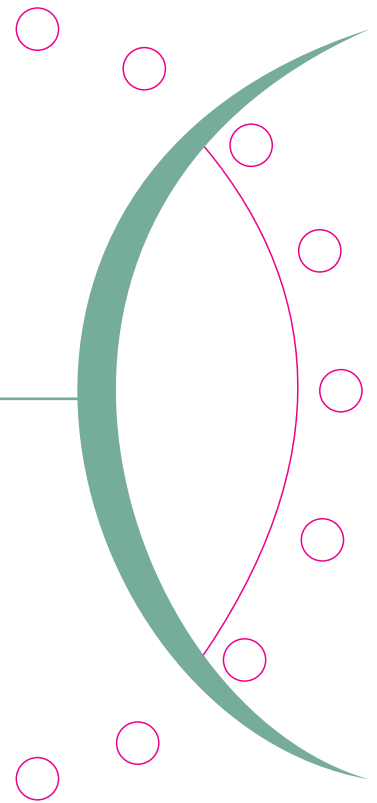
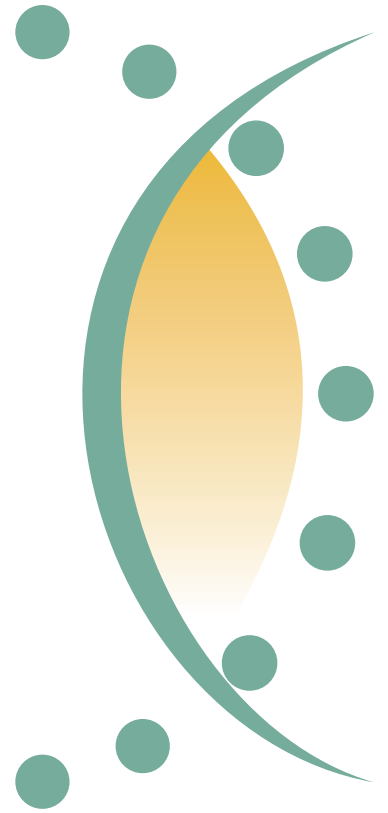


Annual Report 2007/8

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA



I C A S A



CONTENTS

- Chairman’s Overview 2
- Council Members 5
- New Council Members 6
- ICASA Structure 7
- Chief Executive Officer’s Review 8
- Executive Summary 10
- Licensing And Compliance Division 12
- Markets And Competition Division 27
- Engineering And Technology Division 30
- Consumer Affairs Division 36
- Legal Division 41
- Communications Division 44
- Information Technology And Services Department 48
- Administration Division 49
- Human Resources Division 50
- Performance Information 55
- Annual Financial Statements 101
- National Revenue Fund 140

CHAIRMAN'S OVERVIEW



It is my privilege and pleasure to present to Parliament the Independent Communications Authority of South Africa's Annual Report for the financial year 2007/08.

ICASA is central to ensuring that the information and communication technology (ICT) sector is energised to achieve the socio-economic objectives of the country. Through licensing and liberalisation of the market, the Authority is en route to increasing competition, which will result in the lowering of costs for ICT services and encourage investment in the sector, job creation and poverty reduction.

To this end, ICASA has progressed a long way in the conversion and licensing of new entrants into the market – which is in keeping with the ECA. This process will hopefully be completed in the new financial year. We have been meticulous in ensuring that the licensing process is non-discriminatory, objective, transparent and proportionate with regard to the obligations that will be imposed.

In essence, the ECA was designed to facilitate the convergence of networks and services on a technology and service neutral basis. This opens up a vista for competition in the provision of services. It is hoped that the proliferation of services will enhance broadband services and advance the information and knowledge-based society through the provision of services like tele-education, tele-medicine, e-commerce, e-government and other internet services.

With respect to the digital migration process underway, it is hoped that it will, in the final analysis, result in a digital dividend. The onset of Digital Terrestrial Television (DTT) services will provide a new and exciting experience for viewers and it will also be timely for the 2010 FIFA World Cup in South Africa. Digital Video Broadcasting Handheld (DVB-H) services will also be available in South Africa by then.

With regard to managing competition, a whole array of activities have been undertaken by ICASA. We have already engaged stakeholders in defining and identifying the market. This will help us in determining dominant players or significant market players (SMPs). This process will result in imposing pro-competitive measures such as cost-based pricing on those determined to be SMPs. Of particular concern is the cost of interconnection, which has been found to be the highest cost element in the provision of services and is also creating a barrier to entry for new operators.

ICASA will be vigilant in ensuring that anti-competitive practices such as cross-subsidisation, predatory pricing and margin squeeze are curbed. We are of the view that once effective competition is in place, consumers will have the benefit of choice in terms of quality of services and prices.

With regard to universal service and access, it is common knowledge that operators will not out of their own volition provide services in areas where it is not profitable, such as rural and underserved areas. It is in this respect that ICASA is mandated to impose universal service obligations on licensees. Universal service and access is also a requirement of the enabling legislation.

The provision of internet services to schools, institutions for people with disabilities and rural clinics has been an important step in the provision of telecommunication services to all. It will undoubtedly assist in the provision of new broadband services to all our communities as part of the licence conversion process thereby bridging the digital divide and promoting an information and knowledge-based society. In this particular instance, we will work hand-in-hand with the Universal Service and Access Agency of South Africa in ensuring that the indigent population is not marginalised or left out.

The process of allocating scarce resources, especially radio spectrum frequencies, will have to be leveraged to ensure that historically marginalised groups are brought into the mainstream of the economy. The two key criteria for the allocation of these frequencies will be based on 'beauty parade' (wherein applicants commit themselves to fulfil certain socio-economic objectives) and/or auction.

The Authority is bound by its mandate to promote and protect the interests of consumers, and ICASA will continue to play the role of a watchdog in this regard.

I would like to thank the Chief Executive Officer, his Executive Management team and the staff in general for a job well done with regard to day-to-day running of the organisation, and most importantly for having achieved an unqualified audit report - a clean bill of health.

I would also like to thank fellow Councillors for having put their shoulders to the wheel in ensuring that licensing and the regulation processes are undertaken timeously. My greatest thanks and appreciation to Councillors Tracy Cohen and Zolisa Masiza for their immense contribution to achieving some of the goals that ICASA delivered during their tenure. We wish them good luck and success in their new careers.

I welcome on board Councillors Nomvuyiso Batyi, Thabo Makhakhe and Fungai Sibanda. I do hope that they will find their experience at ICASA rich, rewarding and fulfilling.

Finally, my heartfelt appreciation and gratitude goes to:

- the Minister of Communications, Dr Ivy Matsepe-Casaburri, the Deputy Minister, Roy Padayachie, the Director-General, Lyndall Shope-Mafole, and the staff in the Department of Communications for their sustained, unwavering and unconditional support as we work together to achieve the policy objectives of the country,
- the members of the Portfolio Committee on Communications, to whom we are accountable, for their broad oversight, advice and wise counsel,
- The broader public, consumers of communication services, industry players, licensees and all other stakeholders for their engagement and inputs into all ICASA's processes.

A handwritten signature in black ink, appearing to read 'Paris Mashile', with a horizontal line underneath the name.

Paris Mashile

Chairman

31 August 2008

COUNCIL MEMBERS



Brenda Ntombela
Consumer Affairs
1/10/06 - 30/09/10



Dr Tracy Cohen
Markets & Competitions
1/07/04 - 30/06/08



Zolisa Masiza
Licensing
1/07/04 - 30/06/08



Prof Jacobus van Rooyen SC
Complaints & Compliance
Committee
1/10/06 - 30/09/10



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



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



Mthobeli Zokwe
Engineering & Technology
1/07/05 - 30/06/09



Robert Nkuna
Markets & Competitions
1/10/06 - 30/09/10

NEW COUNCIL MEMBERS



Nomvuyiso Batyi
Markets & Competitions
1/07/08-30/06/12

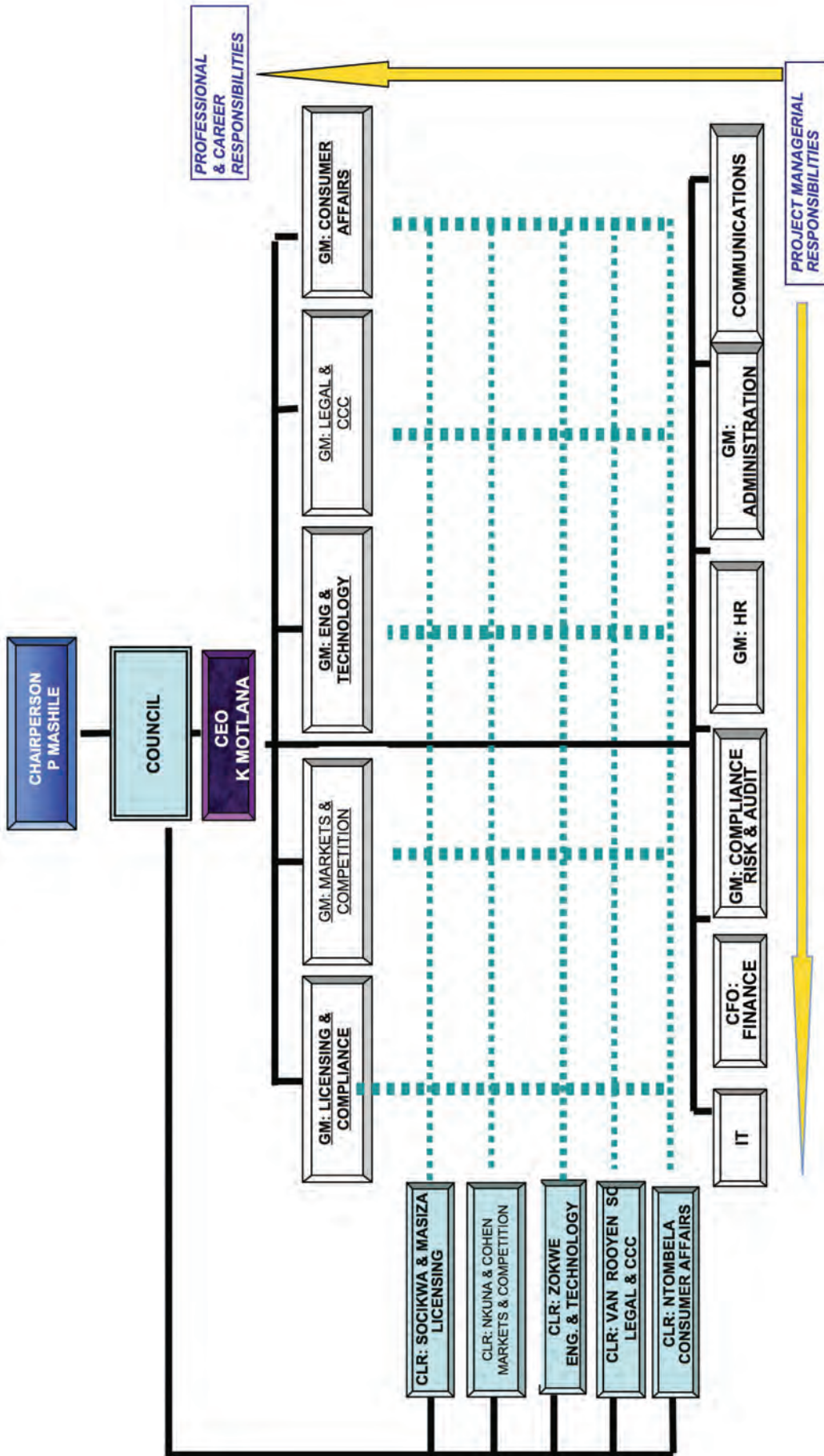


Thabo Makhakhe
Markets & Competitions
1/07/08-30/06/12



Fungai Sibanda
Markets & Competitions
1/07/08-30/06/12

Organogram



CHIEF EXECUTIVE OFFICER'S REVIEW



Karabo Motlana

I am honoured to present the annual report of the Independent Communications Authority of South Africa (ICASA) for the financial year ending 31 March 2008.

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

Corrective measures highlighted by the Auditor-General during the 2006/7 audit process were addressed in the course of the year.

Human Capital

In the year under review the Authority sought to address the working conditions of staff. To this end, a salary review was initiated to ensure that by year-end staff were remunerated at no less than 50% of the applicable market rates.

ICASA's vacancy level was reduced from 72 at the beginning of the reporting period to 12 at the end thereof. The recruitment of 60 new staff resulted in a reduction of vacancies from 21,2% to 3,5%. The employee turnover level is at 8,95%.

The Authority has in the year also sought to align the reporting lines between Council and management, and further sought to align reporting lines between head office and the regional offices.

Integration of Postal Regulator staff into ICASA structure

Following from the transfer of Postal Regulator staff from the Department of Communications on 1 January 2007, a staff integration process into the ICASA's ECA-aligned structure has been undertaken.

Performance management system

A PMS award was made to all staff members in accordance with the performance management system introduced in 2006.

Job grading and salary benchmarking

Following from the finalisation of the job grading exercise undertaken in 2006, appeals were heard on outstanding matters. All staff appeals have now been addressed.

Organisational capacity

The focus during the 2007/8 financial year, following on the high-level restructuring of ICASA necessitated by the ECA legislative mandate, has been on addressing ICASA's structural capacity. To this end, stand-alone divisions have been established, namely the Administration division and the Risk, Compliance and Audit Division.

Other highlights for the year include:

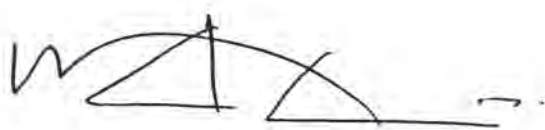
- the Engineering and Technology Division acquiring monitoring and direction-finding equipment as well as equipment for Data, Integrity, Verification Exercise (DIVE), and
- Information Technology (IT) Division acquiring a PABX system and a comprehensive Help Desk facility.

New contact details

I would like to alert the readers of our annual report to our new contact details:

- Head office: 011 566 3000/1
- Regional offices:
 - Bloemfontein: 051 411 5900
 - Cape Town: 021 595 7300
 - Durban: 031 275 6000
 - Port Elizabeth: 041 394 1600

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



Karabo Motlana

Chief Executive Officer

31 August 2008

EXECUTIVE SUMMARY

The following is an Executive Summary of the projects undertaken by ICASA during the 2007/08 financial year.

Licensing

- Commenced with the licence conversion process as outlined by the Electronic Communications Act,
- Issued five subscription broadcasting licences to Multichoice, Telkom Media, On Digital Media, E-Sat and Walking On Water,
- Issued 23 community sound broadcasting licences,
- Granted 16 Underserviced Area licences,
- Registered 84 courier companies,
- Amended South African Post Office licence in terms of the Postal Services Act,
- Issued 150 Value Added Network Services licences,
- Issued 63 Private Telecommunications Network licences,
- Approved 268 500 Community Service Telephones to date by mobile operators, and
- Approved 4 701 internet access to public schools and further education institutions to date by mobile operators and by Sentech, WBS and Neotel.

Regulations

- Prescribed Universal Access and Service regulations,
- Conducted Market Definition Study,
- Processed 46 Interconnection Agreements,
- Published Draft Regulations on Essential Facilities,
- Analysed 43 tariff applications,
- Analysed Telkom's annual tariff review,
- Analysed and approved SAPO fees and charges,
- Analysed Cost of Allocation/Cost Accounting Manuals filed by Vodacom and MTN,
- Assisted Communications Regulatory Association of Southern Africa to develop electronic numbering for the Southern African Development region,
- Drafted Handset Regulations, and
- Processed 152 numbering applications.

Frequency spectrum management

- Published Draft National Radio Frequency Plan to accommodate SADC regional harmonisation and World Radio-Communications 2007 (of the International Telecommunications Union),
- Issued 50 MHz frequencies to Sentech and 10 MHz frequencies to WBS in the 2.6 GHz bandwidth,
- Issued 56 MHz frequencies to Telkom and WBS in the 3.5 GHz.

Consumer protection

- Received and addressed 1 038 complaints from consumers regarding services provided by mobile and telecommunication operators. Sixty-percent of complaints were resolved satisfactorily.
- Published:
 - Minimum Customer Care Standards and Complaints Handling Procedures,
 - Code of Conduct for Electronic Communications Services and Electronic Communications Network Services licensees,
 - Regulations on the constitution of the Consumer Advisory Panel,
 - Minimum Standards for End-User and Subscriber Services Charter, and
 - Regulations on a Code for People with Disabilities.

LICENSING AND COMPLIANCE DIVISION



Sipho Tsotetsi

The Licensing and Compliance Division comprises the policy, licensing and compliance departments, responsible respectively for developing policy, issuing licences and ensuring compliance in relation to the provision of broadcasting, telecommunications and postal services.

Policy Department

The Policy Department conceptualises and researches licensing-related policies and regulations for the broadcasting, telecommunications/electronic communications networks and services, as well as postal services industries in the public interest. Policy development involves public participation and consultation and the publication of research reports, position papers and, ultimately, regulations.

During the year under review, the Authority undertook the following policy development and research initiatives:

Amendment of regulations on subscription broadcasting services (Must-Carry Obligations)

The aim of this project is to prescribe regulations on Must-Carry Obligations in accordance with the Electronic Communications Act of 2005 (ECA). The ECA requires the Authority to prescribe regulations regarding the extent to which subscription broadcast services must carry, subject to commercially negotiable terms, television programmes provided by a public broadcasting service licensee. The draft regulations seek to amend the subscription broadcasting services regulations developed earlier by the Authority as a requirement of the Independent Broadcasting Act No. 153 of 1993 (IBA). The IBA Act was later substantially repealed by the ECA.

The Authority conducted international benchmarks on the Must-Carry Obligations and developed a discussion document that was put into the public domain for comments from September to October 2007. Written comments were received from stakeholders and public hearings were held in December 2007. The Authority will publish the final regulations in the new financial year.

Universal access regulations

The ECA requires the Authority to prescribe regulations that promote universal access and service for the South African public in terms of their choice of media and electronic communications services. Universal access and service regulations are also meant to address the needs of people with disabilities.

The Authority implemented this project in two phases: the first phase entailed prescribing a regulatory framework for contributions into the Universal Service and Access Fund (USAF) by all holders of licences that are granted or considered to have been issued by the Authority in terms of the ECA. The second phase prescribes regulations for universal access and service to the broadcasting services, electronic communications services and electronic communications network services.

