is the custodian of the radio frequency spectrum, which is regarded as a national asset. Therefore, licensing of high-demand spectrum is one of the Authority's flagship projects but it has been a contentious matter in recent times. The Authority is mindful of the fact that this is important for the rollout of broadband services in both rural and urban areas. Equally, in order to heed the government call to move South Africa forward, the Authority continues to be preoccupied with issues of universal service and access to affordable broadband.

South Africa's three-tier broadcasting system of public, private and community services is central to ensuring a voice for all our communities in all their cultural and linguistic diversities and also ensuring the promotion of social cohesion and nation-building. It is, therefore, the Authority's view that through South African music and television programming, radio and television can make a vital and valuable contribution to democracy and nation-building in South Africa, while protecting and developing the country's national cultures and identities, as well as promoting local industries. It is for this reason that the Authority started the process of reviewing the local content regulations on both radio and television and a Findings Document has now been published.

The Authority is mindful of the National Development Plan's (NDP) clarion call for regulatory frameworks to be used as key enablers for economic growth and job creation. The NDP holds that for the country to be on a new economic growth and developmental trajectory "the economy must be more inclusive…labour-intensive and create 5 million new jobs by 2020…through targeted micro-economic reforms especially in transport, public services, telecommunications and food" (NDP 2011:10). It is precisely with these considerations in mind that the Authority reviews its Strategy on an annual basis to achieve the goals of the NDP.

Finally, as an outgoing Chairperson of ICASA, I would like to thank all the Councillors as well as the CEOs whom I have worked with over the past five years. Their valuable inputs and strategic leadership have made ICASA what it is today, with unqualified audits for three years in a row. I would like to encourage the Councillors (current and future) to support ICASA and enable it to grow into a better and stronger regulator for the communications industry and, therefore, deliver on the organisation's mandate as enshrined in the Constitution, the ICASA Act and the underlying statutes.

Of course I would be failing in my duties if I did not thank the Portfolio Committee On Communications (current and former members), the Ministers with whom I have had the honour of serving our country, ICASA staff and captains of the industry for allowing me space and opportunity to share my knowledge and expertise with them for the five years I have been at the helm of the Authority. It has been extremely fulfilling, and I must add that it was also a challenge to lead such a dynamic institution and a complex industry.

Dr Stephen Mncube
ICASA CHAIRPERSON

Pakamile Pongwana - *Chief Executive Officer*

1.8 CHIEF EXECUTIVE OFFICER'S **OVERVIEW**

The past financial year has been challenging but progressive for the Independent Communications Authority of South Africa (ICASA) as we continued to streamline our processes and re-invent ourselves to make the regulation of the ICT sector better. As things stand, we are confident that ICASA has made considerable progress and we are empowered to deliver on our mandate.

The Authority operates in an environment where everything we do can be challenged in Court, however, we strive to abide by the law and subscribe to administrative and procedural fairness.

The effects of the apparent market concentration can constrain competition negatively unless measures are taken to reduce it, from a policy and regulatory point of view. Issues like access to infrastructure for middle and lower tier operators at cost plus reasonable mark up or termination rate may need to be considered. South Africa still lags behind significantly in LTE (4G) and digital migration. These need to be addressed in this financial and subsequent years if South Africa is to meet its broadband targets envisaged in SA Connect.

In October 2014, organizational realignment was undertaken in an effort to continue improving on operational excellence to support the Council of ICASA in its execution of regulatory issues.. The following milestones were achieved towards the completion of the re-alignment project:

- 356 approved positions were re-designed and job evaluated;
- Salary scales were revised to be in-line with the labour market;
- Divisional Focus Groups were held with all employees pertaining to the anticipated change;
- All employees were assessed for job match and developmental purposes;and
- 298 employees were migrated from the old structure into the newly-approved structure by 31 March 2015.

In reviewing the performance of the Authority, it was evident that the number and complexity of its predetermined objectives continues to exceed the organisation's financial and human resource capabilities. The Authority has assessed its past performance in not achieving all of the targets, the budget allocation received and the demands from the industry, together with the Government imperatives. The Authority revisited its strategic targets and predetermined objectives and the number of strategic targets have been reduced from eight (8) to five (5) for the 2015/16 financial year, resulting in a reduction of the key outputs to achievable outputs and targets from 21 to 9 (nine) for the 2015/16 financial year.

Given the challenges facing the sector, it is prudent that the focus of the Authority be on achieving its strategic objectives, to continue to build a regulator that is robust in nature and to enhance the rural sector while aligned to the national goal as set out annual performance plan. We will also need to engage our staff in embodying the values of the organisation as outlined and be accountable to those values.

We remain committed to changing the ICT sector to promote growth and employment. We will attack meaningfully, issues around transparency and access to broadband.

Pakamile Pongwana
Chief Executive Officer

ICASA LEADERSHIP

PERFORMANCE INFORMATION

2. PERFORMANCE INFORMATION

2.1 Statement of Responsibility for Performance Information for the year ended 31 March 2015

The Accounting Officer is responsible for the preparation of the entity's performance information and for the judgments based on this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information.

In my opinion, the performance information fairly reflects the performance information of the entity for the financial year ended 31 March 2015.

Accounting Officer
31 August 2015

2.2 Auditor General's Report: Predetermined Objectives

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the *Predetermined Objectives* heading in the Predetermined objectives section of the auditor's report.

Refer to page 92 of the Report of the AGSA, published as Predetermined objectives.

2.3 Overview of ICASA's performance

Performance information is key to effective management, planning, budgeting, monitoring, and evaluation and reporting. Measuring performance ensures that policy, planning, budgeting and reporting are aligned to ensure improved service delivery. It indicates how well the institution is meeting its aims and objectives, and which policies and processes are working. It facilitates accountability and enables parliament, members of the public and other interested parties to track the progress of the activities and deliverables, identify the scope for improvement and hold the entity to account.

ICASA's mandate is to further the interests of the citizens of South Africa in relation to telecommunications, broadcasting and postal services, and to promote competition in the ICT sector. For 2014/15, this was embodied in the five (5) strategic outcome-oriented goals, supported by nine (9) strategic objectives (SO) and their key outputs and targets.

Within the performance tables on page 54 to page 62, we have, in respect of each strategic goal, reported the status of progress and the reasons for any variance against full achievement of the target against each key output target. Certain outcomes identified in 2014/15 span multiple years and continue into 2015/16 and beyond.

The strategic direction of the Authority continues to embrace technology–driven trends to ensure that all regulatory endeavors enable the development of South Africa's ICT sector into the digital era.

The key highlight for the 2014-2015 financial period was the measures implemented by the Authority to promote fair competition by ensuring that the cost to communicate is fair and reasonable for all South Africans. The South Gauteng High Court imposed a six-month time period on the Authority to finalise wholesale call termination rates[1] , with new rates having to be in place by the 1 October 2014. The Authority, using a LRIC+ costing methodology, imposed the following wholesale voice call termination rates:

Figure 1: Wholesale Call Termination Rates, October 2014 - September 2017[2]

	Mobile		Fixed			
	Regulated rate	Asymmetry	Regulated rate		Asymmetry	
			WON	BON	WON	BON
1 Oct 2014 – 30 Sep 2015	R 0.20	R 0.31 (55%)	R 0.12	R 0.15	R 0.18 (50%)	R 0.21 (40%)
1 Oct 2015 – 30 Sep 2016	R 0.16	R 0.24 (50%)	R 0.11	R 0.12	R 0.15 (36%)	R 0.16 (33%)
1 Oct 2016 – 30 Sep 2017	R 0.13	R0.19 (46%)	R 0.10	R 0.10	R 0.12 (20%)	R 0.12 (20%)

[1] South Gauteng High Court Ruling on 31 of March 2014
[2] Government Gazette No. 38042, 30 September 2014

The key risk faced by the Authority (which impacts its ability to deliver on its mandate) continues to be the limited resources with respect to technical expertise.

2.4 Service delivery environment

Assessment of predetermined objectives

In terms of predetermined objectives presented for 2014/15 in the Annual Performance Plan (APP), 6 (29%) out of the total 21 strategic targets were achieved during the financial year. Although the remaining 15 (71%) were not fully achieved, the Authority made significant progress towards the achievement of these targets, which is described in the performance tables.

Integrated planning

The Authority's planning processes are integrated with the Department of Communications (DoC) and the Department of Telecommunications and Postal Services (DTPS) on the following matters relevant to Vision 2020:

- Ensure fair and reduced retail prices;
- Promote universal access to broadband services;
- Ensure universal access and service for all South Africans to telecommunications (mobile and fixed), broadcasting and postal services;
- Ensure optimisation of the efficient management and utilisation of national frequency spectrum assets Uù to maximise benefits to South African consumers and the ICT industry; and
- Ensure protection of consumers from unfair business practices.

The Authority's measures for supporting Government's policy objectives, especially Outcomes 6, 12 and 14 are outlined in the Authority's 2015-2019 Strategic and Annual Performance Plan. The plan identifies five (5) strategic goals for the 2015/16 financial year, and acknowledges that the same risks exist, in as far as adequate financial and technical resources are concerned, in order to achieve the full mandate of ICASA.

The Authority continued over the past year to monitor progress on the migration process to DTT and the achievement of universal access to broadband services. To this end, the Authority has reviewed its budgetary allocations to ensure that funding was allocated directly to those core areas that support Government objectives. In this regard, the Authority used the South African Broadband Policy as a guiding platform for identifying the 2014-2015 (and for the subsequent periods beginning 2016 to 2019) strategic deliverables, with the goal of achieving universal access to broadband by 2020.

The Authority's Medium Term Expenditure Framework (MTEF) budget is informed by government's policy priorities aimed at addressing challenges posed by converging technologies in the communications sector, reducing the cost of doing business, enhancing the productive capacity of the economy, creating employment by investing in human capital and improving the capacity and effectiveness of the State to deliver services.

The strategic goals of the Authority remain based on these key Government priorities. However, it is unlikely to achieve all of its objectives if the funding allocation is not increased. The Authority needs to attract more in order to develop skills to meet its objectives, assure its continued financial viability and establish good governance and risk management throughout the organisation.

2.5 Organisational environment

The following executive positions were filled before the end of financial year 2014 / 2015:

- Chief Operations Officer;
- Executive: Legal, Risk and CCC;
- General Manager: Compliance and Consumer Affairs;
- General Manager: Licensing; and
- General Manager: Regions.

ICASA Council is responsible for overseeing the formulation and implementation of the Authority's strategy, internal policies and compliance standards in accordance with its mandate as set out in the ICASA Act and underlying statutes.

The CEO is accountable to the Authority for managing the organisation subject to the Council's direction and control. The CEO is therefore responsible for ensuring that the organisation carries out the activities and initiatives required to fulfill its mandate and implement agreed upon policies, strategies and related activities.

Organisational realignment

ICASA's organisational structure was realigned to ensure that the Authority is appropriately structured to deliver on its mandate. The overall realigned structure for the organisation was approved by Council, with the implementation effective from 1 April 2015. All employees have been migrated from the old structure to the new structure, with revised and enhanced jobs that support ICASA's Strategic Outcome Oriented Goals. The Authority also conducted a skills audit to assess and measure the current skills against the ideal skills that ICASA should have to perform optimally. As a result, the Authority has identified employee development as a key focus area throughout for the strategic period (2016 – 2020) to ensure narrowing of the skills gap.

An improved and integrated performance management system will be implemented in the financial year 2015/16, where concentration would be on the translation of ICASA's Strategic Goals into the individual's performance agreements, to ensure strategic alignment of ICASA's goals with individual performance.

Gradually, the alignment and consistent focus on organisational values will assist in instilling a performance-oriented culture, with accountable and stakeholder-centric employees, thereby ensuring organisational success in this area. Achieving organisational performance excellence involves changing the culture of the organisation, establishing new ways of doing business, a committed workforce and capable leadership. Although much has been planned for the financial year 2015/16, it should be noted that the results of a transformed and a fully-matured organisation can only be realised over time, and be fully embedded by 2019/20.

2.6 Key policy developments and legislative changes

During the period under review the following legislative amendments, which directly impact the Authority, were promulgated:

The ICASA Amendment Act No. 2 of 2014

The aforementioned Amendment Act introduced the following significant changes for the Authority:

- It expanded the Authority's mandate to include electronic transactions as regulated in terms of the Electronic Communications and Transactions Act No. 25 of 2002 (in terms of section 4(3)(o) of the ICASA Act as amended).
- It entrenches transparency in the decision-making processes of the Authority by requiring that Council decisions be published on the Authority's website within 30 days of the conclusion of any such meeting (in terms of section 11A(3) of the ICASA Act as amended).

- It strengthens the governance framework of the Authority by requiring that the Authority adopt and publish a Code of Ethics which contains a commitment by the Council of the Authority to conduct the affairs of the Authority in accordance with the highest level of corporate governance, professionalism and integrity (in terms of section 11B of the ICASA Act).
- It clarifies the rules relating to the quorum of the Council of the Authority by stating that the quorum for any meeting of Council shall be the majority of councillors presently serving as councillors (in terms of section 11(3) of the ICASA Act as amended).
- It fosters a cooperative framework with other regulators by authorising the Authority to enter into concurrent jurisdiction agreements with other regulatory authorities (in terms of section 4(3A) and 4B(9) of the ICASA Act as amended).

The Electronic Communications Amendment Act No. 1 of 2014

The aforementioned Amendment Act introduced the following significant changes for the Authority:

- Introduced a requirement for the approval of change of control of individual ECS, ECNS and broadcasting service licences as well as and RFS licences (in terms of section 13(1) and 31(2A) of the EC Act as amended).
- Provided statutory confirmation that spectrum sharing / trading is permissible subject to ICASA approval (in terms of section 31(3)(c) of the EC Act as amended).
- The definition of electronic communications facility was expanded to include 'exchange buildings' (in terms of section 1 of the EC Act as amended).
- It provided for the establishment and recognition of the National Broadband Council (in terms of section 72A of the EC Act as amended).
- It exempted community broadcasting service licensees from the obligation to make contributions to the Universal Service and Access Agency (in terms section 89(1) of the EC Act as amended).
- It expanded the scope of e-rate beneficiaries expanded to include all schools and health facilities (in terms of section 73 of the EC Act as amended).
- It sought to align the BBBEE rules as set out in the EC Act with those set out in terms of the BBBEE Act and ICT Sector Code (in terms of definition of broad-based black economic empowerment as contained in section 1 of the EC Act as amended, read with sections 2(h), 9(2)(b) and 13(3)(a) of the EC Act as amended).

In addition to the legislative amendments set out above, the Authority also participated in various policy initiatives by national government departments; in particular the Authority provided comments on the consultative process by the DoC on Broadcasting Policy Review (published in Government Gazette No. 38206 dated 12 November 2014). The Authority also participated in the National Integrated ICT Policy Review Process undertaken by the DTPS.

2.7 Strategic Outcome Oriented Goals

The Authority's contribution to the development of the ICT sector is informed by the Government's outcome-based model. As the policy-implementing agent for Government, the Authority is premised on:

- Outcome 12, namely providing an efficient, effective and development–oriented public service
- Outcome 14 which is to provide a diverse, socially- cohesive society with a common national identity
- Outcome 6 namely an efficient, competitive and responsive economic infrastructure network

Commensurate with this model of an outcome oriented approach, the Authority aligned its five-year strategic plan with the abovementioned outcomes and outputs. The major focus of the Authority's strategic plan is on reducing the cost of communication, increasing broadband penetration and reducing the digital divide in both the urban and rural context.

As communications sectors develop and consumers' needs change, so does the focus of priorities each year. However, the Authority remained focused on the aforementioned priorities and aimed to deliver against the objectives set out in its APP priorities. The table below summarises these priorities and objectives:

SOOG	1	Promote competition
SO	1.1	Facilitate Effective competition
SO	1.2	Ensure South African retail prices of ICT services
SO	1.3	Ensure effective broad-based HDI/BEE participation in the sector
SOOG	2	Promote the digital agenda
SO	2.1	Facilitate universal access to broadband services at fair retail prices by 2020
SO	2.2	Promote the development of public, community and commercial broadcasting services in the context of digital migration
SOOG	3	Promote efficient use if spectrum resources
SO	3.1	Establish innovate approaches to technology and dynamic spectrum usage
SO	4	Protect consumers
SOOG	4.1	Promote consumer rights
SO	4.2	Ensure universal service and access
SOOG	5	Modernise ICASA
SO	5.1	Improve operational and performance measurement

2.8 Strategy to overcome areas of under-performance

In reviewing the 2014/15 performance of the Authority, it became clear that the number of predetermined objectives continues to exceed the organisation's and human resources. As a result, it is imperative to review the strategic outcome oriented goals, strategic objectives and the key outputs once again.

The Authority assessed its performance in 2014/15 relative to the targets set, the budget allocation received and the demands of the industry, together with the Government imperatives. The Authority intends, for the 2016-20 Strategic Plan Period, to reduce the strategic outcome orientated goals from five (5) to three (3).

In terms of the delivery capabilities of the organisation, the objectives and principles underpinning ICASA's organisational realignment are being designed to improve performance and service delivery for both the Authority's strategic and operational deliverables.

The Authority's next medium-term APP for 2016-17 contains the detailed operational information and budgetary provision to support performance targets. The organisation remains committed to ensuring that performance, once measured, demonstrates excellence, institutional accountability and ongoing transformation. To improve the Authority's capability to deliver on its mandate, the Authority intends to liaise with National Treasury, through the relevant Ministries, to request increased levels of finances to support the Authority's strategic and operational regulatory projects.

2.9 Changes to planned targets

There were no changes to the planned targets during the period under review.

2.10 Strategic objectives, performance indicators planned targets and actual achievements

In reviewing the performance of the Authority, it was evident that the number and complexity of its predetermined objectives continues to exceed the organisation's financial and human resource capabilities. The Authority has assessed its past performance in not achieving all of the targets, the budget allocation received and the demands from the industry, together with the Government imperatives. Its strategic targets and predetermined objectives have been revisited and the number of strategic targets has been reduced from eight (8) to five (5) for the 2015/16 financial year, resulting in a reduction of the strategic objectives from 21 to 9 achievable outputs and targets for the 2015/16 financial year.

Achievements

The Authority has delivered on a number of priorities that featured in the previous Strategic Plan, which are explained in more detail in the performance information of this report.

Promotion of Competition

Cost to communicate

- Gazetted final Regulations on the Wholesale Voice Call Termination market.

Promote the Digital Agenda

- Developed an implementation plan based on the migration plan;
- Approved the International Mobile Telecommunications (IMT) Roadmap (IMT) 2014;
- Developed and published a roadmap (2015) for ALL IMT spectrum with radio frequency spectrum assignment plans, including for bands where there is large-scale occupancy of the specific band by legacy systems and equipment;
- Published the amended Radio Frequency Spectrum Regulations; and
- Published the Radio Frequency Spectrum Fee Regulations.

Modernise ICASA

Council approved the Authority's revised structure in October 2014, to ensure that the Authority is appropriately structured to deliver on its mandate, and initiated a move towards a more integrated way of operating cross-functionally. The following milestones were reached regarding the completion of the re-alignment project:

- 356 approved positions were re-designed and jobs evaluated;
- Salary scales were revised to be in-line with the labour market;
- Divisional Focus Groups were held with all employees pertaining to the anticipated change;
- All employees were assessed for job match and developmental purposes;
- 298 employees were migrated from the old structure into the newly approved structure by 31 March 2015.

2.11 Strategy to overcome areas of under performance

The Authority will undertake the following activities to address areas of under-performance:

- Ensure that strategic objectives in the Annual Performance Plan are adequately defined;
- Align the operational objectives to the strategic objectives;
- Develop a clear understanding of constraints that might inhibit the achievement of the target and develop contingency plans to ensure achievement of targets;
- Continuously monitor under-performance against target;
- Comply with the project life cycle to ensure adequate conception and completion of projects; and
- Implement performance management link to staff development plans and align them with the departmental strategic goals.

2.12 Linking performance with budgets

Revenue

The Authority's initial annual budgeted grant revenue of R376 221 000 quarterly tranches were duly received. Included in the grant was ring-fenced amount of R15 000 000 which was not spent at the end of the financial year and subsequently deferred for rollovers in 2015/16, and the budgeted accrued interest of R10 101 000 which brought total revenue budget to R386 322 000.

The unspent ring-fenced and carried over amount in 2014/15, resulted in the Authority reporting total grant of R361 221 000 together with accrued interest of R16 558 906. The unspent deferred grants of the ring-fenced projects from the previous year has led to the realization of R22 451 055 which was part of our total actual revenue of R401 039 401.

Expenditure

The total budgeted expenditure for the year ended 31 March 2015 was R461 719 000. The actual total expenditure incurred was R374 516 594 and represented spending level of 81.1%. In the previous year (2013-2014) the spending level was at 88%. The decrease in the year under review could mainly be attributed to the normal projects execution.

Figures in rand

	2014/15			2013/14		
Category	**Budget**	**Actual**	**(Over)/ Under Expenditure**	**Budget**	**Actual**	**(Over)/ Under Expenditure**
	404 221 000	**375 163 551**	**29 057 449**	**382 275 529**	**365 227 287**	**17 048 242**
OPEX	349 980 392	315 835 974	34 144 418	286 383 437	313 087 520	-26 704 083
Normal projects	39 240 608	36 548 613	2 691 995	43 892 092	26 274 437	17 617 655
Ring-fenced projects	15 000 000	22 451 055	-7 451 055	52 000 000	25 865 330	26 134 670
Normal capex (excluding ring fenced)	-	327 909	-327 909	-	-	-

Operating expenditure (OPEX) actual was R336 794 683 (10.0%) less compared to the budget of R374 064 000. The savings arose on the following items: advertising and publication, communication costs, training, audit fees, legal fees and staff costs.

Normal projects and ring-fenced capital projects actual spending of R59 327 577 was R5 086 969 (9.4%) more than the budget of R54 240 608.

1. Ring-fenced projects spending relates to the equipment for the monitoring of spectrum on the hi-sites towers and postal equipment monitoring which both came to R 17 761 621. The funds were part of the previous year's unspent deferred income relating to the same projects.
2. IT infrastructural projects amount of R3 142 330 was also part of the ring-fenced projects and was executed during 2014/15. The funding was initially allocated during 2013/14.
3. As regards normal projects the Authority managed to spent R36 548 613 which translated to 93% of the allocated funding for this category of projects. The biggest cost driver was the call termination rate (CTR) project that has so far set a new landscape for the consumers on cost to communicate in SA.

It must be noted that the Authority continued to experience challenges with the acquisition of the spectrum management software due to lack of local suppliers. Hence a decision was taken to expand the sourcing of the software to overseas suppliers. It is expected to be fully procured in 2015/16.

Spending patterns on the OPEX for the year under review indicate that 97% was achieved compared to 86% in 2013/14. For the normal projects 93% achieved as compared to the 60% in 2013/14.

Relating to and translating expenditure on economic classification, the breakdown comparing budget versus actual during 2014/15 is as follows:-

Figures in rand

ECR Category	Budget	Actual	(Over)/ Under Expenditure	Variance %
Compensation of employees	235 959 000	190 764 921	45 194 079	19.2
Goods and services	153 262 000	161 619 666	-8,357,666	(5.6)
Expenses Total	**389 221 000**	**352 384 586**	**36 836 413**	**9.5**

Budgeted cost of employment represented the major portion of the total expenditure allocation at 60.6% to the baseline allocation whilst the actual portion was 54.1%. The significant savings of over R47m was due to key management and staff positions not been filled pending finalization of the organization realignment process.

Goods and Services spending was fairly spent equally to the budget.

At the programme level shown in the below table, the overall expenditure trend slightly improved when compared to the previous year.

