Annual Financial Statements

ICASA Annual Report 2006

Statement of Responsibility

For the year ended 31 March 2006

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

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

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the entity's policies and procedures.

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

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) and incorporate responsible disclosure in line with the accounting philosophy of the entity. The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The annual financial statements for year ended 31 March 2006, set out on pages 67 to 92, have been approved by the Council and are signed on its behalf by:

Bruce Jooste
Acting Chief Executive Officer
31 July 2006

Report of the Audit Committee For the year ended 31 March 2006

Introduction

The Audit Committee has pleasure in presenting to Parliament its report for the financial year ended 31 March, 2006 as required by the Treasury Regulations issued in terms of the Public Finance Management Act, 1999 (Act No.1 of 1999) as amended (PFMA).

Audit Committee Members and Attendance

In accordance with its charter, the Audit Committee has met five times since its 2005 report (dated: 29 July 2005). The membership and attendance at those meetings was as follows;

Meetings	Meetings attended
Graham Rosenthal (Chairperson)	5
Ismail Mamoojee (External Member)	5
Lily Zondo (External Member – resigned 23/11/2005)	-
Jacqueline Huntley (External Member – resigned 03/02/2006)	1
Paris Mashile (Chairperson of ICASA)	3
Nadia Bulbulia (Councillor of ICASA – resigned 21/11/2005)	1
Jackie Manche (CEO of ICASA –suspended 22/11/2005)	-
Zolisa Masiza (Councillor of ICASA – appointed 21/11/2005)	1
Eric Nhlapo (Acting CEO – resigned 30/06/2006)	3
Bruce Jooste (Acting CEO – appointed 01/07/2006)	1
Rene Kenosi (External Member – appointed 28/07/2006)	1

Audit Committee Responsibility

The Audit Committee has:

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

The Effectiveness of Internal Control

In its 2005 report the Audit Committee noted the need for improvement in internal controls as well as compliance with prescribed policies and procedures and regulations. Aggravated by the absence on suspension and vacancies in key permanent senior management positions for extended periods of time, the necessary action to achieve these improvements has not been given attention. As a result internal controls and compliance with prescribed policies and procedures have weakened.

The above is evidenced by the qualification and emphasis of matters paragraphs in the Auditor-General's report on the annual financial statements, the issues identified in internal audit reports and the management letter of the Auditor-General. Many of the matters so raised were repeats of those identified in 2005. The focus of attention of the internal auditors has deviated from their plan as a result of their requirement to undertake many ad-hoc investigations caused by, inter-alia, internal control weaknesses.

The above matters have frustrated the workings of the Audit Committee in being able to monitor the effectiveness of internal controls and the entire risk management process. There is an urgent need for all permanent senior management positions to be filled and internal controls to be strengthened, with compliance with policies and procedures being monitored and implemented by those incumbents.

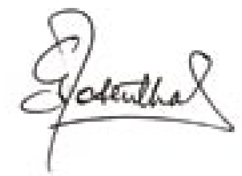
Evaluation of the Financial Statements

The Audit Committee has reviewed:

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

A number of significant adjustments resulting from the audit have been given effect in the annual financial statements. The Audit Committee is satisfied that the annual financial statements comply in all material respects with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended.

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



Graham Rosenthal
Chairperson
Audit Committee
31 July 2006.

Report of the Auditor-General For the year ended 31 March 2006

1. Audit Assignment

The financial statements as set out on pages 67 to 92 for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 16(1)(b)(iii) of the Independent Communications Authority of South Africa Act, 2000 (Act No. 13 of 2000). These financial statements are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. Scope

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

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

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

3. Basis of Accounting

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

4. Qualification

4.1 Deficit from operations and roll-over funds

In terms of section 38 of the PFMA, the accounting officer is required to manage available working capital effectively and economically, however the following was identified:

4.1.1 A deficit from operations of R33 876 809 for the 2005-06 financial year, and a net deficit of R5 883 078 was reported.

4.1.2 Deferred grants amounting to R16 733 579 were released into income in the current year. This was not in compliancewith Treasury Regulation 6.4.1 and IAS20 as R10 171 427 of the funds earmarked for capital projects were utilised to defray operating expenditure. The roll-over of unspent funds could only be authorised by National Treasury to finalise projects or asset acquisitions still in progress.

4.2 Supply Chain Management

Due to irregularities identified in the procurement and tender processes which were contrary to section 76(4)(c) of the PFMA and Treasury Regulation 16A, it was not possible to determine whether goods and services were procured in a fair, transparent, competitive and cost effective manner. The following weaknesses were identified:

(a) The bid specifications were not always approved by the Bid Committee.

(b) A contract was awarded to a company on a monthly basis even though documentation obtained during the tender process clearly indicated that the company was not fully accredited to render the required services.
(c) Contracts subject to the bid process were not always awarded timeously.
(d) A contract of R4 million was awarded without a proper audit trail to support the decision. Furthermore, the contract was not signed and the service level agreement was not entered into with the service provider. Subsequently, the contract was cancelled due to poor service delivery by the service provider after a total cost of R1.2 million was incurred.
(e) Another contract of R500 000 was awarded contrary to the Bid Committee's recommendation. The actual amount spent was R312147.
(f) The Bid Committee did not always document the evaluation process in recommending awarding of contracts.
(g) The required quotations to procure goods and services were not always obtained.

4.3 Control environment

The following issues contributed to a weak control environment:

4.3.1 The CEO was suspended in November 2005 with full pay. To date the case was not finalised. An acting CEO was appointed on 24 November 2005 but resigned on 30 June 2006. A second acting CEO was appointed on 1 July 2006.

The CFO had resigned on 14 November 2005. From November 2005 to year-end two contracted acting CFO's were appointed. To date, the position was not permanently filled.

The senior manager positions of IT and Human Resources were vacant during the year.

Consultants were utilised extensively to make up for the high vacancy rate.

4.3.2 Due to a lack of adequate training of staff on the general ledger system, numerous journals were passed to correct errors.

4.3.3 Internal audit performed many *ad hoc* investigations during the year which suggested further weaknesses in the control environment, as well as irregularities.

5. Qualified Audit Opinion

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 4, the financial statements present fairly, in all material respects, the financial position of the Independent Communications Authority of South Africa at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting determined by the National Treasury of South Africa as described in Note 1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended (PFMA).