The Authority published a discussion paper to solicit public comment from September to October 2007. As part of the preparations for the public hearings, the Authority hosted a workshop in conjunction with the Universal Service and Access Agency of South Africa (USAASA) and the Media Development and Diversity Agency (MDDA) on the matters raised in the written representations submitted by interested parties. The public hearings for the project were subsequently held in March 2008. Final regulations on universal access obligations will be published in the new year.

Regulatory framework for digital migration

The digital migration project seeks to prescribe regulations for a smooth transition from an analogue to a digital broadcasting platform, and to manage the dual illumination period, during which the existing terrestrial broadcasters will simulcast in both analogue and digital transmissions.

The ECA requires the Authority to plan for the conversion of analogue users of the radio frequency spectrum to the digital platform, and for the Authority to factor in this migration aspect in its modification of the radio frequency spectrum plan. The Act also requires the Authority to prepare and publish an implementation plan for digital broadcasting.

The Authority's role in the digital migration process is, however, dependant on the publication of the 'National Policy Framework on Digital Migration' by the Department of Communications. The Authority has developed a 'road map' for digital migration in terms of the ECA in anticipation of government policy, and conducted a workshop in November 2007 with the chairpersons of the sub-committees of the working group that was appointed by the Minister.

Review of sports rights regulation

The Authority is required to review the Sports Rights Position Paper and Regulations every three years, and to prescribe mechanisms for resolving disputes relating to the acquisition of sports rights. To this end, the Authority has appointed a service provider to assist with the review, who will conduct an assessment of the market and regulatory impact of the existing policy and regulations on sports broadcasting rights in South Africa. Final regulations are to be published in the new financial year.

South African local content review

Enabling legislation mandates the Authority to review the South African local content regulations every three years with the object of preserving South African programming and music on television and radio. A service provider has been appointed to conduct the review, and final regulations will be published in the new financial year.

Broad-based black economic empowerment framework

The Independent Communications Authority of South Africa Act of 2000 (ICASA Act), as amended, requires the Authority to promote the empowerment of historically disadvantaged persons and black people in particular when granting licences in the communications sector. In so doing, the Authority is required to consider the Information and Communications Technology Empowerment Charter - when gazetted - as well as the objectives of the Broad-Based Black Economic Empowerment Act 2003.

However, for the Authority to implement the above provisions as prescribed by law and industry agreement, it had to seek legal advice on the harmonisation of enabling legislation, the draft ICT Empowerment Charter and the Broad-Based Black Economic Empowerment Act. The project will be completed in the new financial year.

Conferences and meetings

In addition to the development of regulations, the policy department took part in related conferences and meetings:

Moshito conference

The Authority took part in the annual Moshito Music Conference and Exhibition and delivered a paper on local content and South African music on television and radio.

CRASA broadcasting committee meeting

The Policy Department facilitated the Authority's participation in the February 2008 Communications Regulators Association of Southern Africa (CRASA) broadcasting committee. The committee meeting adopted the terms of reference to guide the work of the committee in preparation for the CRASA annual general meeting that was to be held in Angola in April 2008.

Licensing Department

The Licensing Department processes new applications, amendments and renewals of licences for broadcasting, telecommunications and postal services. For this purpose, the department is sub-divided into broadcasting, telecommunications and postal licensing units.

Broadcasting licensing

For the period under review, the Broadcasting Licensing Unit processed public broadcasting, commercial broadcasting and community broadcasting licensing applications, amendment and renewals.

Public broadcasting services

SABC 1, 2 and 3 amendment applications

The Authority amended the SABC's licences to allow the expansion of SABC 1, 2 and 3 television broadcasting services in the Eastern Cape, KwaZulu-Natal, Limpopo, Mpumalanga and North West provinces. The increase of the SABC broadcasting footprint included areas where coverage was provided for the first time and further improved coverage in the Sekhukhune and the eastern district of the nodal points areas that fall under the government's integrated strategy for rural development (ISRDP).

CKI FM amendment

The Authority amended the SABC's licences to allow for a name change from CKI FM (Ciskei FM) to Tru FM. The SABC sought this name change so as to reflect the new constitutional dispensation for the country in which the old homeland system that included the former Ciskei was done away with.

SABC 1, 2, 3 and Radio Sonder Grense

The Authority granted an amendment to allow the expansion of SABC 1, 2, 3 and Radio Sonder Grense broadcasting services to the Central Karoo areas of Prince Albert, Nelspoort, Merweville, Klairstroom and Leeu-Gamka. The abovementioned areas fall under high priority nodal development areas in terms of the ISRDP.

Commercial broadcasting services

New subscription broadcasting services

One of the milestones for the reporting period was the licensing of subscription broadcasting services. Multichoice has been operating for the past two decades on the basis of a special dispensation.

Following the issuing of an invitation to apply (ITA) in 2006, the Authority received 18 applications, and after applying its mind to the matter decided to license five subscription broadcasting services, including Multichoice. The four additional licensees are Telkom Media, On Digital Media, E-Sat and Walking on Water.

Licence amendments

The Authority granted the following licence amendments for the reporting period:

- Igagasi FM: expansion of the Igagasi FM broadcasting footprint to Port Shepstone and Ulundi.
- Highveld Stereo, 702 Talk Radio and 567 Cape Talk: an amendment of the shareholding structure by transferring 100% equity ownership of Highveld Stereo, 702 Talk Radio and 567 Cape Talk licences to Red Pen General Trading. The three licensees were previously part of Primedia Broadcasting (Pty) Ltd.

Prior written approvals

The Authority granted prior written approval to allow Red Pen 2 General Trading (Pty) Ltd to acquire 66,5% indirect share holding in KFM Radio, a share previously held by New Africa Media (Pty) Ltd, a company owned and controlled by Primedia Broadcasting (Pty) Ltd.

Test licences

From time to time the Authority receives and considers applications for test licences from individuals and entities that wish to test new technologies or technological innovations in the broadcasting sector. Test licences were granted to Angel Network Holdings to provide a terrestrial digital multimedia broadcasting service (T-DMB) and to Nokia Siemens Network to provide a Digital Video Broadcasting by Handheld (DVB-H) service.

The Authority refused an application from Meagdom (Pty) Ltd for a television test licence.

Community broadcasting services

The Authority grants and issues four-year sound broadcasting, renewals, special events and low-power broadcasting licences in the community broadcasting category. In June 2006 the Authority issued an ITA for four-year community sound broadcasting services, through which interested communities may lodge broadcasting applications on or before the last working day of the months of April or October of every year.

For the April 2007 licence application 'window' period, the Authority conditionally granted 18 community sound broadcasting services in May 2007:

- Makhado FM,
- Voice of the Cape,
- Franschoek FM,
- Kathorus Community Radio,
- Motheo FM,
- Karabo FM,
- Aganang Community Radio,
- Shine Community Radio,

- Midrand Community Radio,
- Mid Cities FM,
- Chai FM,
- Phalaborwa Community Radio,
- Good News Community Radio,
- Radio Karoo,
- Thabazimbi Community Radio,
- Mdantsane FM,
- Ulwazi FM,
- Eden FM.

In January 2008, broadcasting licences were granted to the following entities:

- Umgungundlovu Community Radio,
- Ulwazi FM,
- Reënboog FM,
- Emmanuel Haven,
- Radio Bushveld.

Applications from Radio Nerina, Radio Veritas, Mafikeng FM and Shine-On FM were refused due to unavailability of frequencies in the proposed broadcasting areas.

For the October 2007 broadcasting application window period, the Authority received the following applications that are still under consideration:

- Laphuma Ilanga Community Radio,
- Chinese Community Radio,
- Kowie FM,
- Musina FM,
- Radio Secunda,
- Umswati Community Radio,
- North West University FM,
- Ligwa Community Radio,
- Sisonke Community Radio,
- ME FM,
- Med FM.

With regard to broadcasting licence renewals for the period under review, the Authority renewed 14 four-year community sound broadcasting licences:

- Durban Youth Radio,
- Hindvani Community Radio,
- Radio Kingfisher,
- Radio Kragbron,
- Radio Laeveld,
- Radio Lichtenburg,
- Mokopane Community Radio,
- Radio Platorand,
- Radio Today,

- Radio Tygerberg,
- Radio CCFM,
- Soshanguve Community Radio,
- Voice of the Cape and
- Fine Music Radio.

From time to time, the Authority receives and considers special event broadcasting licences for community events that are hosted for non-commercial or not-for-profit purposes. Special event licences are not renewable, and are granted for a maximum of 30 days for radio and 12 months for television. The Authority granted 13 special event licences to:

- Radio Al-Ansaar (three licences),
- KNI Radio,
- Itheke FM,
- Eastern Cape Muslim Broadcasting Association,
- Phalaborwa Community Radio,
- Kathorus Community Radio,
- Star FM,
- Mashishing Community Radio,
- Soweto TV and
- Whale Coast FM (two licences).

In February 2005 the Authority published the Community Broadcasting Policy Framework that provided for the granting of low-power sound broadcasting licences with an effective radiated power not exceeding one Watt. The Authority refused an application from Wave Broadcasting and Entertainment (Pty) Ltd, giving the applicant an opportunity to remedy the shortcomings in its application as per the provisions of the ECA. The revised application is still outstanding.

Telecommunications licensing

For the period under review, the Authority granted telecommunications licences in the value-added network services, private telecommunications network, and underserved area licences categories as well as amending a national wireless data telecommunications licence.

Value-added network services (Vans) and private telecommunication network services (PTNs)

The Authority granted 150 value-added network service licences from 163 applications and 36 private telecommunication network services licences from 38 applications.

Underserviced area licences (USALs)

The Authority licensed the following underserviced area licence applicants in December 2007:

- PlatiTel (Pty) Ltd,
- Dinaka Telecommunications,
- Ilembe Communications (Pty) Ltd,
- Metsweding Telex (Pty) Ltd,
- Kwetedza Telecommunications and
- Metjodi Telecommunications (Pty) Ltd.

The Authority is still to finalise the licensing process in the Chris Hani District Municipality. CH Communications (Pty) Ltd and Ntswasahlobo Telecommunications (Pty) Ltd were requested to merge prior to the granting of a licence to a merged entity. The two parties requested the Authority to help facilitate the process, as they could not agree on terms for the merger. The Authority has requested USAASA to assist the two parties in this regard.

In addition, the Authority granted USAL licences to the following entities under the proviso that additional information is submitted:

- Umzinyathi Telecommunications (Pty) Ltd,
- Thetha Khuluma Telecommunications (Pty) Ltd,
- Asixhumane Communications (Pty) Ltd,
- Duzi-Cell Networking KZN,
- Bulani Telecommunications (Pty) Ltd and
- Sekhukhune Telecommunications (Pty) Ltd.

Swiftnet amendment licence

Swiftnet (Pty) Ltd holds a deemed national wireless data telecommunications licence (NWDTL). In January 2007, Swiftnet sought the Authority's approval to transfer 30% of its equity shares and to remove technology-specific clauses from the licence terms and conditions.

After considering the application, additional information submitted and the oral presentations made at the hearing, the Authority refused the transfer of Swiftnet's 30% equity share holding to Radio Surveillance Consortium (Pty) Ltd (RSC), but granted the removal of technology specific clauses in the licence.

Postal licensing

During the reporting period, the Postal Licensing Unit considered the registration of courier operators, and the alignment of the South African Post Office (SAPO) licence.

Registration of courier operators

The Authority grants permission to entities that seek to provide unreserved postal services to register for providing parcel delivery services. Eighty four courier companies were registered and renewed during the reporting financial year.

The Postal Licensing Unit also conducted workshops to create awareness about the registration process for the provision of unreserved postal services in Limpopo (Thohoyandou, Giyani and Polokwane), North West (Taung), Free State (Bloemfontein), and Western Cape (Gugulethu and Cape Town city centre).

SAPO licence alignment

The Authority is currently aligning the SAPO licence with the Postal Services Act, as amended, the ECA and the ICASA Act, as amended. The draft SAPO aligned licence was published for public comment at the end of the reporting period, and the project will be completed in the new financial year.

Compliance Department

The Compliance Department monitors compliance with the licence terms and conditions in relation to the provision of broadcasting, telecommunications/electronic communication services/network and postal services.

Broadcasting licence compliance

The Broadcasting Compliance Unit consists of the compliance and the complaints sections.

Compliance section

The Compliance Section compiled 60 compliance reports based on a broadcasting licensee's terms and conditions. The reports are available in the ICASA library for public inspection.

In addition, the section undertook 81 visits to assist licencees in complying with their licence terms and conditions. A breakdown of the visits is outlined below:

<i>Province</i>	<i>Commercial broadcasting services</i>	<i>Community broadcasting services</i>
Gauteng	3	14
Mpumalanga		7
Limpopo		5
KwaZulu-Natal		13

Eastern Cape		10
North West		3
Northern Cape		4
Western Cape		13
Free State		9
Total	3	78

Complaints section

The Complaints Section receives, processes and investigates complaints against licensees. Some of the complaints emanate from the section's own initiative, whilst others are from members of the public and industry stakeholders who report incidents of non-compliance to the Authority.

There are very specific procedures to ensure that complaints are handled fairly and impartially, and the Complaints Section investigates those complaints that fall within the jurisdiction of the Authority. The section escalates certain complaints to the Complaints and Compliance Committee (CCC) - a standing committee of the Authority that is mandated by the ECA to adjudicate complaints.

In addition there are industry-initiated bodies that handle complaints against members, such as the Broadcasting Complaints Commission of South Africa (BCCSA) and the Advertising Standards Authority (ASA).

A breakdown of the complaints received in the year follows:

<i>Complaints</i>	<i>Number</i>
Advertising	1
Blasphemy	-
Defamation	3
Hate speech	-
Mismanagement	44
Pornography	2
Programming	10
Technical	8
Other	38
TOTAL	106

A geographical breakdown of the 106 complaints follows:

<i>Province</i>	<i>Number</i>
Gauteng	35
KwaZulu-Natal	10
Eastern Cape	14
Western Cape	8
Free State	3
Northern Cape	1
North West	2
Mpumalanga	5
Limpopo	3
Unknown	25
TOTAL	106

During the year under review, the Complaints Section forwarded the following complaints to the CCC for adjudication:

Kaya FM

Kaya FM appeared before the CCC for alleged contravention of its licence conditions by failing to submit requested information and records to the Authority. The broadcaster pleaded guilty to the allegations and was given a suspended fine.

Radio Mafisa

Radio Mafisa appeared before the CCC for alleged contravention of the Community Sound Broadcasting Position Paper by paying allowances to its board members from station funds. The CCC ruled that the broadcaster had not contravened the position paper, as its licence terms and conditions permit reasonable remuneration for services rendered.

Radio Lentswe

Radio Lentswe appeared before the CCC for alleged contravention of its licence conditions by failing to submit recordings to the Authority. The broadcaster pleaded guilty to the allegations and was given a suspended fine.

Radio Platorand

Radio Platorand appeared before the CCC for alleged failure to submit records to the Authority and to respond to complaints, and for ignoring the Complaints Section's communique about alleged contraventions of its licence terms and conditions. Instead Radio Platorand submitted blank tapes to the Authority. Radio Platorand conceded to the charges as outlined, and was fined R5 000, suspended for two years.

Radio Ilitha

Radio Ilitha appeared before the CCC for alleged failure to broadcast for more than 12 months. The CCC recommended that the Authority revoke its licence. The Authority approved the recommendation, and the licence was withdrawn with effect from 25 February 2008.

Radio 786

Radio 786 appeared before the CCC for alleged failure to:

- set up a separate legal entity charged with the ownership and control of the broadcasting service;
- lodge the founding documents and details of the board and management of the new entity within six months of the granting of the licence.

The CCC reserved its findings, and undertook to finalise the matter in the new financial year.

Radio Grahamstown

Radio Grahamstown appeared before the CCC for alleged failure to broadcast for almost a year. The CCC recommended to the Authority that the licence be revoked. The matter is to be finalised in the new financial year.

Rainbow FM

Rainbow FM appeared before the CCC for alleged failure to submit audited financial statements and minutes of its programming committee meetings. The CCC found the station guilty on both allegations, and it was fined R5 000, suspended for two years.

Chinese Community Radio

Chinese Community Radio appeared before the CCC for alleged failure to submit a renewal application.

The CCC ruled that the mere fact that the licensee failed to renew its licence does not amount to a contravention, as the licence conditions grant the station the choice to apply or not to apply. The CCC further ruled that the licence had lapsed and advised that the station may re-apply for a broadcasting licence during the 'open window period' in April or October 2007.

Radio Kaboesna

Radio Kaboesna appeared before the CCC for allegedly broadcasting without a signal distribution licence, as it did not have an agreement with Sentech, its approved signal distributor. The CCC ruled that:

- the station must comply with this condition within 90 days of the date on which the order was issued by the Authority;
- if it fails to do so, Radio Kaboesna must cease broadcasting until it complies with the condition, and
- imposed a R20 000 fine, suspended for two years.

FXI versus SABC

The Freedom of Expression Institute (FXI) took the SABC to the CCC for alleged failure to comply with various statutes that govern broadcasting, as well as the provisions of the Constitution of South Africa.

The CCC ruled that the FXI must provide the CCC with examples or proof of broadcast material by 30 May 2008, that illustrate the SABC's non-compliance with enabling legislation, its charter and/or code of conduct for broadcasters.

Jozi FM

Jozi FM appeared before the CCC for alleged contravention of the Code of Conduct for Broadcasters, for broadcasting comment deemed to be unfair to Pick 'n Pay employees. The CCC ordered the licensee to broadcast a public apology to Pick 'n Pay employees.

Trudie Blackenberg versus SABC

Ms Blackenberg reported the SABC to the CCC for alleged contravention of the Code of Conduct for Broadcasters regarding sponsorship regulations, and how these were applied by one of its public radio stations, Radio Sonder Grense. The CCC ruled that the SABC did not contravene the Broadcasting Act nor compromise its editorial independence.

Soweto Community Television

Soweto Community Television appeared before the CCC for the alleged disclosure of the identity of a minor who was a victim of rape. The CCC ruled that Soweto Community Television did not contravene the law because the victim voluntarily disclosed the information about the incident.