Figures in rand

	2014/15			2013/14		
Category	**Budget**	**Actual**	**(Over)/ Under Expenditure**	**Budget**	**Actual**	**(Over)/ Under Expenditure**
	389,221,000	**352,384,587**	**36,836,413**	**330,275,529**	**339,361,957**	**(9,086,428)**
Programme 1: Governance and Administration	250,152,383	226,768,246	23,384,137	194,747,139	226,858,671	(32,111,532)
Programme 2: Licensing and Compliance	37,939,358	30,095,061	7,844,297	34,465,274	29,401,782	5,063,492
Programme 3: Engineering and Technology	45,656,900	47,424,837	(1,767,937)	44,006,149	36,016,120	7,990,029
Programme 4: Markets and Competition	33,175,517	30,159,088	3,016,428	31,985,199	27,394,775	4,590,424
Programme 5: Consumer Affairs	22,296,842	17,937,354	4,359,488	25,071,768	19,690,610	5,381,158

PERFORMANCE INFORMATION BY PROGRAMME

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1: GOVERNANCE AND ADMINISTRATION

3.1.1 Legal

The business unit dealing with legal, risk and the CCC, is responsible for providing the following services to ICASA:

- Legal support and ancillary services, including but not limited to, legal advice, drafting of internal legal opinions and or obtaining external legal opinions, drafting or vetting of contracts, regulations and other documents, litigation and general legal support;
- Monitoring Parliamentary Legislative Processes that may impact on the statutory mandate of ICASA;
- To administer, coordinate and promote risk management activities in accordance with the mandate of ICASA;
- To promote regulatory compliance with applicable legislation, policies and procedures, standards and codes of good practice, manage and assess the state of compliance, assess the risks and potential costs of non-compliance and make recommendations for corrective actions if deemed necessary;
- To implement and manage business continuity programmes and plans to keep ICASA operational or to reduce or minimize disruption due to a disaster; and
- To provide technical and administrative support to the CCC guided by good governance, the rule of law; compliance with due process (including fairness, transparency and accountability in the exercise of powers and the use of public funds).

The business unit's mandate is to provide effective and efficient services and to perform its functions in terms of the ICASA's mandate and values.

3.1.2 Communications and International Relations

The mandate of the Communications and International Relations (CIR) is to provide corporate communications support to the Authority, and to coordinate the Authority's international relations program and activities.

Objectives/performance outcomes:

- Promote access to and a free-flow of information about the Authority's regulatory activities to the general public, consumers, licensees and operators, the media and general stakeholders;
- Position the Authority, its Councillors and officials, favourable in the public space;
- Promote the flow of information within the organization to improve employee morale and contribute to the creation of a balanced and high performance corporate culture; and
- Co-ordinate the Authority's international relations program in co-operation with other regulators and agencies internationally.

3.1.2.1 Communications

Corporate Communications

The corporate communications activities of the Authority include media and stakeholder relations i.e. involves interaction with the media and stakeholders including the provision of information about the Authority's regulatory and corporate activities to stakeholders.

Regulatory projects were packaged through communiqués, media statements, media interviews, media notices, radio advertisement, press conferences and briefings, as well as responses to general media and stakeholders' enquiries. The activity of media relations was to maximize positive coverage in the mass media without paying for it directly through advertising and to brand the organization.

Highlights for the year include amongst others; the implementation of media and communication plans for the Review of Local Content Regulations, Final International Mobile Telephony (IMT) Roadmap, Publication of Call Termination Regulations and Publication of Radio Frequency Assignment Plan.

Stakeholder information sessions were also arranged for high school and university students to showcase the Authority's activities and career opportunities. The Authority also participated in the imbizos and public awareness campaigns organized by the Ministries of Communications as well as Telecommunications and Postal Services. This also included daily engagement with stakeholders on queries of regulatory nature. The aim of stakeholder relations management was to influence stakeholder attitudes, decisions and actions for mutual benefit. The stakeholders needed to gain from the relationship with the Authority.

Branding and marketing the Authority involved exhibiting and distributing information about the Authority's regulatory activities. The Authority participated in industry expos and celebrated important calendar events with other portfolio organizations to reach out to communities in different parts of the country. Some of the highlights for the year included the branding of ICASA public hearings and external events such as World Telecommunications Day, World Post Day, World Consumer Rights Day and service delivery community meetings arranged by provincial and local government. In addition, the unit also coordinated the photographing of all ICASA internal and external events for purposes of enhancing the existing photo gallery.

The Authority's website published the latest regulatory information and served as an online information portal for accessing relevant information.

Internal communications projects involved interaction between the Authority's leadership, management and employees, at both the Head Office in Sandton and the other regional offices, which included:

- an internal electronic mail notice board (iNews) to publish regulatory and corporate notices for all internal stakeholders;
- arranged internal meetings with employees at head and regional offices; and
- rolled out and implemented a new Corporate Identity Manual for all internal stakeholders.

Public relations support provided to the Authority included the business unit's facilitation of all public interaction and drafting of presentations and speeches for industry events and conferences to which the Chairperson of ICASA was invited.

3.1.2.2 International Relations

The South African ICT legislation provides a platform for establishing and maintaining the development of the ICT sector in line with international best practice through the promotion and development of international policies, norms and standards; the encouragement of investment including strategic infrastructure investment; the exchange of expertise and information. In this context, the international engagement vehicles are framed as instruments to operationalise section 3(1)(c) of the EC Act.

The Authority, in fulfilling this mandate, participated in activities of the following international, continental and sub-continental organisations that operate in the postal, electronic communications and broadcasting sectors as follows:

The Communications Regulators' Association of Southern Africa (CRASA): the Authority participated in meetings to promote harmonisation of regulations and improvement of regulatory governance.

Electronic Communications Committee (ECC)

During this period ICASA chaired the Electronic Communications Committee (ECC) which is the core committee that ensures that the electronic communications sector maximises its contribution to the Region's economic growth and performance. The Committee also ensures harmonised development and application of electronic communications technologies and provides a baseline for future research and development of the electronic communications industry in the Southern African Development Community (SADC) region. In addition, it facilitates the meetings for debates on policy and regulatory issues concerning electronic communications sector. The ECC, under the chairmanship of ICASA, successfully implemented the following projects:

- Development of SADC Guidelines on Development of National Broadband Plans;
- Position Paper on Impact of Embedding Conditional Access System to Set Top Boxes (STB) controls);
- Spectrum Regulation - SADC Preparations for the World Radiocommunication Conference 2015 (WRC 15);
- SADC MoU on Cross Border Coordination;
- Cross Border Frequency Coordination: Harmonised Calculation Method for Africa (HCM4A) Agreement

CRASA Roaming Task Team

CRASA Roaming Task Team was also led by ICASA and looked at the regional mobile telephony roaming issues, which were recognized by the SADC Ministers responsible for Postal, Telecommunications and ICT as strategic for facilitating regional trade and travel and as an enabler for accelerating regional integration. The task team was entrusted with looking at providing proposals to reduce the unaffordable international mobile roaming tariffs.

Participation at international events

ICASA participated with the DTPS in the preparation for national and regional positions for the following conferences:

- International Telecommunications Union (ITU) Plenipotentiary Conference that took place in Busang, South Korea
- Universal Postal Union (UPU) Council of Administration meetings that took place in Berne, Switzerland
- African Telecommunications Union (ATU) preparing for the WRC 15
- Pan African Postal Union (PAPU) preparing for the 2016 Postal World Congress; and

In addition, the Authority participated in the activities of the International Institute of Communications which provided a networking and benchmarking forum for telecommunications national regulatory agencies.

The Commonwealth Telecommunications Organisation (CTO), on the other hand, provided members with capacity-building workshops and seminars for enhancing technical expertise in the fields of ompetition and pricing, quality of service and consumer protection in the regulation of electronic and telecommunications services.

3.1.3 Information Technology

The Information Technology (IT) and Services business unit provides application, hardware and software support to the Authority. The IT business unit also provides technology infrastructure, continuous access and security, technical support and maintenance of internal systems.

Objectives/performance outcomes

The division's performance outcomes for 2014-2015 financial year are as follows:

- Introduce latest technical architecture and key systems to reduce potential failures and security risks and leverage information technology performance benefits;
- Implement a new Spectrum Management System to improve efficiency in the licensing and allocation of spectrum;
- Implement a Customer Relationship Management (CRM) System to facilitate speedy and efficient complaints handling. This will allow the public to log their complaints on the ICASA website and also allows service providers to view and manage complaints addressed for their attention; and
- Implement a Human Resources Management (HRM) System to manage the internal resources including skills development and performance management. The above systems will be phased in over a two-year period with full integration across all systems.

Operational objectives

In the 2014/18 strategic plan, there was provision for integrated management systems for the Authority. This included the execution of the IT Master Systems Plan and the development of a framework for a new HRM system. The selection of the new HRM system and the appointment of an implementation partner have been completed. The implementation of this system has become an operational objective for the 2015-2016 financial year.

The IT business unit had no strategic objective for 2014/15 and its activities were operational. During the reporting period, the following have been achieved:

- The IT Master Systems Plan has been updated to reflect system requirements based on the 5 year strategic plans developed by all Divisions within ICASA
- A new data management policy has been developed. This was a joint initiative between IT and Administration Division
- A data architecture covering all systems (manual and automated) as well as a new data management policy have been developed. An integration software called BizTalk software has been implemented. Over time all systems will be integrated using the BizTalk platform
- The network that links the Sandton office to the Regional offices have been upgraded. The increased bandwidth allows for the use of video conferencing which will result in travelling expenses being reduced.

3.1.4 Facilities

The mandate of the division is to provide reliable, cost effective and customer focused facilities management services. The division is responsible for a number of support functions, which include:

- Facilities & Property Management
- Fleet Management
- Safety & Security
- Library & Records

Facilities & Property Management

The division manages and provides services related to office space needs, office relocations, space planning, analysis and utilization for over 10 000m^2 at ICASA's Head Office and 2 758m^2 for Regional Offices. During the period under review, the division successfully relocated the Cape Town Regional Office to new premises. Through efficient space planning and optimization, the division managed to reduce rented office space from 796m^2 to 548m^2, saving rental costs for the Authority.

The maintenance section provides scheduled and preventative maintenance services, identify and report any deficiencies found for corrective action. As part of maintenance, the division facilitated the office renovations project at ICASA's Head Office. The following renovations were carried out during the 2014/15 financial year, namely:

- Installation of new motion sensor lighting;
- Painting of office premises, and
- Installation of new carpets

The installation of motion sensor lighting is one of ICASA's sustainability initiatives, aimed at reducing energy consumption. Facilities Management is working with Supply Chain division to review ICASA's office accommodation with the goal of implementing procurement practices which favor technologies, products, or practices which are environmentally beneficial and increasing the use of renewable and innovative energy technologies.

Fleet Management

The fleet management section provided reliable, cost effective and customer focused fleet management services to the Authority. Its function involve administering, monitoring, and enforcing all rules and regulations regarding the assignment, utilization, maintenance, repair, and replacement of fleet vehicles. During the year under review, the Authority acquired five (5) new vehicles for replacement purposes and disposed of eight (8) vehicles through an auction.

The Authority's vehicles are fitted with tracking devices, providing real-time visibility into every vehicle's location, enabling management to have easy and immediate access to driving behaviors, such as harsh acceleration, over-speeding and excessive idling, fuel consumption, as well as wear-and-tear on vehicles. A number of ICASA vehicles are also fitted with special monitoring equipment which are used in the monitoring and investigation of spectrum interference cases reported to the Authority.

These vehicles were also used to carry out ICASA's mandate at national and international events such as the 5th Presidential Inauguration at Union Buildings (Pretoria), State of the Nation Address in Parliament (Cape Town) African Aero Space Exhibition at Air Force Base Waterkloof (Pretoria) and Top Gear at the Moses Mabhida Stadium (Durban),.

Safety & Security

Section 38 of the PFMA requires the accounting officer to put in place proper control systems and preventative mechanisms to eliminate theft and losses. The Authority identified a need to upgrade its current safety and security systems. During the third quarter of the 2014/15 financial year, ICASA allocated a budget to Facilities Management, for security systems upgrade. A tender was issued for a new access control system for ICASA's Head Office.

The Security Office continued to maintain good working and mutual relationships with other State and local law enforcement agencies, such as State Security Agency and South African Police Services (SAPS). During the year under review, Facilities Management conducted an emergency evacuation drill to create awareness and ensure that all staff are familiar with emergency alerts and their individual roles during an actual situation.

Library and Records Management

Effective and efficient management of information lays solid foundation and serves as backbone of good governance in organizations. The records of the Authority serves as the final proof that a business or administration process was transacted. The records have on-going use as a means of management, accountability, operations continuity, legal evidence and disaster recovery. The records also form part of the organization's memory. The facilities division continuously strive to ensure that the Authority's Council and Management have access to complete and credible information that underpin the organisation's decision–making process.

In order to comply with the National Archives legislation and enhance efficient management of records, the following processes were initiated:

- Development of a records management disaster recovery and business continuity plan; and
- The launch of the electronic document and records management system.

The library strives to ensure that ICASA has access to the most recent and relevant information resources relating to the ICT sector. The following e-resources are accessible to all ICASA offices online and were acquired to mitigate the gaps in research materials identified by staff and to complement the existing information resources:

- Library press display – online access to numerous daily and weekly newspapers and magazines;
- Juta Law – online access to S.A. case law;
- SABINET bill tracker and policy document - updated status of every bill tabled before Parliament, as well as draft bills and policy papers;

- Business Monitor International research services;
- Other relevant published reference sources; and
- ICT sector news alerts.

The division provided access to regulatory documents and Gazettes to the general public through the use of the ICASA library.

3.1.5 Finance

The division provides support to all staff and divisions of the Authority by managing financial resources, processing business procurement needs and collecting license fees from the license-holders. This is achieved through:

- providing effective and efficient support services to ICASA,
- providing Financial Management in line with the PFMA, Treasury Regulations, GRAP and other relevant regulations,
- ensuring compliance with all applicable legislations and policies, and
- implementation of sound financial management.

3.1.5.1 Management accounts

- Responsible for Asset Management
- Physical verification on a bi-annual basis
- Asset tagging
- Recording
- Disposals
- Insurance and storage functions to be centralized under Finance during 2014/15
- Responsible for Quarterly, Monthly and Annual Reporting (both internal and external stakeholders)

During the 2014/15 financial year the annual verification success rate was 97%, compared to 99% in 2013/14. The decline could be attributed to head office renovation that resulted in some of the assets not been fully accounted for at the time of physical scanning but are not necessarily lost.

Budgeting Process

Annual Budgets

Medium Term Expenditure Frameworks (MTEF)

Estimates of National Expenditure (ENE)

Budget Review – Half yearly exercise

Cash management (Treasury)

Capital investment, maintenance and asset management plan

Capital investment

In the first month of every quarter the Authority receives a tranche for the quarter from the DoC based on the approved draw-down schedule. The funds for the latter two months of the quarter are treated as surplus funds and are invested on short term basis with of the major banks providing a better rate of return for investment. The below tables indicates actual interest earned for both 2014/15 and 2013/14 respectively:-

Figures in rand

	2014/15			2013/14		
Category	**Budget**	**Actual**	**(Over)/Under Expenditure**	**Budget**	**Actual**	**(Over)/Under Expenditure**
Interest income	10 101 000	16 558 906	6 558 910	7 114 998	10 336 820	3 221 822

Assets management plan

Assets Replacements

The Authority relies solely on both National Treasury and the DoC availing capex funds especially on infrastructural needs, for example, the acquisition of the monitoring equipment and the motor vehicles used for monitoring purposes. As indicated further below most of the Authority's assets have deteriorated and continue to prevent us from carrying out our mandatory functions fully.

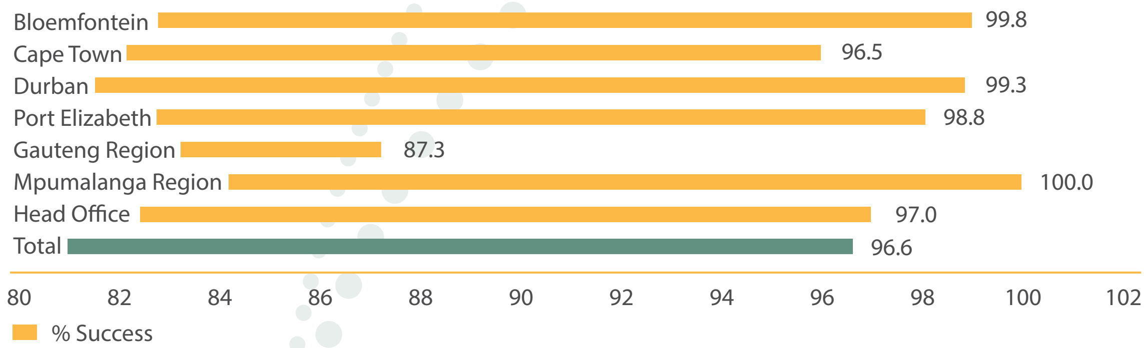
Assets Verification

Assets verification is conducted bi-annually, at mid-year and year-end.

Verification Results

The Authority achieved a 96.6% success rate during the annual verification which was a slight decline as compared to the 99% in the previous year and 98% in 2012/13. Investigations are still taking place regarding unaccounted assets. The table below depicts the results per region:

Annual Assets Verification Results – 2014/15



Measures taken to ensure that the public entity's asset register remained up-to-date during the period under review

Asset control forms are completed by the custodians for every movement that takes place, these are collected by the finance assets management team on a weekly basis and the asset register is updated regularly to ensure accuracy as well as completeness. Inventory lists are updated immediately after verification & distributed to all users. Acquisitions are also updated on a weekly basis.

Assets conditions

The overall assets base can be categorized as demonstrated below:

Type of Assets	Poor (%)	Fair (%)	Good (%)
Technical Equipment	50	10	40
Motor Vehicles	10	30	40
Computer Equipment	5	10	85
Office Equipment	40	40	30
Furniture & Fittings	30	30	20
Leasehold Improvements	40	10	80

The above table shows that Technical assets and vehicles require urgent recapitalization as well as furniture & Fittings. From the above diagram 50% of the asset population is technical equipment. However, given their age and condition this is a major concern for the Authority.

Maintenance

Major maintenance projects have been undertaken during the period as shown in the below table. These were primarily related to the Technical Equipment, IT Infrastructure and motor vehicles.

Figures in rand

	2014/15			2013/14		
Category	**Budget**	**Actual**	**(Over)/Under Expenditure**	**Budget**	**Actual**	**(Over)/Under Expenditure**
Motor Vehicle-Repair & Main	817 768	619 461	198 307	467 327	504 224	-36 897
R & M- Office Equipment	186 016	125 231	60 785	245 016	107 333	137 683
R & M-Technical Equipment	502 487	1 009 468	-506 981	468 270	224 611	243 659
Maintenance IT Infrastruc	411 590	506 746	-95 156	295 500	923 906	-628 406
R & M - PABX	480 000	179 740	300 260	717 996	749 840	-31 844
R & M-Computer Equipment	96 000	35 492	60 508	110 955	294 623	-183 668
	2 493 861	2 476 138	17 723	2 305 064	2 804 538	-499 474

3.1.5.2 Administered Revenue unit

This unit is responsible for payment of all revenue collected to the National Revenue Fund (through the DoC) within the legislated timelines. It is also responsible for revenue collection for the following services,

- Postal Services
- Spectrum Management
- ECS and ECNS
- Broadcasting Services

3.1.5.3 Accounts Payable unit

The unit is responsible for processing of payments for service providers within the legislated timelines including:

- ensuring that all proper financial controls are in place and
- ensuring that all subsistence and travel claims submitted are in line with the Authority policy

The unit is also responsible for payroll and other salary related payments

3.1.5.4 Supply Chain Management (SCM) unit

All purchases and acquisitions are done through SCM unit in line with SCM policy and National Treasury Regulations including,

- Bid Processes
- RFQ Processes
- Inventory Management
- Disposal Management
- Contract Management

The unit is responsible for managing all the travel requirements and bookings with the applicable travel agency. It is also responsible for the recording and monitoring of Fruitless & Wasteful and Irregular expenditure in accordance with guidelines issued by National Treasury.

3.2 PROGRAMME 2: LICENSING AND COMPLIANCE

The Licensing and Compliance Programme comprises of two business units, which are Licensing and Compliance. The activities of Licensing and Compliance are to grant, authorize, renew, amend, transfer and revoke broadcasting, electronic communications services (ECS), as well as electronic communications network services (ECNS) and postal services. The division also authorizes licence exemptions and monitors compliance with legislation, regulations and licence terms and conditions by licensees and licence exempt entities.

The objective and performance outcomes during the 2014-2015 were:

- The licensing of additional individual free-to-air television broadcasting service on a national and regional basis.
- Development of regulations governing ownership requirements for licensees so as to meet the minimum level of Historically Disadvantaged Individuals ownership
- Enforcement of compliance with all regulations by all licensees

Strategic objective: Promote Effective Competition - In order to facilitate effective competition, the Authority will license additional individual free to air television broadcasting service on a national and regional basis by 31 March 2015.

In line with the strategic objective 1.3 the Authority aimed to ensure effective broad-based HDI/BEE participation in the sector. The Division intended to conduct research and pass regulations on HDI ownership requirements, in line with the ICT Sector Code on Black Economic Empowerment.

The Division was also responsible for delivery on the strategic objective 4.2. The Division's contribution to ensuring universal service and access was to revise and publish new Universal Service Obligations, with a particular focus on school connectivity.

3.2.1 Licensing

3.2.1.1 Licensing of individual free-to-air television broadcasting service on a national and regional basis

The ITA for free-to-air television broadcasting service licence was published in the Government Gazette on 29 August 2014. The closing date for submission of applications was extended from 1 December 2014 to 31 March 2015, due to the requests by the prospective applicants which meant that the timelines for the project had to be shifted to the 2015/16 financial year. By 31 March 2015, five applications were received.

3.2.1.2 Licence transfers and amendments

During the year, the Authority approved the following licence transfers and amendments:

- 7 Individual ECNS licence transfers
- 6 Individual ECS licence transfers
- 6 class community sound broadcasting service licence amendment applications
- 2 individual commercial sound broadcasting service licence amendment applications
- 1 class community sound broadcasting licence transfer application

One (1) class community sound broadcasting licence amendment and one (1) class community television broadcasting licence amendment applications were unsuccessful due to failure to meet the prescribed requirements.

3.2.1.3 Registrations and licence exemptions

During the 2014-2015 year, the Authority has approved the following registrations and exemptions:

- 77 Class ECNS
- 75 Class ECS
- 3 Class ECS transfer
- 15 Private Electronic Communications Network (PECN) Exemption
- 10 ECS Exemption
- 2 Small Electronic Communications Network (SECN) Exemption
- 23 New Unreserved Postal Services
- 8 Unreserved Postal Service Renewals
- 1 Class ECS surrender
- 48 New Class Sound Broadcasting Services
- 40 Class Sound Broadcasting Service licences renewed
- 12 Channel authorization applications

During the year, following applications were unsuccessful due to failure to meet the prescribed requirements:

- 3 Class Sound Broadcasting Service licence applications
- 2 Class ECS licence applications
- 3 Class ECNS licence applications

3.2.2 Compliance

The Compliance arm of the Authority plays a crucial roles in monitoring the compliance of broadcasters, ECNS, ECS and Postal services with various terms and condition, particularly those relating to local content. For the year 2014/15 almost all broadcasters complied with their terms and conditions, with many of the SABC radio stations achieving greater than the required minimum local content requirements.

During the 2014-2015 year the team also played the role of arbiter in the complaints regarding the coverage of the National Elections that took place in May 2014. The Authority received seven complaints. Six complaints were against the SABC and one was against e.tv. Four of the complaints were heard by the Complaints & Compliance Committee whilst three were resolved by the Authority.

One of the main concerns the Compliance team had to address during the 2014/15 financial year was the impact of the nation-wide strike at the South African Post Office (SAPO) on the consumers' ability to receive basic mail services reliably. The situation that unfolded at SAPO during the latter half of 2014/15 led to a substantial drop in delivery standards, a threat to future universal service roll-out as well as possible penalties for SAPO for not meeting specific turn-around timeframes.

A number of regulatory initiatives were started this financial year and will follow on into the 2015/16 financial year based on resource challenges.