6. Emphasis of Matter

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

6.1 Non-compliance with laws and regulations

6.1.1 Ac
the annual financial statements.

6.1.2 An insurance premium amounting to R973 927 (2004-05: R821 957) was paid by ICASA in the year under review contrary to Treasury Regulation 12.1.2, which allows for a maximum of R250 000. Exemption was applied for but not yet approved.

6.2 Human resource management

6.2.1 The performance evaluation system was not implemented properly to measure individual performance against predetermined objectives. This resulted in performance bonuses totaling R2.4 million paid to all staff members in equal proportions.

6.2.2 The budget for employee costs was exceeded mainly due to long-service awards of R2 093 000 paid in comparison to the budget of R39 000, and leave payouts of R1 991 691 million not budgeted for.

6.2.3 Numerous weaknesses were identified in the human resource department including lack of reconciliations and accurate payslips.

6.3 Insurance of assets

While management has started the process to determine the replacement cost of all significant fixed assets, so as to ensure that these assets are insured at the correct value, it appeared that ICASA might be over-insured.

ICASA was insured for R200 747 086 relating to fixed assets, whilst the net book value of fixed assets disclosed in the financial statements was R14 735 607. The assets disclosed in the renewal review of the insurance policy did not agree to the fixed assets register.

6.4 Asset management

Regular reconciliations between the fixed asset register (FAR) and the general ledger were not performed since October 2005, except at year end. As a result the following was found:
(a) A difference of R117 423 existed between the FAR and the general ledger.
(b) Some assets in the fixed asset register had no cost but were depreciated. Consequently these assets had negative carrying amounts of R114 508 at year-end.
(c) Some assets were not recorded on the fixed asset register.
(d) Certain assets disposed of during the year were not removed from the FAR.

6.5 General controls surrounding the information technology environment

Most of the prior year audit recommendations pertaining to change control, password and logical access controls on the operating system and user account management were not yet implemented.

6.6 Administered revenue

6.6.1 ICASA was responsible for the administration and collection of fees on behalf of the National Revenue Fund (NRF). Although in terms of the accounting policy only cash received was disclosed, accountability and disclosure would be enhanced if separate administered revenue annual financial statements were presented. Refer to the accounting officer's report relating to a settlement of a dispute between ICASA and a licencee.

6.6.2 The Frequency Spectrum licence accounting system was not integrated into the general ledger accounting system. This gave rise to problems with the completeness of collection and accounting of revenue.

6.6.3
could not be ascertained due to incomplete records transferred from Independent Broadcasting Authority (IBA) and South African Telecommunications Regulatory Authority (SATRA). A reconciliation on the bank balance was not performed to obtain an explanation as to what this amount related to. The only reconciliation performed during the year was on the movement in the account.

6.6.4 Approved policies and procedures for administered revenue did not exist.

6.7 Performance information

ICASA did not submit performance information in time to the auditors for review. This resulted in non-compliance with section 20(2)(c) of the Public Audit Act, 2004 (Act No. 25 of 2004).

7. Appreciation

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

MMA Masemola for Auditor-General
Johannesburg
31 July 2006

AUDITOR - GENERAL

Report of the Accounting Officer *For the year ended 31 March 2006*

Report by the Accounting Officer to Parliament

I hereby present to Parliament the Independent Communications Authority of South Africa's (ICASA) sixth annual report. The report covers the period 1 April 2005 to 31 March 2006. As required by section 16(1)(b)(i) of the ICASA Act, 2000, the Authority has prepared a detailed annual report of the activities during the year.

Background

ICASA is the regulator of telecommunications and the broadcasting sectors. It was established in July 2000 in terms of the Independent Communications Authority of South Africa Act No.13 of 2000, as amended.

ICASA's key functions are to:

- make regulations and policies that govern the broadcasting and telecommunications industry;
- issue licences to providers of telecommunication and broadcasting services;
- monitor the environment and enforce compliance with rules, regulations and policies;
- hear and decide on disputes and complaints brought by industry or members of the public against licensees; and
- plan, control and manage the Frequency Spectrum and protect consumers from unfair business practices, poor quality services and harmful or inferior products.

During the year under review the Chief Executive Officer, Ms Jackie Manche, was suspended with full pay on 22 November 2005 and the formal disciplinary process is still ongoing. The General Manager - Broadcasting, Mr Eric Nhlapo, was appointed as Acting Chief Executive Officer with effect from 24 November 2005. Mr Nhlapo resigned effective 30 June 2006 and Mr Bruce Jooste was appointed as Acting Chief Executive Officer with effect from 1 July 2006.

The Chief Financial Officer, Ms Bridget Mohlala, resigned on 14 November 2005. Ms Lauren Fullerton was appointed as acting CFO on a five month contract basis effective 27 March 2006. The recruitment process to fill this vacancy is ongoing.

For the year under review three Councillors, Ms Nadia Bulbulia, Ms Mamodupi Mohlala and Mr Lumko Mtimde's term of office ended on 30 June 2006. In accordance with relevant legislation two Councillors namely, Ms Bulbulia and Ms Mohlala agreed to extend their term of office by 45 days to 14 August 2006. Five new Councillors have yet to be appointed in terms of the ICASA Amendment Act, which came into effect on 19 July 2006.

Applicable legislation

ICASA derives its mandate from various statutes. The Electronic Communications Act (Act No. 36 of 2005) and the Independent Communications Authority of South Africa Amendment Act (Act No. 3 of 2006) came into effect on 19 July 2006. The Independent Broadcasting Act of 1993, and the Telecommunications Authority Act of 1996 have been repealed with effect from this date.

General review of the state of financial affairs

The Authority has prepared annual financial statements in accordance with South African Statements of Generally Recognised Accounting Practice and in the manner required by the Public Finance Management Act (Act No. 1 of 1999) as amended.

The Authority's revenue comprises government grants appropriated by Parliament and interest income earned on cash balances. Government grants received amounted to R144,5 million (2005 - R141,6 million) in the year under review.

Due to various amendments to the VAT Act, notice was given that the Authority's VAT registration would be cancelled with effect from 1 April 2005. Therefore, transactions from this date and future activities and resulting transactions will be accounted for inclusive of VAT for inputs. Government grants received are therefore no longer subject to VAT.