Telecommunications licence compliance

Enabling legislation empowers the Authority to impose universal service obligations on telecommunications licensees, and these obligations vary according to the socio-economic conditions of the area served by the licensee. Universal service obligation, as part of the licence terms and conditions, is measured in terms of a rollout of community service telephones and the provision of internet access/connectivity to schools, training and needy institutions.

Community service telephones (CSTs)

As at February 2008, the three mobile telecommunications operators submitted the following rollout figures for Community Service Telephones:

<i>Operator</i>	<i>Rollout target</i>	<i>Current rollout</i>
Vodacom	22 000	133 757
MTN	7 500	14 743
Cell C	52 000	120 000

The Authority requested Cell C to re-submit its rollout plan by 31 July 2007 after Justice Joffe - in a review decision - set aside an earlier decision of the Authority that did not approve the Cell C rollout plan. Cell C has re-submitted its plan, and the Authority is assessing the rollout.

Provision of internet access

The Authority approved the implementation plans (IPs) by Vodacom, MTN, Cell C, Neotel, Sentech and WBS in relation to the rollout of internet connectivity to public schools and needy institutions. Approval for Vodacom, MTN and Cell C were granted for Gauteng, North West, Limpopo, KwaZulu-Natal and Eastern Cape provinces. On the other hand, approval for Sentech and WBS was granted for Gauteng and North West.

<i>Licencee</i>	<i>Target rollout</i>	<i>Approved public schools</i>
Vodacom	5 000	716
MTN	5 000	719
Cell C	5 000	718
Sentech	1 500	22
WBS	1 500	26
Neotel	2 500	*2 500

*The Authority has approved Neotel's implementation plan to roll out internet access to public schools and/or further education and training institutions (FETs) in all provinces. Neotel is committed to equipping 2 500 public schools and FETs with internet connectivity within 10 years.

Postal licence compliance

The Authority is required to ensure compliance by SAPO in relation to delivery standards, infrastructure rollout and customer care standards.

Independent monitor project

This project seeks to measure the delivery standards of SAPO by mail routes between towns and regional centres. The project, which was finalised in February 2008, indicated that the best performing routes were from Tshwane to centres other than Kuilsriver, Mafikeng, Witspos and Northern Cape. The worst performing routes were Eastern Cape and Western Cape to Lebowakgomo; KwaZulu-Natal, Limpopo/Mpumalanga to Eastern Cape; and Free State, Northern Cape, Witspos, Tshwane and Montshiwa to Kuilsriver.

Monitoring of SAPO's service delivery

SAPO's licence terms and conditions stipulate the provision of universal service at affordable prices and at acceptable standards. For the reporting period, SAPO rolled out 24 new retail outlets as part of its infrastructure rollout.

Out of the 600 postal outlets inspected countrywide, none was found to meet the required standards, and 72 contravention notices were issued for rectification.

Complaints handling, customer education and awareness

The breakdown of complaints received during the reporting period is as follows:

<i>Province</i>	<i>Type of complaint</i>	<i>No of complaints</i>	<i>Resolution</i>	<i>Remarks</i>
Limpopo	Lost/missing/ tampered with parcels	3	1 resolved	2 referred to SAPO for resolution
Gauteng	Lost/missing/ tampered with parcels	20	4 resolved	16 referred to SAPO for resolution
KwaZulu -Natal	Lost/missing/ tampered with parcels	8	1 resolved	7 referred to SAPO for resolution
Mpumalanga	Lost/missing/ tampered with parcels			
Eastern Cape	Lost/missing/ tampered with parcels	1		1 referred to SAPO for resolution
Western Cape	Lost/missing/ tampered with parcels	4	2 resolved	2 referred to SAPO for resolution
Northern Cape	Lost/missing/ tampered with parcels			
Free State	Lost/missing/ tampered with parcels			

MARKETS AND COMPETITION DIVISION



Keith Weeks

The Markets and Competition Division is responsible for promoting competition, innovation and investment in services and facilities provided in the communications and postal sectors. The division pursues this objective by conducting financial and economic analysis of regulatory financial reports and pricing proposals; by processing numbering applications and interconnection agreements and by conducting market studies with the aim to determine significant market power among operators and whether competition is effective in the identified markets, and to develop and impose pro-competitive remedies in markets where competition is found to be ineffective.

The division comprises two departments, namely Competition and Market Analysis, and Economic/Financial Analysis and Numbering Administration.

Competition and Market Analysis Department

The Competition and Market Analysis Department conducts and analyses market studies across broadcasting, telecommunications and postal sectors, and develops regulations that govern the said markets. During the reporting period, the division carried out the following projects:

Market definition study

The Authority conducted a market definition study of the telecommunications sector and developed regulations containing a list of possible markets identified for the retail and the wholesale segments of the markets as outlined in the ECA. The regulation for the market definition study has been published to inform the industry of the range of retail and wholesale markets which the Authority will analyse to ascertain whether or not any licensee(s) possess(es) significant market power and whether such market segments are characterised by ineffective competition, such that the Authority might impose pro-competitive conditions.

In addition, public hearings on the wholesale call termination market and on end-to-end leased lines were held. The findings of the two projects will inform the overall market definition study.

Interconnections and facilities leasing

The Authority processed 46 interconnection agreements in the year under review, lodged

in terms of the existing Interconnection Guidelines of 2000 and the provisions of the ECA.

The ECA requires the publication of new interconnection and facilities leasing regulations. In this regard draft regulations were published and hearings held, and the final regulations will be published in the new financial year.

Essential facilities

The Authority has drafted regulations prescribing the list of essential facilities and matters related thereto. This was followed by public hearings on the draft regulations, held in March 2008.

Handset subsidies

The draft regulations on handset subsidies were developed in the reporting period, and will be published in the next financial year.

Economic and Financial Analysis and Numbering Department

The Economic and Financial Analysis and Numbering Department is responsible for providing economic and financial analysis on regulatory matters across broadcasting, telecommunications and postal sectors. The department is also responsible for developing and prescribing numbering plans in accordance with ECA requirements and International Telecommunications Union (ITU) guidelines. In the financial year under review the department carried out the following projects:

Tariff analysis

Forty three *ad-hoc* tariff applications were analysed and processed by the Authority in terms of the licensing conditions. These applications were lodged by the following operators: Cell C, MTN, Telkom, Swiftnet, Vodacom and Wireless Business Solutions (WBS).

Telkom tariff regime

The Authority analysed and approved Telkom's annual tariff review for 2007/8 in line with the Telkom Pricing Regulations (price cap methodology) and licence conditions. The Authority approved an overall average adjustment of minus 1,2%.

Postal tariff regime

The Authority analysed SAPO's annual tariff increases/adjustments for the 2008/9 financial year and published the approved fees and charges for the reserved postal area in the Government Gazette. Whereas SAPO applied for a 7% average general increase, the Authority approved a 5,8% average tariff increase.

Analysis of regulatory financial reports

To inform the Authority on whether there is scope for price reductions given revenues, costs and profit, the Economic and Financial Analysis Department analysed the cost of accounts and cost allocation manual (COA/CAM) filed by MTN, Vodacom and Telkom.

Training and capacity building programmes on COA/CAM were conducted for divisional staff.

SAPO's financial reports were also analysed as input to the tariff approval process and the division initiated research towards reviewing the economic regulatory framework for the reserved postal services.

Numbering administration

In the year under review, the Authority processed 152 numbering applications to ensure compliance with the numbering plans in accordance with ECA requirements and the ITU, and also updated the central numbering database.

Carrier Pre-Select regulations

As part of the Authority's endeavours to promote competition, stakeholder consultations were conducted to discuss different approaches to carrier Pre-Selection. The carrier pre-selection regulations were subsequently drafted, and public hearings will be conducted in the new year.

Short code strategy

Short codes, also known as short numbers, are special telephone numbers, significantly shorter than full telephone numbers, which can also be used to address SMS and MMS messages from mobile phones or fixed phones. The draft regulations were completed on the regulation of short codes as a numbering resource. They are planned for publication upon finalisation of the licence conversion process.

Electronic numbering (ENUMS) workshop

The Authority was tasked to assist CRASA to develop a recommendation on electronic numbering (ENUMS) for the Southern African Development Community (SADC) region. The Markets and Competition Division assisted in conducting the workshop in South Africa and producing an ENUMS report, which was later adopted at CRASA's 10th annual general meeting held in Angola in April 2008.

ENGINEERING AND TECHNOLOGY DIVISION



Dumisa Ngwenya

The Engineering and Technology Division (ETD) comprises the frequency spectrum and the radio monitoring and regions departments. The responsibilities of the division include:

- support in the granting of frequency and station licences, certificates and authorisations;
- management and planning of access to the radio frequency spectrum;
- preparation of the national radio frequency plan;
- investigation of radio communications interferences;
- assessment, adoption and management of technical standards relating to customer equipment and other devices, and
- providing relevant technical support to stakeholders.

Frequency Spectrum Department

The Frequency Spectrum Department consists of the following units:

- Spectrum Management,
- Radiocommunications Frequency Licences,
- Equipment Type Approval and
- Broadcasting Spectrum

Spectrum Management Unit

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

For the year under review, the Spectrum Management Unit delivered the following projects:

Radio spectrum licence fees

The ECA mandates the Authority to make regulations with respect to spectrum licence fees. The spectrum fees charged for various radio services are a crucial part of the spectrum management process. All fees collected by the Authority are passed over to the National Treasury.

The current fee charges have been in place for the past 10 years, and are being reviewed. The current spectrum charging policies and licensing mechanisms do not promote the efficient use of the spectrum, encourage stockpiling of spectrum and are based on outdated price setting mechanisms.

The Authority has commissioned a scientific study to determine a new spectrum licence fee framework, which will take into consideration the economic value of the spectrum. This project will be completed in the 2008/9 financial year.

Review of national radio frequency plan

Enabling legislation and international convention require the Authority to review the national radio frequency plan from time to time. The plan under review will take into account regional harmonisation in line with SADC guidelines and the results of the 2007 World Radiocommunications Conference (WRC-07).

The national frequency plan would also have to take into account annotations contained in the WRC final radio regulations, which address international mobile telecommunications (IMT) identified spectrum and have a bearing on digital broadcasting migration.

A draft national frequency plan has been submitted to the Minister of Communications for consideration, and this will be followed by a public consultation process to be undertaken in the new financial year.

Licensing framework for high demand frequencies

This project seeks to develop a framework for licensing high demand frequencies, namely the 2.6GHz and 3.5GHz bands. In the 2.6GHz band, the available spectrum is 125MHz, following the assignments of 50MHz and 15MHz to Sentech and WBS respectively.

In the 3.5GHz band, there are 28MHz available, after Telkom and Neotel were assigned 56MHz respectively.

The Authority has embarked on a consultative process to determine a mechanism for assigning the remaining spectrum in these bands. The project is expected to be completed in the new financial year.

Radiocommunications frequency licences unit

The Radiocommunication Frequency Licences Unit issued the following licences:

2007/8 licence statistics

Category	New applications received	Renewals	Total issued	Pending applications	Cancelled licences
Aeronautical	1 067	12 625	972	95	512
Amateur	300	3 749	297	3	176
Fixed	201	88	9	192	9
Land mobile, including ski boats	1 406	15 837	1 173	233	2 201
Maritime	447	5 983	512		258
Radio dealer	353	3 351	334	19	284
Satellite	26	253	54	10	11
Total	3 800	41 886	3 351	552	3 451

Equipment type approval unit

Radio regulations are continuously reviewed to align them with the ECA framework. In the year under review, the Authority finalised regulations on exemption of low-power devices operating on FM band II from licensing and/or type approval.

The Equipment Type Approval Unit has also published a draft official list of approved standards for equipment type approval and draft regulations on power line telecommunications. Other matters under review are radio frequency identification (RFID), the satellite licensing framework and the use of the 5.8GHz band and the industrial, scientific and medical (ISM) bands.

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

Category	Received	Licensed	Renewed
TLTE	469	231	394
LMO-1	96	36	109
LMO-2	4	2	17
SWS	351	113	405
Supplier registration	6	4	10
RF equipment	1 270	1 227	–
Total	2 196	1 613	935

The Equipment and Type Approval Unit also took part in technical committees and other fora, including a number of study groups and agenda items for WRC-07, and attended the conference in Geneva. In addition, the unit was involved in the technical committee for CRASA and with Standards South Africa (SSA) in a standardisation process that resulted in an approved official list of standards to be used for equipment type approval.

Broadcasting spectrum

The Broadcasting Spectrum Unit received and analysed 111 technical requests for broadcasting frequency spectrum licences.

Radio Monitoring and Regions Department

The Radio Monitoring and Regions Department is responsible for enforcing compliance with the provisions of the national frequency plan and its effective management. The department conducts inspections and monitoring surveys to ensure compliance by all licensees.

The department has the power to seal and confiscate illegal telecommunications and radio equipment, and it also searches, traces, detects and locates undesired and interfering sources of electromagnetic emissions. The department also undertakes the verification and recording of the current spectrum usage, and the occupancy statistics and migration processes.

Central monitoring office

The central monitoring office attended to and resolved the following interference complaints:

- interference complaints about Telkom and TDMA network in a number of areas, including Ivory Park, Hekpoort, Ermelo, Hoedspruit, Marikana, Nylstroom, Brits and Orange Farm;
- South African National Defence Force (SANDF) repeater site interference due to power line telecommunications system;
- Vodacom SA 3G system in some areas of Sandton and Pretoria. Many interferences were caused by residential communications equipment;
- Repeater systems for Vonitel Communications in the Makhado/Louis Trichardt area. Interference was caused by an illegal 2.4GHz system;
- Repeater systems for Vector Radio in the Hoedspruit area. Interference was caused by an illegal 2.4GHz system;
- WiMAX interference involving test licences, including those issued to Altech, Multichoice and Internet Solutions;
- interference on SABC 2 signal in Heidelberg, due to the Department of Health's

- paging system;
- interference on 35MHz band used by SAMAA in Midrand area. Interference was attributed to overhead power lines radiating unwanted emissions;
- interference on Altech Systems equipment due to Multi-channel Multi-point Distribution Service (MMDS) system traced to the Sentech tower in Auckland Park;
- interference on 5.6GHz radar system belonging to the South African Weather Service. Interference was attributed to several wireless internet service providers operating close to the radar system frequency; and
- interference on broadcasting channels 31 and 35 in the Sandton area. This was attributed to a broadband signal from Digital Video By-Handheld (DVB-H) testing by Sentech.

Cross-border regional co-ordination of the frequency spectrum

The central office attended to a number of cross-border interference complaints in Mozambique. A major interference case involved operators in Mozambique and Transnet in the 400 MHz band.

Negotiations were held and consensus was reached, with Mozambique agreeing to temporarily vacate the band near the borders and Transnet agreeing to migrate from the band in the long-term.

Similar cross-border interference was encountered with Lesotho, and the two Authorities are working on developing memorandum of understanding to address the problem.

Regional offices

The Authority's Johannesburg, Pretoria, Durban, Port Elizabeth, Bloemfontein and Cape Town regional offices assist the central office in enforcing compliance with the national frequency plan and its effective management by conducting inspections and monitoring surveys to ensure compliance by all licensees. For the year under review, the regional offices were involved in the following activities:

Compliance and labelling campaigns

The regional offices conducted different compliance and enforcement campaigns throughout the year, resulting in:

- confiscation of more than 1 000 illegal radio and cellular apparatus;
- closing down illegal broadcasters, and the confiscation of equipment; and
- removal from store shelves of telecommunications equipment units and radio-controlled toys that caused interference in the frequency spectrum.

The regional offices also attended to a total of 2 345 sealed files, which are files closed for non-payment. The regional offices also attended to more than 370 interference cases.

Maritime functions

The Authority started transferring marine personnel to the South African Maritime Safety Authority (SAMSA) in May 2006, and the process continues. Some regional offices still carry out marine-related activities. In this regard more than 1 000 maritime certificates were issued.

High-site inspections

Regional offices perform high-site inspections to proactively minimise interference and illegal transmissions. More than 150 inspections were conducted during the reporting period.

CONSUMER AFFAIRS DIVISION



Phosa Mashangoane

The Consumer Affairs Division is responsible for protecting consumers from unfair business practices, ensuring access to safe and good quality products, and protecting the interests of people with disabilities in relation to the provision of communications and postal services.

The division comprises the Public Education and Awareness and the Complaints departments.

Public Education and Awareness Department

For the reporting period, the department conducted advocacy programmes to enhance consumer awareness and empower consumers to make informed decisions when using communications and postal services. Public education and awareness programmes emanate from enabling legislation, as well as from the complaints lodged with the Authority by consumers.

The department held public education and awareness meetings in the following underserved areas:

- Western Cape:** Lange Municipality, Joe Slovo informal settlement, Laingsburg, Merweville, Prince Albert, Beaufort West and Oudtshoorn.
- Mpumalanga:** Malelane district.
- Free State:** Goldfields.
- North West:** Mafikeng, Ganyesa, Taung, Bapong, Bloemhof, Gopane, Krypan, Lehurutshe and Morokweng.
- Limpopo:** Modimolle, Polokwane, Makhado and Senthimolle.
- KwaZulu-Natal:** Kwa Mashu, Kwa-Makhutha, Pietermaritzburg, Umgungudlovu, Umkhanyakude and Sisonke districts.
- Eastern Cape:** Buffalo Municipality, Likhansi Municipality, Amahlathi, Port Elizabeth Metro, Middleburg and Fort Beaufort.
- Gauteng:** Soweto, Ekurhuleni and Sharpeville.
- Northern Cape:** Riemvasmaak and Vredesvallei.

Many of the issues raised at these public meetings were in relation to inferior electronic communications equipment, unfair or deceiving advertising, tariffs and infringement of privacy.

The department also embarked on a publicity drive to augment its public education and awareness programme. Publicity material was distributed in public places such as community libraries, community centres, multipurpose centres, schools and municipal

offices. These publicity materials included brochures and banners about the Authority's mandate, virtual airtime leaflets as well as copies of the Regulations on a Code for People With Disabilities and the Code of Practice for Electronic Communications Services and for Electronic Communication Network Services.

The department also made use of the SABC public radio stations to reach out to communities, through interviews and the placement of notices about the Authority's consumer awareness drive.

Number portability

The department undertook a publicity drive in all provinces on number portability through notices in community radio stations, newspapers and electronic billboards.

Youth awareness programmes

The department partnered the postal and broadcasting licensing departments in an effort to create awareness among the youth about job opportunities in the communications sector.