The Programme has made significant capital equipment purchases to upgrade its compliance functionality. These include the installation of Broadcasting Monitoring Equipment in all regional offices of ICASA. This will give ICASA greater functionality to ensure that broadcast licensees adhere to their terms and conditions of licences. The second is the installation of sophisticated RFID tag monitoring equipment that will allow the Authority to monitor the performance of SAPO independently. This tool will be functional in the new financial year and will support greater evidence-based standard setting and oversight over the performance of SAPO as a exclusive service provider of basic mail services.

3.3 PROGRAMME 3: ENGINEERING AND TECHNOLOGY

The Engineering and Technology Programme comprises the following business units: spectrum management, licensing and monitoring; type approval and broadcasting spectrum. The responsibilities of the programme include:

- granting of frequency and radio frequency station licences, certificates and authorisations;
- management and planning of access to radio frequency spectrum;
- Monitoring the efficient use of frequency spectrum nationally;
- investigation of radio communications interferences;
- QoS monitoring and radio frequency spectrum audits; and
- assessment, adoption and management of technical standards relating to customer premise equipment and other devices.

In order to support the Authority's objectives to ensure national broadband coverage and diffusion of innovative uses of technology, Engineering and Technology put in place programs that will increase the number of entities that will use radio frequency spectrum for broadband wireless access (BWA). It also intended to ensure that all available radio frequency spectrum bands that are in demand were not left unassigned or unused for a long time.

The objective and performance outcome undertaken were the following:

- Develop and implement a plan for the licensing of all IMT radio frequency spectrum to facilitate access to broadband services by all citizens by 2020;
- One or more national radio frequency spectrum licences making use of 2.6GHz and 800MHz granted to keen investors;
- Implement the radio frequency migration plan;
- Develop infrastructure-sharing regulations to support development of broadband and reduce cost of infrastructure for operators;
- Introduce frameworks for using spectrum-efficient technologies such as 'spectrum white spaces' and for cognitive radio to promote efficient use of the spectrum resource;
- Continue collaboration with research institutions in an endeavor to discover efficient ways to manage the spectrum resource and participate in relevant international, national and regional technical fora to influence standardisation and harmonisation;
- Implement a state-of-the-art, end-to-end spectrum management system to improve the Authority's capacity to efficiently manage the radio frequency spectrum and also to improve the turnaround times of processing radio frequency spectrum licence applications;
- Continue monitoring quality of service (QoS) of networks to support a better consumer service experience;
- Issue radio frequency spectrum licences and type approval authorisations within agreed turnaround times to facilitate the provision of ECS, ECNS and broadcasting services; and
- Conduct radio frequency spectrum monitoring at various locations across the country to contribute to future trends and developments in radio frequency spectrum planning and ensure efficient use of the spectrum.

Strategic Objective 2.1 statement - In order to support the measurement of achievements of Broadband Policy Inputs/Outputs, the Engineering and Technology will endeavor to support the national broadband policy by developing the licensing framework for available IMT spectrum and by developing a roadmap for all IMT spectrum with radio frequency spectrum assignment plans. To reduce the inputs costs for provisioning of broadband services to all citizens, the Authority will develop infrastructure sharing framework or guidelines.

Strategic Objective 3.1 statement: In order to establish innovative approaches to technology usage, Engineering and Technology will endeavor to collaborate with research institutions to develop a framework for the use of white space spectrum and cognitive radio technology to stimulate efficient use of spectrum resources.

3.3.1 Spectrum Management

Enabling legislation mandates the Authority to assign and manage the radio frequency spectrum efficiently, in accordance with ITU radio regulations. The radio frequency spectrum is a finite national resource, and the Authority is entrusted with the responsibility to ensure its efficient management in order to realise the country's socio-economic and developmental goals.

For the year under review, the following projects were executed:

3.3.1.1 Roadmap for IMT Spectrum

During the financial period 2013-2014, the Authority promulgated the radio frequency migration plan and regulations (which were published in Government Gazette No. 36334). Based on the migration plan, the Authority developed an implementation plan to inform the overall process by identifying specific frequency bands to which migration will be applied. To this end, the Authority approved the International Mobile Telecommunications (IMT) Roadmap (IMT) 2014 which came into force during the 2014-2015 financial year upon publication in the Government Gazette Number 38213 (Notice 1009 of 2014).

In line with the implementation plan, the Authority developed and published a roadmap for all IMT spectrum as well as radio frequency spectrum assignment plans, including for bands where there is large-scale occupancy of the specific band by legacy systems and equipment (published in Government Gazette No. 38640 of 30 March 2015).

3.3.1.2 Licensing framework for available IMT spectrum

The Authority commissioned a study to determine the fair economic value of spectrum in the 700/800 MHz and 2.6 GHz radio frequency spectrum bands. The Authority, pursuant to the finalization of study, commenced a process of developing a framework for licensing available IMT spectrum. The Authority endeavored to the licence the above mentioned spectrum through a competitive process before the completion of the Digital Switch Over process to allow successful applicants who may be awarded the spectrum enough time to plan their network roll out.

It is envisaged that licensing framework for the 700MHz/800MHz and 2600MHz bands will be completed in the 2015/16 financial year.

3.3.1.3 Development of infrastructure sharing framework

The Authority commissioned an infrastructure sharing project at the beginning of the 2014/2015 financial year. The goal of this project was to develop a framework, either regulations or guidelines, which would encourage the practice of infrastructure sharing. It is envisioned that the sharing of infrastructure (whether active or passive) will lead to a reduction in the capital and operational costs for operators, and by so doing will incentivise operators to provide access to affordable broadband services to all citizens by the year 2020. Furthermore, a framework for infrastructure sharing may facilitate ease of entry at the services layer of the market, as new entrants would not have to bear the prohibitive capital investment costs to duplicate infrastructure, and thereby promoting retail competition.

The project commenced with development of a concept paper on infrastructure sharing, which included an international bench mark study. The concept paper was followed by a draft discussion paper on infrastructure sharing. However, due to the extensive nature of the research required the project was carried over into the 2015-2016 financial year.

The project is expected to be completed in the 2015/2016 financial year.

3.3.1.4 Review of radio frequency spectrum regulations and amendment of radio frequency spectrum fees regulations

The Authority published the amended Radio Frequency Spectrum Regulations on the 30th of March 2015 in Government Gazette number 38641 (Notice 279 of 2015) and the Radio Frequency Spectrum Fee Regulations in the Government Gazette Number 38642 (Notice 280 of 2015) on the 30th of March 2015.

3.3.1.5 Development of framework for bands above 50 GHz

The Authority initiated a process to develop a licensing framework for frequencies above 50GHz, with the initial focus on 57-66 GHz (V-BAND) and 71-76 GHz paired with the band 81-86 GHz (E-BAND). A consultation document in this regard will be published in 2015/2016 financial year. During the 2014 /2015, the Authority revised the Radio Regulations to include the licence exemption of short range radio devices operating around 60GHz.

3.3.2 Spectrum Licensing

During 2014/15 a total of 2,972 new spectrum licenses were issued. There were 2,709 licence cancellations as compared with 3,069 in the 2013/14 year. The total number of licences increased 0.5% from 53,740 to 54,003.

The breakdown of licences issued is as follows:

Licence Category	Licences as at 01 April 2014	New Licences	Licence Cancellations	Licences as at 31 March 2015
Aeronautical	8907	903	734	9076
Amateur	5925	281	152	6054
Fixed	264	29	53	240
Land Mobile including Ski boats	29456	1011	1324	29143
Maritime	5336	483	300	5519
Radio Dealer	3581	261	127	3715
Satellite	271	4	19	256
Total	**53740**	**2972**	**2709**	**54003**

3.3.3 Equipment Type Approval

The Type Approval unit issued 2,815 new licences/certificates during 2014-15. This translates to an increase of 105 (4%) compared with 2013/14. The total number of licences/certificates increased from 18,173 to 19,429 (an overall increase of 7%).

The breakdown of certificates issued is as follows:

Authorization Category	Licences as at 01 April 2014	New Licences/certificates	Licences as at 31 March 2015
RF	16614	2626	19240
TLTE	813	90	90
SWS	420	99	99
LMO	317	0	0
SUP	9	0	0
Total	**18173**	**2815**	**19429**

3.3.4 Broadcasting Spectrum

The Broadcasting Spectrum unit analysed 116 applications for broadcasting frequency spectrum licences. There were 64 applications for new spectrum licences, 24 applications for spectrum licence amendments, 22 applications for spectrum licence renewals and 6 trial licence applications.

3.3.5 Spectrum Monitoring and Control

Spectrum Monitoring and Control (SM&C) is tasked with identifying, monitoring and managing spectrum usage to ensure spectrum efficiency and compliance with licence conditions to mitigate interference. Other functions of the SM&C include spectrum interference control and mitigation, monitoring of quality of service (QoS) as well as frequency use and occupancy.

SM&C undertook the following projects during 2014/2015 financial year:

3.3.5.1 Quarterly quality-of-service monitoring of cellular mobile networks

The Authority conducted QoS monitoring of Cell-C, MTN and Vodacom in Limpopo, North-West, Northern Cape and Free State provinces. QoS monitoring involves collecting measurement data with drive test equipment. Drive testing is considered the simplest way to analyse network performance by means of coverage evaluation, system availability and network retainability. The objective of these tests was to obtain a snapshot of an operator's network performance from a user's point of view.

The QoS monitoring was conducted using the TEMS investigation tool in rural areas, townships and towns in the various provinces. Over 5000 test calls were made in 2014/15 during the measurement procedure and a distance of more than 20 000 kilometres was driven. 8ta (now Telkom Mobile) was excluded from the testing as it currently has insufficient coverage with its own network. The drive test results showed generally acceptable performance from all tested operators in the areas tested.

3.3.5.2 Coverage Complaints

ICASA continues to provide assistance to other government agencies. The Authority received two requests for assistance relating to assessment of coverage from two government agencies, one from Universal Service and Access Agency of South Africa (USAASA) and another from Border Control Operational Co-ordinating Committee ("BCOCC") of the South African Revenue Service ("SARS"). USAASA required assistance in monitoring the availability of broadband in Emalahleni and Msinga municipalities. The results showed that there was acceptable 2G and 3G network coverage in both Municipalities.

BCOCC required assistance in monitoring the availability of network coverage at the border posts in Caledonspoort, Kopfontein, McCarthy's Rest, Middelputs, Mokopong, Oshoek, Platjan, Pont Drift, Qacha's Nek, Ramatsiliso, Sani Pass, Stockpoort and Van Rooyenshek. The results showed poor service at all the above border posts except in Qacha's Nek. ICASA is in a process of engaging the network operators to improve communications services in these areas.

3.3.5.3 Cross border Co-ordination interference and spillage

The Authority is a signatory to mutual agreements with both Lesotho Communications Authority (LCA) and Nacional das Comunicoes de Mocambique (INCM) which are designed to facilitate cooperation to reduce the radio interference and signal spillage at border areas. During the period in review, SM&C conducted monitoring that assisted in the elimination of GSM spillage in Ficksburg, the Maseru border post and areas in Matatiele. SM&C also conducted monitoring on the South Africa/Mozambique border to address cross border spillage.

3.3.5.4 Development of Standards

SM&C is involved with development of standards relating to QoS with the South African Bureau of Standards (SABS). SABS registered a new standard, SANS 1725 on QoS monitoring for voice.

3.3.5.5 Procurement of Advanced QoS monitoring equipment

SM&C embarked on a project to acquire a cellular benchmarking and drive test solution, which provides benchmarking of network performance and indoor quality of service monitoring respectively. The tender was awarded in 2014/15 and the equipment will be delivered in the 2015/16 financial year.

3.3.5.6 International Mobile Telecommunications (IMT) TV White Spaces Monitoring (TVWS)

SM&C identified different IMT bands above 1 GHz as well as TVWS bands to be monitored for activity as well as occupancy. The monitoring was done using our nationwide fixed monitoring sites as well as mobile sites. The aim of this monitoring was to inform ICASA's decision making for future use of IMT as well as TVWS.

The different bands monitored for IMT were:

- 1 GHz to 1.3 GHz
- 1.3 GHz to 1.375 GHz
- 1.375 GHz to 1.4 GHz
- 1.4 GHz to 1.427 GHz
- 1.427 GHz to 1.4279 GHz
- 1.4279 GHz to 1.452 GHz
- 1.452 GHz to 1.4629 GHz
- 1.4629 GHz to 1.4759 GHz
- 1.4759 GHz to 1.492 GHz
- 1.492 GHz to 1.510 GHz
- 1.510 GHz to 1.5109 GHz
- 1.5109 GHz to 1.518 GHz
- 1.518 GHz to 1.525 GHz

The different bands monitored for TVWS were:

- 470 MHz to 598 MHz
- 698 MHz to 608 MHz
- 608 MHz to 614 MHz
- 614 MHz to 694 MHz
- 694 MHz to 790 MHz

3.3.5.7 TVWS trials in Limpopo Province

SM&C was involved with the TVWS trials that is currently being conducted in the Limpopo province in conjunction with the Council for Scientific and Industrial Research (CSIR) and the University of Limpopo. The measurement results from the University of Limpopo were analysed by CSIR and reflected in a technical document that was submitted to the Institute of Electrical and Electronics Engineers (IEEE) AFRICON 2015 conference. SM&C was a co-author of this technical document.

3.3.5.8 New Spectrum Monitoring Equipment

ICASA awarded a tender for the supply and maintenance of a new digital monitoring network to replace its ageing analogue network. SM&C will have access to world-class spectrum monitoring equipment and infrastructure going forward, with the ability to remotely monitor frequencies above 1 GHz for the first time.

ICASA also established several new monitoring sites to locate the new equipment, with a view to maximise savings by sharing sites with other government organisations. The previous sites used by ICASA for spectrum monitoring have become a challenge to ICASA due to escalating site rentals and overcrowding. The new site sharing agreements has resulted in a cost saving to ICASA of almost R800k per annum.

3.4 PROGRAMME 4: MARKETS AND COMPETITION

The Markets and Competition Programme comprises four (4) units, namely Markets and Competition Analysis; Economic and Financial Analysis & Numbering; Broadcasting Policy Development and Research; and Postal Policy Research and Development. The Programme is responsible for developing regulations to ensure fair competition in the market and the efficient provision of postal, electronic communications and broadcasting services.

The objective and performance outcome were the following –

- Report on the necessity for pro-competitive regulation in the provision of subscription broadcasting television services
- Position Paper on factors that determine the cost of digital terrestrial signal transmission in South Africa
- Gazetted final Wholesale Voice Call Termination Regulations
- Position Paper on transparency of retail tariff transparency and accuracy of consumer metering and billing records for voice and data services
- Draft internal report on the costs and benefits of open access regulation of copper, fibre and wireless access networks
- Gazetted Findings document on Local Content for Broadcasting
- Gazetted final toll-free framework
- Draft recommendations report on universal service to postal services, including the roll-out of street addresses, postal infrastructure sharing and expansion of postal services submitted to ICASA Council for approval

The Division provided support under the following Strategic Outcome Oriented Goals:

SOOG 1: Promote competition

Strategic Objective 1.1: To facilitate effective competition the Markets and Competition Division will conduct market research into the necessary pro-competitive remedies for wholesale voice call termination services, the validity of industry complaints regarding access to broadcasting premium content as well as consider the Sentech costing model for broadcasting signal distribution in the digital era. The Division will also uphold the Interconnection and Facilities Leasing regulations to ensure interoperability between and across networks.

Strategic Objective 1.2: In order to ensure that South African retail prices of ICT services fairly reflect costs the Division will uphold the retail price cap regulations for the provision of basic mail services as well as continue to monitor trends in retail prices of electronic communications services.

SOOG 2: Promote the digital agenda

Strategic Objective 2.1: In order to support the measurement of achievements of Broadband Policy Inputs/Outputs the Division will initiate a Regulatory Impact Assessment on open access regulation for copper, fibre and wireless access networks.

Strategic Objective 2.2: The Division will conduct research into the future type of broadcasting local content obligations that represent the three tiers of broadcasting, so as to promote the development of public, community and commercial broadcasting services in the context of digital migration

SOOG 4: Protect Consumers

Strategic Objective 4.1: The Division intends to introduce an interconnection regime to Promote consumer rights by ensuring that all calls to 0800 numbers are free.

3.4.1 Report on the necessity for pro-competitive regulation in the provision of subscription broadcasting television services

Two factors drive the market performance of a broadcasting licensee: geographic coverage and the content available to be watched on each television channel. Free to Air licensees have claimed that it is difficult to remain viable and purchase the necessary content unless they gain access to either/or/both the adverting revenues/ content that is shown on satellite broadcasting platforms.

The Authority did not complete its goal of publishing a research report, but did establish a strong link between advertising revenue and content, warranting exploring this matter further. The Authority intends to initiate an Inquiry into broadcasting subscription services in the 2015/16 financial year.

3.4.2 Position Paper on factors that determine the cost of digital terrestrial signal transmission in South Africa

Based on national policy imperatives, Sentech is obliged to invest significant amounts into the terrestrial television broadcasting network. Although this network has the capacity to carry significantly more channels than currently broadcast, Sentech is still required to set tariffs for broadcasting that will recover all the costs of this network, to be borne by only those broadcasters that are currently in operation. The Authority has reviewed the possible network costing methodologies and will engage with Sentech in the 2015/2016 financial year.

3.4.3 Gazetted final Wholesale Voice Call Termination Regulations

The South Gauteng High Court imposed a six-month time period on the Authority to finalise wholesale call termination rates[3] , with new rates having to be in place by the 1st of October 2014. The Authority, using a LRIC+ costing methodology, imposed the following wholesale voice call termination rates:

Figure 2: Wholesale Call Termination Rates, October 2014 - September 2017[4]

	Mobile		Fixed			
	Regulated rate	Asymmetry	Regulated rate		Asymmetry	
			WON	BON	WON	BON
1 Oct 2014 – 30 Sep 2015	R 0.20	R 0.31 (55%)	R 0.12	R 0.15	R 0.18 (50%)	R 0.21 (40%)
1 Oct 2015 – 30 Sep 2016	R 0.16	R 0.24 (50%)	R 0.11	R 0.12	R 0.15 (36%)	R 0.16 (33%)
1 Oct 2016 – 30 Sep 2017	R 0.13	R0.19 (46%)	R 0.10	R 0.10	R 0.12 (20%)	R 0.12 (20%)

3.4.4 Draft internal report on the costs and benefits of open access regulation of copper, fibre and wireless access networks

The national broadband policy, SA Connect, published in 2013, makes specific reference to a wholesale wireless open access network. The Authority prepared internal documentation on the costs and benefits of open access in the 2014/15 financial year and will conduct a Regulatory Impact Assessment on open access in the 2015/16 year.

[3] South Gauteng High Court Ruling on 31 of March 2014
[4] Government Gazette No. 38042, 30 September 2014
[5] An end-user can actively "search" for the cheapest cost of a call by experimenting with promotions and bundles that are on offer, sometimes making a one hour cost as little as R 0.06 per minute.

3.4.5 Gazetted Findings document on Local Content for Broadcasting

The provision of sufficient local content on all broadcasting platforms is a critical responsibility of the Authority so as to preserve our national identity. The Authority carried out provincial consultation on possible levels of local content obligations on the three tiers of broadcasting. This consultation culminated in a Findings document that outlined stakeholder views on whether content obligations should remain the same, increase or decrease. The Authority will finalise amended Local Content regulations in the 2015/16 financial year.

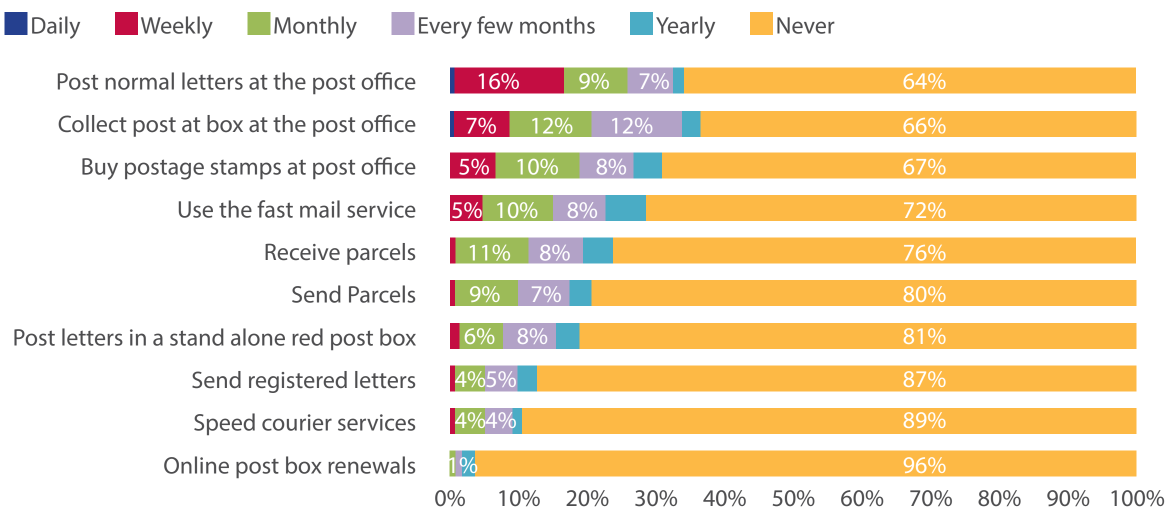
3.4.6 Gazetted final toll-free framework

A call from a mobile phone to an 0800 number is not always free. A call is free when the calling party and the receiving party are subscribed to the same network. During 2014/15 the Authority engaged with the industry and identified the need for amendments to the existing Numbering Plan Regulations. The Authority therefore plans to promulgate amended regulations in 2015/16.

3.4.7 Utilization rates of postal functions or services

The Authority initiated a review of the policy on exclusivity for the provision of basic mail services in the 2014/15 financial year. This study involved a nation-wide survey of consumers to establish their usage patterns and views regarding the future products that the SAPO could offer. The survey results illustrate the challenge that SAPO faces in providing a traditional service for which there is no consistent demand:

How often certain postal functions or services are utilised



The results of this study were used to provide input to the National ICT Policy Review.

3.4.8 Operational Activities

3.4.8.1 State of the Sector – ICT indicators

The Authority collects information for the International Telecommunications Union every year. The table below illustrates that South African subscribers use their communication devices predominantly for voice services. The SA Connect policy intends to create significant consumer demand for data/broadband services.

Figure 3: Total number of fixed and mobile subscribers in South Africa, 2014

	Fixed-telephone subscriptions	Fixed-broadband subscriptions	% ADSL to Voice	Mobile-cellular telephone subscriptions	Active mobile-broadband subscriptions	% Data to Voice
Total	4 302 606	1 706 313	40%	79 540 205	24 815 991	31%

3.4.8.2 Annual review of prices for basic postal services

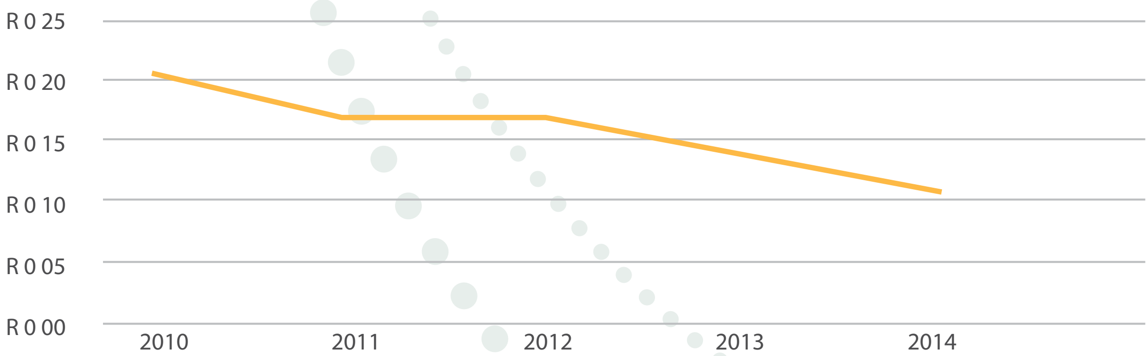
SAPO is the only entity that may carry postal goods that weigh less than one kilogram. In return for this legal exclusivity, the Authority is mandated to review the annual increase in the cost of basic mail services to ensure that SAPO operates efficiently. This year the Authority limited the annual increase in reserved postal services to only 5.2 per cent, with effect from 01 April 2015 to 31 March 2016.[6 7]

3.4.83 Electronic Communications Retail Tariffs

The Authority reviewed 165 retail tariff notifications in the year under review as part of the on-going monitoring of retail tariffs trends, this number includes 33 promotional tariff notifications. The increase in level of promotions together with the introduction of new prepaid tariff plans in the market benefited customers in terms of low tariffs and increased customer choice. The majority of these notifications were received from mobile operators (105 notifications), followed by internet service providers (56 notifications) and lastly fixed line operators (4 notifications).