During the previous financial year National Treasury issued a Circular whereby the Authority was granted permission to retain interest e[illegible].

In terms of section 15(3) of the Independent Communications Authority Act (Act no. 13 of 2000), the Authority is required to collect licence fees on behalf of the National Revenue Fund. The Authority collected R1 486 million (2005 – R1 256 million) of which an amount of R43,3 million (2005 – R27,0 million) represents amounts due to the National Revenue Fund at year end.

The financial position and results of operations are fully dealt with in the annual financial statements on pages 67 to 92. The annual financial statements have been prepared on the going concern basis. However, the Statement of Financial Position indicates that the total liabilities of the Authority exceed the total assets by R16,2 million (2005 – R10,3 million). This situation has arisen as a result of the restatement of comparative information to take account of the change in accounting treatment of operating leases to comply with South African Generally Accepted Accounting Practice (SA GAAP). Refer to note 17 for more detailed information. Excluding the impact of these adjustments the total assets exceed the total liabilities.

Councillors’ and Executive Management’s remuneration

Details of Councillors’ and Executive Management’s remuneration are set out in note 24 to the annual financial statements.

Events after the reporting date

Subsequent to 31 March 2006, Council agreed to a R2,4 million across the board payment in lieu of an annual performance bonus. Full provision has been made for this as per note 21 in the financial statements.

A dispute reported in previous years regarding licence fees due by a licensee has been resolved as a result of a Broadcasting and Complaints Committee (BMCC) ruling. The net effect of the ruling is that the licensee has overpaid an amount of R7,8 million, based on an independent expert‘s opinion. The final amount of the claim is the subject of ongoing negotiation.

It should be noted that the annual financial statements were submitted to the Auditor-General for audit on 31st May 2006, in accordance with the requirements of the Public Finance Management Act. However, due to events subsequent to the reporting date and audit adjustments requested by the Auditor-General, the financial statements have been adjusted accordingly and signed by the Accounting Officer on 31 July 2006.

Business address

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Pinmill Farm
164 Katherine Street
Sandton

Postal address:
Private Bag X10002
Sandton
2146

Bruce Jooste
Acting Chief Executive Officer
31 July 2006

Statement of Financial Performance *For the year ended 31 March 2006*

	Notes	31 March 2006 R	Restated 31 March 2005 R
Revenue			
Transfers and subsidies received			
Total subsidies appropriated	2	144 489 000	141 586 833
Surplus on disposal of fixed assets		239 748	50 886
Total Revenue		144 728 748	141 637 719
Expenditure		(178 605 557)	(153 262 356)
Administrative expenses	3	23 232 865	14 931 457
Staff costs	4	88 540 792	76 741 518
Audit fees	5	944 807	1 430 151
Project expenses		5 218 605	6 495 879
Other operating expenses	6	54 540 475	48 567 409
Depreciation	20	6 068 509	4 919 832
Finance costs	7	59 504	176 110
Deficit from Operations		(33 876 809)	(11 624 637)
Interest received	8	11 260 152	14 486 995
(Deficit)/ Surplus after Income from Investments		(22 616 657)	2 862 358
Amounts transferred from/(to) government grants deferred income		16 733 579	(12 953 093)
- long term projects	9	-	10 123 241
- capital expenditure	9	16 733 579	(23 076 334)
Deficit for the Year		(5 883 078)	(10 090 735)

Statement of Financial Position at 31 March 2006

	Notes	31 March 2006 R	Restated 31 March 2005 R
Assets			
Non-current assets			
Property, plant and equipment	20	14 735 607	15 121 190
Current assets		101 796 331	107 760 583
Trade and other receivables	11	4 001 719	4 433 012
Prepayments and advances	12	346 819	1 854 787
Cash and cash equivalents	13	54 117 736	74 450 945
National Revenue Fund – administered assets	22	43 330 057	27 021 839
		116 531 938	122 881 773
Liabilities			
Current liabilities		73 843 551	60 562 769
Trade and other payables	14	17 154 598	20 817 803
Current portion of lease commitments	15	3 145 886	1 082 987
Provisions	21	10 213 010	11 640 140
National Revenue Fund creditor	22	43 330 057	27 021 839
Non-current liabilities		58 859 474	72 607 013
Deferred income - government grants	16	39 587 611	50 321 190
Non-current portion of lease commitments	15	19 271 863	22 285 823
		132 703 025	133 169 782
Accumulated Reserves		(16 171 087)	(10 288 009)
Start-up fund	17	33 731 342	33 731 342
Accumulated deficit	17	(49 902 429)	(44 019 351)
		116 531 938	122 881 773

Statement of Changes in Net Assets *For the year ended 31 March 2006*

	Notes	Accumulated deficit R	Start up Fund R	Total R
Balance at 31 March 2004 – as previously reported		(24 451 434)	33 731 342	9 279 908
Operating lease restatement	17	(15 995 836)	-	(15 995 836)
Balance at 31 March 2004 – as restated		(40 447 270)	33 731 342	(6 715 928)
Deficit for the year – as restated		(10 090 735)	-	(10 090 735)
Surplus for the year as previously reported		1 934 163	-	1 934 163
Fundamental error – provision for VAT penalty reversed in error	17	(4 651 924)	-	(4 651 924)
Operating lease restatement	17	(7 372 974)	-	(7 372 974)
		(50 538 005)	33 731 342	(16 806 663)
Prior year adjustments	17	6 518 654	-	6 518 654
Balance at 31 March 2005 – as restated		**(44 019 351)**	**33 731 342**	**(10 288 009)**
Deficit for the year		**(5 883 078)**	-	**(5 883 078)**
Balance at 31 March 2006		**(49 902 429)**	**33 731 342**	**(16 171 087)**

Cash Flow Statement

For the year ended 31 March 2006

	Notes	31 March 2006 R	Restated 31 March 2005 R
Cash Flows from Operating Activities			
Cash received from subsidies		150 489 000	128 633 740
Cash paid to employees and suppliers		(176 579 679)	(116 173 803)
Cash (utilised in)/ generated from operations	23	(26 090 679)	12 459 937
Interest received		11 260 152	14 486 995
Interest paid		(59 504)	(176 110)
Net cash (outflows)/ inflows from operating activities		(14 890 031)	26 770 822
Cash Flows from Investing Activities		(5 443 178)	(5 586 158)
Acquisition of property, plant and equipment	20	(5 682 926)	(5 692 605)
Proceeds on disposal of property, plant and equipment		239 748	106 447
Net (decrease) /increase in cash and cash equivalents		(20 333 209)	21 184 664
Cash and cash equivalents at the beginning of the year		74 450 945	53 266 281
Cash and cash equivalents at the end of the year	13	54 117 736	74 450 945

1. Accounting policies

Basis of preparation

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

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

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

Terminology differences:

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

The annual financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are stated at fair value or amortised cost.