International Consumer Rights Day

The Authority conducted an extensive consumer awareness campaign to coincide with the International Consumer Rights Day, observed on 15 March 2008. Inter-departmental roadshows - drawing in the participation of the Council, Executive Management and staff - were conducted in all the nine provinces to raise consumer awareness about communications services and products.

The roadshows visited the following underserved areas:

- Keiskammahoek and Stutterheim in the Eastern Cape,
- Amahlati in Eastern Cape,
- Morokweng in North West,
- Impendle in KwaZulu-Natal,
- Xhariep in Free State,
- Sander in Northern Cape,
- Sekhukhune in Limpopo,
- Zwelethemba in Western Cape and
- Sharpeville in Gauteng.

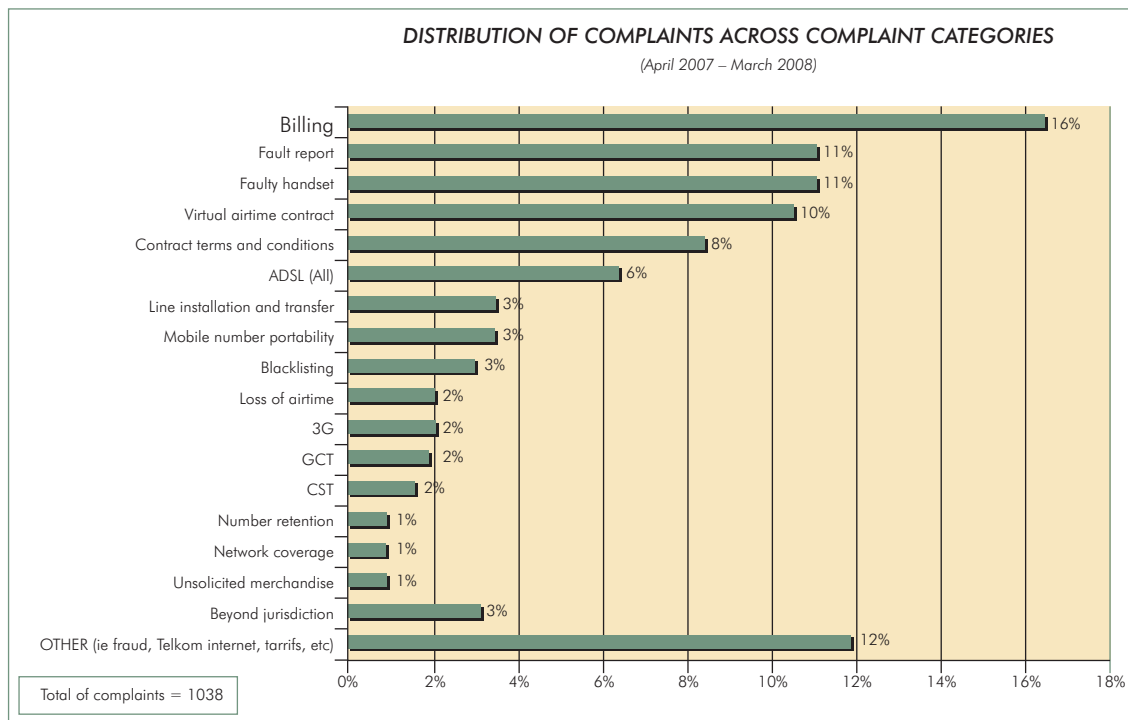
The most acute universal service and access challenges were noted in the Northern Cape, where the only available services were confined to commercial farms. Some of the farms had no access to services. Sending, for example, with a population of 3 000, has no access or very limited access to both fixed and mobile telephony services, and was also not on the footprint of broadcasting services. The area has no Community Service Telephones and the nearest post office lies 62 km away, in Kakamas.

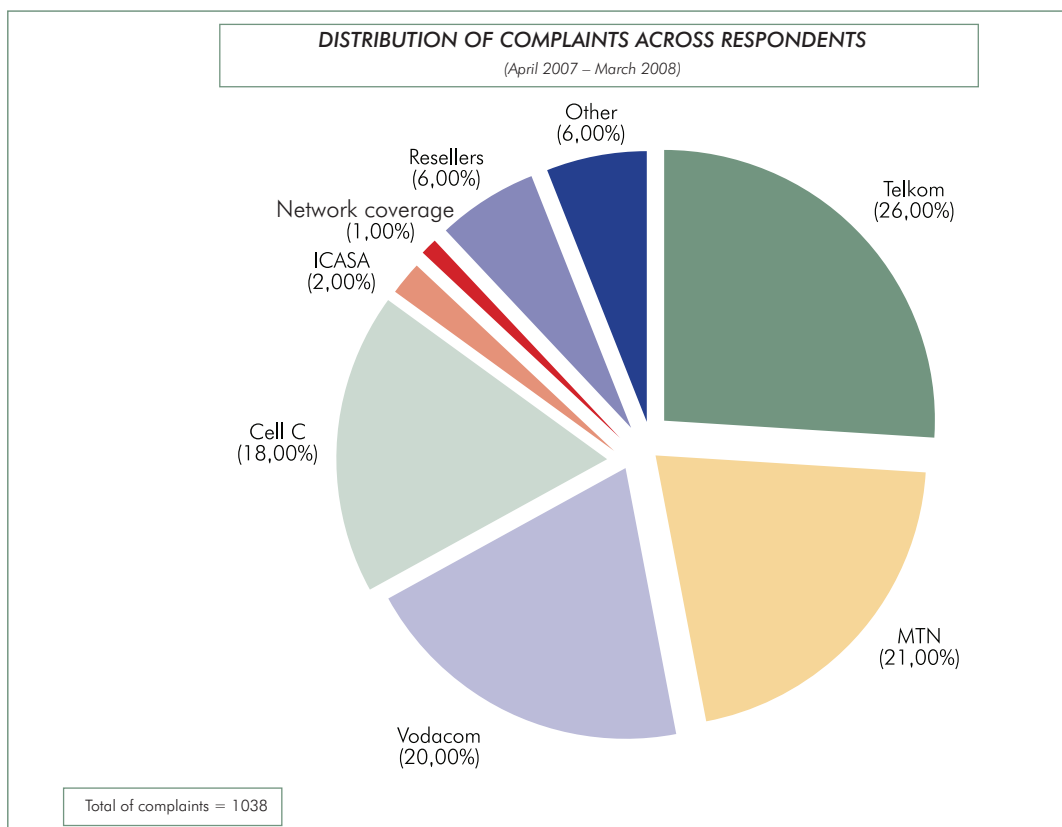
Complaints Department

The Complaints Department receives and addresses complaints from consumers and members of the public regarding communication service and products. The department intervenes or escalates these complaints to operators for resolution or to the CCC for adjudication. Consumer complaints are also used to inform the Authority's regulatory activities when it develops relevant regulations regarding consumer protection.

<i>Summary of complaints received from April 2007 to March 2008</i>		
Number of complaints received from April 2007 – March 2008	1 038	
Number of complaints resolved	637	61%
Number of complaints pending	401	39%
<i>Distribution of complaints among major respondents</i>		
	<i>Number of complaints received</i>	<i>%</i>
Telkom	265	26%
MTN	222	21%
Vodacom	203	20%
Cell C	191	18%
ICASA	24	2%
Network coverage	7	1%
Resellers	60	6%
Other (fraud, Telkom internet, tariffs etc)	60	6%
<i>Distribution of complaints across provinces</i>		
Gauteng	627	60%
Western Cape	166	16%
KwaZulu-Natal	67	6%
Eastern Cape	52	5%
Limpopo	41	4%
Free State	21	2%
Mpumalanga	19	2%
North West	35	3%
Northern Cape	10	1%

Distribution of complaints across main categories		
Billing	168	16%
Faulty handset	116	11%
Asymmetric digital subscriber line (all)	66	6%
Telkom fault reports	117	11%
Contract terms and conditions	87	8%
Mobile number portability	36	3%
Virtual airtime contracts	108	10%
Network coverage	14	1%
3G access	20	2%
Blacklisting	32	3%
Line installation	36	3%
Community Service Telephones (CSTs)	16	2%
General customer treatment (GCT)	18	2%
Loss of airtime	20	2%
Unsolicited merchandise	14	1%
Beyond jurisdictions	32	3%
Other	123	12%





Consumer Advisory Panel

The ECA provides for the appointment of the Consumer Advisory Panel (CAP) to advise the Authority on consumer issues. The CAP was appointed in September 2007, and membership of the panel is drawn from a range of consumer organisations, representative of all the provinces.

The Consumer Affairs Division published the following regulations for the reporting period:

- Regulation setting out the Minimum Customer Care Standards and Complaints Handling Procedures,
- Code of Conduct for Electronic Communications Services and for Electronic Communication Network Services,
- Regulations on the constitution of the Consumer Advisory Panel,
- Regulations setting out the Minimum Standards for End-user and Subscriber Services Charter, and
- Regulations on a Code of People with Disabilities.

LEGAL DIVISION



Stanley Mamaregane

Litigation - regulatory matters

Islamic Unity Convention versus ICASA and others

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

The IUC brought an application at the Witwatersrand Local Division challenging the constitutionality of certain sections of the repealed Independent Broadcasting Act (IBA) and the ICASA Act, under which the complaint was to be adjudicated upon. The Witwatersrand Local Division, however, held that the sections referred to in the application were unconstitutional and referred the matter to the Constitutional Court to confirm the order of unconstitutionality. The Constitutional Court dismissed the application to have the order of unconstitutionality confirmed, ruling that the provisions were constitutional.

Islamic Unity Convention versus ICASA and others (urgent and review application)

The Broadcasting Monitoring and Complaints Committee (BMCC) set down for hearing a complaint lodged by the South African Jewish Board of Deputies from 13 - 17 March 2006. The IUC launched an urgent application at the Witwatersrand Local Division to have the hearing postponed primarily because there was a pending constitutional attack on the provisions of the IBA on which the complaint was to be adjudicated and that it was not in a position to defend itself against the complaint as it did not have the 'charge sheet' or allegation of contravention. On 9 March 2006 the court dismissed the application with costs and directed that the BMCC hearing should proceed. The IUC has applied for leave to appeal the decision.

The BMCC proceeded with the hearing, but the IUC walked out of the proceedings and the complaint was adjudicated in its absence. The BMCC found the IUC guilty and recommended that Radio 786 desist from any further non-compliance with the Act and that it publish the ruling and judgement of the BMCC in the manner detailed in the order. The IUC instituted review proceedings against the decision and the Authority is opposing the matter.

Radio Pretoria versus ICASA

Radio Pretoria instituted a review application against the Authority's decision to refuse the granting of a four year community sound broadcasting licence at the Transvaal Provincial Division. The court dismissed the application. Radio Pretoria appealed the decision in the Supreme Court of Appeal, which upheld the appeal on the review application with costs. The Authority did not apply for leave to appeal to the Constitutional Court, but decided to re-consider the application by Radio Pretoria.

Telkom versus MWeb, Competition Commission and ICASA

Telkom instituted proceedings at the Transvaal Provincial Division for an order declaring that the Competition Commission had no jurisdiction to investigate and refer for adjudication a complaint lodged against Telkom by MWeb. The dispute centred on the discriminatory prices that Telkom charges to MWeb for ADSL offerings, which exceed the prices that Telkom charges its own value-added network services. Telkom contended that the complaint may be heard and adjudicated upon by ICASA only in terms of chapter 10 of the ECA. The Authority opposed the matter and Telkom has since withdrawn the application.

Deukom (Pty) Ltd versus ICASA

Deukom instituted review proceedings against the Authority's decision to refuse it a subscription broadcasting service licence. The Authority is opposing the application to have its decision reviewed and set aside.

Caxton and CTP Publishers and Printers (Pty) Ltd versus ICASA and others

Caxton instituted review proceedings against the Authority's decision to grant a subscription broadcasting licence to Multichoice Africa (Pty) Ltd on the grounds that Multichoice did not comply with the provisions of sections 64, 65 and 66 of the ECA. The Authority is opposing the application to have its decision reviewed and set aside.

Radio Rippel versus ICASA

Radio Rippel instituted review proceedings against the Authority's decision to refuse the granting of a four-year community sound broadcasting licence. The matter was settled out of court, with each party paying its legal costs.

Vodacom (Pty) Ltd versus ICASA and another

Vodacom instituted review proceedings to set aside regulations promulgated by the Authority, which declared it a major operator. The Authority opposed the application.

The parties are exploring the possibility of an out of court settlement as the action commenced prior to promulgation of the ECA.

General litigation

ICASA versus Roswika Digital Solution

ICASA instituted proceedings at the Witwatersrand Local Division to set aside a contract that was concluded with Roswika Digital Solutions for multifunctioning photocopying machines. The court declared the contract valid.

Nothnagel versus RAF and ICASA

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

Thipe versus ICASA

The applicant was a senior information technology manager and was charged with 17 counts of flouting the procurement policies and procedures. He was found guilty on 11 counts and was dismissed. The applicant referred the matter to the Commission for Conciliation, Mediation and Arbitration (CCMA), where it was dismissed on the basis that the applicant's dismissal was procedurally and substantively fair, with costs being awarded in favour of the Authority.

Nemathithi versus ICASA

The applicant referred a case to the CCMA for alleged unfair labour practice. The matter was settled in conciliation.

Len Marshall versus ICASA

Mr Marshall instituted action in 2005 for the recovery of R95 982 in respect of an alleged overpayment to ICASA on licence fees. ICASA is defending the matter. The plaintiff has yet to have the matter set down for trial again.

COMMUNICATIONS DIVISION



Jubie Matlou

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

Corporate Communications Department

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

Internal communications

The Internal Communications Unit arranged the following internal activities:

- staff meetings;
- production and distribution of two editions of the internal newsletter;
- production and distribution of ICASA corporate calendars;
- procurement and distribution of corporate gifts for the council, CEO and staff.

The department hosted the following staff functions:

- Take a Girl Child To Work,
- Radio 702 Walk the Talk,
- Women's Day,
- Casual Day,
- CEO's Welcome,
- Heritage Day,
- ICASA Family Day,
- Employee Wellness Day (co-hosted with Human Resources Division),
- Financial Wellness Day (co-hosted with Human Resources Division),
- 16 days of Activism and
- End-of-the-year function.

External communications

The External Communications Unit is responsible for media liaison, stakeholder liaison and management, exhibitions at industry expos and facilitating responses to enquiries from the public and stakeholders. External communication activities for the year included:

- responding to media enquiries and arranging interviews for the Council and executive management about the Authority's regulatory activities;

- branding all ICASA public hearings conducted outside of the Authority's premises;
- placing corporate and regulatory advertisements in leading daily newspapers about:
 - World Information Society Day,
 - World Post Day, and
 - New telephone numbers for the Authority's head and regional offices;
- hosting a stakeholders' meeting to brief licensees about the Authority's implementation of the ECA;
- facilitating responses to enquiries by licensees and the public;
- photographing of the Authority's internal and external events;
- maintaining and updating the ICASA website with relevant corporate and regulatory documents, and creating a dedicated ECA webpage;
- presenting to international delegations on study visits, and to other stakeholders about the Authority's regulatory activities; and
- supporting the Consumer Affairs Division on roadshows to showcase the Authority's activities in underserved communities.

Finally, external communications took part in the following industry expos:

- Satcom Africa 2007,
- Minister of Communications' Budget,
- Setweek,
- Futurex,
- Young Women in ICT exhibition and
- CRASA workshops.

International Relations Department

The International Relations Department co-ordinates the participation and representation of ICASA in international fora that relate to the regulation of the communications industry. At the core of this responsibility is the hosting of international study visits, and the provision of logistical support for ICASA's Councillors and management members attending international conferences and undertaking study visits.

ICASA's international participation in industry events takes place at three levels, regional southern African, continental and worldwide levels.

During the year under review, the Authority participated in the following CRASA meetings and workshops:

- Meeting of the special committee to discuss future sustainability of CRASA, held in June and July 2007;
- Special CRASA general meeting held in Maputo, September 2007;
- Committee meetings for finance and audit, revenue generation and strategic business

- plan held in Tanzania in November 2007; and
- Participated in other southern African multilateral fora such as:
 - third annual general meeting of the Southern Africa Postal Regulators Association, held in Zimbabwe in June 2007.

ICASA hosted the following workshops and meetings:

- CRASA workshop on the impact of convergence on information and communication technology (ICT) policy and regulations, held in Johannesburg in June 2007, and
- Committee meetings for frequency planning; human resources and empowerment, and broadcasting affairs, held in Johannesburg in February 2008.

At continental and worldwide levels, the Authority took part in the following activities:

- 26th ordinary session of the Pan African Postal Union, held in Kenya in July 2007;
- International Telecommunications Union's radio assembly and the WRC-07 in Switzerland from October to November 2007;
- Universal Postal Union Council of Administration held in Switzerland in October 2007;

Bilateral relations

During the reporting period, the Authority conducted the following bilateral relations:

- Hosted Telecoms Regulatory Authority of the Central African Republic, May 2007;
- Hosted National Telecommunications Regulatory Authority of Egypt, August 2007;
- Technical assistance to INCM, the Mozambican regulator, about tracing signals that were not licensed within the Maputo area, which were causing interference with the Transtel Code Division Multiple Access system in the Komatipoort and Nelspruit area, from May to June 2007;
- Visited to Tanzania to share experiences with sister regulator;
- Hosted the SA Korean technical team of experts in September 2007;
- Visited to Russia and the Netherlands to share experience in broadcasting complaints procedures, September 2007; and
- Hosted a delegation of the government of southern Sudan on the regulation of communications, in March 2008.

The Authority also took part in the following meetings:

- SADC communications ministers meeting, in Maputo in May and June 2007;
- Meeting of Standing Committee on Copyright and related rights and preparatory meeting for the diplomatic conference of the World Intellectual Property Organisation (WIPO) Treaty on the Protection of the Rights of Broadcasting Organisations, in Switzerland in June 2007;
- Institute of Electrical and Electronic Engineers, in Namibia in September 2007
- Annual conference on international antitrust law and policy held at the Fordham Law School, United States in September 2007;

- Annual telecoms policy research conference, held in the US in September 2007;
- Evolving Telecoms and IP Interconnection Forum, held in Germany in September 2007;
- International Special Committee on Radio Interference (CISPR) meeting in Australia in September 2007; and
- Fifth annual Commonwealth Telecommunications Organisation, in Jamaica in September 2007.