Consumers have benefitted greatly from competition in the mobile data arena, with the cost per MB for a two GIG package reducing from approximately R 0.26 per MB to close to R 0.10 per MB between 2010 and 2014.

Industry average In-bundle rate/MB



[6] The Authority is engaging with the Department of Telecommunications and Postal Services on regulatory inputs to the SAPO turnaround strategy.
[7] Government Gazette No. 38449, 2 February 2015

3.4.8.4 *Management of the numbering resource*

The Authority is the custodian of the national numbering resource and allocates numbers to licensees in order for these licensees to offer retail services. The Authority allocates numbers on a first-come-first-serve basis. During the 2014/15 financial year the Authority received 330 applications.

Table 1: Type of number applications received in the 2013/14 financial year

Numbering Resource Type	Total Applications processed
Geographic numbers	127
Non-geographic numbers	181
Number Portability Routing Codes	9
Mobile Network Codes/ Service Codes	1
National and International Signaling Point Codes (NSPC)	10
Short Codes	0
Numbering Resource Transfer	2
TOTAL	**330**

Table 2: Volumes of numbers allocated per type of request, 2014/15 financial year

	Geographic	Mobile	Other Non-Geographic	NPRC	ISPC\ NSPC	MNC	Overall Total
Quarter 1	52,000	3,000,000	177	4	5	1	3,052,187
Quarter 2	16,000	0	5,612	2	0	0	21 614
Quarter 3	87,000	3,000,000	16,109	3	4	0	3,103,116
Quarter 4	27,000	0	7,218	1	0	0	34 219
Total Numbers Allocated	**182,000**	**6,000,000**	**29,116**	**10**	**9**	**1**	**6,211,136**

3.5 PROGRAMME 5: CONSUMER AFFAIRS

The role of the Consumer Affairs Programme is to protect consumers, both through the resolution of complaints as well as consumer advocacy.

In the year under review, Consumer Affairs was tasked with promoting Consumer Rights through complaints handling and resolution mechanisms, consumer advocacy programme that educate and raise awareness, highlight the rights of persons with disabilities, monitor the QoS provided by network operators and survey the Quality of Experience, and finally develop or review consumer protection regulations.

Strategic Objective 4.1. In order to protect consumer rights the Division will carry out advocacy programmes across the length and breadth of South Africa as well as respond to all complaints lodged with the Authority. In addition, the Division will initiate and review consumer protection regulations that strengthen consumer redress as well as cater for the needs of People with Disabilities.

3.5.1 Consumer Advocacy Programmes

Under Consumer Advocacy the Programme supported consumer rights by engaging and informing communities of their rights as consumers of ICT products, initiated a Review of the End-User Subscriber Charter Regulations and the Regulations on Code of Conduct for Persons with Disabilities. After substantive engagement with stakeholders, the Authority extended the planned length of time to complete the review of these two regulations and will finalise these regulations in the 2015/2016 financial year.

The Authority aims to target all communities in its consumer outreach activities, through the use of community radio stations, community hall presentations and other similar forums. Below is a breakdown of ICASA's reach across the country in the 2014/15 financial year.

PROVINCE	PRESENTATIONS	RADIO INTERVIEWS
Northern Cape	24	24
Eastern Cape	40	30
Western Cape	44	36
Free State	43	35
Gauteng	15	15
North West	26	24
Mpumalanga	32	14
Limpopo	34	27
Kwa-Zulu Natal	50	42
Total	**308**	**247**

3.5.2 Consumer Complaints Management

A core function of ICASA is to ensure that consumers are treated fairly by its licensees. ICASA has a dedicated call desk where consumers may lodge their complaints whereafter ICASA will explore all avenues to ensure that the consumer is treated fairly.

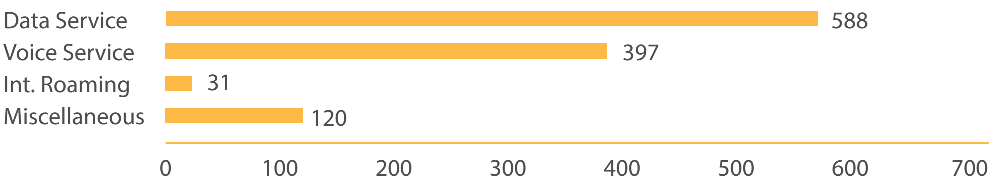
The Authority resolved 90% of all complaints lodged in the 2014/15 financial year.

Total Received	Total Escalated to Licensees[8]	Total Referred Externally[9]	Total queries resolved	Total Referred Internally[10]
4297	2039	1904	3867	354

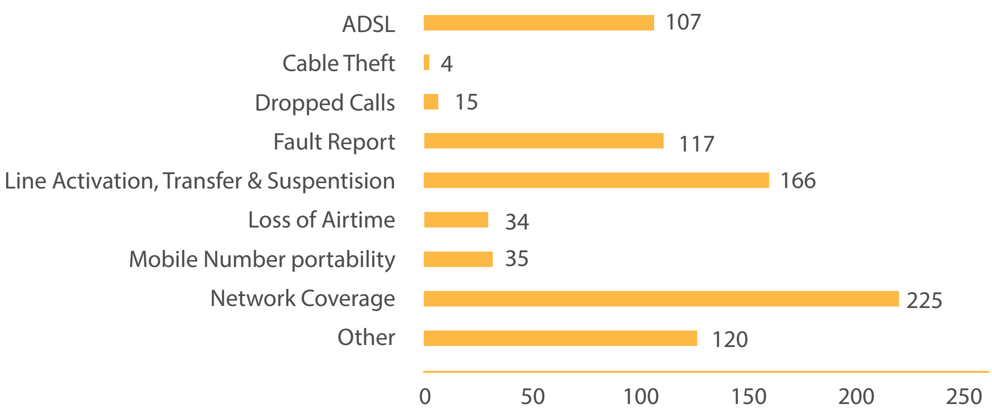
In general, consumers lodge complaints with the Authority about the accuracy and validity of certain charges they receive, followed by complaints about the quality of service received. The two graphs below provide a breakdown of the types of complaints received and resolved by the Authority during the 2014/15 period:

[8] ICASA will frequently refer a complaint directly to a licensee for resolution within 14 days.
[9] ICASA does not always have jurisdiction over a complaint. The majority of complaints referred outside ICASA are referred to the National Consumer Commission.
[10] These complaints typically relate to licence-specific terms and conditions (e.g. broadcasting content).

Categories of billing complaints received



Line Activation, Transfer & Suspentision



3.6 REGIONAL OFFICES

The mandate of the Region Operations Division is to enable unimpeded national provision of electronic communications, broadcasting and postal services. In the 2014/15 financial year, the focus was to enforce compliance with legislation and regulations to enable unimpeded communications throughout South Africa. The following outcomes were performed:

- Executed two thousand four hundred and seventeen (2417) enforcement activities on radio apparatus of operators who have not renewed radio spectrum licenses.
- Executed three hundred and twenty-five (325) investigations of operators who have not complied with licence conditions as stated in ECS and ECNS licences.
- Executed five hundred and ninety-six (596) investigations and/ or seizures of radio apparatus at high sites where technical installations do not comply with licence technical specifications.
- Resolved or mitigated eighty three percent (83%) of harmful radio frequency interferences cases reported to ICASA.

Furthermore, the Regional offices executed ICASA's mandate in terms of sections 32(1), 30(3) and (4) of the ECA in safety and security operations at national events/situations as coordinated by the National Joint Operational Centre on behalf of the Justice Crime Prevention & Security (JCPS) Cluster of Government. These events included:

- The Presidential Inauguration which took place at the Union Buildings on Saturday, 24 May 2014.
- The State of the Nation Address
- 25th International Union of Architects World Congress hosted by the Department of Public Works
- Africa Aerospace and Defence 2014
- South African citizens killed in Nigeria operations
- SKA site visit on the opening of the Meerkat project by the Minister of Science and Technology

PERFORMANCE TABLES

4. PERFORMANCE TABLES

Output Number	Key Outcome	Key Output	Performance Measure/Indicator	Target 2014/2015	Achievement	Overall Performance against Target 2014/15	Reason for Variance
	STRATEGIC OUTCOME ORIENTATED GOAL		**Promote competition**				
1.1.	**STRATEGIC OBJECTIVE Facilitate effective competition**						
1.1.1	Sustainable and competitive broadcasting sector in the digital era.	Licensing of additional free-to-air television broadcasting service on a National and Regional basis.	Additional free-to-air television broadcasting service licences to successful applicants.	Awarding of free-to-air broadcasting service licences to the successful applicants.	Not fully achieved.	Prospective applicants requested an extension which was granted on 31 March 2015. Five applications were received by 31 March 2015.	Due to a request from applicants, the closing date for submission of applications was extended from 1 December 2014 to 31 March 2015, therefore resulting in target not being achieved.
1.1.2		Gazetted final Regulations on the definition of and access to premium content.	Final report to ICASA Council on the necessity for pro-competitive regulation in the provision of subscription broadcasting television services.	Report on the necessity for pro-competitive regulation in the provision of subscription broadcasting television services.	Not Achieved.		
1.1.3	Improved levels of competition in the ICT sector.	Gazetted final Regulations specifying the costs to be charged by Sentech for Digital Signal Transmission for television services.	Position Paper on factors that determine the cost of digital terrestrial signal transmission in South Africa.	Position Paper on factors that determine the cost of digital terrestrial signal transmission in South Africa.	Not Achieved.		

Output Number	Key Outcome	Key Output	Performance Measure/Indicator	Target 2014/2015	Achievement	Overall Performance against Target 2014/15	Reason for Variance
1.1.4		Gazetted final Regulations on the Wholesale Voice Call Termination market.	Gazetted final Wholesale Voice Call Termination Regulations.	Gazetted final Wholesale Voice Call Termination Regulations.	Achieved.	The Regulations were published on 30 September 2014.	
1.2.	**STRATEGIC OBJECTIVE Ensure South African retail prices of ICT services fairly reflect costs**						
1.2.1	Affordable prices for voice and data telecommunication services. (compared to neighbouring countries when comparing telecommunications expenditure to GDP)	Position Paper on retail tariff transparency.	Position Paper on retail tariff transparency approved by ICASA Council.	Position Paper on transparency of retail tariff transparency and accuracy of consumer metering and billing records for voice and data services.	Not fully achieved.		
1.3	**STRATEGIC OBJECTIVE Ensure effective broad-based HDI/BEE participation in the sector**						
1.3.1	HDI/BBBEE ownership requirements in the ICT sector prescribed.	HDI/BBBEE Regulations for broadcasting services, Electronic Communications Service (ECS) licences and Electronic Communications Network Service (ECNS) licences.	HDI/BBBEE Regulations published in the Government Gazette.	Publish HDI/ BBBEE Regulations for broadcasting services, ECS licences and ECNS licences in the Government Gazette.	Not Achieved.	The division identified a training requirement with regards to regulatory impact assessment (RIA), which is being attended by Manager Compliance (May 2015).	The project was deferred to 2015/16.

Output Number	Key Outcome	Key Output	Performance Measure/Indicator	Target 2014/2015	Achievement	Overall Performance against Target 2014/15	Reason for Variance
	STRATEGIC OUTCOME ORIENTATED GOAL		**Promote the digital agenda**				
2.1	**STRATEGIC OBJECTIVE Facilitate universal access to broadband services at fair retail prices by 2020**						
2.1.1	All citizens to have access to affordable Broadband services by 2020.	(1) Roadmap for licensing of all of International Mobile Telephony (IMT) spectrum.	Available spectrum for Invitations to Apply (ITAs), published in Government Gazette in line with the Roadmap for IMT spectrum.	Gazetted radio frequency migration plan, with radio frequency spectrum assignment plans - in line with the approved Roadmap for all IMT spectrum.	Achieved.	The Authority published the International Mobile Telecommunications (IMT) Roadmap 2014, Government Gazette No. 38213 and the IMT Radio Frequency Spectrum Assignment Plans (RFSAP), Government Gazette 38640 on 30 March 2015, containing the rules for IMT 450, 700, 750, 800, 900, 2300, 2600 and 3500 bands. The IMT Roadmap and RFSAPs are part of the final process in the development of the Invitation to Apply (ITA) for assignment of broadband spectrum.	

Output Number	Key Outcome	Key Output	Performance Measure/Indicator	Target 2014/2015	Achievement	Overall Performance against Target 2014/15	Reason for Variance
2.1.2		(2) Radio Frequency Migration plan for bands identified for feasibility studies in terms of Radio Frequency Migration Regulations 2013.	Approved spectrum migration plans for bands identified for feasibility studies in terms of the 2013 Radio Frequency Migration Regulations.	Gazetted radio frequency migration plan, with radio frequency spectrum assignment plans for bands identified for feasibility studies in terms of radio frequency migration regulation.	Achieved.	The Authority published the International Mobile Telecommunications (IMT) Roadmap 2014, Government Gazette No. 38213 and the IMT Radio Frequency Spectrum Assignment Plans (RFSAP), Government Gazette 38640 on 30 March 2015, containing the rules for IMT 450, 700, 750, 800, 900, 2300, 2600 and 3500 bands. The IMT Roadmap and RFSAPs are part of the final process in the development of the Invitation to Apply (ITA) for assignment of broadband spectrum.	
2.1.3		One or more national spectrum licences making use of International Mobile Telephony (IMT) spectrum.	One or more spectrum licences that have been keenly taken up by investors.	Final ITA for spectrum licences gazetted and the received application for licensing of 2.6GHz and 800/700MHz spectrum analysed.	Not Achieved.	The ITA was drafted but was not tabled in Council.	The Radio Frequency Spectrum Assignment Plan (RFSAP) was issued on 30 March 2015, which led to a delay in finalising the ITA as it is dependent on the RFSAP.

Output Number	Key Outcome	Key Output	Performance Measure/Indicator	Target 2014/2015	Achievement	Overall Performance against Target 2014/15	Reason for Variance
2.1.4	Support development of broadband to reduce input costs for operators.	Draft infrastructure-sharing Regulations.	Draft infrastructure-sharing Regulations published in Government Gazette for public consultation.	Draft infrastructure sharing Regulations approved by ICASA Council and published in Government Gazette for public consultation.	Not fully achieved.	Draft infrastructure-sharing document was prepared. Additional inputs received are in the process of being incorporated.	Delays were experienced in finalising the draft document due to the extensive nature of the research to be conducted.
2.1.5		Regulatory Impact Assessment (RIA) on open access regulation for copper, fibre and wireless access networks.	Draft internal report on the costs and benefits of open access regulation.	Draft internal report on the costs and benefits of open access regulation of copper, fibre and wireless access networks.	Not Achieved.	The project was deferred to 2015/16.	Delays were experienced in obtaining the required technical specialist.
2.2	**STRATEGIC OBJECTIVE Promote the development of public, community and commercial broadcasting services in the context of digital migration**						
2.2.1	Availability of choice and diversity in broadcasting services.	Broadcasting Regulatory Framework to support the digital era.	Gazetted Findings document on the broadcasting of local content.	Gazetted Findings document on Local Content for Broadcasting.	Not fully achieved.		
	STRATEGIC OUTCOME ORIENTATED GOAL		**Promote efficient use of spectrum resources**				
3.1	**STRATEGIC OBJECTIVE Establish innovative approaches to technology usage; dynamic spectrum usage**						
3.1.1	Radio Frequency spectrum and favourable regulatory frameworks for a variety of services including broadband.	Framework for the use of 'white space' and a Position Paper on implications of cognitive radio technologies published.	Position paper on opportunistic spectrum management approved and results published in Government Gazette.	Position Paper on opportunistic spectrum management approved and results gazetted.	Not Achieved.	A draft discussion document on Dynamic and Opportunistic Spectrum was prepared.	External research took longer than anticipated.

Output Number	Key Outcome	Key Output	Performance Measure/Indicator	Target 2014/2015	Achievement	Overall Performance against Target 2014/15	Reason for Variance
	STRATEGIC OUTCOME ORIENTATED GOAL		**Protect Consumers**				
4.1	**STRATEGIC OBJECTIVE Promote consumer rights**						
4.1.1	Regulatory regime to support consumer rights.	Toll-free framework whereby consumers pay no fees for calls to 0800 numbers.	Gazetted toll-free framework.	Gazetted final toll-free framework.	Not achieved.	The project was deferred to 2015/16.	The toll-free framework was to be concluded through a consultative forum under the Numbering Plan regulations. It was not concluded for the following reasons: 1. Operators could not agree on the interconnection model for toll-free services; 2. Operators could not agree on the cost to be charged for reverse-billing of 0800 calls; and 3. Industry rejected the Authority's proposals, with the Authority now having to review and revise the existing Numbering Plan regulations in the 2015/16 financial year.

Output Number	Key Outcome	Key Output	Performance Measure/Indicator	Target 2014/2015	Achievement	Overall Performance against Target 2014/15	Reason for Variance
4.2	**STRATEGIC OBJECTIVE**		**Ensure universal service and access**				
4.2.1	Bridging the Digital Divide.	Recommendation to the Minister on a new model for access and expansion of existing postal services to all South Africans.	Draft recommendations report on universal service to postal services.	Draft recommendations report on universal service to postal services, including the rollout of street addresses, postal infrastructure sharing and expansion of postal services submitted to ICASA Council for approval.	Not Achieved.	The recommendations were drafted.	The Authority and the DoC (DTPS) were performing the research independently. Both parties were unaware of each other's efforts. Subsequently, when the Authority became aware of the DoC initiative, it withheld the publication of the discussion document and used it as an input to the National Integrated ICT Policy Paper.
4.2.2	Bridging the Digital Divide.	Publication of Universal Service and Access Regulations.	Gazetted Universal Service and Access Regulations.	Gazetted final Universal Service and Access Regulations.	Not Achieved.’	The project was deferred to 2015/16.	The project was deferred to 2015/16 due to delays in procuring the skills to perform the Regulatory Impact Assessment (RIA).

Output Number	Key Outcome	Key Output	Performance Measure/Indicator	Target 2014/2015	Achievement	Overall Performance against Target 2014/15	Reason for Variance
	STRATEGIC OUTCOME ORIENTATED GOAL		**Modernise ICASA**				
5.1	**STRATEGIC OBJECTIVE Improved operational processes and performance measurement processes**						
5.1.1	Improved efficiency and effectiveness of spectrum licensing, type approval and spectrum monitoring.	Effective and efficient spectrum management, licensing, certification and monitoring processes; (more effective and efficient than that currently used, replacing obsolete methods and systems - leading to fewer rejections of applications and less risk of errors, e.g. harmful interference).	Speed and accuracy of spectrum management, licensing and certification on new system; measure efficiency and effectiveness against the old system and determine whether licensing and certification turn-around times have been significantly reduced. Measure of ICASA's reputation has improved through the use of more modern methods of spectrum management.	Implementation of a dedicated spectrum management and spectrum licensing and type approval certification system. Interfaced to JDE financial system and staff trained in how to use the system.	Not Achieved.	The project was deferred to 2015/16.	Delays occasioned by legal challenge emanating from one of the bidders resulted in the target not being achieved.

Output Number	Key Outcome	Key Output	Performance Measure/Indicator	Target 2014/2015	Achievement	Overall Performance against Target 2014/15	Reason for Variance
5.1.2	Enable ICASA to achieve its objectives through effective partnerships and an efficient HR service delivery.	Complete review and implementation of the new organisational structure; Profiling and job evaluation of all ICASA positions.	Change management plan. Migration of employees from the old structure into the new, approved structure. Providing training to all managers on job description writing skills. Review all current job descriptions and develop new job descriptions.	Approved organisational structure and change management plan, with 100% implementation of the revised organisational structure.	Achieved.	The total costed structure was approved, all positions evaluated and all employees were migrated from the old into the new structure with the absorption acceptance rate of 100% to date.	
5.1.3	Modernise communication processes and systems.	Effective Communications Strategy of ICASA Annual Performance Plan.	Develop and implement effective media plans for all corporate and regulatory activities and projects.	Develop and implement effective media plans for ICASA Annual Performance Plan.	Not Achieved.		
5.1.4		Effective International Relations calendar for representation at International ICT engagements.	Ensure ICASA representation and submission to all relevant international forums.	ICASA represented at and submissions delivered to all relevant international forums.	Achieved.	All representations and submissions to international forums were done in accordance with the international calendar of events.	
5.1.5	Improved revenue assurance.	Clear financial requirements on all licence fees Regulations that will ensure seamless collection of revenue.	95% collection of revenue on regulatory due dates from all licensees.	Complete and accurate collection of revenue.	Achieved.	95% collection of revenue on regulatory due dates from all licensees.	

GOVERNANCE

5. GOVERNANCE

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

5.1 Portfolio Committees

The Parliament Portfolio Committee on Communications exercises its oversight role of ICASA by evaluating its performance by probing its Strategy Plan, Annual Performance Plan, Annual Financial Statements and other relevant documents which have to be tabled from time to time.

5.2 The Executive Authority

The Minister of Communications is the Executive Authority of ICASA. ICASA submitted the following documents to the Minister of Communications for approval and tabling to National Assembly:

- Strategic Plan for 2014 – 2019;
- Annual Performance Plan for 2014/15 and 2015/16
- First Quarter Performance Information Report for the period 01 April – 30 June 2014;
- Second Quarter Performance Information Report for the period 01 July – 30 September 2014;
- Third Quarter Performance Information Report for the period 01 October – 31 December 2014;
- Fourth Quarter Performance Information Report for the period 01 January – 31 March 2015; and
- The Annual Report for the year ended 31 March 2014.

5.3 The Accounting Authority

The Council of ICASA acts as the Accounting Authority and is accountable to the Executive Authority. The Council provides leadership and is responsible for monitoring the implementation of its decisions and strategies by management. The Council ensures that ICASA adheres to good governance practices and that it complies with all relevant legislation and underlying statutes.

5.4 Council Charter

As recommended in King III, the King Report on Governance for South Africa (2009), the Council endorses the principles recommended in the code. Council applies these principles where appropriate and applicable, on the condition that the King code is not in contravention with constitutional and legislative mandates. The Council has an approved Council Charter which sets out policies to guide Council, Management and staff to effectively discharge their duties. The Council Charter includes:

- The demarcation of roles, responsibilities and powers of the Chairperson, Councillors and Chief Executive Officer;
- Powers delegated to various committees of the Authority;
- Matters reserved for final decision-making by Council; and
- Roles and procedures of meetings of Council and its committees.