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

The annual financial statements have been prepared on a going concern basis. It is noted that the total liabilities exceed the total assets by R16 171 087 (2005: R10 288 009). The impact of compliance with IAS17 (AC105) Accounting for Leases has contributed R22,4 million to this position. Refer to notes 15 and 17 for more detailed information.

1.1 Government grants/subsidies

The Authority is financed from money appropriated by Parliament. Government grants to cover operating expenses are recognised when it is probable that future economic benefits will flow to the Authority and these benefits can be measured reliably. The grant is recognised to the extent that there are no further obligations arising from the receipt of the grant.

Government grants relating to specific long-term projects are deferred, where appropriate, to recognise them as revenue in the same period as the relevant expense, so as to match them with costs for which they are granted.

Government grants relating to the purchase of property, plant and equipment are included in current liabilities as deferred income and are recognised as revenue over the periods and in the proportions in which depreciation on the property, plant and equipment is charged.

1.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Costs include all costs directly attributable to bring the assets to working condition for their intended use. Depreciation is calculated on historical cost using the straight-line method over the estimated useful lives of the assets. The estimated asset residual values and useful lives are reviewed and are adjusted, if appropriate, at reporting date. This equates to the following rates per annum:

Office equipment	20%
Computer equipment	33.33%
Monitoring equipment	20%
Furniture and fittings	16.70%
Motor vehicles	20%
Test equipment	20%
PABX	20%
Computer software	50%
Other equipment	20%
Leasehold improvements	over the period of the lease

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

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

Repairs and maintenance are generally expensed during the financial period in which they are incurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Authority. Major renovations are depreciated over the remaining useful life of the related asset.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

1.3 Impairment of assets

At each reporting date, the Authority reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as revenue immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

1.4 Revenue recognition

Interest received

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

1.5 Taxation

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

1.6 Cash and cash equivalents

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

1.7 Leases

Rentals payable under operating leases are amortised on a straight line basis. In the previous financial years the rentals payable were charged to revenue as and when incurred. In order to comply with IAS17 (AC105) the prior year rentals have been restated. Refer to notes 15 and 17 for additional detail in this regard.

1.8 Provisions

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

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

1.9 Retirement benefits

The Authority operates defined contribution plans, the assets of which are generally held in trustee-administered funds. Pension benefits are provided for employees by means of separate pension funds to which contributions are made by employees and the Authority. The Authority's contributions to defined contribution benefit plans are charged to the statement of financial performance in the year to which they relate.

1.10 Start-up fund

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

1.11 Irregular and fruitless and wasteful expenditure

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

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

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

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

1.12 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Authority becomes a party to the contractual provisions of the instrument.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

The Authority's principle financial assets are accounts receivable, deposits and cash and cash equivalents.

Trade receivables

Trade a

Financial liabilities

The Authority's principle financial liabilities are accounts payable, accruals and provisions.
All financial liabilities are measured at amortised cost, comprising original debt less principle payments and amortisations.

Trade payables

Trade and other payables are stated at their nominal value.

1.13 National Revenue Fund (NRF)

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

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

Accordingly, the licence fees received and banked are accounted for on a cash receipts basis and the balance of licence fees received not yet paid across to the NRF are separately disclosed as administered assets under current assets in the statement of financial position. The corresponding obligation to pay these funds across to the NRF is reflected as a creditor under current liabilities in the statement of financial position.

1.14 Restatement of comparative figures

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

	Notes	31 March 2006 R	Restated 31 March 2005 R

2. Transfers and subsidies received

Subsidies received		150 489 000	186 927 833
Original allocation from Department of Communication (DoC) Budget vote		144 489 000	140 947 000
Additional funds received from DoC		6 000 000	639 833
Funds received from DoC for VAT		-	45 341 000
Funding for Postal Regulator rolled over – transferred to Government grants – deferred income (refer note 16)		(6 000 000)	-
VAT funding reflected as a liability		-	(45 341 000)
		144 489 000	141 586 833

3. Administrative expenses

General and administrative expenses		1 052 663	1 215 438
Travel and subsistence		7 350 606	2 265 924
Regional service levy		286 996	174 644
Restructuring costs		-	(310 765)
Net foreign exchange deficits		86 517	5 755
Insurance		973 927	821 957
Printing and stationery		1 183 470	1 302 661
Publications		1 028 590	631 255
Publicity and advertising		3 291 042	2 025 502
Recruitment costs		631 551	747 974
Telephone, postage and fax		4 623 124	3 763 035
Training and conferences		2 724 379	2 288 077
		23 232 865	14 931 457

	Notes	31 March 2006 R	Restated 31 March 2005 R

4. Staff costs

	Notes	31 March 2006 R	Restated 31 March 2005 R
Councillors' and Executive Management's remuneration	24	7 303 952	7 408 664
Salaries and wages		74 777 648	62 953 503
- Basic salaries		49 999 053	37 479 622
- Performance awards		3 574 742	4 657 304
- Periodic payments		1 596 846	2 233 562
- Other non-pensionable allowances		6 225 369	8 405 149
- Temporary staff		799 028	-
- Leave payments		2 532 935	3 415 545
- Overtime pay		531 030	382 970
- Severance packages		2 172 009	-
- Defined pension contribution plan expense		7 346 636	6 379 351
Social contributions - (Employer's contribution)		4 403 192	5 868 333
- Medical aid		3 972 010	3 687 764
- UIF		363 632	299 096
- Official unions and associations		67 550	-
- Other salary related costs		-	1 881 473
Other long-term employee benefits including long service leave, surplus sharing and deferred compensation		2 056 000	511 018
		88 540 792	76 741 518
Number of employees*		316	297
- Includes temporary employees			

5. Audit fees

		31 March 2006 R	Restated 31 March 2005 R
Current year			
- external audit (a)		672 197	455 636
- internal audit (b)		272 610	974 515
		944 807	1 430 151

(a) External audit fees are paid to the Auditor General.
(b) Whilst ICASA has its own internal audit department, a portion of the internal audit work is outsourced to third party suppliers.