The International Relations Department also arranged the following training courses:

- Telecoms mini MBA: London 16 - 20 April 07;
- Regulatory master class: Bath, UK 23 - 27 April 07;
- Next generation networks (NGN) master class: Bath 21 - 25 May 07;
- International postal services course: Bangkok 28 May - 22 June 07; and
- CTO's 'Licensing in a convergence environment' course.

INFORMATION TECHNOLOGY AND SERVICES DEPARTMENT



Suren Govind

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

- Upgraded the JD Edwards ERP solution to enable the Authority to maintain a competitive environment, which ensures compliances with international standards and reliable and efficient services;
- Implemented a helpdesk system to manage information technology (IT) resources and service levels to divisions more effectively;
- Consolidated and upgraded existing infrastructure by installing a PABX system (ie voice-over internet protocol (VoIP), an integrated fax facility and VoIP-enabled switches;
- Upgraded diginet lines from head office to regional offices to improve network connectivity; and
- Improved the IT security environment by upgrading necessary software.

ADMINISTRATION DIVISION



Barbara Ntuli

The Administration Division is responsible for the administration of the Authority's assets, in particular:

- Asset and fleet management;
- Office maintenance and rental;
- Cleaning services;
- Security and access services;
- Library services, records and document management.

Asset management

During the reporting period the division updated the asset register. Asset verification took place in both the head office and regional offices, and identified damaged or redundant assets and established asset stores.

A new fleet of vehicles was procured and delivered, at head office and regional offices, to assist staff in the execution of their duties.

Records and document management

The management of sound records and documents is central to the effective management of information in the custody of the Authority. To this end, the division developed the following records management tools in compliance with the National Archives and Records Services of SA Act 43 of 1996 and the minimum information security standard:

- Records management policy, and the procedures manual;
- A file plan according to the National Archives of South Africa; and
- Attended to the training of divisional records co-ordinators on the essentials of records management.

Facilities management

The division has appointed a service provider to undertake a study for the Authority with a view to advising on the optimal location of the Authority's head and regional offices. The division has also procured generators for all the offices to cope with the challenges of power outages.

Information management

The division has expanded ICASA's information and library resources by establishing links with a number of national and international databases to improve access to industry publications and journals.

HUMAN RESOURCES DIVISION



The Human Resources Division is responsible for the needs of the Authority in relation to:

- Staffing and recruitment;
- Retention strategy;
- Job grading and performance appraisal;
- Training and capacity building; and
- Employee relations.

For the reporting period, the division delivered the following:

Filling critical positions

Montseng Mopeli

Of 72 vacancies at the beginning of the financial year, 60 were filled by 31 March 2008. Six of those were at senior management and five at general management levels. The new CEO was appointed in September 2007.

Employee educational assistance programme

The Authority's bursary scheme provided financial assistance to 56 employees to enrol for academic study programmes.

Job evaluation and grading

Affected employees' grades were rectified in accordance with the findings of the Job Grading Committee. Remuneration adjustments for positions whose grades had moved to a higher structural level were effected retrospectively to 1 April 2007 in October 2007.

A total of 76 appeals were received against the outcome of the job grading process. A Job Grading Review Committee was formed to adjudicate the appeals. The findings of the review process are to be published in the new financial year.

Substantive negotiations

Substantive negotiations with organised labour began in September 2007 and an agreement was reached in November 2007. The wage settlement made provision for a wage increase varying from 6,5% for higher level grades to a 8,5% for lower grades.

Performance management practices

To enhance ICASA's capacity for organisational performance improvement, a group of managers was trained as internal facilitators to implement a performance management system.

In accordance with the performance management system, an individual development plan was developed for every employee to identify training requirements and ensure appropriate use of the training budget.

Human resources policy review

The Human Resources Division conducted a review of a range of existing internal policies to adapt the organisation to internal challenges, the legislative environment, and to enable the organisation to track trends in the labour market.

Employee assistance programme

The Authority has appointed a specialist company to provide a comprehensive professional wellness programme that includes employees' families. The service is expected to enhance employee morale and contribute to the improvement of overall performance.

Long-service awards

Long-service awards were presented to 38 employees in December 2007.

Demographics

At the end of March 2008, the Authority had 339 permanent employees, 18 short-term contract employees and eight interns. A graphic presentation of the demographics of the organisation is as follows:

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

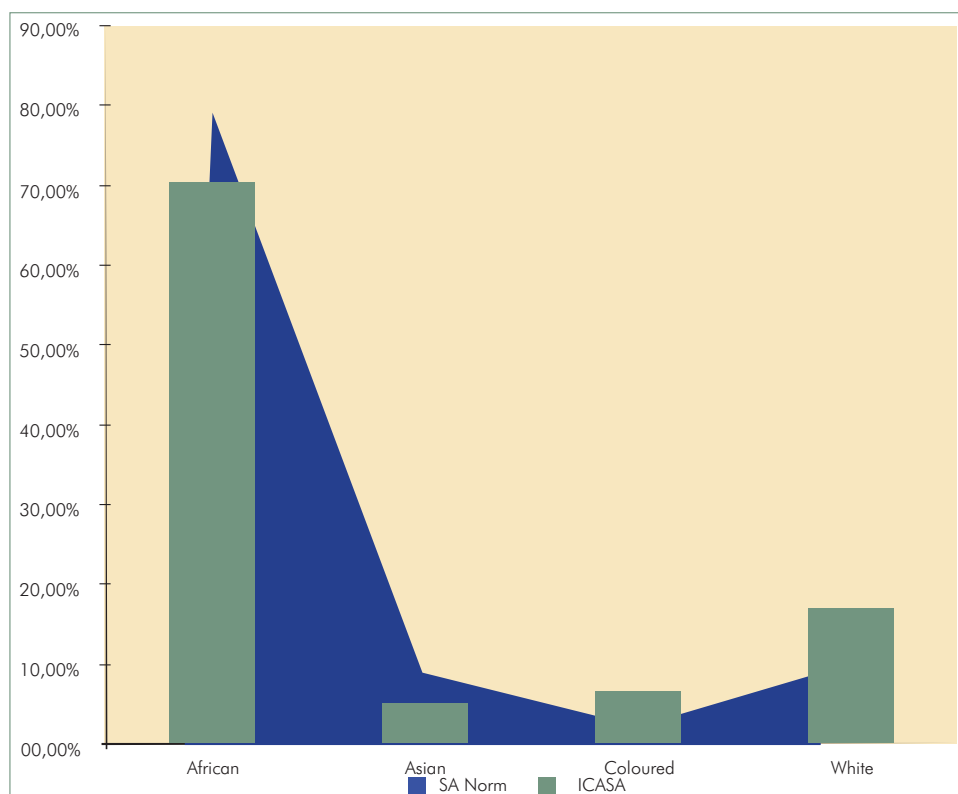


Table 1: ICASA permanent employee demographic profile as at 31 March 2008

Population group	Total	% in each group		% variance
		March 2007	March 2008	
African	238	66,9	70,21	3,31
Asian	17	5,6	5,01	(0,59)
Coloured	23	6,6	6,78	0,18
White	61	20,8	17,99	(2,81)
Grand total	339	100	100	

The above statistics are presented graphically in Figure 2 below, to illustrate the comparative analysis from year to year over five years.

Figure 2: ICASA permanent and long-term contract staff demographic profile from 2004 to 2008

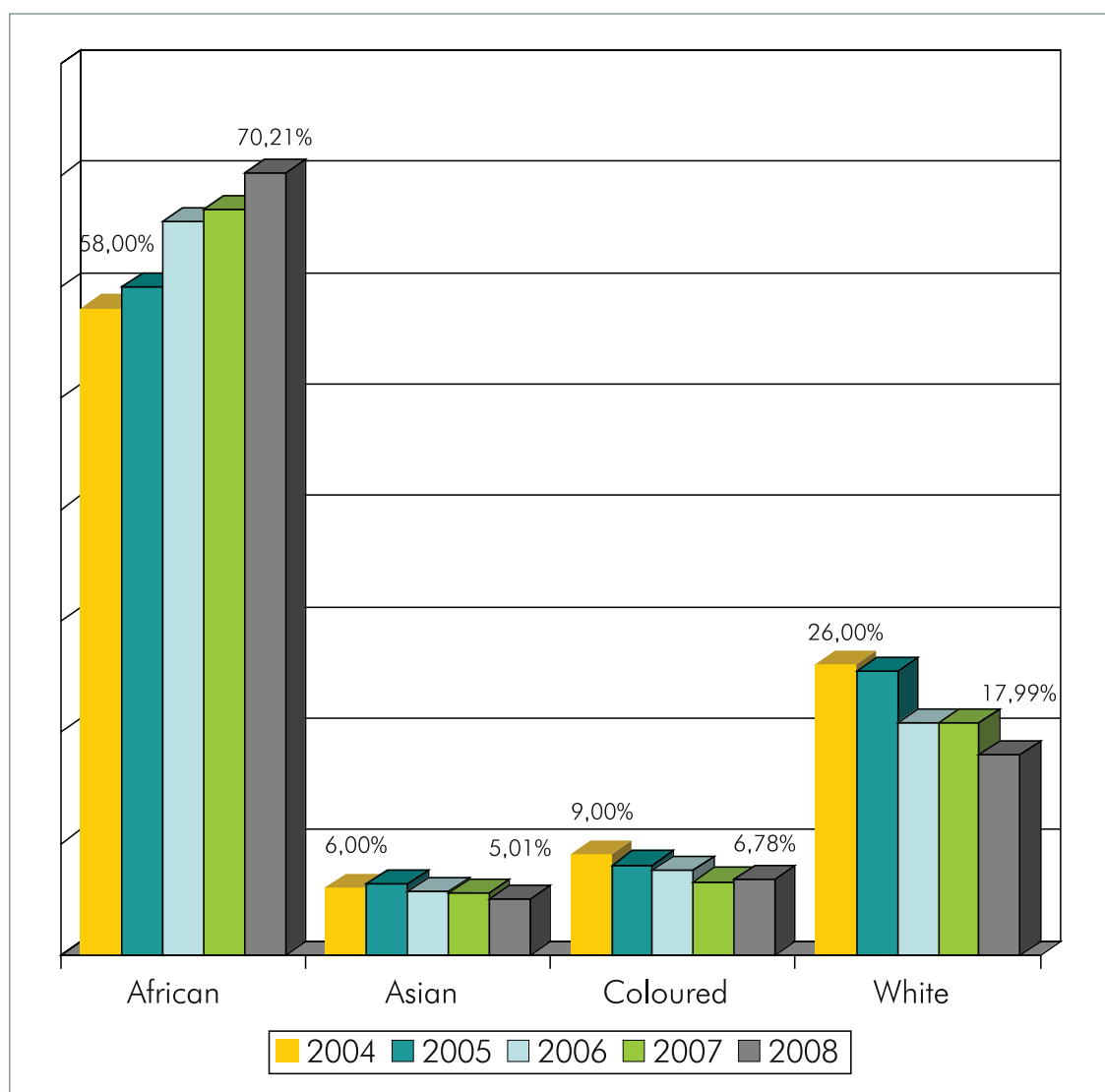


Table 2: comparative analysis per race by division at 31 March 2008

<i>Division</i>	<i>African</i>	<i>Asian</i>	<i>Coloured</i>	<i>White</i>	<i>Total</i>
Office of CEO	16	2	2	-	20
Office of Finance and Business Support	55	4	4	10	73
Human Resources Division	8	-	1	1	10
Legal Division	7	-	-	-	7
Consumer Affairs Division	22	-	1	-	23
Council and support	20	1	2	3	26
Telecommunications	18	1	1	3	23
Broadcasting	22	-	3	2	27
Engineering and Technology Division	55	8	9	42	114
Postal	15	1	-	-	16
Total	238	17	23	61	339

Table 3: Comparative gender status by division as at 31 March 2008

<i>Division</i>	<i>Female</i>	<i>Male</i>	<i>Total</i>	<i>% female</i>
Office of CEO	11	9	20	55
Office of Finance and Business Support	40	33	73	54
Human Resources Division	8	2	10	80
Legal Division	3	4	7	42,9
Consumer Affairs Division	10	13	23	43,5
Council and support	19	7	26	73,08
Telecommunications	13	10	23	56,53
Broadcasting	13	14	27	48,15
Engineering and Technology Division	35	79	114	30,70
Postal	9	7	16	56,25

Table 3 shows that women constitute 47,49% of the workforce, an increase from 46,68% in the previous year.

Figure 3: Staff complement at 31 March 2008 by gender

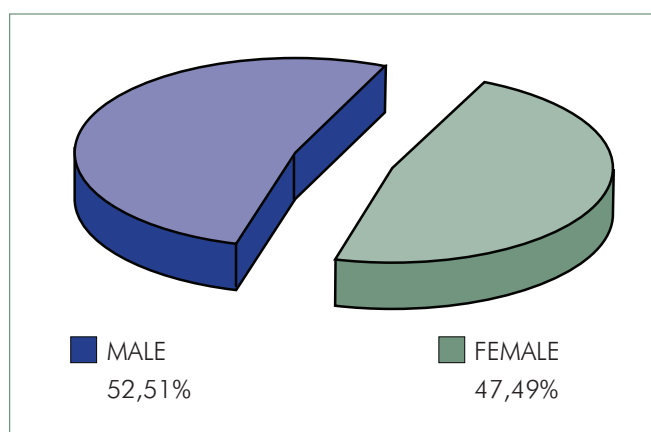


Table 4: Comparative analysis by race and gender at management level as at 31 March 2008

<i>Division</i>	<i>Female</i>	<i>Male</i>	<i>African</i>	<i>Asian</i>	<i>Coloured</i>	<i>White</i>	<i>Total</i>
Council	3	5	6	-	-	2	8
Executive management	1	7	7	-	-	1	8
Senior management	6	8	12	1	1	-	14
Managers	11	22	25	2	3	3	33
Council advisers	-	2	2	-	-	-	2
Total management	21	44	52	3	4	6	65
Staff	140	134	186	14	19	55	274
Total employees	161	178	238	17	23	61	339

Table 5: Employee turnover during 2007/8

<i>Division</i>	<i>Female</i>	<i>Male</i>	<i>Total</i>
Council	1	-	1
Executive management	-	-	-
Senior management	2	1	3
Managers	4	2	6
Staff	9	10	19
Total	16	13	29

There was an overall turnover of 29 out of 324 employees, constituting 8,95%. This makes a compelling case for the review of the organisation's remuneration and reward strategy.

PERFORMANCE INFORMATION 2007 - 2008

LICENSING AND COMPLIANCE DIVISION

Licensing: Broadcasting

Strategic objective	Key performance indicators	Output	Progress made	Risk
<p>Access to basic services (License underserved communities to ensure access to information, education and entertainment)</p>	<p>Licensing of more community sound broadcasting services to other communities in South Africa</p>	<p>Twenty-two applications were granted and five were refused due to lack of frequencies</p> <p>Eleven applications were lodged with the Authority in October 2007</p>	<p>License conditions for the successful applicants are currently being prepared</p> <p>Analysis of applications received has been completed and will be tabled for Council decision</p>	<p>Scarcity of frequencies</p> <p>Mitigation of risk</p> <p>Digital migration process will yield spectrum dividend</p>
<p>Economic growth</p> <p>Black economic empowerment (License additional commercial radio services and foster participation by historically disadvantaged individuals (HDI) and competition within the sector)</p>	<p>Research report on the feasibility of licensing of additional commercial sound broadcasting services in Gauteng, KwaZulu-Natal and Western Cape provinces</p>	<p>Tender document soliciting bids for service provider to conduct the research on behalf of the Authority</p>	<p>The tender document was published for responses by the public</p>	<p>Lack of bidders in response to the tender document</p> <p>Insufficient FM frequencies to ensure wider coverage</p> <p>Mitigation of risk</p> <p>Clear terms of reference must be outlined in the tender document</p> <p>Digital dividend as a result of digital migration</p>

LICENSING AND COMPLIANCE DIVISION

Licensing: Broadcasting

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
<p>Economic growth</p> <p>Black economic empowerment</p> <p><i>(License new commercial pay TV services, foster participation by HDI' and competition within the sector)</i></p>	<p>Licensing of pay television broadcasting services in South Africa</p>	<p>Five broadcasters were licensed to provide subscription satellite broadcasting services</p>	<p>One broadcaster has already been issued with the subscription broadcasting licence</p>	<p>The delay in licensing ECNS will affect the commencement date for those broadcasters who want to self provide</p> <p>Mitigation of risk</p> <p>Council to engage the ministry to urgently issue a policy directive to license ECNS</p>
<p>Liberalisation of the sector and reduce cost of doing business</p> <p><i>(License in terms of ECA, thus foster competition and reduce costs/price within sector)</i></p>	<p>Conversion of existing licences into ECS, ECNS and broadcasting licences, as required by section 93 of the ECA</p>	<p>Published regulations on licensing process and procedures</p> <p>Published standard terms and conditions for all licensees.</p> <p>Published draft Licence Exempt Regulation</p>	<p>Held public hearings on licence conversion, workshop on Licence Exempt Regulation</p> <p>Held one-on-one meetings with licensees on drafted specific class ECS and broadcasting licenses and individual ECS, ECNS and broadcasting services</p>	<p>Potential and actual litigation by aggrieved licensees</p> <p>Mitigation of risk</p> <p>The Authority must deal with the licence conversion strictly in accordance with the ECA</p>

LICENSING AND COMPLIANCE DIVISION

Licensing: Broadcasting

Strategic objective	Key performance indicators	Output	Progress made	Risk
<p>Economic growth and access to basic services</p> <p><i>(Amend and issue broadcasting licences to foster competition and service underprivileged communities)</i></p>	<p>Amendments of existing broadcasting licences</p>	<p>The following SABC amendment applications were granted:</p> <ul style="list-style-type: none"> • SABC1 • SABC2 • SABC3 • Radio Sonder Grense • CKI FM <p>The following commercial amendment applications were granted:</p> <ul style="list-style-type: none"> o Radio Igagasi 99.5 -coverage increase o Highveld Stereo, 702 Talk Radio and Cape Talk - transfer of shareholding 	<p>Amended licences to be issued, as part of license conversion</p>	<p>Delays in issuing licences.</p> <p>Mitigation of Risk</p> <p>Strict turnaround times to be adhered to</p>