5.5 Composition of Council

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date terminated	Qualifications	No. of Meetings attended
Dr SS Mncube	Chairperson	01/07/2010		PhD, Adult Education – Syracuse University MSS, Administration and Social Science in Higher Education – Syracuse University MLS, Library and Information Science – Syracuse BSc, General Studies – Rochester University	31 of 35
Ms NA Batyi	Councillor	11/02/2013		Bachelor of Laws– University Fort Hare- 2000 B.Proc –University of Fort Hare 1998	31 of 31
Mr WH Currie	Councillor	01/10/2010	Term expired 30/09/2014	MA	15 of 21
Mr JM Lebooa	Councillor	01/10/2010	Term expired 30/09/2014	(MSC) Tele-communications Engineering - I.S.P.J.A.E.	15 of 21
Mr RM Mohlaloga	Councillor	01/07/2013		Senior Teacher Diploma Diploma in Communications Regulations BA MSC Public Policy and Mgt.	27 of 31

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date terminated	Qualifications	No. of Meetings attended
Ms N Ndhlovu	Councillor	01/11/2009	Term expired 30/10/2014	LLB – University of Natal; B. Juris – University of Transkei; MAP – Wits Business School	12 of 23
Ms KGS Pillay	Councillor	11/02/2013		Diploma in Marketing - UNISA MAP – Wits Business School Project Management Certificate – Damelin	29 of 31
Dr MM Socikwa	Councillor	01/04/2011	Resigned 31/01/2015	Bachelor of Arts - University of the Witwatersrand Bachelor of Arts (Honours) - University of the Witwatersrand Diploma (Applied Tele-communications Studies) - Cable & Wireless College Diploma (Applied Information Technology)) - Cable & Wireless College MA in International Communications - City University, London PhD: Tele-communications Regulations in SADC - University of Stirling	24 of 29
Mr WF Stucke	Councillor	1st January 2011	Term expired 31st October 2014	B.Sc.(Hons) Engineering, MDP	20 of 27

5.6 Council Committees

Committee	No. of meetings held	No. of members	Name of members
Audit & Risk	7	5	Sathie Gounden Anton du Toit Masaccha Mbonambi Maleho Nkomo Mpho Mosweu
Human Resources & Remuneration	6	4	Cecilee Phatudi Mochabo Moerane Hayley Morgan Takalani Musekwa
Information Technology Review	4	2	Pierre Cronje Potlaki Maine
Complaints & Compliance Committee	39 including hearings and deliberations	7	Prof. JCW van Rooyen Prof. Kasturi Moodaliyar Jacob Medupe Nomfundo Maseti Mapato Ramokgopa Jack Tlokana

Risk Management

ICASA has adopted the Public Sector Risk Management Framework published by National Treasury. ICASA identifies and manages strategic risks associated with the objectives in its strategic plan, as well as operational risks in line with its mandate. The Risk Management Framework provides guidelines to staff and management regarding the way in which risks should be managed.

The risk management process has been automated to ensure that all risks are captured and reviewed on a quarterly basis. Risk workshops are conducted with staff where risks are identified and the ICASA risk register is updated with the identified risks.

Risks are identified at the beginning of the financial year and reviewed on a quarterly basis and submitted to the ARC for input on risk mitigation and then recommended to Council for approval.

Internal Audit and Audit and Risk Committee

The Internal Audit function is based at Head Office and reports centrally, with the responsibility for reviewing and providing assurance on controls, risks and governance processes across all ICASA's operations. This is in collaboration with external assurance providers. The Chief Audit Executive is responsible for reporting the findings of the Internal Audit work against the agreed Internal Audit Plan to management and the Audit and Risk Committee (ARC).

The division planned to conduct nineteen audits for the year and managed to complete sixteen (84%) audit projects for the year. Progress on work done for the year was reported to the ARC as per mandate. The non-achievement of the audit plan was mainly due to staff shortage for the best part of the year. The revised structure was approved and the process to fill the vacant posts commenced in November 2014.

The division is in the process of preparing for an external quality assurance review which is scheduled to be performed during 2015.

The division commenced with the process of implementing a combined assurance model in addition to a continuous monitoring strategy. An issues log tracking dashboard was created to follow-up on all audit findings monthly basis including the Auditor General's management letter points from previous financial period.

Compliance with laws and regulations

ICASA introduced an automated system to assist in the management of compliance to applicable legislation, policies and procedures, standards and codes of good practice. The system enables ICASA's act owners and compliance champions in their tasks to manage compliance, assess compliance risks and to implement compliance plans.

Fraud and Corruption

ICASA has reviewed and updated its Fraud and Corruption Prevention and Whistleblowing Policies. Additionally, ICASA continues to make a dedicated Ethics line available, which is operated and monitored by an external service provider. In the event that fraud related incidents are reported, an initial investigation is conducted internally and external service providers are engaged, where necessary.

Regular fraud awareness workshops are conducted, and employees and other stakeholders are urged to report any fraud, corruption and/or unethical behavior within the organization through the ethics line.

Code of Conduct

The Code of Ethical Conduct and Disclosure of Members' Interests for Council and CEO of ICASA is intended to provide a framework of reference for the Councillors and CEO of ICASA when discharging their duties and responsibilities. The purpose of the Code is to create public trust and maintain public confidence in the integrity of ICASA and thereby engender the respect and confidence that society needs to have in an independent Regulator as a Constitutional body.

The Code established a Committee of Ethics and Disclosures to investigate, hear and adjudicate /recommend on complaints that have been lodged against a Councillor or the CEO, for breaching or contravening a provision of the Code.

Health, Safety and Environmental Issues

ICASA has a Health and Safety Committee, which is made up of OHS representatives from core and support divisions, as well as Regional Offices. The OHS representatives are responsible for monitoring and reporting on hazards and risks within the organisation. The representatives also serve as a point of contact with all ICASA staff on health and safety matters.

Facilities Management conducted an emergency evacuation drill, to create awareness and ensure that all staff are familiar with emergency alerts and what their individual roles are during an actual situation. OHS representatives were also trained addressing workplace hazards and risks, conduct safety and health representation activities, and on how to use evacuation chairs during an emergency.

One of the environmental issues addressed as part of renovations was the changing of conventional lights in all offices into motion sensor lighting. Motion sensor lighting prevents wasted electricity, which is a scarce resource in our country at the moment, and helps conserve energy resources. By saving energy, you also save the environment and minimize the detrimental effects of climate change to the public.

AUDIT AND RISK COMMITTEE REPORT FOR THE YEAR ENDED 31 March 2015

The ARC herewith presents its report for the financial year ended 31 March 2015, as required by Treasury Regulations and the Public Finance Management Act 1 of 1999 (PFMA), as amended.

Audit and Risk Committee Members and Attendance

The ARC was established in accordance with the provision of the PFMA. The Audit & Risk Committee Charter requires that the ARC comprise of a minimum of three members.

The ARC comprises of 5 members including the chairperson. During the financial year ended 31 March 2015, the ARC met on 7 occasions and the attendance is shown in the table below:

MEMBER	DATE APPOINTED	Meeting dates						
		26-May-14	29-Jul-14	25-Aug-14	11-Sep-14	23-Oct-14	28-Nov-14	23-Jan-15
Mr. Sathie Gounden	1-Jun-12	Yes	Yes	Yes	Yes	No	Yes	Yes
Prof. Anton du Toit	1-Mar-14	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Masaccha Mbonambi	1-Mar-14	Yes	Yes	Yes	No	Yes	No	Yes
Ms. Maleho Nkomo	1-Mar-14	Yes	No	Yes	No	Yes	No	No
Ms. Mpho Mosweu	1-Feb-14	Yes	Yes	Yes	No	Yes	No	Yes

Yes: member attended meeting

No: Member absent from meeting with apology

Audit and Risk Committee responsibility

The ARC reports that it has, as far as it was possible, complied with its responsibilities arising from Treasury Regulations 27.1.7 and 27.1.10(b) and (c) issued in terms of sections 38(1)(a)(ii) and 76(4)(d) of the PFMA

The ARC has adopted appropriate formal terms of reference as its charter, has regulated its affairs in compliance with its charter and has discharged all its responsibilities as contained therein.

Internal Audit

The Accounting Authority is obliged, in terms of the PFMA, to ensure that the entity has maintained an effective, efficient and transparent system of financial, risk management and internal control.

In line with the PFMA and the King Code on Corporate Governance requirements, Internal Audit is expected to provide the ARC and Management with assurance that the internal controls are appropriate and effective.

The Internal Audit Division operated for a portion of the year with a capacity that was less than optimal. A special meeting was convened by the ARC to address this concern. Subsequently, the critical vacancies were appropriately filled.

The ARC was largely satisfied that Internal Audit properly discharged its functions and responsibilities to the Authority during the year under review.

Effectiveness of Internal Control

From the reports by the Auditor-General as well as the reports from Internal Audit, it was noted that certain matters were reported indicating deficiencies in the system of internal control and deviations therefrom. Management has given assurance that effective corrective action are being implemented in respect of all internal control weaknesses and the ARC will monitor these going forward.

Governance of risk

The ARC is responsible for the oversight of the risk management function. The Risk Management Committee reports to the ARC on the Accounting Authority's management of risk. The ARC has reviewed the risk register and was not completely satisfied with the risk management process and has suggested certain improvements to be made. The ARC will monitor progress with regard to this.

The quality of management and quarterly reports submitted in terms of the PFMA

The ARC was satisfied with the content and quality of management and quarterly reports prepared and issued during the year under review. The ARC has engaged with management to remedy shortcomings especially relating to the performance reports. The ARC will monitor progress made by management on the quarterly reports.

Evaluation of the Annual Financial Statements

The ARC wishes to indicate that it performed a review on the financial statements for the year ended 31 March 2015 focusing on:

- Significant financial reporting judgments and estimates contained in the annual financial statements;
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- Quality and acceptability of, and any changes in, accounting policies and practices;
- Compliance with accounting standards and legal requirements;
- Significant adjustments and/or unadjusted differences resulting from the audit;
- Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted;
- Reasons for major year-on-year fluctuations;
- Asset valuations and revaluations;
- Calculation and levels of general and specific provisions;
- Write-offs and reserve transfers; and
- The basis for the going concern assumption.

Auditor-General's Report

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

The external audit function, performed by the Auditor-General, is independent of the entity. The ARC has met with the Auditor-General to ensure that there are no unresolved issues and acknowledges the diligence and co-operation of the Auditor-General's team.

On behalf of the Audit and Risk Committee:

Mr. S Gounden
Chairman
31 July 2015

HUMAN RESOURCE MANAGEMENT

6. HUMAN RESOURCE MANAGEMENT

The Human Resources Division is the custodian of the overall human capital management function, with the responsibility to ensure that ICASA is able to achieve its vision, mission and strategic goals through the optimum organisation of its human resources. HR creates value through the effective and efficient delivery of relevant HR solutions that meets the strategic and business needs of the authority.

Overview

The human capital management strategy articulates how it will ensure that the authority has the ability to plan for required resources, recruit the right talent in the right positions at the right time, continuously develop the talent to maintain the required levels of competence, create a conducive working environment that enable employee engagement and a high performance culture. The critical aspects of the Human Resource strategy are:

- organisation design, to ensure that the development of the execution structures are aligned to the mandate of ICASA, pertaining to the levels of reporting, content of work and competency levels;
- talent sourcing on the business priorities of the annual human resources plan to ensure adequate capacity;
- talent development, to address competency gaps, to ensure the correct depth of competence for the required outputs at all levels of the organization;
- build effective leadership capability;
- talent retention strategies, to put in place programmes of action inclusive of career paths, succession planning, reward and recognition practices to prevent loss of critical skills and ensure that there is business continuity pertaining to talent;
- to ensure sound labour relations between the authority and its employees, through clearly articulated HR policies, and
- to provide value-add and consistent HR service delivery to ICASA employees.

Mandate of the Human Resources Division

Vision & Purpose
Driving the people agenda in partnership with business
Credible, professional HR business partners that add real value through reliable, relevant and effective HR solution

Strategic Alignment	Culture & Change	Talent Management	Capability Building	Transformation

Talent Acquisition	Performance Management
Learning & Development	Reward and Recognition
Stakeholder Management	Employee Relations

HR Systems & Administration

For the financial year ending March 2015, the Human Resources Division achieved the following:

1. Organizational Re-alignment

Council approved the Authority's revised structure in October 2014, to ensure that the Authority is appropriately structured to deliver on its mandate, and a move towards a more integrated way of operating cross functionally. The following milestones were achieved towards the completion of the re-alignment project:

- 356 approved positions were re-designed and job evaluated;
- salary scales were revised to be in-line with the labour market;

- Divisional Focus Groups were held with all employees pertaining to the anticipated change;
- all employees were assessed for job match and developmental purposes;
- 298 employees were migrated from the old structure into the newly approved structure by 31 March 2015.

2. Appointment of Executives

The following executive positions were filled before the end of financial year 2014 /15:

- Chief Operations Officer
- Executive: Legal, Risk and CCC
- General Manager: Compliance and Consumer Affairs
- General Manager: Licensing
- General Manager: Regions

3. Employment Equity

The Authority remains committed to the country's transformation agenda, and in compliance with the Employment Equity Act of 1998, the Authority has implemented its first year Employment Equity Plan that was lodged with, and approved by the Department of Labour.

At the end of 2014/15 financial review, the Authority had a total of 316 employees.

The demographics of the organisation are illustrated in the table below:

POPULATION GROUP	TOTAL NUMBER OF EMPLOYEES	ACTUAL %	EAP%
African	244	77%	74.9%
Indian	11	3%	3.0%
Coloured	20	6%	10.8%
White	41	13%	11.3%
Grand Total	**316**	**100%**	**100%**

Objectives/Performance Outcomes

The Human Resources Division supports and enable the Authority to achieve its objectives in modernising ICASA, through the following identified objectives:

Complete review and implementation of the new organisational structure	Develop and implement an integrated Talent Management Framework	Ensure sound implementation of Employee Relations Practices	Develop and implement the HR Service Delivery Model
Fit for purpose developed and implemented structure Change Management	Attraction and acquisition Employee Engagement Development, Retention and Succession	Development of HR Policies and procedures Collective Bargaining Dispute Resolution	Efficient execution of HR services and offerings in business.

OVERVIEW OF HR MATTERS:

Below are the key Human Resource priorities which support the alignment of the Authority's workforce with the Government's priorities, mission, strategic plan and budgetary resources, in order to:

- Ensure that the Authority has the right people at the right time to achieve its objectives;
- Ensure an adequate supply of appropriately qualified staff;
- Provide Human Resource information to other functions within the Authority to enable informed decisions;
- Develop recruitment strategies that support the attraction of highly skilled talent;
- Develop retention strategies that are practical to the relevant policies and deliver talent;
- Ensure equal opportunities for all employees within the Authority;
- Ensure that capacity issues are adequately addressed across all levels of the organisation; and
- Address changing service delivery demands.

HR priorities and its impact

HR Priorities	Impact
Filling of critical and prioritised positions.	• Ensure that prioritised and critical positions are discussed with various business units and filled accordingly.
Skills audit	• Ensure that the Authority has competent people at the right place and at the right time.
Leadership Development Programme	• Ensure that the Authority has effective leadership that respond to the needs within the Authority as well as the dynamic ICT environment. • Ensure that there is also a leadership that drives positive culture that drives individual and organisational performance.
Training, development and empowerment of employees	• Ensure that training interventions are in line with Workplace Skills Plan and that they are implemented to develop and empower the Authority's workforce.
Performance Management	• Ensure effective implementation and monitoring of individual performance as per the performance agreements and cycle in line with the Authority's strategy.
Development of succession as well as retention strategies	• Develop and implement an integrated Talent Management framework, which will include amongst others; succession planning, reward and recognition, and career management.

HUMAN RESOURCE OVERSIGHT STATISTICS:

PERSONNEL RELATED EXPENDITURE

The following tables summarises the final audited personnel related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- amount spent on personnel; and
- amount spent on salaries and training costs.

Personnel Cost by Programme

Programme	Total Expenditure	Personnel Expenditure	Personnel expenditure. As a % of total	No. of employees	Average personnel cost per employee
Basic		170 500 860		316	539 559
Training		2 596 806		226	8 218

Personnel cost by salary band

Level	Personnel Expenditure	% of to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	2 441 670	1%	1	2 441 670
Senior Management	11 766 064	7%	9	1 307 340
Professional qualified	40 400 681	24%	47	859 589
Skilled	94 231 741	55%	189	498 581
Semi-skilled	21 660 702	13%	70	309 439
Unskilled	0	0.0%	0	0
TOTAL	**170 500 860.06**	**100.00%**	**316**	**539 560**

Performance Rewards

Level	Performance rewards paid	Personnel Expenditure	% of performance reward to total personnel cost
Top Management	At the time of printing, the performance rewards process was not yet finalized		
Senior Management			
Professional qualified			
Skilled			
Semi-skilled			
Unskilled			
TOTAL			

Training Costs

Business Unit	Personnel Expenditure (R)	Training Expenditure (R)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Average training cost per employee
Admin	8 029 834	198 189	2.47%	21	10 431
CEO Office	3 893 707	49 673	1.28%	3	16 558
Communications & Int Relations	3 514 142	21 268	0.61%	3	2 363
Compliance & Consumer Affairs	18 571 014	386 998	2.08%	32	12 094
COO Office	2 298 574	2 859	0.12%	1	1 429
Engineering & Tech	6 602 265	481 372	7.29%	28	48 137
Finance	18 440 741	307 125	1.67%	35	7 678
HR	7 467 388	139 824	1.87%	11	11 652
Internal Audit	6 861 129	76 405	1.11%	9	6 946
IT	5 243 240	103 457	1.97%	8	11 495
Legal & Risk	5 758 532	99 321	1.72%	10	11 036
Licensing	33 745 995	100 155	0.30%	4	1 590
Policy Research & Analysis	12 684 143	413 703	3.26%	20	21 774
Regions	33 742 020	134 994	0.40%	33	2 045
Secretariat	3 648 137	81 465	2.23%	8	6 789
Total	**170 500 860**	**2 596 806.33**	**1.52%**	**226**	**8 218**

Employment and vacancies

2013/2014 No. of Employees	2013/2014 Approved Posts	2014/2015 No. of Employees	2014/2015 Approved Posts	2014/2015 Vacancies	% of vacancies (Vacancy Rate)
330	394	316	329	80	24%

Employment and vacancies

Programme	2013/2014 No. of Employees	2013/2014 Vacancies	2014/2015 No. of Employees	2014/2015 Vacancies	% of vacancies
Top Management	10	1	1	0	0%
Senior Management	7	3	9	2	3%
Professional qualified	49	9	47	38	48%
Skilled	128	25	189	34	43%
Semi-skilled	136	30	70	6	8%
Unskilled	0	0	0	0	0%
TOTAL	**330**	**68**	**316**	**80**	**100%**

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	10	0	0	1
Senior Management	7	4	4	9
Professional qualified	49	9	10	47
Skilled	128	16	32	189
Semi-skilled	146	10	7	70
Unskilled	0	0	0	0
Total	**330**	**39**	**53**	**312**

Employment changes

Reason	Number	% of total no. of staff leaving
Death	1	2%
Career Growth	21	40%
Dismissal	6	11%
Retirement	5	9%
Ill health	1	2%
Expiry of contract	10	19%
Other	9	17%
Total	**53**	**100%**

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	2
Written Warning	4
Final Written warning	0
Dismissal	6

Equity Target and Employment Equity Status

Levels	Male									
	African		Coloured		Indian		White		TOTAL	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1								1	
Senior Management	2	3		1	1	1	2	1	5	6
Professional qualified	23	24	4	3	3	2	2	4	32	33
Skilled	65	66	7	4	5	3	20	10	97	83
Semi-skilled	15	24	1	3	1	2	3	3	20	32
Unskilled	0	0	0	0	0	0	0	0	0	0
TOTAL	**106**	**117**	**12**	**11**	**10**	**8**	**27**	**18**	**155**	**154**

Levels	Female									
	African		Coloured		Indian		White		TOTAL	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top Management										
Senior Management	2	2		1		1	2	1	4	5
Professional qualified	15	20		2		1		3	15	26
Skilled	76	60	5	3	1	2	10	7	92	72
Semi-skilled	45	40	3	5		4	2	4	50	53
Unskilled	0	0	0	0	0	0	0	0	0	0
TOTAL	**138**	**122**	**8**	**11**	**1**	**8**	**14**	**15**	**161**	**156**

Equity Target and Employment Equity Status

Levels	Employees with Disabilities			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	1	0	1
Skilled	0	2	0	2
Semi-skilled	1	2	1	2
Unskilled	0	0	0	0
TOTAL	**1**	**5**	**1**	**5**

COMPLAINTS AND COMPLIANCE COMMITTEE

7. COMPLAINTS AND COMPLIANCE COMMITTEE

INTRODUCTION

The Complaints and Compliance Committee ("CCC") is the independent judicial arm within ICASA.

It is at the core of independent judicial control within ICASA's sphere of operation.

It deals with:

- Complaints from members of the public and monitoring divisions at ICASA against broadcasters, mobile operators, other electronic communication operators, postal operators and the Post Office.
- Disputes between licensees and complainants.

The duties of the CCC are:

- To deal with complaints in a fair manner and arrive at results which are constitutionally justifiable.
- To be readily accessible to members of the public.
- To hand down judgments expeditiously and, where necessary, issue urgent orders via the Council of ICASA.

J. C. W. van Rooyen

Prof Kobus van Rooyen SC
Chairman

7.1 CHAIRPERSON'S REPORT

7.1.1 Introduction

The Complaints and Compliance Committee (the "CCC"/"Committee") is a creation of statute, established in terms of section 17A of the Independent Communications Authority of South Africa Act no. 13 of 2000 (the "ICASA Act"). The CCC is an independent, administrative judicial tribunal which is guided by the Constitution and the law in all the complaints and disputes placed before it for adjudication.

The Chairperson presides at the hearings and the parties appearing thereat are usually represented by counsel and attorneys in line with the provisions of section 17C of the ICASA Act. The hearings are open to the public and the media.

The mandate of the CCC is spelt out in the ICASA Act, and is as follows:

7.1.1.1 It must investigate, and hear, if appropriate and make a finding on -

- all matters referred to it by the Authority;
- complaints received by it; and
- allegations of non-compliance with the Act or underlying statutes.

7.1.1.2 The CCC may make any recommendation to the Authority necessary or incidental to -

- the performance of the functions of the Authority in terms of the ICASA Act or the underlying statutes; and
- achieving the objects of the ICASA Act and the underlying statutes.

Underlying statutes are defined in the ICASA Act as the Broadcasting Act, the Postal Services Act and the Electronic Communications Act.

7.1.2 Committee Membership And Attendance

The Committee consists of seven members. Six of the members are independent, non-executive members and the seventh member is a Councillor who is in full-time employ of ICASA. The skills, qualifications and experience of the CCC members are complementary to the execution of their duties such that they are able to steer hearings in the right direction. CCC members have qualifications and/or experience in law, economics, broadcasting, technology and commerce and this satisfies the requirements of section 17A of the ICASA Act.

The CCC held 4 quarterly meetings, there were 18 hearings and 9 deliberations (where no hearing is required) and the CCC Office and CCC Chairperson met on 8 occasions

The term of Office of CCC members is three years and the following as depicted below, are current members

Committee Member	Commencement date of Term	Expiry date of Term
Prof. JCW van Rooyen	18 December 2014	17 December 2017
Cllr Nomvuyiso Batyi	01 February 2013	31 January 2017
Prof Kasturi Moodaliyar	01 December 2014	30 November 2017
Jacob Medupe	01 December 2014	30 November 2017
Nomfundo Maseti	01 February 2014	31 January 2017
Jack Tlokana	• 01 February 2014	31 January 2017
Mapato Ramokgopa	01 February 2014	31 January 2017

7.2 REPORT ON CASES RECEIVED BY THE COMMITTEE

During the period under review the CCC adjudicated and resolved the following four (4) complaints relating to the 2014 National and Provincial General Elections:

Complainant	Political Party Concerned	Respondent	No. of Complaints
Democratic Alliance	Democratic Alliance	SABC	1
South African Police Service	Democratic Alliance	SABC	1
Economic Freedom Fighters	Economic Freedom Fighters Party	SABC	1
Inkatha Freedom Party	Inkatha Freedom Party	e.tv	1

7.2.1 Complaints before the CCC Carried Over from the 2013/2014 Financial Period

At the close of the 2013/2014 financial period the CCC was seized with One Hundred and Sixty Seven (167) complaints. Eighteen (18) were adjudicated and resolved during the period and at the time of writing this report, the Committee is inundated with One Hundred and Forty Nine (149) complaints which are tabled below:

Number of Complaints

Postal	Broadcasting	Telecommunications
6	2	141

FINANCIAL STATEMENTS

8. FINANCIAL STATEMENTS

REPORT OF THE CHIEF EXECUTIVE OFFICER

General financial review of the Authority

The Authority manages its spending quite well. Currently, 60 per cent of the current budget is for staff costs. It is expected that during the MTEF period the Authority will significantly reduce the staff costs to around 55 per cent of the budget.