*Number of employees as at 31 March (Monthly average number of employees was disclosed in the previous Annual Report).

	Notes	31 March 2006 R	Restated 31 March 2005 R

6. Other operating expenses

Consultants, contractors and special services		7 994 390	3 505 637
Equipment items expensed		493 647	-
Legal fees		5 337 526	4 102 059
Maintenance, repairs and running costs			
- Property and buildings		2 679 184	3 125 714
- Machinery and equipment		57 091	16 945
- Motor vehicle		1 391 405	972 188
- Other maintenance and repairs		49 490	103 926
Penalties	10	757 000	400 846
Information technology		3 934 480	5 214 343
Regulatory bodies and related expenditure		1 146 345	466 195
Bank charges		379 591	290 544
Rental in respect of operating leases			
- Buildings		23 469 432	18 590 026
- Equipment		6 557 938	3 230 313
Operating lease adjustment – (straight line)	17(b)	(951 060)	7 372 974
Other		1 244 016	1 175 699
		54 540 475	48 567 409

7. Finance costs

Interest paid		59 504	176 110

8. Interest received

Bank deposits		11 260 152	14 486 995

	Notes	31 March 2006 R	Restated 31 March 2005 R

9. Amounts transferred from / (to) government grants deferred income

Roll over funds approved	-	(35 200 000)
Roll over funds utilised		
- capital expenditure	5 682 926	12 840 789
- fixed assets expensed	493 647	-
- operating expenditure	10 171 427	-
	16 348 000	(22 359 211)
Grants utilised/(deferred) over useful lives of assets	385 579	(717 123)
	16 733 579	(23 076 334)
Long term projects - utilised	-	10 123 241

10. Fruitless, Wasteful and Irregular Expenditure

Included in expenditure per the statement of Financial Performance is the following:

10.1 Fruitless and wasteful expenditure

Cash stolen from sale of leased assets	(a)	118 034	-
Labour dispute settlement	(b)	2 172 009	-
		2 290 043	-

10.2 Potential fruitless and wasteful expenditure

Onerous contract for office equipment maintenance	(c)	431 946	-
Recruitment fees	(d)	246 999	-
Event management fees	(e)	176 251	-
Interest costs	(f)	59 504	176 110
Penalty on late PAYE payments	(g)	757 000	343 000
Other penalties		-	57 846
		1 671 700	576 956

	Notes	31 March 2006 R	Restated 31 March 2005 R
10.3 Potential irregular expenditure			
Insurance	(h)	723 927	571 957
Security costs	(i)	556 239	-
Printing costs	(j)	312 147	-
Consulting fees	(k)	1 200 000	-
		2 792 313	571 957

Notes

(a) Leased assets were sold to staff for cash, on behalf of the lessor. Portion of the proceeds of this sale were stolen.

(b) A final settlement of a labour dispute dating back to the former Independent Broadcasting Authority resulted in a severance package paid to a former employee.

(c) A contract for maintenance of office equipment was cancelled due to its onerous nature. This is the subject of ongoing internal investigation and potential litigation.

(d) Recruitment fees were paid for positions not filled.

(e) Certain services were charged for by a company for event management services that were not rendered.

(f) Interest costs incurred on late payment to suppliers.

(g) PAYE payments are due on the 7th of the ensuing month. Certain payments were made after that date. Provision for penalties has been made. Negotiations with SARS are ongoing.

(h) Insurance premiums incurred exceed the allowable amount of R250 000 as stipulated in the Treasury Regulations. Application for exemption from this regulation has been made to National Treasury.

(i) A month to month contract has been awarded to a security company without formal confirmation that the company has been accredited to provide security services to a public sector organisation.

(j) Inconsistencies with the bid award process for these costs incurred were identified.

(k) A contract for professional services for organisation realignment was cancelled due to non-performance by the consultants. This was a settlement paid to the consultants for work already performed.

11. Trade and other Receivables

Accounts receivable	587 891	263 137
Staff receivables	614 497	350 295
Less: Impairment of staff receivables	(26 606)	(87 158)
VAT – due from SARS	1 917 747	1 917 747
Interest receivable	1 421 025	2 170 338
Other receivables	75 056	81 790
	4 001 719	4 433 012

	Notes	31 March 2006 R	Restated 31 March 2005 R

12. Prepayments and advances

	Notes	31 March 2006 R	Restated 31 March 2005 R
Prepayments		346 819	1 854 787

13. Cash and cash equivalents

	Notes	31 March 2006 R	Restated 31 March 2005 R
Cash and balances with banks			
- current accounts		46 682 258	67 056 567
- short term deposit		7 387 626	7 387 626
Petty cash		47 852	6 752
		54 117 736	74 450 945

14. Trade and other payables

	Notes	31 March 2006 R	Restated 31 March 2005 R
Trade creditors		8 463 136	13 834 821
Accruals		6 254 983	4 546 503
Amount due to the Department of Communication relating to VAT funding		2 436 479	2 436 479
		17 154 598	20 817 803

15. Lease commitments

	Notes	31 March 2006 R	Restated 31 March 2005 R
Current portion of lease commitment		3 145 886	1 082 987
Non-current portion of lease commitment		19 271 863	22 285 823
Total lease commitments – to be released over the period of the lease		22 417 749	23 368 810

16. Government Grants - Deferred Income

	Capital Expenditure R
31 March 2006	
Roll-over funds	
Balance at the beginning of the year	35 200 000
Utilised to fund approved capital expenditure	
- Fixed asset additions capitalized (refer note 20)	(5 682 926)
- Fixed assets expensed (refer note 6)	(493 647)
Rolled over from the prior year – not yet spent	29 023 427
Utilised for current year:	
- Operating expenses and projects	(10 171 427)
Current year roll over approved*:	
- Postal regulator funding (refer note 2)	6 000 000
Balance at end of year	24 852 000
Deferred income to be utilised over the useful life of assets	
Balance at the beginning of the year	15 121 190
Movement for the current year:	(385 579)
- Net movement in cost	5 311 928
- Net movement in accumulated depreciation	(5 697 507)
Balance at the end of the year	14 735 611
Total	39 587 611

*Request for approval of roll-over of an additional R18,8 million has been submitted to National Treasury in accordance with the requirements of the PFMA. Refer note 18 for further detail.