LICENSING AND COMPLIANCE DIVISION

Licensing: Broadcasting

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Economic growth and access to basic services <i>(Renew and issue broadcasting licences to foster competition and service underprivileged communities)</i>	Renewal of existing broadcasting licences	The Authority granted 14 renewal applications	Renewed licences to be issued, as part of licence conversion	Delays in issuing licences Mitigation of risk Strict turnaround times to be adhered to
Access to basic services <i>(Issue special event licences ensure access to information, education and entertainment for underserved communities)</i>	Granting of special event Community broadcasting licences valid for a period not exceeding 30 days	The Authority granted 13 special events applications	Special events applications are considered and issued/refused as and when lodged	Scarcity of frequencies Mitigation of risk Digital migration process will result in more spectrum being freed to future assignments

ENGINEERING AND TECHNOLOGY DIVISION

Frequency Spectrum

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Maintain South African Table of Frequency Allocations (SATFA) for effective spectrum management	Draft band plan/SATFA reviewed in line with the requirements of a converged environment published	Published draft band plan for public comment	Publication of the draft band plan delayed for public comment due to WRC-2007 taking place end of Q2 and late determination of security agencies, spectrum requirements. This information needs to be incorporated in the band plan First draft plan forwarded to the Minister Inclusion of the WRC-2007 outcome/output is in progress Draft band plan to be published Q3/Q4 of 2008/9 year	Delays in publishing the band plan in cases where the security agencies' spectrum requirements are not finalised
Review radio regulations to introduce new services and in line with ECA	5.8 GHz regulations published	Regulatory Framework on 5.8GHz Licensing	Discussion document on 5.8 GHz enquiry published and comments received. Draft regulations drafted and to be published Q1/Q2 of the 2008/9 year	Delay in introducing BFWA services in this band

ENGINEERING AND TECHNOLOGY DIVISION

Frequency Spectrum

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
	Satellite framework in place	Development of Satellite licensing framework Regulatory Framework for licensing of satellite services	Regulation drafted and to be incorporated into the spectrum licensing framework project	Delay in publishing the regulation
	Final RFID regulations published	Regulations on RFID frequency allocations Create an enabling regulatory framework for RFID services	Draft regulations published during Q3. Final regulations to be published Q1 of 2008/9 year	Delay in publishing the regulation and introducing the technology in the country
	Selected radio regulations reviewed in line with ECA	Radio Regulations relevant to converged environment Relevant regulations reviewed	Radio regulations to be reviewed. The regulations included in the project dealing with all regulations to be reviewed in line with ECA	
<i>To ensure that a spectrum licensing framework is in place for effective spectrum management of high demand bands</i>	Spectrum licensing framework for 2.5 GHz and 3.5 GHz in place and published	Findings document published Regulations published	Deliberations completed. Findings document and regulations to be published during Q3/Q4 of the 2008/9 financial year	Publishing of the findings document delayed. Measures taken to ensure that the findings document is published Q3/Q4 of 2008/9 year

ENGINEERING AND TECHNOLOGY DIVISION

Frequency Spectrum

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
<i>Review of equipment type specification in line with international developments</i>	Compliance with South African and international equipment standards	Approved standards published and enforced	Several standards as per TC80 approved by SLC and PLT Regulations published in March 2008	Delay in ratification of the standards
<i>Review spectrum licence fees</i>	New spectrum licence fees regime	Regulation on spectrum fees	Tender published end of Q4. Tender awarded in March 2008. Project to be completed Q1 of 2008/9 financial year	Delay in putting the new spectrum fee regime in place
<i>Up to date GIS software to provide accurate demographic data for broadcasting services and frequency planning</i>	GIS software upgraded	Accurate GIS data used for spectrum planning	GIS software system upgraded	
<i>Non-discriminate access to numbers by all interested parties, transparency in the and competition in the marketplace</i>	Regulations on numbering	Regulations on numbering	Regulations on numbering have been published as part of Markets and Competition Division	
<i>Assistance in numbering and standards</i>	Approved standards for numbering	Standards	Ongoing	

MARKETS AND COMPETITION DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Competition in the communications sector	Revised Carrier Pre-Select (CPS) Regulations and Functional specifications	CPS Regulations were revised and functional specifications formulated	Developed an explanatory CPS document First draft regulations completed for committee consideration Completed a workshop with stakeholders and service provider on 29 March 2008	Delay in the process
Competition in the communications sector	Alignment of number portability regulations with ECA	The structure and process for dealing with number portability regulations have been completed	Project was reprioritised to new financial year	Implication of licence regime change
	Short-code strategy regulations	Draft regulations have been completed	Publication of draft regulations pending finalisation of the licence conversion process	Delay in the completion of licence conversion process
	Number audit regulations	Terms of reference and preparatory work for project completed	Project and funds shifted to new financial year	Non-compliance
	Optimisation, management and development of numbering	Development and maintenance of updated central number database and publication	Updated central numbering database. Project to be continued in the new year due to challenges with late submission of data	Non-compliance

MARKETS AND COMPETITION DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Reduce the cost of doing business in SA, ensuring affordable prices and access to basic services	Reduction of the cost of communication through price regulation and regulatory financial reporting	Analysis of Regulatory Financial Statements (RFS) of mobile operators – Vodacom, MTN (Mobile COA/CAM)	Received RFS from mobile operators. Analysis completed and in-house training provided to Authority on COA/CAM Final report submitted by 31 March 2008. Training provided first week of April	Implication of licence regime change
	Reduction of the cost of communication through price regulation and regulatory financial reporting	Analysis of Telkom's regulatory financial reports completed 2007/8 Telkom annual tariff rate regime completed	Report completed and presented to Council. In-house training provided to Authority	Implication of licence regime change
	Postal tariff regulation: – SAPO tariff regime Strengthen regulatory framework review regulatory framework/price CAP	Rates approved and published by end of January 2008	Project completed on target Initiated research on regulation of tariffs for postboxes. Re-prioritised regulatory framework project to 2008/9	

MARKETS AND COMPETITION DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Promote competition	Undue preference regulations	Establishment of processes for development of undue preference regulations	Legal opinion provided on interpretation and application of undue preference regulations	Difficulties of interpretation and application of undue preference regulations in ECA. Not consistent with ex ante framework
Liberalisation of communications market/ promote competition	Regulation of Interconnection and Facilities Leasing	Draft regulations on interconnection and facilities leasing completed and published	Draft regulations completed within financial year. Final framework regulations to be published in new financial year	
Liberalisation of the communications sector	Market definition study (definition of relevant markets and identifying licensees with significant market power)	List of markets, findings on wholesale call termination, and draft framework regulations drafted and published	Regulations regarding list of markets published 21 December 2007 Findings and conclusions document on wholesale call termination published 9 November 2007. Draft S67(4) framework regulations published for comments on 16 March 2008	
Develop regulations for the communications sector and ensure affordable prices	List of essential Facilities Regulations	Draft regulations and hearings held and completed as planned	Final draft regulations on Facilities Leasing published on 24 December 2007	

CONSUMER AFFAIRS

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Provide awareness to consumers in South Africa	Consumer awareness on ICT services. Consumers know their rights	<p>Increase in the number of consumers contacting ICASA about consumer related issues</p> <p>Increase in the number of consumers lodging complaints with ICASA about problems encountered with operators</p> <p>Produced information material on the mandate of ICASA and ICT services available to consumers</p> <p>Radio advertisements to raise awareness of consumers on ICT services</p>	<p>Education and awareness activities conducted in nine provinces as planned</p> <p>Information material distributed as follows:</p> <ul style="list-style-type: none"> • 100 000 copies of brochures; • 100 000 leaflets; • 10 000 copies of Braille for people with disabilities; • 18 banners about mandate of ICASA <p>Reached out to the following numbers of consumers:</p> <ul style="list-style-type: none"> • Ukhuzi: 6 287 000 (IsiZulu); • Umhlobwenene: 4 859 000 (IsiXhosa); • Lesedi: 3 765 000 (Sesotho); • Motswedding: 2 935 000 (Setswana); 	<p>Public apathy in some communities</p> <p>Political dynamics in some areas</p> <p>Lack of consumer awareness on the services provided by ICASA</p> <p>Mitigation of risks:</p> <p>ICASA will collaborate with other stakeholders to roll-out its programmes</p> <p>ICASA will establish and maintain strong working relationship with stakeholders and will also involve the leadership of both local and provincial authorities to participate at ICASA events</p>

CONSUMER AFFAIRS

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
	<p>Consumer awareness on ICT services. Consumers know their rights</p> <p>Consumers had immediate and direct contact with ICASA and operators at their locations</p>	<p>Electronic billboard advertisements to raise awareness on mobile number portability (MNP)</p>	<ul style="list-style-type: none"> • Ligwalagwala: 1 481 000 (Siswati); • Mungandlonene: 1 269 000 (Xitsonga); • Ikwekwezi: 1 346 000 (isiNdebele); • Phalaphala: 973 000 (Tshivenda) <p>Billboards on MNP were displayed in the following provinces:</p> <ul style="list-style-type: none"> • KZN : 1 162 000; • Limpopo: 660 000; • Mpumalanga: 1 113 000; • North West: 1 452 000; • Western Cape: 1 674 000 	<p>ICASA will commission research that will include recommendations for addressing lack of consumer awareness</p>

CONSUMER AFFAIRS

Strategic objective	Key performance indicators	Output	Progress made	Risk
		<p>Awareness raising through radio advertisements that promote consumer rights</p>	<p>Reached out to the following numbers of consumers through radio advertising:</p> <ul style="list-style-type: none"> • Ukhhozi: 6 287 000 (IsiZulu); • Umhlobowenene: 4 859 000 (IsiXhosa); • Lesedi: 3 765 000 (Sesotho); • Motswedding: 2 935 000 (Setswana); • Ligwalagwala: 1 481 000 (Siswati); • Munganalonene: 1 269 000 (Xitsonga); • Ikwekwezi: 1 346 000 (isiNdebele); • Phalaphala: 973 000 (Tshivenda) 	
		<p>Awareness raising through provincial roadshows that promote consumer rights</p>	<p>Conducted roadshows in:</p> <ul style="list-style-type: none"> • Eastern Cape: Keiskamahoeck and Stutterheim; • Mpumalanga: Amahlati; 	

CONSUMER AFFAIRS

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Manage and redress complaints	Satisfied consumers about solution to their complaints	637 complaints resolved	<ul style="list-style-type: none"> North West: Morokeng; KZN: Impendle; Free State: Xhariep; Northern Cape: Riemvasmaak; Limpopo: Sekhukhune; Western Cape: Zwelethemba; Gauteng: Vaal <p>1 038 complaints received</p> <p>The numbers of complaints received per operator are as follows:</p> <ul style="list-style-type: none"> Telkom: 265 MTN: 222 Vodacom: 203 Cell C: 191 ICASA: 24 All mobiles: 13 Resellers: 60 Other: 60 	<ul style="list-style-type: none"> Lack of electronic management system Gaps in regulations that disadvantage the Authority in addressing consumer complaints Lack of call centre results in complaints not handled expeditiously

CONSUMER AFFAIRS

Strategic objective	Key performance indicators	Output	Progress made	Risk
			<p>Complaints received per province are as follows:</p> <ul style="list-style-type: none"> • Gauteng: 627 • W Cape: 166 • KZN: 67 • E Cape: 52 • Limpopo: 41 • Free State: 21 • Mpumalanga: 19 • N West: 35 • N Cape: 10 <p>637 complaints resolved</p> <p>401 complaints pending</p>	<p>Mitigation of risks:</p> <p>Meetings with operators to discuss and agree on efficient and effective way of resolving complaints</p> <p>The Division will develop the electronic complaints management system</p> <p>The gaps in the regulations have been identified. The regulations with gaps need to be reviewed</p> <p>The call centre will be established and will increase efficiency in complaints handling</p>

CONSUMER AFFAIRS

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Develop regulations that address consumer protection	Regulations that address consumer protection Consumers protected against unfair practices relating to ICT services	Regulations reviewed and public comments invited as per provisions in relevant pieces of legislation	<p>The following regulations were completed and gazetted for enforcement:</p> <ul style="list-style-type: none"> Consumer Advisory Panel (CAP) Regulations. CAP members have been appointed and the panel is functional; Regulations on Code on People with Disabilities; Regulations on Code of Conduct for ECN and ECS licensees; Regulations on Customer Care Standards for SAPO <p>The following regulations are almost done and need to undergo an internal quality check process:</p> <ul style="list-style-type: none"> Regulations on End-User Service and Subscriber Charter; 112 Emergency Centre Regulations; E-Rate Regulations 	<p>Lack of monitoring of compliance with consumer protection regulations will result in the infringement of the rights of consumers</p> <p>Mitigation of risks: Recruitment of staff to monitor non-compliance with consumer protection regulations</p>

LEGAL AND CCC DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
<p><i>(Litigation matters)</i> Safeguard ICASA's interest in litigation matters</p>	<p>Defend court actions against ICASA, and enhance the legal standing of ICASA, to further get favourable decisions for ICASA</p>	<p>IUC (Radio 786)/ICASA (CPD) The order was made in favour of ICASA and no costs were awarded in that matter Siza Security/ICASA Nemathithi (settled in December 2007) C Matjiu (finalised in Oct 2007) It was an internal disciplinary matter; no costs involved) Radio Pretoria (finalised in December 2007) Radio Rippel v ICASA (matter settled out of court) IUC (Radio 786)/ICASA (Con-Court) (finalised in December 2007) ICASA was successful; no cost order-each party paid its own costs)</p>	<p>Ongoing Finalised Finalised Finalised Finalised Finalised Finalised Finalised</p>	<p>Adverse court decisions</p>

LEGAL AND CCC DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
		Goodnews Community Radio (Finalised in December 2007) ICASA was successful and is waiting for payment of costs	Finalised	
		L Thiipe	Finalised	
		Telkom/MWeb (matter withdrawn by Telkom in Jan 2008); no costs involved	Withdrawn	
		Deukom (February 2008)	Ongoing	
		Caxton Pty Ltd (March 2008)	Ongoing	
		WAPA/Amobia (March 2008)	Ongoing	
		Nothnagel	Ongoing	
		A Snyman and N Suliman P Goniwe/Stowe	Matter refer to CCMA	

LEGAL AND CCC DIVISION

Strategic objective	Key performance indicators	Output	Progress made	Risk
		S v AEROSAT cc	Matter handled by National Prosecuting Authority (NPA)	
		Hooggelegen (Cape Town site)- further valuations/inspections to take place	Pending	
		Vodacom/ICASA	Parties exploring a settlement	
		Len Marshall	Waiting for trial date	

LEGAL AND CCC DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Provision of legal opinion	Legally compliant and qualitative organisational decisions	087 numbering range COA/CAM (Cell C) Way-a-Waya (Telkom) Universal Service Committee Right-Fax and Tele-Form USF contributions by Vans Diep-in-die-berg	Finalised Finalised Finalised Finalised Finalised Finalised Finalised	

LEGAL AND CCC DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
(External opinion: facilitating request) Support to legislative and regulation making	To guarantee certainty and sound legal basis. Creation of a certain and predictable regulatory environment	VANS, PTNs and USALs	Finalised	
		Vans (self-provision)	Finalised	
		Council advisers	Finalised	
		Handset subsidy regulations	Finalised	
		E-Rate regulations	Ongoing	
		Must-Carry regulations	Ongoing	
		RFID regulations	Ongoing	
		Carrier Pre-Selection regulations	Ongoing	
		112 emergency regulations	Ongoing	
		BDM regulations	Finalised	
		PLT standards Official list of standards	Finalised	

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

Communications

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Promoting access to information by providing the media, stakeholders and the public with information regarding the Authority's regulatory activities	Providing information to stakeholders and the public about ICASA's activities to align these with respective business plans and community development	Media releases to media houses and stakeholders Prompt response to enquiries by stakeholders	Media coverage – radio, television and print – about ICASA's regulatory activities Facilitated responses to all enquiries received from public and stakeholders Upload regulatory information on the website Published and tabled ICASA Annual Report Hosted stakeholders meeting, November 2007	Stakeholders and public uninformed about ICASA activities

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

Communications

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
<i>Promoting the image of ICASA and making the Authority visible to stakeholders and the public</i>	<p>Reassure stakeholders and the public about ICASA's regulatory role through marketing and branding</p> <p>Internal branding: maintain ICASA's image and brand on its premises</p> <p>Cataloguing ICASA's activities through a photo gallery</p>	<p>Placement of corporate adverts in the mainstream media</p> <p>Displaying ICASA stands and distributing promotional material at industry exhibitions, events</p>	<p>Branded ICASA public hearings</p> <p>Branded ICASA/CRASA workshops</p> <p>Placed new ICASA contact details adverts in leading national and regional media</p> <p>Appointed service provider to monitor ICASA's media coverage, and provide newsclips of industry developments</p>	<p>Stakeholders and public uninformed about ICASA activities</p>
<i>Promoting internal communications and employee wellness to promote staff morale and delivery</i>	<p>Improved staff morale and dedication</p>	<p>Publishing of internal newsletter</p> <p>Arranging staff meetings</p> <p>Keeping suggestion boxes</p> <p>Hosting of staff events and functions</p>	<p>Published ICASA internal newsletter in December 2007</p> <p>Hosted: Family Day End-of-the-year function Employee Wellness Day Financial Wellness Day</p>	

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

International Relations

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Co-ordinate ICASA participation in international fora	<p>Develop calendar of international meetings for ICASA</p> <p>Affiliation to international, continental and sub-continental organisations</p>	<p>ICASA's compliance with international conventions</p> <p>Regional harmonisation in regulations</p>	<p>The following meetings were attended during the year:</p> <ul style="list-style-type: none"> • Second annual international conference: Germany 21 - 27 April 2007; • Fourth African Forum for Utility and General Assembly, Zambia: 25 – 27 April 2007; • SADC ministers meeting Maputo: 31 May – 01 June 2007; • CTO's European/African telecoms roundtable: Helsinki and Bonn; 28 May – 01 June 2007 • Public and Private Sector Partnership Forum (PPPF Africa 2007) 	<p>Non-compliance with international convention</p>