Spending trends of the Authority

History of baselines – DoC grants

Total grants excluding ring-fenced funding	Amount	Yr on Yr %	Note	Total grants including ring-fenced	
DoC grant for 2007/08	(212 843 000)			(212 843 000)	
DoC grant for 2008/09	(247 272 000)	16.2%	1	(247 272 000)	*16.2%*
DoC grant for 2009/10	(269 607 000)	9.0%		(269 607 000)	*9.0%*
DoC grant for 2010/11	(290 923 000)	7.9%		(290 923 000)	*7.9%*
DoC grant 2011/12	(313 378 000)	7.7%		(313 378 000)	*7.7%*
DoC grant excluding ring-fenced funding for 2012/13	(324 797 000)	3.6%	Ring-fenced funding excluded: -81 000 000	(405 797 000)	*29.5%*
DoC grant excluding ring-fenced funding for 2013/14	(338 661 000)	5.8%	-52 000 000	(390 661 000)	*-3.7%*
DoC grant excluding for 2014/15	(361 221 000)	6.7%	-15 000 000	(376 221 000)	*-3.7%*

Notes:

1. *In 2008/09 included was postal allowance of R10 million previously allocated to ICASA but in subsequent years was stopped by DoC.*

ICASA Economic Classification Report

R 0 00	Actual	Actual	Actual	Actual	MTEF			Outer years beyond MTEF	
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Grants from DoC(excl. deferred income)	313 378	342 385	390 661	376 221	393 619	414 481	435 205	456 965	479 814
i) Compensation of employees	185 432	193 648	202 621	187 904	253 685	261 295	274 360	288 078	302 482
ii) Goods and service	117 683	123 164	110 510	123 673	141 006	164 904	172 307	163 232	171 394
iii) Normal projects	10 751	12 762	23 711	36 549	35 000	45 000	45 000	45 000	48 800
iv) Total ring-fenced projects		17 772	25 047	22 451	72 858	-	-	-	-
- Ring-fenced: Opex costs	-	4 450	2 569	-	-	-	-	-	-
- Ring-fenced: Capex costs	-	13 322	22 478	22 451	72 858	-	-	-	-
v) Total normal capital assets	9 560	1 182	4 471	1 019	5 000	5 000	5 000	5 000	862
					(b)		(c)		
Total expenditure	**323 426**	**348 529**	**366 360**	**371 596**	**507 549**	**476 200**	**509 667**	**501 310**	**523 538**
Surplus (Deficit) excluding interest received	**(10 048)**	**(6 144)**	**(24 301)**	**4 625**	**(113 390)**	**(61 719)**	**(74 462)**	**(44 345)**	**(43 724)**
add: Interest received and other income	5 165	6 237	13 038	16 559	10 000	10 500	11 000	11 500	11 900
add back: Depreciation	9 008	12 612	14 383	15 231	18 000	18 500	18 000	18 500	18 500
Total Surplus (Deficit) excluding depreciation	**4 124**	**12 705**	**51 723**	**36 415**	**(85 930)**	**(32 719)**	**(45 462)**	**(14 345)**	**(13 324)**
Cash reserves including deferred grants	**37 357**	**120 562**	**210 545**	**228 479**	**142 549**	**109 830**	**64 368**	**50 023**	**36 699**
Deferred grants(unspent funds for special projects)	**-**	**63 412**	**93 309**	**85 858**	**13 000**	**13 000**	**-**	**-**	**-**
Cash reserves excluding deferred grants	**37 357**	**57 149**	**117 235**	**142 621**	**129 549**	**96 830**	**64 368**	**50 023**	**36 699**
									(a)

Footnote

(a) ICASA start-up funds of R 36.7m is been maintained to the initial balance despite funding a shortfall by using cash reserves for both MTEF period (2015/16 to 2017/18) and outer years MTEF period (2018/19 to 2019/20).

(b) + (c) In 2015/16, the Authority is planning to spend over R 7 2m from the unspent ring-fenced projects coming from 2012/13, 2013/14 and 2014/15. Will further in 2017/18 use the remaining 13m for the relocation costs to new premises.

Stats: Expenditure as % of revenue

R 0 00	Actual	Actual	Actual	Actual		MTEF		Outer years beyond MTEF	
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
i) Compensation of employees	59.2%	56.6%	51.9%	51.9%	49.9%	64.4%	63.0%	63.0%	63.0%
ii) Goods and service	37.6%	36.0%	28.3%	28.3%	32.9%	35.8%	39.8%	35.7%	35.7%
iii) Normal projects	3.4%	3.7%	6.1%	6.1%	9.7%	8.9%	10.3%	9.8%	10.2%
iv) Total ring-fenced projects	0.0%	5.2%	6.4%	6.4%	6.0%	18.5%	7.5%	0.0%	00%
v) Capital assets	3.1%	0.3%	1.1%	1.1%	0.3%	1.3%	0.0%	0.0%	0.0%

Capacity constraints and challenges facing the Authority

The Authority, as at 31 March 2015, had 80 positions that were vacant. This had a negative impact on ensuring delivery of services. Through the current Human Resources division, the vacancy rate is expected to significantly reduce over the short term.

There are no activities that have been discontinued or are to be discontinued.

The Funding model of the Authority is being reviewed through Institutions Supporting Democracy (Chapter Nine institutions) for the retention of a portion of licence fees to ensure full delivery on the Authority's mandate.

Requests for roll over of funds

Subsequent to year-end, requests were made to the Department of Communication and National Treasury for the retention of funds including ring-fenced. This mainly relates to projects that have international service providers, which took longer than expected to procure. This includes the Automated Spectrum Management System, which the Authority is endeavouring to acquire in the next 18 months.

Supply chain management

The Supply Chain Management unit at full capacity has a staff compliment of 13, including a manager. During the period under review, the vacancy rate stood at 46 per cent. This negatively impacted in the full operational capability of the division to assist the organisation in the achievement of both strategic and operational objectives. However, the unit should be commended for ensuring SCM processes were followed in a significant number of cases.

The Authority did not have any unsolicited bid proposals during the year under review.

Despite the vacancy rates during the year, there are adequate SCM processes and systems in place. The Auditor-General South Africa did highlight areas of control weaknesses, which will be relooked at in the 2015/16 financial period to ensure the Authority achieves its objective of a clean audit in 2017/18.

The Authority faces challenges in ensuring procurement processes are planned accordingly and ensuring delivery of both strategic and operational targets. Through constant Internal Audit reviews, as well as engagements at Executive Committee level, it is envisaged that significant improvements will be witnessed going forward.

The organisation has successfully completed an organisational realignment process and already embarked on a change management programme to ensure all staff buy into the concept and move with the Authority.

The following were the audit matters reported in the 2013/14 audit report by the A-GSA.

2013/14 Finding	Corrective action
The accounting officer did not take effective steps to prevent irregular, fruitless and wasteful expenditure.	Employees found guilty of transgressing the supply chain management procedures resulting in irregular, fruitless and wasteful expenditure are being dealt with in terms of the HR policies.
The Internal Audit Function did not evaluate and develop recommendations on the effectiveness and efficiency of controls.	The Internal Audit function led by a Chief Audit Executive was fully operational in the 2014/15 financial period. The unit provided quarterly updates to the Audit and Risk Committee.
An independent investigation into SCM and payroll processes was commissioned by management.	The report was finalised for the fruitless and wasteful expenditure (Note 33) and irregular expenditure (Note 34). These particular investigations concentrated on two financial periods up to 31 March 2013. SCM will be 100% capacitated to ensure that breakdown in controls does not occur in subsequent periods.

The Authority will continue engaging the Department of Communications and National Treasury with regards to increase in the baseline to enable the Regulator to fulfill its mandate as envisaged in both the ECA and ICASA Acts.

The Authority is currently 100 per cent funded from government. The general economic outlook has a potentially negative impact in the funding of the Authority going forward.

I would like to thank the Finance team for ensuring the Authority obtained a third successive unqualified audit opinion. I would also like to thank the totality of the staff of ICASA for standing firm regardless of the challenges of organisational realignment, particularly the Human Resources division and the Secretariat. However, it is my belief that more can be done to ensure the Authority obtains a clean audit by 2017/18.

Users are drawn to Note 29 under Contingencies. The Authority's decisions are often challenged through the courts. Of note is an application brought against the Authority by a supplier claiming a breach of tender for an amount of R16 053 480. It is the Authority's view that the application has no merits.

Pakamile Pongwana
Chief Executive Officer
31 July 2015

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA (ICASA)

Report on the financial statements

Introduction

1. I have audited the financial statements of the Independent Communications Authority of South Africa (ICASA) set out on pages 98 to 163, which comprise statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. 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.

4. 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 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.

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

Opinion

6. 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 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

8. With reference to note 29 to the financial statements, ICASA is a defendant in a number of lawsuits. The ultimate outcome of these matters cannot currently be determined, and no provision for any liability that may result has been made in the financial statements.

Impairment of NRF Receivables

9. As disclosed in note 5 to the financial statements, bad debts amounting to R93 405 969 (2014: R114 715 129) were written off as a result of ICASA not being able to recover long outstanding debts from licensees due to regulatory disputes.

Unspent conditional grants

10. As disclosed in note 15 to the financial statements, ICASA has materially underspent on the conditional grant to the amount of R85 858 047 (2014: R93 309 102).

Report on other legal and regulatory requirements

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof. I have a responsibility to report findings on the reported performance information against predetermined objectives for selected strategic outcome orientated goals presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic outcome orientated goals (SOOGs) presented in the annual performance report of the constitutional institution for the year ended 31 March 2015:

• SOOG 1: Promote competition	pp. 54-55
• SOOG 2: Promote the digital agenda	pp. 56 - 58
• SOOG 3: Promote efficient use of spectrum resources	pp. 58
• SOOG 4: Protect consumers	pp. 59 - 60

13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned strategic outcome orientated goals. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. The material findings in respect of the selected strategic outcome orientated goals are as follows:

Usefulness of reported performance information

17. Adequate and reliable corroborating evidence could not be provided for the reasons provided for variances as disclosed in the annual performance report as follows:

- SOOG 1: Promote competition - 80% of variances reported could not be supported by reliable corroborating evidence to access the reliability of the reported performance information.
- SOOG 2: Promote the digital agenda - 75% of variances reported could not be supported by reliable corroborative evidence to access the reliability of the reported performance information.
- SOOG 3: Promote efficient use of spectrum resources - 100% of variances reported could not be supported by reliable corroborative evidence to access the reliability of the reported performance information.
- SOOG 4: Protect consumers - 67% of variances reported could not be supported by reliable corroborative evidence to access the reliability of the reported performance information.

The institution's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the reliability of the reasons for variances. This was due to the absence of standard operating procedures or documented system descriptions for proper record keeping purposes.

Reliability of reported performance information

18. We did not identify any material findings on the reliability of the reported performance information for all the strategic outcome orientated goals selected for audit.

Additional matters

19. I draw attention to the following matters:

Achievement of planned targets

20. Refer to the annual performance report on page(s) 54 to 62 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on reliability of the reported performance information for the selected strategic outcome orientated goals reported in paragraph 18 of this report.

Adjustment of material misstatements

21. I identified misstatements in the annual performance report submitted for auditing on the reported performance information for strategic outcome orientated goal 2 – Promote the digital agenda. As management subsequently corrected the misstatements, I did not identify any further findings on the usefulness of the reported performance information.

Compliance with legislation

22. I performed procedures to obtain evidence that the constitutional institution had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Procurement and contract management

23. Quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations.

24. Contracts and quotations were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

Expenditure management

25. The accounting officer did not take effective steps to prevent irregular and fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

Internal control

26. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

27. The accounting officer did not exercise oversight responsibilities regarding the reliability of the performance reporting and related internal controls.

28. The accounting officer did not ensure that proper oversight exists over the compliance with laws and regulations relating to the supply chain environment. This is evident in the non-compliance identified that had led to irregular expenditure.

29. The accounting officer did not ensure that sufficient number of staff members have been appointed in the SCM units.

Financial and performance management

30. The constitutional institution did not have a proper record management system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.

31. The institution did not adequately review and monitor compliance with applicable laws and regulations relating procurement and contract management.

32. The institution did not adequately review and monitor compliance with applicable laws and regulations relating to irregular, fruitless and wasteful expenditure.

Other reports

Investigations

33. The Hawks are currently investigating the charges of procurement irregularities and the suspension of the former supply chain manager.

34. An independent consulting firm performed an investigation at the request of the constitutional institution. The one investigation was initiated based on an allegation of possible irregularities in the supply chain management unit which covers the period 1 April 2011 to 31 March 2013. The investigation concluded on 15 July 2014 and resulted in disciplinary proceedings (whilst suspended) against the said employees who all later resigned from the employ of the institution. No criminal proceedings were instituted against the implicated employees who resigned.

Auditor - General

Auditor General
Pretoria
31 July 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

The reports and statements set out below comprise the annual financial statements presented to Parliament.

REPORT BY THE ACCOUNTING OFFICER

The Accounting Officer is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Authority as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledge that he is ultimately responsible for the system of internal financial controls established by the Authority and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, standards are set for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Authority and all employees are required to maintain the highest ethical standards in ensuring the Authority's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Authority is on identifying, assessing, managing and monitoring all known forms of risk across the Authority. While operating risks cannot be fully eliminated, the Authority endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Authority's cash flow forecast for the year to 31 March 2016 and, in the light of this review and the current financial position, he is satisfied that the Authority has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer is primarily responsible for the financial affairs of the Authority, he is supported by the Authority's external auditors.

The Auditor-General South Africa is responsible for auditing and reporting on the Authority's annual financial statements. The annual financial statements have been examined by the Authority's external auditors and their report is presented on page 92.

The annual financial statements set out on pages 98 to 163, which have been prepared on the going concern basis, were approved by the Accounting Officer on May 29, 2015 and were signed on its behalf by:

Pakamile Pongwana
Chief Executive Officer

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

Figures in rand	Note (s)	2015	2014
Assets			
Current assets			
Inventories	3	492 197	582 362
Receivables from exchange transactions	4	2 984 954	1 758 158
National Revenue Fund receivables	5	744 951 618	723 505 282
Prepayments	6	6 805 374	4 583 754
Cash and cash equivalents	7	574 601 886	321 594 294
		1 329 836 029	1 052 023 850
Non current assets			
Property, plant and Equipment	8	102 635 718	101 147 791
Intangible assets	9	6 699 065	7 306 997
		109 334 783	108 454 788
Total assets		**1 439 170 812**	**1 160 478 638**
Liabilities			
Current liabilities			
Finance lease obligation	**10**	-	**455 452**
Operating lease liability	11	3 708 745	2 475 088
Payables from exchange transactions	12	28 481 243	39 431 505
Payables from non exchange transactions	13	20 937	20 937
National Revenue Fund payables	14	1 091 074 705	834 555 077
Unspent conditional grants and receipts	15	85 858 047	93 309 102
Provisions	16	2 582 194	11 453 904
		1 211 725 871	981 701 065
Total liabilities		**1 211 725 871**	**981 701 065**
Net assets		**227 444 941**	**178 777 573**
Accumulated surplus		227 444 941	178 777 573

STATEMENT OF FINANCIAL PERFORMANCE

Figures in rand	Note (s)	2015	2014
Revenue			
Revenue from non-exchange transactions	17	384 389 152	361 339 067
Revenue from exchange transactions	18	16 650 249	22 617 868
Total revenue		**401 039 401**	**383 956 935**
Expenditure			
Employee-related costs	19	(190 764 921)	(204 378 172)
Depreciation and amortisation	20	(15 230 773)	(14 383 472)
Impairment loss		(317 727)	(39 703)
Finance costs	21	(41 403)	(115 225)
Repairs and maintenance	22	(6 410 454)	(5 125 106)
General expenses	23	(139 619 308)	(115 320 282)
Total expenditure		**(352 384 586)**	**(339 361 960)**
Operating surplus		**48 654 815**	**44 594 975**
Fair value adjustment to assets		12 553	-
Surplus for the year		**48 667 368**	**44 594 975**

STATEMENT OF CHANGES IN NET ASSETS

Figures in rand	Accumulated surplus	Total net assets
Balance at 1 April 2013	**134 182 598**	**134 182 598**
Changes in net assets		
Surplus for the year	44 594 975	44 594 975
Total changes	**44 594 975**	**44 594 975**
Balance at 1 April 2014	**178 777 573**	**178 777 573**
Changes in net assets		
Surplus for the year	48 667 368	48 667 368
Total changes	48 667 368	48 667 368
Balance at 31 March 2015	**227 444 941**	**227 444 941**

CASH FLOW STATEMENT

Figures in rand	Note (s)	2015	2014
Cash flows from operating activities			
Receipts			
Cash received from Department of Communications		376 221 000	390 661 000
Other receipts		793 178	768 554
Cash received by Administered Revenue		1 642 643 607	1 499 418 735
Finance income		16 558 906	12 664 491
		2 036 216 691	1 903 512 780
Payments			
Employee costs		(203 410 313)	(202 890 177)
Suppliers		(150 425 129)	(85 401 859)
Finance costs		(12 524)	(2 810)
Cash paid by Administered Revenue		(1 407 570 312)	(1 422 931 808)
		(1 761 418 278)	(1 711 226 654)
Net cash flows from operating activities	26	274 798 413	192 286 126
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(21 400 618)	(25 549 875)
Proceeds from sale of property, plant and equipment	8	341 185	48 999
Purchase of intangible assets	9	(731 389)	(315 455)
Net cash flows from investing activities		(21 790 822)	(25 816 331)
Net increase in cash and cash equivalents		253 007 591	166 469 795
Cash and cash equivalents at the beginning of the year		321 594 295	155 124 500
Cash and cash equivalents at the end of the year	7	574 601 886	321 594 295

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Reference (Note 35)

Figures in rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Other income	5 512 000	4 589 000	**10 101 000**	16 650 249	**6 549 249**
Revenue from non exchange transactions					
Transfer revenue					
Funding from Department of Communications	376 221 000	-	**376 221 000**	384 389 152	**8 168 152**
Total revenue	**381 733 000**	**4 589 000**	**386 322 000**	**401 039 401**	**14 717 401**
Expenditure					
Personnel	(232 007 000)	(3 952 000)	**(235 959 000)**	(190 764 921)	**45 194 079**
Depreciation and amortisation	(18 782 000)	3 625 000	**(15 157 000)**	(15 230 773)	**(73 773)**
Impairment loss	-	-	**-**	(317 727)	**(317 727)**
Finance costs	-	-	**-**	(41 403)	**(41 403)**
Repairs and maintenance	(4 094 388)	172 513	**(3 921 875)**	(6 410 454)	**(2 488 579)**
General expenses	(129 219 612)	(4 963 513)	**(134 183 125)**	(139 619 309)	**(5 436 184)**
Total expenditure	**(384 103 000)**	**(5 118 000)**	**(389 221 000)**	**(352 384 587)**	**36 836 413**
Operating surplus	**(2 370 000)**	**(529 000)**	**(2 899 000)**	**48 654 814**	**51 553 814**
Property, plant and equipment	(31 412 000)	(41 086 000)	(72 498 000)	(22 132 007)	**50 365 993**
Fair value adjustments to assets	-	-	-	12 553	**12 553**
	(31 412 000)	**(41 086 000)**	**(72 498 000)**	**(22 119 454)**	**50 378 546**
Surplus before taxation	**(33 782 000)**	**(41 615 000)**	**(75 397 000)**	**26 535 360**	**101 932 360**
Actual amount on comparable basis as presented in the budget and actual comparative statement	**(33 782 000)**	**(41 615 000)**	**(75 397 000)**	**26 535 360**	**101 932 360**

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the Authority will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

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. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

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

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

Impairment testing

The recoverable (service) amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The Authority reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of entity-specific variables such as existing disputes between the Authority and the licensee and long outstanding fees billed under repealed regulations, as well as economic factors such as inflation, exchange rates and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 Provisions.

Useful lives of property, plant and equipment, intangible assets and other assets

The Authority's management determines the possible impairment, changes in useful lives and changes in residual values at the end of each financial year and related depreciation charges for property, plant and equipment, intangible assets and other assets. This estimate is based on industry norm, historical information and intended use of assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the Authority.

Allowance for doubtful debts

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

Prepayments

Prepayments are recognised when the Authority has made a payment in advance in terms of the contractual obligations that result in the decrease of liabilities or increase in expense or assets in the future periods.

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the Authority; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct 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.

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

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

Major spare parts and stand-by equipment that are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment that can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Subsequent to initial measurement, property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	3-25 years
Motor vehicles	Straight line	10-19 years
Office and computer equipment	Straight line	5-24 years
Office and computer equipment under finance lease	Straight line	Depreciated over lease period
Leasehold improvements	Straight line	Depreciated over lease period
Test equipment	Straight line	5-25 years

The residual value, and the useful life and depreciation method of each asset, are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits or service potential;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; or
- The expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

Item	**Useful life**
Computer software, other	5 - 21 years

Intangible assets are derecognised:

- On disposal; or
- When no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading. A financial instrument is held for trading if:
  - It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking;
  - Non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
National Revenue Fund Administered assets	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
National Revenue Fund payables	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost

Initial recognition

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

The Authority recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The Authority measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Authority measures all other financial assets and financial liabilities initially at fair value.

The Authority first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the Authority analyses a concessionary loan into its component parts and accounts for each component separately. The Authority accounts for that part of a concessionary loan that is:

- A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- Non exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

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

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

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

Fair value measurement considerations

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

Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the Authority, significant financial difficulties of the receivable, the probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

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

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

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

Derecognition

Financial assets

The Authority derecognises financial assets using trade date accounting.

The Authority derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The Authority transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The Authority, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Authority:
  - Derecognises the asset; and
  - Recognises separately any rights and obligations created or retained in the transfer.

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

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

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Presentation

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

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

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

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

1.6 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Authority.

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

1.8 Impairment of cash generating assets

Cash generating assets are those assets held by the Authority with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash generating asset exceeds its recoverable amount, it is impaired.

The Authority assesses at each reporting date whether there is any indication that a cash generating asset may be impaired. If any such indication exists, the Authority estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Authority also tests a cash generating intangible asset with an indefinite useful life or a cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value-in-use

Value-in-use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value-in-use of an asset, the Authority estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Authority applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash generating asset is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Authority determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the Authority uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- The future cash inflows used to determine the asset's or cash generating unit's value in use; and
- The future cash outflows used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

Cash generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash generating unit is determined on a basis consistent with the way the recoverable amount of the cash generating unit is determined.

An impairment loss is recognised for a cash generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the Authority does not reduce the carrying amount of an asset below the highest of:

- Its fair value less costs to sell (if determinable);
- Its value in use (if determinable); or
- Zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash generating assets of the unit.

Where a non cash generating asset contributes to a cash generating unit, a proportion of the carrying amount of that non cash generating asset is allocated to the carrying amount of the cash generating unit prior to estimation of the recoverable amount of the cash generating unit.

Reversal of impairment loss

The Authority assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash generating asset may no longer exist or may have decreased. If any such indication exists, the Authority estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash generating asset is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash generating unit is allocated to the cash generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non cash generating asset contributing service potential to a cash generating unit.

In allocating a reversal of an impairment loss for a cash generating unit, the carrying amount of an asset is not increased above the lower of:

- Its recoverable amount (if determinable); or
- The carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 Impairment of non cash generating assets

Cash generating assets are those assets held by the Authority with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Non cash generating assets are assets other than cash generating assets.

Identification

When the carrying amount of a non cash generating asset exceeds its recoverable service amount, it is impaired.