Government Grants – Deferred Income (continued)

	Long term Projects	Capital Expenditure	Total
	R	R	R
31 March 2005			
Roll-over funds			
Balance at the beginning of the year	10 123 241	12 840 789	22 964 030
Utilised to fund approved capital expenditure			
- Fixed asset additions capitalized	-	(12 840 789)	(12 840 789)
Rolled over from the prior year – not yet spent	10 123 241	-	10 123 241
Utilised for current year:			
- Operating expenses and projects	(10 123 241)	-	(10 123 241)
Current year roll over approved:			
- Administrative projects		27 200 000	27 200 000
- Regulatory and monitoring projects		8 000 000	8 000 000
Balance at end of year	-	35 200 000	35 200 000
Deferred income to be utilised over the useful life of assets			
Balance at the beginning of the year		14 404 067	14 404 067
Movement for the current year		717 123	717 123
- Net movement in cost		2 410 117	2 410 117
- Net movement in accumulated depreciation		(1 692 994)	(1 692 994)
Balance at the end of the year		15 121 190	15 121 190
Total	-	50 321 190	50 321 190

	Notes	31 March 2006 R	Restated 31 March 2005 R

17. (a) Accumulated deficit

	Notes	31 March 2006 R	Restated 31 March 2005 R
Start-up fund			
Balance at 31 March		33 731 342	33 731 342
Accumulated Deficit			
Balance at 1 April		(44 019 351)	(24 451 434)
Change in accounting for operating leases – effect on previous years	(a)	-	(15 995 836)
Correction of prior year fundamental errors		-	6 518 654
- Overstatement of amount due from SARS in respect of VAT	(b)	-	(2 394 503)
- Overstatement of amount due to DoC	(c)	-	8 913 157
Net deficit for the year		(5 883 078)	(10 090 735)
Surplus as previously reported		(5 883 078)	1 934 163
Operating lease restatement	(a)	-	(7 372 974)
Fundamental error – provision for VAT penalty reversed in error	(b)	-	(4 651 924)
Balance at 31 March		(49 902 429)	(44 019 351)
Net Accumulated Deficit at 31 March		(16 171 807)	(10 288 009)

(a) The comparative information has been restated for the change in the basis of recognition of operating lease costs. The Authority previously accounted for operating leases in a manner commonly regarded as accepted practice within South Africa. The policy applied in the past involved expensing and recording operating lease expenses as and when incurred. Subsequent to the South African Institute of Chartered Accountants issuing Circular 7/2005 on 3 August 2005, which detailed past practices and the revised interpretation, the Authority adopted the accounting treatment of recognising lease payments under operating leases as an expense on a straight-line basis over the lease term, taking any escalation clauses into account. Comparative information has been restated retrospectively and the appropriate prior year adjustments are disclosed herein.

(b) The estimation of the amount due by SA Revenue Services (SARS) in respect of value added tax (VAT) at 31 March 2005 was based on incomplete information from SARS. In addition penalties paid in February 2005 were not set off against a provision of R4 651 924 which arose in the 2003/2004 financial year. Instead the provision was reversed to revenue in error during the 2004/2005 financial year. Comparative information for the 2005 financial year has been restated for this fundamental error. In addition a further prior year adjustment of R2 394 503 is required to ensure the amount due from SARS is reflected as the correct amount.

(c) The Department of Communications (DoC) advanced funds to the Authority to fund a VAT liability in prior years. Final statements and assessments received from SARS during the current financial year have indicated that the calculation of the amount due to the DoC was calculated incorrectly. Accordingly the adjustment required to correct this prior year fundamental error has been made as a prior year adjustment.

17 (b) Effect of prior year adjustments on accumulated deficit:

The effect of the changes as detailed in 17(a) are as follows:

	Accumulated deficit	Lease commitment	VAT due from SARS	Provision for Penalty on VAT	Due to Dept. of Communication
Effect on prior year					
Balance at 31 March 2004 –as previously reported	24 451 434	-	8 964 174	(4 651 924)	-
Operating lease restatement	15 995 836	(15 995 836)	-	-	-
Balance at 31 March 2004 - as restated	40 447 270	(15 995 836)	8 964 174	(4 651 924)	-
Deficit as restated	10 090 735	(7 372 974)	(4 651 924)	4 651 924	
Surplus as previously reported	(1 934 163)	-	-	-	-
Operating lease adjustment	7 372 974	(7 372 974)	-	-	-
Fundamental error – provision for VAT reversed in error	4 651 924	-	(4 651 924)	4 651 924	-
Balance at 31 March 2005 as restated	50 538 005	(23 368 810)	4 312 250	-	(11 349 636)
	(6 518 654)	-	(2 394 503)	-	8 913 157
Prior year adjustment - VAT owing by SARS	2 394 503	-	(2 394 503)	-	-
Prior year adjustment - VAT DoC	(8 913 157)	-	-	-	8 913 157
Balance at 31 March 2005 as restated	44 019 351	(23 368 810)	1 917 747	-	(2 436 479)
Effect on current year					
Operating lease adjustment	(951 060)	951 060	-	-	-

	Notes	31 March 2006 R	Restated 31 March 2005 R

18. Capital Commitments

Commitments for the acquisition of property, plant and equipment			
- Contracted for but not provided in the annual financial statements	(a)	12 727 000	3 783 646
- Authorised but not contracted for		12 125 000	35 200 000
		24 852 000	38 983 646
The capital expenditure is to be financed as follows:			
- Subsidies received/rolled over from DoC	(b)	24 852 000	38 983 646

(a) This contract is the subject of a dispute and notice of intention to cancel the contract has been served on the other party.

(b) As noted in note 16 above requests for roll over of the above funds has been made to National Treasury. R6 million thereof has been approved. Approval for the remaining R18,8 million is pending additional motivation to be submitted by the Authority to National Treasury. There is a possibility that National Treasury will require R12,7 million of this to be repaid before the end of the 2006/2007 financial year if it is not spent.