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

International Relations

Strategic objective	Key performance indicators	Output	Progress made	Risk
			<ul style="list-style-type: none"> • Promoting infrastructure sharing and low-cost solutions for Africa. 4 – 5 June 2007 held in Nairobi; • Frequency Spectrum workshop. 8 June 2007 held in Nairobi; • Forum on Telecommunication Regulation in Africa (FTR 2007): Infrastructure sharing: regulatory challenges. Nairobi 6 – 7 June 2007; • Canadian Telecom Summit. Toronto 11 – 13 June 2007; • 10th Mobile Regulation and Competition Law: Brussels: 13 – 15 June 2007; • CISPR Meetings, Geneva: 18 – 21 June 2007; • WIPO Treaty on the Protection of Intellectual Property Organisations: SCCR meeting - committee on copyright and related matters; Geneva: 18 – 22 June 2007 	

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

International Relations

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
			<ul style="list-style-type: none"> • SAPRA third AGM: Victoria Falls, Zimbabwe: 21 June 2007; • CRASA workshop on the impact of convergence on ICT policy and regulation: Indaba Hotel: 24 – 28 June 2007; • Meeting of the special committee of CRASA on future sustainability: 29 June – 2 July 2007; • 26th ordinary session of PAPU: Nairobi: 16 – 21 July 2007; • CRASA special general meeting; Maputo; 3 – 4 September 2007; • Fifth Annual CTO Forum: 24 – 26 Sept 2007. Jamaica 	

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

International Relations

Strategic objective	Key performance indicators	Output	Progress made	Risk
			<ul style="list-style-type: none"> • International Regulators Forum (IRF): 20 – 21 October 2007 and International Institute of Communications (IIC) annual conference: London 22 – 23 October 2007; • The Radio Assembly and the World Radiocommunications conference: Geneva, 13 October – 17 November 2007; • Finance and audit; revenue generation and strategic business plan committee meetings: 19 – 21 November 2007, Tanzania; • Universal Postal Union (UPU) Council Of Administration: Berne, 22 October 2007 – 9 November 2007; 	

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

International Relations

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
			<ul style="list-style-type: none"> • UPU Council of Administration: Berne, 22 January – 09 February 2008; • Frequency planning; human resources and empowerment and broadcasting affairs committee meetings: hosted by ICASA in Sandton: 11 – 16 February 2008; • ICASA hosted a delegation of the government of southern Sudan: 6 March 2008 	

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

International Relations

Strategic objective	Key performance indicators	Output	Progress made	Risk
			<ul style="list-style-type: none"> • International Regulators Forum (IRF): 20 – 21 October 2007 and International Institute of Communications (IIC) annual conference: London 22 – 23 October 2007; • The Radio Assembly and the World Radiocommunications conference: Geneva, 13 October – 17 November 2007; • Finance and audit; revenue generation and strategic business plan committee meetings: 19 – 21 November 2007, Tanzania; • Universal Postal Union (UPU) Council Of Administration: Berne, 22 October 2007 – 9 November 2007; 	

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

International Relations

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
			<ul style="list-style-type: none"> • UPU Council of Administration: Berne, 22 January – 09 February 2008; • Frequency planning; human resources and empowerment and broadcasting affairs committee meetings: hosted by ICASA in Sandton: 11 – 16 February 2008; • ICASA hosted a delegation of the government of southern Sudan: 6 March 2008 	

COMMUNICATION AND INTERNATIONAL AFFAIRS DIVISION

International Relations

Strategic objective	Key performance indicators	Output	Progress made	Risk
<p><i>Keep abreast of international regulatory trends</i></p>	<p>Skills transfer by identifying relevant training for ICASA councillors and managers</p> <p>Hosting international delegations on fact-finding missions to SA</p>		<p>The following training courses were attended:</p> <ul style="list-style-type: none"> • Telecoms mini MBA: London: 16 – 20 April 2007; • Regulatory master class: Bath, UK: 23 – 27 April 2007; • Next generation networks (NGN) master class. Bath: 21 – 25 May 2007; • International postal services course: Bangkok 28 May – 22 June 2007. <p>The CTO conducted a course on ‘Licensing in a converged environment’ attended by 17 officials in Sandton: 17 – 20 March 2008</p>	<p>Failure to coordinate and align domestic and international policies</p>

INFORMATION AND TECHNOLOGY DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Establish IT Review Committee	Improve IT corporate governance	Establishment of IT Review Committee	IT Review Committee established	IT corporate governance still being developed
Access to communications (PABX upgrade)	Improved communications through call centre, VOIP, fax and telephones	PABX in full operational	Project completed	
Improve and develop technology enablers	Upgraded JDE system version 8.12	Bid awarded to ICT Works	Project completed	Power outages
Warranties for new PABX	Hardware and software warranties	Warranties have been tendered	The warranties will be acquired in the 2008/9 financial year. Bid advertised and evaluation completed. Since we received only one response, BAC waiting for Gartner to complete benchmark exercise	If hardware breaks down, ICASA is not covered
Develop intranet website	Improved internal communication	RFQ issued in Feb 2008. Received three quotes and order placed with service provider	Project to be completed in 2008/9	Lack of comprehensive internal communication capacity

INFORMATION AND TECHNOLOGY DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
<i>To reduce the risk by establishing Disaster Recovery (DR) centre for redundancy</i>	DR centre hosted externally	DR centre	An outsourced HP rental option was tabled at IT Review Committee A meeting with HP will be scheduled to address issues raised	Business continuity
<i>Provide increased levels of employee awareness for approved policies</i>	Develop, implement and manage policies	Better understanding of policies	Project was moved to 2008/9 financial year because of budgetary constraints High level presentation to EXCO completed Technical presentation to IT scheduled for August 2008	Lack of information and knowledge of resources
<i>Improve customer service</i>	Map workflow from business processes	Workflow system	Project was partly achieved with JD Edwards upgrade, which incorporated finance work processes	
<i>Empower staff and industry with communication information</i>	Develop information knowledge management	Improved planning and execution	Project was shelved because of budgetary constraints	

HUMAN RESOURCES DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Filling of vacancies to ensure adequate human resources capacity and capability for effective delivery	Management of the recruitment and selection process for legal dispute free processes and filling of vacancies in the shortest possible time	Reduced vacancy level	This represents 83,3% success rate There were 72 vacancies activated at the beginning of the year, including committee member for CCC, IT and CAP. Sixty appointments were made from April 2007 to 31 March 2008	Difficult market in which to locate and source skills
Talent capital management	Enhancement of the talent attraction and retention strategy	Improved staff retention	The annual turnover rate of 8,95% is a year-to-date (YTD) reduction of 2,8% 134 jobs representing 288 positions, were evaluated to confirm their correct grades and market value rates	Uncompetitive salary structure

HUMAN RESOURCES DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
Organisational structure realignment	Ensure the linking of all positions to the ECA-established functional portfolios	Structure that is aligned to ECA and objectives	The organisational structure was capacitated with adequate human resources and has been sufficiently functional Approximately 45 % of the organisation's staff members have been redeployed for alignment of the organisational structure with the ECA	
An integrated performance management framework to replace the interim tool	Implement an integrated PMS that is appropriate for the needs of ICASA driven on the basis of change management and policy support	Implemented first phase of performance management process	The interim performance management process until replacement, the end of the year review process yielded a 95% success rate	
Sound (ER) practices and a disciplined and healthy organisation as well as harmonised work environment	Improvement in staff morale and productivity	Employee assistance programme	Launched at head office on 18 March 2008. Regional launches in Durban and PE were arranged ICAS was appointed the service provider. The services were provided from March 2008	Further processes require a sufficient level of interest for desired results

HUMAN RESOURCES DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
	Long-service awards	38 employees received monetary incentives	The long-service awards were part of the year-end function, with inclusion of regional staff	The outreach to the regions for the CEO recognition is difficult to realise
Employee reward and recognition programmes	Improvement in staff morale and productivity	Employee assistance programme	Launched at head office on the 18 March 2008. Regional launches in Durban and PE were arranged ICAS was appointed as the Service Provider. The services were provided from March 2008	Further processes require a sufficient level of interest for desired results
To ensure good governance between HR and finance interface with regard to payroll functions	Effective leave management	Different leave types can now be separately identified on the system	Training of staff and system was upgraded to align to the revised sick leave policy and the accuracy of records improved	Providing details of different leave accruals to manage entitlement and possible forfeiture

HUMAN RESOURCES DIVISION

Strategic objective	Key performance indicators	Output	Progress made	Risk
Organisational competence for maximised effectiveness	Introduction of internally managed training and development programmes	Bursaries were awarded	76 applications were received and 56 were successful	Revision of policy to allow two sessions per year
	Bringing international training and development courses to the country for cost effectiveness and accessibility	Training plan	Training needs for each division were identified in January 2008 Training programmes for frontline staff, managerial competence and technical skills were scheduled	Continuous scarcity

ADMINISTRATION DIVISION

Strategic objective	Key performance indicators	Output	Progress made	Risk
Asset management	Accurate and up to date asset register	Updated asset register by 31 March 2008	All assets recorded on JDE and Asset Pro Physical verification of assets nationally Redundant and damaged assets have been disposed of Standard description of assets Establishment of assets stores Asset administrators appointed and trained	Lack of sufficient internal controls Non-compliance with PFMA and Treasury Regulations Draft asset procedure manual to ensure compliance and improve controls in asset environment
Fleet management	Provide resources to undertake regulatory functions	National Treasury transversal system used	Vehicles that will assist in meeting the mandate have been purchased	maintenance and service expensive Non-compliance with PFMA and Treasury Regulations New fleet will ensure that the organisation is able to deliver on its mandate and will further reduce operational costs

ADMINISTRATION DIVISION

Strategic objective	Key performance indicators	Output	Progress made	Risk
Facilities management	Provision of accessible cost effective and suitable offices Accommodating all ICASA employees within the four blocks at head office to improve efficiencies	Feasibility study report on the possible relocation of head office, Durban, Port Elizabeth and Cape Town regional offices by end of June 2008 Needs analysis report Proposed layouts for offices by end of June 2008	Consultants appointed to do feasibility study for the possible relocation of head office and three regional offices; namely, Cape Town; Durban and Port Elizabeth. Consultants appointed to restructure office work space for a period of three months Service provider conducted interviews with respective divisions to determine current space and furniture requirements	Costs of current head office location pricey Inaccessibility by general public Failure to identify suitable location to ICASA Non-compliance with legislation (Occupational Health and Safety Act) Lack of operational efficiency due to current layout Implementation of the recommendations of feasibility study reports will address risks stated above.
Development of a staff canteen	Provision of accessible canteen to staff	Refurbishment of canteen area by March 2008	Refurbishment process of canteen area was finalised end of March 2008 Compliance issues addressed by Health Inspector	Uncontrolled staff movements. Availability of internal canteen will control staff movements

ADMINISTRATION DIVISION

Strategic objective	Key performance indicators	Output	Progress made	Risk
Development of training room	Reduction of training/travelling costs especially abroad	Training room established and is operational	Training room furniture delivered and installed IT equipment for training room delivered	External training expensive Reduction of cost of training by bringing in trainers.
Protection services	Continuous upgrading of security services	Regional upgrade of access control and CCTV by March 2008	Installation of access control system that links Regional Offices to Head Office Upgrading of CCTV at Head Office Upgrade of access control security system in Block A, installed security booth to enforce access control by the users	Lack of sufficient security for both staff and assets Non-compliance with security legislation Continuous improvements of security will address security risks within the Authority.
Appointment of service provide for security services	Improved safety of personnel, assets and general public	Service provider provisionally appointed	Services provider appointed pending clearance by NIA.	Lack of internal controls Non-compliance with PFMA and Treasury Regulations Appointment of the service provider will ensure compliance

ADMINISTRATION DIVISION

Strategic objective	Key performance indicators	Output	Progress made	Risk
Risk management	Business continuity during load shedding periods	Generator has been procured	Generator will be installed in the new financial year	Business continuity Installation of the generator will ensure business continuity
	Protection of information	Installation of security system at the Library	Security system installed	
Sound records and document management	Records management practices compliant with legislation	File plan is existing RM Policy and procedures has been developed	<ul style="list-style-type: none"> RM Policy and Procedure manual developed, workshops were held with staff and approved by Executive Management Pilot project for the implementation of the file plan completed File plan approved by National Archives All departmental records co-ordinators trained 	Lack of internal controls Non-compliance with Records Management legislation Non-compliance with Records Management legislation Implementation of file plan will ensure compliance
		Complete cleanup operation		

ADMINISTRATION DIVISION

Strategic objective	Key performance indicators	Output	Progress made	Risk
Information management	Reduction of paper processes Improve access to information	E-readiness report has been developed News portal Electronic journal	Drafted e-readiness report ICASA news portal in operation. Access to various electronic journals from the desk tops enabled Procurement process underway to purchase system to access the library catalogue from desk tops Purchased and subscribed to various publications and journals	Budgetary constraints Inadequate access to research information Uninformed decision making Provision of up to date information will improve quality of decisions taken by the Authority

FINANCE DIVISION

Strategic objective	Key performance indicators	Output	Progress made	Risk
Improve financial performance and position	Improve the liquidity position	Payment of creditors within 30 days Improvement on staff collection	The liquidity is above standard of 1:1 and increased by 4% from previous financial year	Threat to going concern status
		The capital resources have been improved. The old assets were replaced Accounts payable payment is being improved. There has been an improvement on staff debt collection	Solvency is above standard of 1:1 and increased by 2% from previous financial year	Threat to going concern status
		The start-up fund has now been protected by having enough capital assets	Equity ratio meet the standard of 1:1 and improved by .013	Risk of depleting startup funds
		Allocation has been used for objectives	The allocation has been used to meet objectives. Underspending has been reduced to below 3%	It will be difficult to have additional funding if the allocated funds cannot be spent
	Developed the asset register that complies with GAAP	The asset register and database have been integrated	The integration has been completed	Ability to access additional funding
		The asset database has been reconciled against JDE up to March 2008	The old outstanding reconciling items have been cleared	Inability to track assets

FINANCE DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
		Assessment of residual values at 31 March 2008	Residual values were reviewed	Assets may not be fairly valued
	Prepare financial statements in terms of GAAP/GRAP	GAAP and GRAP compliance	Prepared financial statements in terms of GAAP and GRAP	Qualified audit report
		GAAP and GRAP compliance	Prepared Financial Statement in terms of GAAP and GRAP	Qualified audit report
	Monitor and manage the financial performance and position	Improve management accounts	The management accounts have been developed and accepted by Auditor-General, Audit Committee and Executive Management	Threat of poor management of financial accounts
	Meet the standard of managing the budget	Budget module	The budget module was developed. The budget is managed in terms of the reporting standards	Unauthorised expenditure and underspending

FINANCE DIVISION

<u>Strategic objective</u>	<u>Key performance indicators</u>	<u>Output</u>	<u>Progress made</u>	<u>Risk</u>
<i>Improve financial management and business support capability</i>	Develop the internal control framework	integrated business processes in JDE – finance module	The business processes are being made part of the financial system Supply chain management manual was developed and implemented Contract management could not be developed in JDE during the reporting financial year and it will be done in the following financial year because JDE upgrade needed to be completed first	The lack of documented business processes
<i>Improve the spend on BEE</i>	Increase participation of BEE	Participation of BEE	65,68 % of bids were awarded to BEE companies	
<i>Improve participation of supplier in procurement</i>	Improved rotation	Quotation process has been centralised	Centralisation of quotations was implemented from 2 January 2008 Supplier database has been updated	Not getting value for money
<i>Develop contract management</i>	Improved contract management	Updated supplier database	A list of all running contracts is maintained Contracts are vetted by Legal Division	Unnecessary litigation due to non-compliance with contract terms and conditions

Independent Communications Authority of South Africa

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008



Tubane Mosia
Chief Financial Officer



Bruce Jooste
Acting GM - Risk, Compliance and Audit

CONTENTS

PAGE

Statement of responsibility	102
Report of the Audit Committee	103
Report of the Auditor-General	105
Accounting officer's report	109
Statement of financial performance	111
Statement of financial position	112
Statement of changes in net assets	113
Cash flow statement	114
Notes to the annual financial statements	115

Independent Communications Authority of South Africa

STATEMENT OF RESPONSIBILITY

for the year ended 31 March 2008

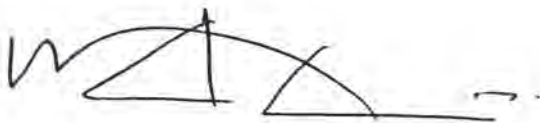
The chief executive officer, in his capacity as accounting officer, is responsible for the preparation and integrity of the annual financial statements and related information included in this annual report. In order for the accounting officer to discharge his responsibilities, management has developed and continues to maintain a system of internal control. The operations of Independent Communications Authority of South Africa (ICASA) are reviewed primarily through internal audit activities and the Audit Committee.

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

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

The annual financial statements have been prepared in accordance with South African Generally Accepted Accounting Practice Standards and incorporate responsible disclosure in line with the accounting philosophy of the entity. The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The council believes that the entity will be a going concern in the year ahead. For this reason it continues to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements for the year ended 31 March 2008 set out on pages 102 to 139, have been approved by the council and are signed on its behalf by:



Karabo Motlana

CHIEF EXECUTIVE OFFICER

31 May 2008

Independent Communications Authority of South Africa

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2008

INTRODUCTION

The Audit Committee has pleasure in presenting to Parliament its report for the financial year ended 31 March 2008 as required by the Treasury Regulations issued in terms of the Public Finance Management Act, Act 1 of 1999 (as amended) (PFMA).

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

In accordance with its charter, the Audit Committee has met eight times since its 2007 report (dated 31 July 2007). The membership and attendance at those meetings were as follows:

<u>Meetings</u>	<u>Meetings attended</u>
Sandile Swana (chairperson)	5
René Kenosi (member – re-appointed 24 June 2008)	6
Liezel Samuel (member)	6
Tsediso Gcabashe (member – appointed 26 February 2008)	4
Bongo Rulashe (member – appointed 26 February 2008)	1
Danie du Plessis (member – resigned 9 October 2007)	-

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 2007 report the Audit Committee noted the need for improvement in internal controls as well as compliance with prescribed policies and procedures and regulations. The audit committee has used its full access to the council to underline the need for performance management for individual councillors and the organisation itself.

The Audit Committee concurs with the Auditor-General that at this time there are no grounds for a qualified audit opinion. However issues of performance reporting compliance, housekeeping and compliance with the ICASA Amendment Act, which requires much cooperation from Parliament, will receive more attention this year.