The Authority assesses at each reporting date whether there is any indication that a non cash generating asset may be impaired. If any such indication exists, the Authority estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the Authority also tests a non cash generating intangible asset with an indefinite useful life or a non cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non cash generating assets is the present value of the non cash generating assets remaining service potential.

The present value of the remaining service potential of a non cash generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non cash generating asset is adjusted in future periods to allocate the non cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The Authority assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non cash generating asset may no longer exist or may have decreased. If any such indication exists, the Authority estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non cash generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non cash generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non cash generating asset is adjusted in future periods to allocate the non cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- Bonus, incentive and performance-related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- Non monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the Authority during a reporting period, the Authority recognises the undiscounted amount of short term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Authority recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs. The Authority measures the expected cost of accumulating compensated absences as the additional amount that the Authority expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Authority recognises the expected cost of bonus, incentive and performance-related payments when the Authority has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the Authority has no realistic alternative but to make the payments.

Post employment benefits

Post employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment.

Post employment benefit plans are formal or informal arrangements under which the Authority provides post employment benefits for one or more employees.

Post employment benefits: Defined contribution plans

Defined contribution plans are post employment benefit plans under which the Authority pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the Authority during a reporting period, the Authority recognises the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the Authority recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post employment benefits: Defined benefit plans

Defined benefit plans are post employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the Authority recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post employment benefits or other long term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the Authority recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- The present value of the defined benefit obligation at the reporting date;
- Minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- Plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The Authority measures the resulting asset at the lower of:

- The amount determined above; or
- The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The Authority determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The Authority recognises the net total of the following amounts in surplus or deficit, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement rights;
- Actuarial gains and losses, which are recognised immediately;
- Past service cost, which is recognised immediately;
- The effect of any curtailments or settlements; and
- The effect of applying the limit on a defined benefit asset (negative defined benefit liability).

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the Authority attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the Authority attributes benefit on a straight line basis from:

- The date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- The date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The Authority offsets an asset relating to one plan against a liability relating to another plan when the Authority has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post employment benefit obligations.

Post employment benefit obligations are measured on a basis that reflects:

- Estimated future salary increases;
- The benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- Estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- Those changes were enacted before the reporting date; or
- Past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Authority settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the Authority has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

A contingent liability:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.13 Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Authority has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Authority retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Authority; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Authority;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the Authority's right to receive payment has been established.

1.14 Revenue from non exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Authority, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non exchange transactions are transactions that are not exchange transactions. In a non exchange transaction, the Authority either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the Authority.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non exchange transactions, other than taxes.

Recognition

An inflow of resources from a non exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Authority satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Authority has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non exchange transaction is measured at the amount of the increase in net assets recognised by the Authority.

When, as a result of a non exchange transaction, the Authority recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the Authority recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Services in kind

Services in kind are not recognised.

1.15 Investment income

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

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate;
- Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure as defined by Section 1 of the PFMA means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

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

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) This Act; or
(b) The State Tender Board Act, 1968 (Act No 86 of 1968), or any regulations made in terms of the Act; or
(c) Any provincial legislation providing for procurement procedures in that provincial government.

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

1.20 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/04/01 to 2015/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.21 Related parties

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

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

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

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

1.22 Events after reporting date

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

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

The Authority will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Authority will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non adjusting events, where non disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.23 Taxation

The Authority is exempted from paying income tax in terms of section 10(1) (cA) of the Income Tax Act (Act No 58 of 1962).

1.24 Administered revenue on behalf of the National Revenue Fund

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 its behalf to the National Revenue Fund (NRF) within 30 days after receipt of such revenue through the Department of Communications.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Authority has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

- Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.
- Amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 1 April 2014.

The Authority has adopted the standard for the first time in the 2015 annual financial statements.

The impact of the standard is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non current assets held for sale (or disposal groups) have been deleted.

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.
- Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 1 April 2014.

The Authority has adopted the standard for the first time in the 2015 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The Authority has not applied the following standards and interpretations, which have been published and are mandatory for the Authority's accounting periods beginning on or after 1 April 2015 or later periods.

GRAP 18: Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the Authority. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the Authority's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The effective date of the standard is for years beginning on or after 1 April 2015.

The Authority expects to adopt the standard for the first time in the 2016 annual financial statements.

The adoption of this standard is not expected to impact on the results of the Authority, but may result in more disclosures than is currently provided in the financial statements.

It is unlikely that the standard will have a material impact on the Authority's annual financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions, as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 1 April 2015.

The constitutional institution expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the Authority's financial statements.

It is unlikely that the amendment will have a material impact on the Authority's annual financial statements.

GRAP 106: Transfers of functions between entities notunder common control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 1 April 2015.

The constitutional institution expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the Authority's financial statements.

It is unlikely that the amendment will have a material impact on the Authority's annual financial statements.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions, as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 1 April 2015.

The constitutional institution expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the Authority's financial statements.

It is unlikely that the amendment will have a material impact on the Authority's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- Identifying related party relationships and transactions;
- Identifying outstanding balances, including commitments, between an entity and its related parties;
- Identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- Determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related-party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - Has control or joint control over the reporting entity;
  - Has significant influence over the reporting entity; or
  - Is a member of the management of the entity or its controlling entity.

- An entity is related to the reporting entity if any of the following conditions apply:

  - The entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - Both entities are joint ventures of the same third party;
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - The entity is a post employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - The entity is controlled or jointly controlled by a person identified in (a); and
  - A person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person; and
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 1 April 2016.

The constitutional institution expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the Authority's financial statements.

It is unlikely that the standard will have a material impact on the Authority's annual financial statements.

GRAP32: Service concession arrangements: grantor

The objective of this standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The Authority expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the Authority's financial statements.

It is unlikely that the standard will have a material impact on the Authority's annual financial statements.

GRAP 108: Statutory receivables

The objective of this standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The Authority expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the Authority's financial statements.

It is unlikely that the standard will have a material impact on the Authority's annual financial statements.

IGRAP17: Service concession arrangements where a grantor controls a significant residual interest in an asset

This interpretation of the standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This interpretation of the standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements the grantor only controls the residual interest in the service concession asset at the end of the arrangement and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this interpretation of the standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The Authority expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the Authority's financial statements.

It is unlikely that the standard will have a material impact on the Authority's annual financial statements.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this directive is to permit an entity to change its measurement bases following the initial adoption of standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 1 April 2016.

The Authority expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the Authority's financial statements.

It is unlikely that the standard will have a material impact on the Authority's annual financial statements.

Figures in rand	2015 R	2014 R

3. Inventories

Consumable stores	289 239	317 478
Groceries	51 750	43 747
Stationery	146 420	219 196
Toiletries	4 788	1 941
	492 197	**582 362**
Inventories recognised as an expense during the year	738 080	751 213

4. Receivables from exchange transactions

Staff receivables	1 802 647	1 165 578
Other receivables	1 517 417	910 768
Less: Provision for impairment of receivables	(335 110)	(318 188)
	2 984 954	**1 758 158**

The abovementioned 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 staff member was initially sponsored for. The employee is expected to serve a term equivalent to the period for which sponsored. Standing advances relate to amounts advanced to employees who are not office bound and are repayable when the employee resigns.

Travel and cellphone receivables refer to amounts that the employee owes the Authority after a business trip or for excess/personal usage of the cellphone provided to the employee by the Authority. No impairment is provided for on these amounts as these amounts are recovered from employees on a regular basis. The employees sign contracts for bursaries, standing advances and cellphones that give the Authority the right to deduct outstanding amounts. For training related international travel, employees sign letters that give the Authority the right to deduct such amounts should employees decide to leave before the stipulated period of time.

Credit quality of trade and other receivables

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.

Trade receivables

The rating of gross trade and other receivables was as follows:

Medium risk	2 984 954	1 758 158
High risk	335 110	318 188
	3 320 064	**2 076 346**

Figures in rand	2015 R	2014 R

The trade and other receivables balances mainly granted to staff members and these are normally deducted from the employees. Dealings outside the Authority are normally with reputable institutions with good credit ratings. The ratings are as follows:

- Medium risk – receivables with no defaults in the past and not provisionally impaired.
- High risk – receivables (more than 90 days) provisionally impaired.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due date are not considered to be impaired. At 31 March 2015, R 429 474 (2014: R 1 131 403) was past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	102 742	34 640
2 months past due	167 621	200 143
3 months past due	159 111	896 620
	429 474	1 131 403

Trade and other receivables provisionally impaired

The amount of the provision was R 335 110 as of 31 March 2015 (2014: R 318 188).

The ageing of the allowance for provisional impairment at 31 March 2015 was as follows:

Amounts in 91 days +	335 110	318 188

Reconciliation of allowance for provisional impairment of trade and other receivables

Opening balance	318 188	793
Impairments recognised in surplus and deficit	16 922	317 395
	335 110	318 188

5. National Revenue Fund receivables

Broadcasting services	109 769 611	97 404 529
Spectrum receivables	248 320 299	343 329 573
ECS and ECNS services	618 675 729	594 473 806
Postal services	17 448 973	20 507 764
Allowance for impairment	(249 262 994)	(332 210 390)
	744 951 618	723 505 282

Figures in rand	2015 R	2014 R

Accruals for licence fees relate to the accrual for all licences that were due at the end of the reporting period but were only due for settlement after the end of the reporting period. These are based on either the actual results of the licensee, where the licensee has finalised its financial statements, in instances where actual results are not available at the end of the reporting period, and the licensee submits the expected financial results.

ECS and ECNS receivables relate to all the amounts that had been billed to but not settled by the Electronic Communications Services and the Electronic Communications Network Services licensees.

The broadcasting receivables relate to all the outstanding licence fees for broadcasting licences.

The Authority acts as an agent for National Revenue Fund, the transfers of licence fees received is paid over to the Department of Communications hence receivables are on behalf of National Revenue Fund.

The ageing of the National Revenue Fund receivables before impairment was as follows:

	2015 R	2014 R
Current	787 981 301	685 794 923
31 - 60 days	201 906	691 588
61 - 90 days	116 252	106 380
Greater than 90 days	205 915 152	369 122 781
	994 214 611	1 055 715 672

National Revenue Fund receivables impaired

As of 31 March 2015, receivables from non exchange transactions of R 249 262 994 (2014: R 332 210 390) were impaired and provided for.

Reconciliation of provision for impairment of National Revenue Fund receivables

	2015 R	2014 R
Opening balance	(332 210 390)	(394 224 259)
Increase in provision	(55 888 373)	(60 891 484)
Reversal of impairments	45 429 800	8 190 224
Bad debts written off	93 405 969	114 715 129
	(249 262 994)	**(332 210 390)**

The licences are granted to various customers with very different credit profiles. These include successful multinational corporations, big security companies, medium sized entities and very small entities. The credit profiles of these entities vary significantly and, in terms of the legislation, the Authority cannot refuse to grant any entity licences due to its credit rating. Despite the fact that no credit vetting takes place, all licensees are granted licences after they have lodged their applications with the Authority. In instances where the licensee fails to comply with its licence conditions, which include payment terms, the licensee is referred to the Complaints and Compliance Committee or has its equipment sealed.

Amounts written off during the year were previously included in the impairment provision. Council approved the write off.

Figures in rand	2015 R	2014 R

6. Prepayments

Staff training	-	37,214
Membership fees	1 653	5 419
Software licence and support	1 112 550	1 103 902
IT maintenance and infrastructure	141 381	55 966
Library subscriptions	158 450	136 895
Insurance	-	41 162
Rent	3 936 954	2 162 217
Deposits	1 454 386	1 040 979
	6 805 374	4 583 754

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	228 431 293	210 495 373
Administered Revenue cash balance	346 123 089	111 049 794
Other cash and cash equivalents (bank)	10 623	17 291
Other cash and cash equivalents (other)	36 881	31 836
	574 601 886	321 594 294

Cash and cash equivalents consist of cash on hand and balances with banks. The cash and cash equivalents balances as disclosed above did not include any restricted cash nor did the Authority have any borrowing facilities at the end of each reporting period. Included in the above balance at 31 March 2015 is an amount of R346 247 238 (2014: R111 049 794) for the Administered Revenue Section.

The funds collected by the Administered Revenue Section are transferred to the National Revenue Fund through the Department of Communications. The Authority does not have the right to withhold these funds or use them for any other purpose it may deem fit. The cash and cash equivalents are placed with high credit quality financial institutions.

The Authority had the following bank accounts

	March 2015	March 2014	March 2013	March 2015	March 2014	March 2013
Call accounts	50 330 849	40 727 819	105 096 248	50 330 849	40 727 819	105 096 248
Current accounts	524 234 156	180 065 368	45 928 981	524 234 156	180 065 368	45 928 931
Fixed deposits	-	100 769 272	4 064 918	-	100 769 272	4 064 918
Total	**574 565 005**	**321 562 459**	**155 090 147**	**574 565 005**	**321 562 459**	**155 090 097**

Figures in rand	2015 R	2014 R

8. Property plant and equipment

	2015			2014		
	Cost/ Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost/ Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Furniture and fixtures	10 973 456	(5 123 819)	5 849 637	10 969 340	(4 831 036)	6 138 304
Leasehold improvements	8 320 198	(6 182 514)	2 137 684	8 630 191	(6 185 265)	2 444 926
Motor vehicles	15 385 915	(4 959 652)	10 426 263	15 965 941	(4 382 533)	11 583 408
Office and computer equipment	43 000 226	(22 344 657)	20 655 569	45 651 418	(22 421 267)	23 230 151
Office and computer equipment under finance lease	1 543 734	(1 377 298)	166 436	1 543 734	(1 156 392)	387 342
Test equipment	91 674 214	(39 756 587)	51 917 627	95 528 192	(38 164 532)	57 363 660
Work in progress	11 482 502	-	11 482 502	-	-	-
Total	182 380 245	(79 744 527)	102 635 718	178 288 816	(77 141 025)	101 147 791

Figures in rand

Reconciliation of property, plant and equipment 2015

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Furniture and fixtures	6 138 304	305 462	(111 266)	(3 010)	(466 986)	(12 867)	5 849 637
Leasehold improvements	2 444 926	595 705	(32 843)	-	(870 104)	-	2 137 684
Motor vehicles	11 583 408	-	(332 289)	-	(824 856)	-	10 426 263
Office and computer equipment	23 230 151	3 849 230	(1 189 565)	(423 552)	(4 793 222)	(17 473)	20 655 569
Office and computer equipment under finance lease	387 342	-	-	-	(220 906)	-	166 436
Test equipment	57 363 660	5 167 719	(3 544 412)	2 598	(6 784 552)	(287 386)	51 917 627
Work in progress	-	11 482 502	-	-	-	-	11 482 502
	101 147 791	**21 400 618**	**(5 210 375)**	**(423 964)**	**(13 960 626)**	**(317 726)**	**102 635 718**

Work in progress relates to monitoring system of R8 527 872 and postal system of R2 954 629 still under construction.

Figures in rand

Reconciliation of property, plant and equipment 2014

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Furniture and fixtures	6 637 452	59 734	(15 211)	85	(541 438)	(2 318)	6 138 304
Leasehold improvements	3 380 237	-	-	-	(935 311)	-	2 444 926
Motor vehicles	10 813 027	2 466 344	(907 813)	-	(788 150)	-	11 583 408
Office and computer equipment	15 601 448	12 247 660	(954 699)	(187 202)	(3 473 981)	(3 075)	23 230 151
Office and computer equipment under finance lease	901 450	-	-	-	(514 108)	-	387 342
Test equipment	53 644 021	10 776 137	(376 237)	187 117	(6 836 025)	(31 353)	57 363 660
	90 977 635	**25 549 875**	**(2 253 960)**	**-**	**(13 089 013)**	**(36 746)**	**101 147 791**

Figures in rand	2015 R	2014 R

9. Intangible assets

	2015			2014		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	12 065 146	(7 432 577)	4 632 569	13 073 173	(7 625 873)	5 447 300
WIP	2 066 496	-	2 066 496	1 859 697	-	1 859 697
Total	**14 131 642**	**(7 432 577)**	**6 699 065**	**14 932 870**	**(7 625 873)**	**7 306 997**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Amortisation	Total
Computer software	5 447 300	524 590	(505 927)	436 752	(1 270 146)	4 632 569
WIP	1 859 697	206 799	-	-	-	2 066 496
	7 306 997	**731 389**	**(505 927)**	**436 752**	**(1 270 146)**	**6 699 065**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	6 426 300	315 455	(1 294 455)	5 447 300
WIP	1 859 697	-	-	1 859 697
	8 285 997	**315 455**	**(1 294 455)**	**7 306 997**

Figures in rand	2015 R	2014 R

10. Finance lease obligation

Minimum lease payments due		
within one year	-	484 331
	-	484 331
less: future finance charges	-	(28 879)
Present value of minimum lease payments	-	455 452
Present value of minimum lease payments due		
within one year	-	455 452

The Authority entered into a 36 month finance lease agreement with Safika for office automation for 10 Kyocera TASKalfa 250ci and 16 Kyocera TASKalfa 300i multi function printers in January 2012. The monthly installments are fixed and do not contain any escalation clauses. Interest is charged at an effective rate of 15%. The contract expired in December 2014.

11. Operating lease liability

Current liabilities	(3 708 745)	(2 475 088)

Operating lease payments are recognised as an expense on a straight line basis over the lease period.

12. Payables from exchange transactions

Trade payables	3 422 531	9 318 034
Interest payable	113 625	113 625
Structured savings	354 285	587 088
Third-party payables	512 985	3 508 105
Accrued leave pay	9 091 357	9 394 570
Accrued expenses	14 986 460	16 510 083
	28 481 243	**39 431 505**

13. Payable from non exchange transactions

Donations received from staff (prior years)	20 937	20 937

Figures in rand	2015 R	2014 R

14. National Revenue Fund payables

NRF payables	758 226 621	615 331 824
Receipts in advance and other payables	332 848 084	219 223 253
	1 091 074 705	**834 555 077**

15. Unspent conditional grants and receipts

Movement during the year

Balance at the beginning of the year	93 309 102	63 412 424
Additions during the year	15 000 000	52 000 000
Income recognition during the year	(22 451 055)	(22 103 322)
	85 858 047	**93 309 102**

Of the unspent conditional grant received in the prior year of R93 309 102 relates to ICASA's infrastructural needs, Head Office relocation that is due to take place during 2017/18, spectrum management system of R16m and Complaints and Compliance Committee to address outstanding matters. Only R22 451 055 (2014: R22 103 322) was recognised as revenue in the current year, which equalled the expenditure on these. The balance of R85 858 047 (2014: R93 309 102), which is shown as unspent conditional grant, includes additional of R15 000 000 ring-fenced funds received in the current year of which R70 858 047 remained unspent at the year end. Permission has been applied for to retain funds from National Treasury.

These amounts are invested in a ring fenced investment until utilised.

16. Provisions

Reconciliation of property, plant and equipment 2015

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Bonus provision	11 453 904	2 582 194	(3 540 645)	(7 913 259)	2 582 194

Reconciliation of property, plant and equipment 2014

	Opening Balance	Additions	Utilised during the year	Total
Bonus provision	10 185 600	11 453 904	(10 185 600)	11 453 904

Figures in rand	2015 R	2014 R

This provision relates to the provision for performance bonuses and the figure is based on the key performance criteria that have to be met in order for the cash payout to be made. The cash payout is subject to approval by the Council. The timing of the approval of the performance bonus incentives is always subject to approval by the Council. This then creates uncertainty regarding the amount of the liability to be recognised in the financial statements.

17. Revenue from non exchange transactions

Grant received from the Department of Communications current year	361 221 000	340 590 365
Unspent grants of prior year recognised	22 451 055	20 173 957
Insurance claim settlements	717 097	574 745
	384 389 152	**361 339 067**

The Authority received its funding from the Department of Communications in order to enable it to carry out its mandate as laid out in the ICASA Act.

The grant received from the Department of Communications above consists of an original allocation of R376 221 000 (2014: R390 661 000) less an unspent portion of R15 000 000 (2014: R50 070 635). This unspent portion was recognised on the statement of financial position as an unspent conditional grant, due to the fact that these funds have been ring fenced for specific projects.

18. Revenue from exchange transactions

Interest income	16 558 906	13 038 074
Other	91 343	9 579 794
	16 650 249	**22 617 868**

19. Employee related costs

Basic	167 493 088	159 723 594
Bonus	(5 299 881)	11 807 403
UIF	629 338	663 280
WCA	426 099	438 180
Leave pay	1 676 047	2 800 877
Defined contribution plans	19 212 785	18 323 449
Overtime payments	1 486 719	1 912 034
Long service awards	807 000	465 000
Temporary staff	4 330 725	7 478 642
Periodic payments*	3 000	765 713
	190 764 921	**204 378 172**

* The periodic payments relate to structured savings paid out to employees.

Figures in rand

Year ended 31 March 2015	Service as	Date of appointment	Date of resignation/ end of term	Basic	Performance bonus	Post employment benefits	Allowances	Total
Council remuneration								
Mncube SS	Chairperson	2010/07/01		1 580 909	-	-	-	1 580 909
Batyi NA	Councillor	2013/02/11		1 065 894	-	143 974	-	1 209 868
Currie WH	Councillor	2010/10/01	2014/09/30	808 132	-	-	-	808 132
Lebooa JM	Councillor	2010/10/01	2014/09/30	808 132	-	-	-	808 132
Mohlaloga MR	Councillor	2013/07/01		1 209 868	-	-	-	1 209 868
Ndlhovu N	Councillor	2010/11/02	2014/10/31	922 914	-	-	-	922 914
Pillay KGS	Councillor	2013/11/02		1 005 894	-	143 974	60 000	1 209 868
Socikwa MM	Councillor	2011/04/01	2015/01/31	855 384	-	102 839	50 000	1 008 223
Stucke WF	Councillor	2009/11/16	2014/10/31	922 914	-	-	-	922 914

Figures in rand

Year ended 31 March 2015	Service as	Date of appointment	Date of resignation/ end of term	Basic	Performance bonus	Post employment benefits	Allowances	Total
Senior management								
Dreyer K	GM: Legal and Compliance	2014/03/01	2014/08/01	463 905	-	62 735	22 500	549 140
Gidi NN	Acting GM: Licensing & Compliance (SM Licensing)	2009/08/26	2015/01/31	415 881	-	56 175	44 812	516 868
Gidi NN	GM: Licensing	2015/02/01		181 991	-	24 582	-	206 573
Grootes PB	GM: Markets and Competition	2010/10/01		971 913	19 988	128 304	46 824	1 167 029
Hove M	Acting CFO	2015/03/01		60 730	-	8 203	10 279	79 212
Mashangoane PJ	GM: Consumer Affairs	2012/07/01	2014/06/30	227 542	-	30 109	-	257 651
Mathabathe M	Corporate Secretary	2011/01/18	2014/03/17	-	-	-	-	-
Mentz L	Executive: Legal, Risk and CCC	2015/01/20		219 790	-	29 688	4 000	253 478
Mtsweni BW	GM: Human Resources	2014/01/01		1 105 502	-	147 043	-	1 252 545
Ngwepe WA	COO	2014/09/01		967 473	-	130 680	14 000	1 112 153
Nomtshongwana AZ	GM: Regions	2015/03/16		39 899	-	6 808	11 608	58 315
Pongwana PK	CEO	2013/11/01		2 155 028	-	286 642	-	2 441 670
Seeber RJ	GM: Engineering and Technology	2013/03/01		1 194 325	-	-	-	1 194 325
Simpson CE*	CFO	2012/05/01	2015/03/01	2 499 348	36 470	180 138	-	2 715 956
Sookharan AK	CAE	2014/05/01		909 089	-	125 776	33 000	1 067 865
Tsotetsi SP	GM: Licensing	2012/07/01	2014/06/30	242 651	-	-	15 000	257 651
Van der Walt E	GM: Consumer and Compliance	2015/03/01		90 996	-	12 291	2 000	105 287
				20 926 104	**56 458**	**1 619 961**	**314 023**	**22 916 546**

* A settlement agreement for R989 338 was reached with the employee concerned.