19. Operating lease arrangements

As Lessee
At 31 March 2006 outstanding commitments existed under non-cancellable operating leases which fall due as follows:

Up to 1 year		29 069 569	23 244 792
1 to 5 years		78 348 900	98 660 339
		107 418 469	121 905 131

The operating leases entered into represent arrangements to lease office premises and certain computer equipment. The operating lease commitments comprise cash flow commitments. These commitments do not take account of the straight line basis of accounting required by IAS17 Leases. The commitments are mainly in respect of property leases for ICASA's Head Office in Sandton and regional offices in Cape Town, Durban, Bloemfontein and Port Elizabeth. The terms of the leases vary with expiry dates between 31 October 2007 and 31 October 2010. Escalation clauses range between 8 and 15 percent depending on the lessor and the location of the premises.

At 31 March 2006 the Authority had no commitments under non-cancellable operating leases as lessor.

20. Property, plant and equipment

	Office Equipment R	Computer Equipment R	Monitoring Equipment R	Furniture and fittings R	Motor Vehicles R
31 March 2006					
Cost	2 317 174	6 546 618	29 034 258	4 777 813	6 910 368
Opening balance	2 258 716	5 975 720	26 557 791	5 475 242	6 022 259
Additions	58 458	570 898	2 476 467	60 127	1 259 108
Disposals					(370 999)
Transfers				(757 556)	
Accumulated depreciation	1 913 404	5 687 805	21 856 142	3 616 085	4 757 228
Opening balance	1 767 386	5 036 358	19 513 640	3 348 361	4 567 291
Depreciation	146 018	651 447	2 342 502	267 724	560 936
Disposals					(370 999)
Net Carrying Amount	403 770	858 813	7 178 116	1 161 728	2 153 140
31 March 2005					
Cost	2 258 716	5 975 720	26 557 791	5 475 242	6 022 259
Opening balance	1 962 857	6 141 054	27 747 730	3 417 489	4 997 411
Additions	333 769	607 883	188 116	2 065 442	1 155 141
Movement in work-in-progress			710 719		
Disposals					(83 443)
Asset scrapping	(37 910)	(773 217)	(2 088 774)	(7 689)	(46 850)
Accumulated depreciation	1 767 386	5 036 358	19 513 640	3 348 361	4 567 291
Opening balance	1 702 404	4 925 849	19 839 690	3 224 061	4 513 405
Depreciation	102 892	883 726	1 762 724	131 900	128 618
Disposals					(27 882)
Asset scrapping	(37 910)	(773 217)	(2 088 774)	(7 600)	(46 850)
Net Carrying Amount	491 330	939 362	7 044 151	2 126 881	1 454 968

Test Equipment	PABX	Computer Software	Other Equip-ment	Work-in-Progress	Leasehold Improve-ments	Total
R	R	R	R	R	R	R
11 947 765	1 240 450	14 420 277	508 411	-	1 074 809	78 777 943
11 641 531	1 232 792	13 402 598	491 360	408 007	-	73 466 016
306 234	7 658	609 672	17 051		317 253	5 682 926
						(370 999)
		408 007		(408 007)	757 556	-
11 308 968	1 175 645	13 204 350	311 799	-	210 910	64 042 336
11 044 202	1 151 964	11 675 248	240 376			58 344 826
264 766	23 681	1 529 102	71 423		210 910	6 068 509
						(370 999)
638 797	64 805	1 215 927	196 612	-	863 899	14 735 607
11 641 531	1 232 792	13 402 598	491 360	408 007	-	73 466 016
11 632 514	1 178 092	11 657 145	417 945	1 903 662	-	71 055 899
252 830	54 700	214 585	74 207	745 932		5 692 605
		1 530 868		(2 241 587)		-
						(83 443)
(243 813)			(792)			(3 199 045)
11 044 202	1 151 964	11 675 248	240 376	-	-	58 344 826
11 099 569	1 139 627	9 999 804	207 423			56 651 832
188 446	12 337	1 675 444	33 745			4 919 832
						(27 882)
(243 813)			(792)			(3 198 956)
597 329	80 828	1 727 350	250 984	408 007	-	15 121 190

21. Provisions

	Interest on VAT provision	PAYE penalty provision	Leave pay provision	Bonus Provision	Legal Fees Provision	Restructuring provision	Total
	R	R	R	R	R	R	R
Opening balance at 1 April 2004	4 651 924	-	3 786 408	1 329 765	-	750 071	10 518 168
Provisions made during the year	-	343 000	3 854 851	6 733 561	-	310 764	11 242 176
Utilisation of provisions during the year	(4 651 924)	-	(844 119)	(3 563 326)	-	(1 060 835)	(10 120 204)
Unused amounts reversed during the year	-	-	-	-	-	-	-
Balance at 31 March 2005	**-**	**343 000**	**6 797 140**	**4 500 000**	**-**	**-**	**11 640 140**
Provisions made during the year	-	757 000	4 970 408	3 710 661	431 941	-	9 870 010
Utilisation of provisions during the year	-	-	(6 797 140)	(4 364 081)	-	-	(11 161 221)
Unused amounts reversed during the year	-	-	-	(135 919)	-	-	(135 919)
Closing balance at 31 March 2006	**-**	**1 100 000**	**4 970 408**	**3 710 661**	**431 941**	**-**	**10 213 010**

The leave pay and bonus provisions relate to the existing liabilities arising as a result of services rendered by employees. The leave pay provision is provided for based on cost-to-company packages. Included in the leave pay provision is a debit balance of R56 903 (2005: R260 460) being amounts owed by employees for leave taken in excess of their entitlement.

The bonus provision comprises three months pro-rata remuneration in respect of the 13th cheque liability, which is paid in December. In addition an amount of R2,4 million has been provided for Performance Bonuses, payable to employees based on negotiations between management and staff, represented by the Commercial Workers Union. These payments were made subsequent to the reporting date.

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

	Notes	31 March 2006 R	Restated 31 March 2005 R

22. National Revenue Fund creditor

The amount held on behalf of the National Revenue Fund is represented by the following cash and cash equivalents, which although under the control and administration of the Authority, do not represent its owned assets or liabilities.