Figures in rand

Year ended 31 March 2014	Service as	Date of appointment	Date of resignation/ end of term	Basic	Performance bonus	Post employment benefits	Allowances	Total
Council remuneration								
Mncube SS	Chairperson	2010/07/01		1 495 657	-	-	-	1 495 657
Batyi NA	Councillor	2013/11/02		1 144 624	-	-	-	1 144 624
Currie WH	Councillor	2010/10/01		1 144 624	-	-	-	1 144 624
Leboa JM	Councillor	2010/10/01		1 144 624	-	-	-	1 144 624
Mohlaloga MR	Councillor	2013/07/01		798 468	-	-	60 000	858 468
Ndhlovu N	Councillor	2010/11/01		1 104 624	-	-	40 000	1 144 624
Pillay KGS	Councillor	2013/11/02		948 414	-	136 210	60 000	1 144 624
Socikwa MM	Councillor	2011/04/01	2015/01/31	967 873	-	116 752	-	1 084 625
Stucke WF	Councillor	2009/11/16		1 144 624	-	-	-	1 144 624

Figures in rand

Year ended 31 March 2014	Service as	Date of appointment	Date of resignation/ end of term	Basic	Performance bonus	Post employment benefits	Allowances	Total
Senior management								
Pongwana PK	CEO	2013/11/01		847 963	-	114 537	-	962 500
Dlamini TTC	CEO	2010/11/01	2013/10/31	952 068	-	151 188	-	1 103 256
Dreyer K	GM: Legal and Compliance	2014/03/01		108 620	-	15 280	4 500	128 400
Grootes PB	GM: Markets and Competition	2010/10/01		858 999	45 981	116 028	-	1 021 008
Jooste BG	GM: Compliance Risk and Audit	2008/11/01	2013/10/31	557 773	53 645	47 320	20 000	678 738
Mashangoane PJ	GM: Consumer Affairs	2012/07/01		858 999	45 981	116 028	-	1 021 008
Mathabathe M	Corporate Secretary	2011/01/18	2014/03/17	1 016 975	-	-	66 000	1 082 975
Mtsweni BW	GM: Human Resources	2014/01/01		219 038	-	35 254	-	254 292
Ntuli BL	GM: Administration	2008/11/01	2013/10/31	448 719	53 645	-	170 986	673 350
Seeber RJ	GM: Engineering and Technology	2013/03/01		1 129 920	-	-	-	1 129 920
Simpson CE	CFO	2012/05/01		1 346 293	76 936	181 848	-	1 605 077
Tsotetsi SP	GM: Licensing	2012/07/01		915 027	53 645	-	60 000	1 028 672
				19 153 926	**329 833**	**1 030 445**	**481 486**	**20 995 690**

Figures in rand

	2015 R	2014 R

Complaints and Compliance Committee remuneration	Service as	Date of appointment	Date of resignation/ end of term	31 March 2015	31 March 2014
Tutani JW	Chairperson	2011/09/01	2014/11/30	634 500	571 750
De Villiers IWB	Member	2009/06/01	2014/12/31	66 000	132 000
Maseti NS	Member	2014/02/01		144 250	21 000
Moalosi DD	Member	2007/03/01	2013/03/01	-	-
Moodaliyar K	Member	2011/12/01		260 000	63 000
Ndhlovu N	Member	2015/01/01	2015/03/01	21 000	-
Ntanjana N	Member	2007/03/01	2014/12/31	91 000	84 000
Ntukwana EZ	Member	2010/08/01	2013/07/31	-	35 000
Ramokgopa MO	Member	2014/02/01		177 750	21 000
Ramuedzisi MT	Member	2008/04/01	2014/12/31	137 500	28 000
Thakur S	Member	2007/03/01		70 000	49 000
Tlokana LJ	Member	2010/08/01		189 000	112 000
Van Jaarsveld SR	Chairperson *	2011/04/01		63 000	49 000
Van Rooyen JCW	Member	2010/11/01		163 500	94 000
				2 017 500	**1 259 750**

* Van Jaarsveld became the chairperson on 2014/12/01

Audit and Risk Committee remuneration	Service as	Date of appointment	Date of resignation/ end of term	31 March 2015	31 March 2014
Gounden S	Chairperson	2012/07/01		59 000	79 000
De Kock CG	Member	2012/02/01	2014/03/31	-	50 500
Dondur DLT	Member	2012/07/01	2013/04/21	-	6 000
Du Toit A	Member	2014/03/01		59 500	8 500
Mbonambi KG	Member	2014/03/01		42 500	-
Mosweu MT	Member	2014/03/01		42 500	-
Nkomo MM	Member	2014/03/01		25 500	8 500
Pillay D	Member	2012/01/01	2014/03/31	-	42 108
Theunissen RN	Member	2012/01/01	2014/03/31	-	90 500
				229 000	**285 108**

Figures in rand

	2015 R	2014 R

HR and Remuneration Committee	Service as	Date of appointment	Date of resignation/ end of term	31 March 2015	31 March 2014
Moerane EM	Chairperson	2012/03/01		45 000	-
Aucamp JM	Member	2012/03/01	2014/03/31	-	78 641
Mathibedi D	Member	2012/03/01	2014/03/31	-	30 000
Morgan H	Member	2014/04/01		45 000	55 000
Musekwa T	Member	2014/04/01		22 500	37 500
Phatudi C	Member	2012/03/01		51 000	
				163 500	**201 141**

IT Review Committee	Service as	Date of appointment	Date of resignation/ end of term	31 March 2015	31 March 2014
Cronje P	Chairperson	2013/02/01		47 000	44 000
Maine P	Member	2013/02/01		37 500	30 000
				84 500	**74 000**

Remuneration Summary of Council, Executive Management and Committees	31 March 2015	31 March 2014
Council	9 680 828	10 366 494
Chief Executive Officer	2 441 670	2 065 757
Executive Management	10 794 046	8 623 440
Committees	2 494 500	1 819 999
	25 411 044	**22 875 690**

20. Depreciation and Amortisation

Depreciation	13 960 627	13 089 017
Intangible assets	1 270 146	1 294 455
	15 230 773	**14 383 472**

21. Finance costs

Finance leases	28 879	112 415
Other interest paid	12 524	2 810
	41 403	**115 225**

Figures in rand	2015 R	2014 R

22. Repairs and maintenance

Office and computer equipment	1 300 465	2 157 850
Spectrum Management System	3 655 321	2 226 938
Monitoring equipment	654 525	227 809
Motor vehicles	800 143	512 509
	6 410 454	**5 125 106**

23. General expenses

Publicity and advertising	4 500 328	2 913 163
Audit fees (refer note 24)	4 890 758	4 049 316
Bank charges	113 639	148 976
Cleaning	1 807 052	1 546 383
Consulting and professional fees	32 768 300	18 409 969
Legal fees	8 048 739	8 558 826
Training and conferences	6 283 644	6 065 669
Publications	998 354	892 859
Insurance	1 270 728	555 537
IT expenses	9 480 890	9 266 731
Motor vehicle expenses	1 608 778	1 869 605
Recruitment costs	1 500 620	1 763 573
Security	1 718 769	1 646 948
Telephone and fax	5 307 112	5 264 521
Travel and subsistence	13 311 729	12 699 092
Equipment items expensed	35 810	43 480
Electricity	2 629 688	1 642 240
Rates and taxes	2 619 113	1 502 033
Loss on disposal of assets	5 373 926	2 207 964
Printing and stationery	987 422	958 174
Operating lease maintenance costs	1,426,231	274,956
Lease rentals on operating lease	26 705 748	27 467 128
General and administrative expenses	2 708 185	1 401 860
Other expenses	3 523 745	4 171 279
	139 619 308	**115 320 282**

Figures in rand	2015 R	2014 R

24. Audit fees

External audit	4 518 548	3 951 276
Internal audit IT audits outsourced	372 210	98 040
	4 890 758	**4 049 316**

25. Operating lease arrangements (cash flow commitments)

The operating leases entered into represent arrangements to lease office premises. The operating lease commitments comprise cash flow commitments.

The terms of the leases vary with expiry dates between end of June 2014 and October 2017. Escalation clauses range between 8 per cent and 10 per cent per annum depending on the lease agreements.

The leases do not contain a purchase option.

Outstanding commitments existed under non cancelable operating leases that fall due as follows:

Up to 1 year	23 094 449	20 855 522
2 to 5 years	36 122 963	53 140 567
	59 217 412	**73 996 089**

26. Cash generated from operations

Surplus	48 667 369	44 594 975
Adjustments for:		
Depreciation and amortisation	15 230 773	14 383 472
Fair value adjustment to assets	(12 554)	-
Finance costs finance leases	28 879	112 415
Impairment deficit	317 727	39 703
Movements in operating lease assets and accruals	1 233 657	2 338 610
Movements in provisions	(8 871 711)	1 268 304
Loss on disposal of asset	5 373 926	2 256 963
Other non cash items	(483 377)	(700 735)
Changes in working capital:		
Inventories	90 165	(51 941)
Receivables from exchange transactions	(1 226 796)	19 607
National Revenue Fund receivable	(21 446 334)	65 979 811
Prepayments	(2 221 619)	1 151 535
Payables from exchange transactions	(10 950 265)	20 489 612
National Revenue Fund payables	256 519 628	10 507 117
Unspent conditional grants and receipts	(7 451 055)	29 896 678
	274 798 413	**192 286 126**

Figures in rand	2015 R	2014 R

27. Change in estimates

Property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for property, plant and equipment. 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.

The residual values and useful lives were reviewed during the course of the financial year in line with paragraph 61 of GRAP 17, and the effect thereof was as follows:

Depreciation	Furniture and fittings	Leasehold improvement	Motor vehicles	Office and computer equipment	Office and computer equipment under finance lease	Test equipment
After changes in useful lives and residual values	466 780	870 104	824 856	4 793 229	220 906	6 784 751
Before changes in useful lives and residual values	(549 939)	(839 004)	(885 787)	(5 055 845)	(310 044)	(7 097 985)
	(83 159)	**31 100**	**(60 931)**	**(262 616)**	**(89 138)**	**(313 234)**

Depreciation	Computer software	Total
After changes in useful lives and residual values	1 270 146	1 270 146
Before changes in useful lives and residual values	(1 436 453)	(1 436 453)
	(166 307)	**(166 307)**

28. Commitments

Authorised capital expenditure		
Approved and contracted for		
Property, plant and equipment	16 361 994	12 680 707
Intangible assets	62 706	619 702
	16 424 700	**13 300 409**

Figures in rand	2015 R	2014 R
Approved but not yet contracted for		
Property, plant and equipment	336 260	17 720 405
Intangible assets	2 644 006	6 123 406
	2 980 266	**23 843 811**
Total capital commitments		
Approved and contracted for	16 424 700	13 300 409
Approved but not yet contracted for	2 980 266	23 843 811
	19 404 966	**37 144 220**

These capital commitment expenditure relates to property, plant and equipment, and intangible assets, and will be financed by government grants only.

Operating leases as lessee (expense)

Minimum lease payments due		
within one year	23 094 449	20 855 522
In second to fifth year inclusive	36 122 963	53 140 567
	59 217 412	**73 996 089**

29. Contingencies

The Authority's decisions are often challenged through the courts. The final outcome cannot be reliably determined as it is dependent on the strength of each party's case and the judiciary's findings. A contingent liability is noted for legal cases that may have unfavourable decisions.

Contingent liabilities	18 356 923	6 110 829

Major litigation items that the Authority was faced with at the end of the financial year were as follows:

An applicant is claiming a breach of tender for an amount of R16 053 480 or an amount of R5 643 000 for the delivery of software. The contingent liability is estimated at R16 053 480 for this case.

Labour-related matters

A labour matter for unfair dismissal was referred to the CCMA and may result in an estimated outflow of R1 888 443.

Five separate labour matters for unfair dismissal were referred to the CCMA that may result in an estimated outflow of R415 000. Judgement is awaited in these cases.

Figures in rand	2015 R	2014 R

Other cases (not part of contingency liabilities)

An applicant filed to review and set aside ICASA's Call Termination Regulations 2014. The estimated legal cost is R750 000.

An applicant filed an application seeking relief to review ICASA's decision to decline its application for a licence. The estimated legal cost is R200 000.

The applicants seek to have the decisions of ICASA relating to the award of commercial sound broadcasting licences that were awarded in Gauteng, KwaZulu-Natal and the Western Province reviewed and set aside. The estimated legal cost is R700 000.

A company instituted review proceedings against ICASA to set aside ICASA's decision and findings with regard to the Broadcasting Transmission Services Discussion Document. The estimated legal cost is R30 000.

An applicant filed an application to interdict and prohibit ICASA and the Complaints and Compliance Committee from implementing and giving effect to the decision of the CCC, to the extent that another service provider must be given access to the applicant's local loop. The estimated legal cost is R350 000.

An applicant issued summons against ICASA for services rendered (supply chain). The estimated legal cost is R200 000.

Two separate commissions of enquiry were instigated against ICASA and the matters are set to proceed and may result in an estimated legal cost of R400 000.

An applicant filed an application to review a decision by ICASA ordering the applicant to excise part of its political television advertisement. The estimated legal cost is R150 000.

30. Related parties

The Independent Communications Authority of South Africa is a Schedule 1 entity in terms of the Public Finance Management Act (PFMA). The related party disclosure is required in terms of GRAP 20, Related party Disclosures, issued by National Treasury.

National departments

Department of Communications

The Authority receives its budget allocation from the Department of Communications, based on the approved allocation from Parliament and therefore this is at arm's length. The Authority collects the licence fees from communication licensees and application fees on behalf of the National Revenue Fund and transfers this to the Department of Communications; this is done at arm's length.

Figures in rand	2015 R	2014 R

The following departments acquire and use the spectrum issued by the Authority at arm's length:

- Department of Environmental Affairs
- Department of Defence and Military Veterans
- Department of Water Affairs
- South African Police Service

Entities

The following government entities acquired and used the spectrum issued by the Authority and they are also licensed under the Electronic Communications Act and Postal Service Act. All the transactions and the issued licences are at arm's length:

- Telkom
- South African Post Office
- Sentech
- Transnet
- State Information Technology Agency
- South African Broadcasting Corporation
- Broadband Infraco

The Authority acquires services at arm's length from the following entities:

- Government Printing Works
- Telkom
- South African Post Office
- Sentech
- Transnet
- State Information Technology Agency
- South African Broadcasting Corporation

Refer to note 19 for all transactions between the Authority and key management personnel. No key management who owned an entity or a close family member entered into any transactions with the Authority during the period under review.

31. Risk management

Financial risk management for National Revenue Fund receivable

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

Figures in rand	2015 R	2014 R

Credit risk

Credit risk is the risk that the Administered Revenue 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's trade receivables. The licensees of Administered Revenue have to apply in terms of the relevant legislations in order to be authorised to conduct any activities.

Financial assets that potentially subject the Administered Revenue 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, financialinstitutions. Trade and other receivables are presented net of the allowance for doubtful receivables.

ICASA Administered Revenue collects the majority of its revenue from the major mobile and fixed line telecommunications companies that have an excellent reputation with regard to compliance with regulatory obligations for the payment of both the annual licence and spectrum fees.

However, the Authority does face a risk in the collection of spectrum fees owed, in part due to the diverse nature of entities able to apply and utilise available spectrum. Such licensees include government departments, major telecommunications companies, broadcasting licensees, security companies, individuals, etc.

There is no significant exposure from major corporations and government departments. However, there is risk associated with the collection of revenue owed by those spectrum licensees who are not required to hold an ECNS licence as these licensees tend to be small companies with geographically diverse locations. The resources available at the Authority represent a significant risk in its ability to collect all outstanding revenues from such licensees.

The broadcasting services and postal services licensees do not pose any significant risk regarding the collection of annual or spectrum licence fees.

Exposure to credit risk

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

At 31 March 2015	**2015**	**2014**
Receivables from exchange transactions	994 214 612	1 055 715 672
The maximum exposure to credit risk for trade receivables by type of customer was as follows:	-	-
Broadcasting services	109 769 611	97 404 529
Frequency spectrum services	248 320 299	343 329 573
ECS and ECNS services	618 675 729	594 473 806
Postal services	17 448 973	20 507 764
	994 214 612	1 055 715 672

Figures in rand		2015 R		2014 R

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	28 481 243	-	-	-
Operating leases	23 094 449	21 287 171	14 835,792	-

At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	39 431 506	-	-	-
Finance lease obligation	455 452	-	-	-
Operating leases	20 855 522	21 445 644	31 694 923	-

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.

The entity maintains a reasonable balance between the period over which assets generate funds and the period over which the respective assets are funded.

The table above analyses the authority's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk is the risk that the Authority may suffer a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations; this arises mainly from staff receivables. Financial assets that potentially subject the Authority to concentrations of credit risk consist principally of cash and cash equivalents and trade 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. Trade and other receivables are presented net of the allowance for doubtful receivables.

Trade and other receivables mainly originate from transactions that the Authority enters into with the employees. The main components of these receivables are bursary receivables, standing advance receivables, cellphone receivables and travel related receivables (other). The standing advance receivables are only payable when the employee leaves the employment of the Authority, whether through resignation, disability, death or in search of greener pastures. The bursary receivables originate when a qualifying employee of the Authority is granted a bursary to pursue studies in a particular field of study that would be useful to the Authority on completion of his/her studies. Cellphone receivables and travel related receivables relate to the day to day activities and these are recovered on a monthly basis from the employees concerned. No significant losses have ever been suffered from staff receivables. The staff receivables are owed by many employees: they are diverse and do not pose any major concentration of credit risk.

Figures in rand	2015 R	2014 R

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Receivables from exchange transactions	**2 984 654**	**1 758 158**
Cash and cash equivalents	**574 601 886**	**321 594 295**

Market risk

Interest rate risk

As the Authority has no significant interest bearing assets, the Authority's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk

The Authority operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Authority does not hedge foreign exchange fluctuations.

32. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

33. Fruitless and wasteful expenditure

Opening balance	331 721	3 858 658
Add: Fruitless and wasteful expenditure current year	137 982	2 810
Add: Fruitless and wasteful expenditure prior year (identified in the current year)	2 205 329	422 890
Less: Amounts condoned	(125 459)	(3 952 637)
	2 549 573	**331 721**

Figures in rand		2015 R	2014 R

Details of fruitless and wasteful expenditure – prior year (identified in the current year)

	Disciplinary steps taken / criminal proceedings	
Payments to service provider for work not delivered and not achieved in line with the set contract	Service provide liquidated. Charges were instigated against the responsible official.	1 117 198
Travel services payments made for no services received	Disciplinary action has been taken against the officials who were subsequently dismissed. There are current engagements with the bank to reclaim the funds	1 088 131
		2 205 329

Details of fruitless and wasteful expenditure condoned after year end but before finalisation of the financial statements

	Condoned by (condoning authority)	
Payments to employee for procedurally unfair dismissal	Council	125 459

34. Irregular expenditure

	2015	2014
Opening balance	6 833 388	4 153 874
Add: Irregular expenditure current year	8 177 118	7 023 020
Add: Irregular expenditure prior year (identified in the current year)	22 046 832	-
Less: Amounts condoned	(23 850 474)	(4 343 506)
	13 206 864	**6 833 388**

Figures in rand		2015 R	2014 R
Details of irregular expenditure – current year			
	Disciplinary steps taken/ criminal proceedings		
HR services: procurement of job grading, cost estimates and total reward strategy not done in line with SCM policies	Under investigation		424 160
Supply and support of Broadcast Monitoring System: the price of the bid was changed just before it was presented to the Council after the bids were evaluated	Under investigation		1 264 661
IT services: payments above contracted amount	Under investigation		21 157
Publication services: additional work was awarded resulting in the procurement process not in line with procurement processes	Under investigation		255 010
Legal services: procured without a contract in place	Under investigation		1 306 165
Stationery: three quotations not sourced as required by SCM policies	Under investigation		23 525
HR services: three quotations not sourced as required by SCM policies	Under investigation		30 549
Communication services: three quotations not sourced as required by SCM policies	Under investigation		8 000
Catering services: three quotations not sourced as required by SCM policies	Under investigation		25 838
Response handling: three quotations not sourced as required by SCM policies	Under investigation		95 444
Publication services: three quotations not sourced as required by SCM policies and invoice amount exceeds quotation	Under investigation		24 521
Gift cards: three quotations not sourced and no tax clearance certificate as required by SCM policies	Under investigation		87 940
Strategy planning facilitation: three quotations not sourced and no tax clearance certificate as required by SCM policies	Under investigation		162 000
HR assessment: three quotations not sourced as required by SCM policies	Under investigation		52 383
Two Bids were awarded incorrectly due to B BBEE status verification not substantiated by original or certified copies	Under investigation		3 388 219
Legal services: procured without a contract in place	Under investigation		551 789
Five service providers from quotation processes were awarded without original tax clearance certificates	Under investigation		455 757
			8 177 118

Figures in rand		2015 R	2014 R
Details of irregular expenditure prior periods			
	Disciplinary steps taken/ criminal proceedings		
Supply and support of Broadcast Monitoring System: the price of the bid was changed just before it was presented to Council after the bids were evaluated	The employees responsible resigned upon realising that the matter will be investigated. Criminal charges have been laid against the employee.		10 774 120
Sole suppliers: suppliers were appointed as sole suppliers where other known suppliers were available	Under investigation		110 430
Payment was not approved by the correct, delegated official	Under investigation		2 003 014
Payments to various suppliers without the necessary supporting quotations and tax clearance certificates	Under investigation		5 980 643
Travel services: travel services procured without following ICASA delegation of authority	Disciplinary action was taken against two officials and both the officials were dismissed. A criminal case has been instigated against the supplier and its representative.		3 178 625
			22 046 832

The irregular expenditure identified during the current year is under investigation in terms of Section 38 and 51 of the PFMA and disciplinary steps against relevant officials will be taken where it is proven the relevant officials committed the fruitless and wasteful expenditure and/or irregular expenditure as disclosed.

Figures in rand		2015 R	2014 R
Details of irregular expenditure condoned after year end but before finalisation of the financial statements			
	Condoned by (condoning authority)		
Travel services: travel services procured without following ICASA delegation of authority	Council		3 178 625
Supply and support of Broadcast Monitoring System: the price of the bid was changed just before it was presented to the Council, after the bids were evaluated	Council		12 038 781
Sole suppliers: suppliers were appointed as sole suppliers where other known suppliers were available	Council		110 430
Payment was not approved by the correct, delegated official	Council		2 003 015
Payments to various suppliers without the necessary supporting quotations and tax clearance certificates	Council		5 980 643
Caravan: procurement without following SCM processes	Council		538 980
			23 850 474

35. Budget differences

Material differences between budget and actual amounts

Revenue

The allocated normal grants and conditional grants were used in ensuring the Authority delivers on its mandate as reflected in the annual report. Other income was R6 549 249 more than budget, and this was a result of interest income received more than expected, due to longer investment periods of funds received. Funding from the Department of Communications was R8 168 152 more than budget, due to R22 451 055 realised during the year. However of the initial conditional grant of R15 000 000 relating to ICASA's infrastructural needs, there was no spending relating to the allocated funds. There has been spending relating to deferred grants from 2013/14 (R93 309 102) to the amount of R22 451 055 which was for postal monitoring equipment, the regions high-site towers for spectrum monitoring and broadcasting equipment, the amount is realized accordingly during 2014/15.

Personnel

The Authority undertook a realignment exercise that resulted in not filling some vacant positions, as a result, savings of R45 194 079 were derived during 2014/15. However, it is anticipated that the newly created positions are to be filled during 2015/16.

Repairs and maintenance

Refurbishment of older technical assets has resulted in overspending R2 488 579.

Figures in rand	2015 R	2014 R

General expenses

Savings on printing and stationery, travel costs, conferences and venue bookings have contributed positively to the underspending of R5 436 184.

Property, plant and equipment, and intangible assets

The Authority committed R19 404 966 towards capital acquisitions and the remaining underspending was due to procurement processes not finalised before year-end.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to page 102 in the annual report. The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to page 102 in the annual report.

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

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