	2006 R	2005 R
Balance outstanding at the beginning of the year	24 598 126	29 665 371
Licence, application and annual fees received	1 461 784 654	1 226 444 192
Broadcasting	39 086 676	35 243 647
Telecommunications	1 282 341 837	1 051 303 909
Frequency Spectrum	140 356 141	139 896 636
	1 486 382 780	1 256 109 563
Paid to NRF	(1 444 432 413)	(1 231 511 437)
Revenue received to be paid to NRF	41 950 367	24 598 126
Unallocated receipts and other payables	1 379 690	2 423 713
Represented by cash and cash equivalents	43 330 057	27 021 839

R33,4 million of the amount owing to the National Revenue Fund has been paid over subsequent to year end. The amount disclosed as unallocated receipts and other payables relates to amounts received in the licence fee bank accounts, which have not been allocated to the relevant licensee by year end. This is merely a timing issue and ongoing reconciliation of these accounts is performed. Once the origin of the receipt is established it is transferred to the account of the relevant licensee and paid across to the National Revenue Fund.

23. Reconciliation of deficit to cash utilised in operations

	Notes	2006 R	2005 R
Deficit for the year		(5 883 078)	(10 090 735)
Adjusted for non-cash items:		(7 750 078)	5 571 750
- Depreciation		6 068 509	4 919 832
- Surplus on disposal of property, plant and equipment		(239 748)	(50 886)
- Interest received		(11 260 152)	(14 486 996)
- Interest paid		59 504	176 110
- (Decrease)/ increase in provisions		(1 427 131)	1 121 972
- Asset adjustment		-	90
Prior year adjustments	17(a)	-	6 518 654
Lease commitments prior year adjustments		(951 060)	7 372 974
Operating cash flow before working capital		(13 633 156)	(4 518 985)
Working capital changes		(12 457 523)	16 978 922
- (Increase)/decrease in receivables		(14 368 956)	13 895 211
- Increase/(decrease) in payables		12 645 012	(9 869 382)
- (Decrease)/ increase in deferred income		(10 733 579)	12 953 093
Cash (utilised in)/generated from operations		(26 090 679)	12 459 937

	Notes	31 March 2006 R	Restated 31 March 2005 R

24. Councillors' and Executive Management's remuneration

Details of remuneration paid are as follows:

Chairperson			
M Langa (term ended 30 June 2005)		169 123	645 507
P Mashile (appointed 1 July 2005)*			
- Salary		638 677	375 883
Councillors		3 020 096	2 756 473
N Bulbulia			
- Salary		525 234	501 177
T Cohen			
- Salary		525 234	375 883
JN Hope (term ended 30 June 2004)			
- Salary		-	167 058
ZR Masiza			
- Salary		525 234	375 883
M Mohlala			
- Salary		525 234	501 177
L Mtimde			
- Salary		525 234	501 177
LMS Ncetezo (term ended 30 June 2004)			
- Salary		-	167 059
G Petrick (term ended 30 June 2004)			
- Salary		-	167 059
M Zokwe (appointed 1 July 2005)			
- Salary		393 926	-

* Councillor P Mashile was appointed as Chairperson on 1 July 2005, subsequent to his initial appointment as a councillor on 1 July 2004.

	Notes	31 March 2006 R	Restated 31 March 2005 R

Councillors' and Executive Management's remuneration (continued)

Executive management		3 476 056	3 630 801
JB Manche (CEO) (suspended with full pay 22 November 2005)			
- Salary		928 229	688 257
T MacDonald (CFO) (acting CEO from 1 January 2003 to 30 April 2004)			
- Salary		-	209 809
B Mohlala (CFO) (resigned 14 November 2005)			
- Salary		411 122	438 133
- Performance bonus		-	53 978
P Hlapolosa (GM) (resigned 28 February 2006)			
- Salary		493 366	533 753
- Performance bonus		-	43 839
J Naidoo (GM) (resigned 31 March 2006)			
- Salary		539 891	533 753
- Performance bonus		-	8 967
E Nhlapo (GM) (Acting CEO 24 November 2005)			
- Salary		563 557	533 753
- Performance bonus		-	43 839
W Skowronski (GM)			
- Salary		539 891	533 753
- Performance bonus		-	8 967
Total Council and Executive Management Remuneration		7 303 952	7 408 664

25. Contingent liabilities

Litigation		2 320 000	-

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

26. Related party relationships and transactions

During the year the Authority entered into the following arm's length transactions with related parties. All transactions are interest free. There are no fixed terms of repayment.

		Related party			
		Department of Communications		National Revenue Fund Creditor	
		2006	2005	2006	2005
	Notes	R	R	R	R
Subsidies received from related parties (note 2)		150 489 000	186 927 833	-	-
Payments made to related parties (note 22)		-	-	1 444 432 413	1 231 511 437
Amounts due to related parties (note 14 and 22)		2 436 479	2 436 479	43 330 057	27 021 839

27. Financial instruments

Forward foreign exchange contracts

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

Loans receivable and bank loans

There were no loan receivables or bank loans during the current year under review.

Credit risk

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

Interest rate risk

Cash and short-term deposits have maturities less than three months and are not subject to significant interest rate risk.

Fair values

At 31 March 2005 and 2006, the carrying amounts of cash and cash equivalents, other receivables and trade payables approximated their fair values due to the short-term maturities of these assets and liabilities.

Risk management policies

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

28. Post reporting date events

In terms of the Public Finance Management Act (PFMA), the Authority is required to submit its annual financial statements for audit to the Auditor General by 31 May 2006. This deadline was complied with. However, the following events subsequent to year end have resulted in adjustments to the annual financial statements as presented:

- Agreement regarding the amount of the refund due to ICASA from SARS with regards to Value Added Tax has been reached. A reversal of a provision for penalties in the year ended 31 March 2005 was processed in error. This has been accounted for as a fundamental error and adjusted in terms of GRAP 3 - Accounting policies, changes in accounting estimates and errors. Refer note 17 for further information;
- Provision for a once off performance bonus for staff and management based on negotiations with staff and union representatives subsequent to 31 May 2006 has been made. Payment has been made subsequent to year end. Refer note 21 for further information.
- Various accruals and adjustments required as a consequence of the completion of the external audit by the Auditor General.