The chairman of the Audit Committee continues to address the council on the above as a basis for setting up a platform for excellence in governance and internal control more generally going forward.

Independent Communications Authority of South Africa

EVALUATION OF THE FINANCIAL STATEMENTS

The Audit Committee has reviewed:

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

A number of adjustments resulting from the audit have been given effect in the annual financial statements, recognising previous errors without affecting the internal control environment. 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.



Sandile Swana

Chairperson
Audit Committee
31 July 2008

AUDITOR-GENERAL'S REPORT

for the year ended 31 March 2008



AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA FOR THE YEAR ENDED 31 MARCH 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Independent Communications Authority of South Africa (ICASA) which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 109 to 139.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

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

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- overall presentation of the financial statements.

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

Basis of accounting

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

Opinion

9. In my opinion, the financial statements present fairly, in all material respects, the financial position of ICASA as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the PFMA.

OTHER MATTERS

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

Non-compliance with applicable legislation

ICASA Amendments Act, 2006 (Act No. 3 of 2006)

10. Section 7 amended section 5 of Act 13 of 2000 requires that the Council of ICASA must constitute of a Chairperson and eight other councillors all appointed by the Minister. However, ICASA council only constituted of a Chairperson and only seven councillors for the 2007-08 financial year. A councillor's contract came to an end on 30 May 2007 but no other member was appointed to fill the vacancy.

11. A performance management system to evaluate the performance of the Chairperson and other Councillors was not implemented as required by section 9 amended section 6A (4) of Act 13 of 2000 .

Matters of governance

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

Matter of governance	Yes	No
Audit committee		
• The constitutional institution had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved written terms of reference.	X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10.	X	

Matter of governance	Yes	No
Internal audit		
• The constitutional institution had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2.	X	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines (section 40 of the PFMA)	X	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		X
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
• The prior year's external audit recommendations have been substantially implemented.	X	

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

13. I have reviewed the performance information as set out on pages 56 to 100.

Responsibility of the accounting officer for the performance information

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

Responsibility of the Auditor-General

15. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

17. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

No quarterly reporting on performance information

18. ICASA reported the progress in achieving measurable objectives and targets on a half yearly basis and not quarterly as required by Treasury Regulation 5.3.1.

Measurable objectives not consistent

19. Due to the revision of the organisational structure, the strategic plan and the divisional plans were not consistent to the annual performance report to ensure correlation of measurable objectives. ICASA was in the process of realigning the strategic plans.

APPRECIATION

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

Auditor-General
Johannesburg

31 July 2008



Independent Communications Authority of South Africa

REPORT BY THE ACCOUNTING OFFICER for the year ended 31 March 2008

I have pleasure in presenting to Parliament the Independent Communications Authority of South Africa's (ICASA) eighth annual report. The report covers the period 1 April 2007 to 31 March 2008. As required by section 16(1)(b)(i) of the ICASA Act 13 of 2000 (ICASA Act). ICASA has prepared a detailed annual report for the activities during the financial year under review.

Background

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

ICASA's key functions are to:

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

Applicable legislation

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

General review of the state of financial affairs

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

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

In the 2005/6 financial year National Treasury issued a circular whereby ICASA was granted permission to retain interest earned on favourable bank account balances. ICASA recognised R16,6 million in the 2007/8 financial year (2006/7 – R14,1 million) as interest income for the financial year under review.

Independent Communications Authority of South Africa

Council and executive management's remuneration

Details of council members' and executive management's remuneration are set out in note 22 to the annual financial statements.

Events after the reporting date

The council and executive management are not aware of any matter or circumstance arising since the end of the financial year not otherwise dealt with within the financial statements that would affect the operations or results of the Authority significantly.

It should be noted that the annual financial statements were submitted to the Auditor-General for audit on 31 May 2008 in accordance with the requirements of the Public Finance Management Act.

Administered Revenue on behalf of National Revenue Fund

Separate financial statements have been presented for the Administered Revenue on page 140 to 158.

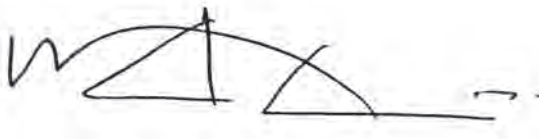
Business address

Physical address:

Pinmill Farm
164 Katherine Street
Sandton
2128

Postal address:

Private Bag X10002
Sandton
2146



Karabo Motlana

Chief Executive Officer

31 May 2008

Independent Communications Authority of South Africa

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2008

		31 March 2008 R	31 March 2007 R
	Note		
REVENUE			
Total grants appropriated	2	212 842 671	190 877 914
Other income	3	9 115 188	11 713 759
		<u>221 957 859</u>	<u>202 591 673</u>
EXPENDITURE			
		(224 507 781)	(180 359 862)
Administrative expenses	4	(29 505 951)	(25 173 831)
Staff costs	5	(117 655 847)	(93 696 753)
Audit fees	6	(1 002 327)	(1 007 998)
Other operating expenses	7	(65 268 901)	(53 375 987)
Depreciation	11	(9 970 364)	(6 242 176)
Amortisation	24	(1 104 391)	(863 117)
		<u>(2 549 922)</u>	<u>22 231 811</u>
(DEFICIT)/SURPLUS FROM OPERATIONS			
		(2 549 922)	22 231 811
Finance costs - Net			
		7 417 176	2 166 606
Finance income	9	7 587 667	2 523 490
Finance costs	8	(170 491)	(356 884)
		<u>4 867 254</u>	<u>24 398 417</u>
SURPLUS FOR THE YEAR			

Independent Communications Authority of South Africa

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2008

		31 March 2008	31 March 2007
	Note	R	R
ASSETS			
Non-current assets			
Property, plant and equipment	11	70 261 738	49 228 309
Intangible assets	24	67 333 193	47 240 601
		2 928 545	1 987 708
Current assets			
Trade and other receivables	12	77 042 866	84 677 741
Prepayments and advances	13	1 626 694	2 363 301
Cash and cash equivalents	14	9 844 335	2 597 795
		65 571 837	79 716 645
TOTAL ASSETS		147 304 604	133 906 050
LIABILITIES			
Current liabilities			
Trade and other payables	15	30 228 742	34 408 616
Current portion of lease commitments	16	14 677 905	20 053 859
Current portion of finance lease obligations	23	7 950 439	5 567 684
Provisions	17	590 040	556 292
		7 010 358	8 230 781
Non-current liabilities			
Deferred income grants	18	92 293 589	79 582 415
Non-current portion of lease commitments	16	86 678 386	65 046 056
Non-current portion of finance lease obligations	23	5 387 957	13 676 035
		227 246	860 324
TOTAL LIABILITIES		122 522 331	113 991 031
EQUITY			
ACCUMULATED RESERVES			
Start-up fund		24 782 273	19 915 019
Accumulated deficit		33 731 342	33 731 342
		(8 949 069)	(13 816 323)
TOTAL EQUITY AND LIABILITIES		147 304 604	133 906 050

Independent Communications Authority of South Africa

STATEMENT OF CHANGES IN NET ASSETS for the year ended 31 March 2008

	<i>Accumulated (deficit) R</i>	<i>Start up fund R</i>	<i>Total R</i>
<i>Balance as at 31 March 2006</i>	<i>(38 214 740)</i>	<i>33 731 342</i>	<i>(4 483 398)</i>
Surplus for the year	24 398 417	-	24 398 417
<i>Balance as at 31 March 2007</i>	<i>(13 816 323)</i>	<i>33 731 342</i>	<i>19 915 019</i>
<i>Surplus for the year</i>	<i>4 867 254</i>	<i>-</i>	<i>4 867 254</i>
<i>Balance as at 31 March 2008</i>	<i>(8 949 069)</i>	<i>33 731 342</i>	<i>24 782 273</i>

Independent Communications Authority of South Africa

CASH FLOW STATEMENT

for the year ended 31 March 2008

	Note	31 March 2008 R	31 March 2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from grants		212 914 068	201 538 289
Cash paid to employees and suppliers		(210 317 642)	(174 696 177)
Cash generated from operations	21	2 596 426	26 842 112
Interest received	3/9	16 631 458	14 114 103
Interest paid	8	(170 491)	(356 884)
Net cash generated in operating activities		<u>19 057 393</u>	<u>40 599 331</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	11	(31 156 974)	(14 191 300)
Acquisition of intangible assets	24	(2 045 227)	(809 122)
Net cash utilised in investing activities		<u>(33 202 201)</u>	<u>(15 000 422)</u>
Net (decrease)/increase in cash and cash equivalents		(14 144 808)	25 598 909
Cash and cash equivalents at the beginning of the year		<u>79 716 645</u>	<u>54 117 736</u>
Cash and cash equivalents at the end of the year	14	<u>65 571 837</u>	<u>79 716 645</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

1 Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

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

- (a) Terminology differences:

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

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

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

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

1.2 Significant judgements

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

Annual evaluation of property, plant and equipment

The Authority reviews its property, plant and equipment for possible impairment, changes in useful life and changes in residual values at the end of each financial year (refer note 11).

Provision for impairment of receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. The calculation of the amount to be provided for impairment of receivables requires the use of estimates and judgements (refer note 12).

1.3 Property, plant and equipment

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

Expenditure on capital projects in progress is capitalised as capital work-in-progress and allocated to the relevant asset category only when the property, plant or equipment is commissioned and brought into use, from when it is depreciated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

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

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

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

The depreciation charge for each period is recognised in surplus or deficit.

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

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

Repairs and maintenance are charged to the statement of financial performance in the period in which they occur.

1.4 Intangible assets

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

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

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

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Authority, and that will probably generate economic benefits

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

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

Internally generated brands are not recognised as intangible assets.

1.5 Impairment of non-financial assets

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

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

1.6 Financial instruments

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

1.6.1 Cash and cash equivalents

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

1.6.2 Trade and other receivables

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

1.6.3 Trade and other payables

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

1.7 Government grants

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

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

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

1.8 Leases

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

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

1.9 Provisions

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

1.10 Retirement benefits

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

1.11 Start-up fund

In terms of section 20(1) of the Independent 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 South African Telecommunications Regulatory Authority by the Department of Communications (DoC) with effect from 1 April 1997 was transferred to ICASA on 1 July 2000.

1.12 Administered revenue on behalf of the NRF

In terms of section 15(3) of the Independent Communications 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 NRF within 30 days of receipt of such revenue.

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

1.13 Interest received

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

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

1.14 Taxation

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

1.15 Foreign currencies

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

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

1.16 Irregular, and fruitless and wasteful expenditure

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

	Note	31 March 2008 R	31 March 2007 R
2 Total grants appropriated			
		234 475 000	201 538 289
Original allocation from DoC budget vote		222 475 000	199 738 000
Additional funds received from DoC		12 000 000	1 800 289
Capital portion of grant received	18	(33 202 201)	(17 318 396)
Released portion of previous deferred government grant	11/ 24	10 476 348	6 658 021
Portion released to statement of financial performance on disposal of property, plant and equipment		1 093 524	–
		<u>212 842 671</u>	<u>190 877 914</u>
3 Other income			
Bid handling fee		33 300	2 960
Interest received from administered revenue		9 043 791	11 590 613
Other		38 097	120 186
		<u>9 115 188</u>	<u>11 713 759</u>
4 Administrative expenses			
General and administrative expenses		740 691	507 138
Travel and subsistence		7 511 586	7 052 282
Regional services levy		–	59 545
Net foreign exchange deficits		(2 987)	5 355
Insurance		463 394	886 756
Printing and stationery		1 181 988	1 426 986
Publications		1 217 544	1 014 255
Publicity and advertising		5 653 107	3 639 512
Recruitment costs		1 822 781	1 572 128
Telephone, postage and fax		6 128 358	5 226 041
Training and conferences		4 789 489	3 783 833
		<u>29 505 951</u>	<u>25 173 831</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

	Note	31 March 2008 R	31 March 2007 R
Council and executive management's remuneration	22	13 996 708	10 108 256
Salaries and wages		97 271 340	78 197 152
– Salaries		71 830 831	56 039 300
– Performance awards		7 214 336	7 672 675
– Periodic payments		5 684 837	3 882 975
– Temporary staff		939 094	494 317
– Leave payments		206 492	622 173
– Overtime pay		1 094 575	476 652
– Defined contribution plan expense		10 301 175	8 009 060
Social contributions (employer's contribution)		5 960 799	5 194 635
– Medical aid		5 336 294	4 467 082
– Unemployment Insurance Fund (UIF)		473 877	386 287
– Workman's compensation		150 628	341 266
Other long-term employee benefits, including long-service leave, surplus sharing and deferred compensation		427 000	196 710
		<u>117 655 847</u>	<u>93 696 753</u>

6 Audit fees

– External audit	1 002 327	797 465
– Internal audit	–	210 533
	<u>1 002 327</u>	<u>1 007 998</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

7 Other operating expenses

Consultants, contractors and special services	16 609 356	8 568 066
Equipment items expensed	196 472	3 572
Legal fees	4 911 200	5 244 771
Maintenance, repairs and running costs		
– Property and buildings	371 405	157 709
– Machinery and equipment	290 964	371 881
– Motor vehicles	1 354 005	1 199 647
– Other maintenance and repairs	2 204 652	1 774 990
Information technology	6 358 440	5 024 062
Bank charges	275 132	209 823
Rental in respect of operating leases		
– Buildings	28 226 948	27 232 369
– Equipment	109 102	604 387
Loss on disposal of property, plant and equipment	1 094 014	-
Other	3 267 211	2 984 710
	65 268 901	53 375 987

8 Finance costs

Interest expense paid on finance leases	108 750	158 586
Interest – other	61 741	198 298
	170 491	356 884

9 Finance income

Interest received from cash and cash equivalents	7 587 667	2 523 490
	7 587 667	2 523 490

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

10 Irregular, and fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure

Conference costs	131 235	–
SARS penalty	41 310	–
Interest costs	61 741	39 712
	234 286	39 712
	234 286	39 712

Conference costs

The conference was arranged and bookings made for 24 - 26 October 2007. The conference did not materialise at the set venue and as it was not cancelled on time as per the signed contract, the service provider invoiced ICASA R131 235. This amount was therefore paid for a service that was never rendered and as such ICASA did not derive any benefit from the service provider.

SARS penalty

An amount of R1 141 310,31 was paid to SARS for the settlement of penalties imposed on ICASA for late payment of PAYE and other related deductions. A provision of R1 100 000 was provided for in the prior years, thus resulting in a charge of R41 310,31 in the 2007/8 financial year.

Interest costs

Interest costs relate to interest on late payment of overdue accounts.

Irregular expenditure

Market study costs	590 706	–
Teambuilding costs	52 013	–
Printing costs	695	–
Library equipment	159 388	–
Advertising costs	6 198	–
	809 000	–
	809 000	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

Market study

A contract was signed between ICASA and the service provider in July 2006 until December 2006 for an original amount of R399 465. The scope of the contract was to define the relevant products and geographical markets in the telecommunications sector. In May 2007 the bid adjudication committee and council approved a R500 000 increase in the original scope of the bid, thus increasing the total contract amount to R899 465. The total amount paid over to the consultants concerned was, however, higher than the revised amount approved by the bid adjudication committee and council, at R1 490 171,40. Therefore, the total amount paid without either the committee's or the council's approval was R590 706,40.

Teambuilding costs

A teambuilding session was arranged with the service provider without following supply chain management policies and procedures. The service provider was approached by certain individuals within ICASA to facilitate a teambuilding session on 9 and 10 November 2008. The fact that three quotations were not sourced was a direct transgression of ICASA's policies and procedures. The total amount paid over to the service provider was R52 012,50.

Printing costs

A service provider was initially requested to print 5 000 banners for ICASA and all relevant supply chain policies and procedures were followed. Subsequent to this, additional work was requested from the service provider without following ICASA's policies and procedures and as a result of this additional costs amounting to R695 were incurred.

Library equipment

A library book detection system was procured for R159 388,05, without obtaining three quotations as the supply chain management policies and procedures require.

Advertising costs

An advertisement was placed with a service provider for R65 423,46 without following supply chain policies and procedures. The service provider was asked by the person/s concerned to render the service even though the procurement process was still in progress. The service provider rendered the service before receiving an official order from ICASA and furthermore, the cheapest quotation was overlooked without justification.

11 Property, plant and equipment

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

11 Property, plant and equipment (continued)

	Office and computer equipment	Furniture and fittings	Motor vehicles	Test equipment	Finance lease assets	Leasehold improvements	Total
	R	R	R	R	R	R	R
2007							
Cost							
Balance at 1 April 2006	15 361 264	5 518 026	9 270 250	47 585 197	-	1 404 632	79 139 369
Additions	9 973 927	819 803	-	101 116	1 789 090	1 507 364	14 191 300
Disposals	(4 534 823)	(816 744)	(1 920 956)	(12 067 132)	-	-	(19 339 655)
Balance at 31 March 2007	20 800 368	5 521 085	7 349 294	35 619 181	1 789 090	2 911 996	73 991 014
Accumulated depreciation							
Balance at 1 April 2006	7 866 962	2 889 677	3 206 449	25 918 305	-	63 638	39 945 031
Depreciation	1 669 518	443 124	607 427	3 017 215	447 273	57 619	6 242 176
Disposals	(4 512 625)	(807 275)	(1 920 956)	(12 195 938)	-	-	(19 436 794)
Balance at 31 March 2007	5 023 855	2 525 526	1 892 920	16 739 582	447 273	121 257	26 750 413
Net carrying amount at 31 March 2007	15 776 513	2 995 559	5 456 374	18 879 599	1 341 817	2 790 739	47 240 601

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

	31 March 2008 R	31 March 2007 R
12 Trade and other receivables		
Staff receivables	726 436	493 741
Less: impairment of staff receivables	(185 348)	(107 838)
Net staff receivables	541 088	385 903
Interest receivable	1 007 293	1 892 846
Other receivables	78 313	84 552
	<u>1 626 694</u>	<u>2 363 301</u>

Impairment of receivables

Opening balance	107 838	26 606
Impairments recognised in surplus and deficit	82 773	96 933
Impairments recovered	(5 263)	(15 701)
Closing balance	<u>185 348</u>	<u>107 838</u>

13 Prepayments and advances

Insurance	257 336	-
Office rental	2 814 469	2 597 795
Computer equipment and motor vehicles	6 772 530	-
	<u>9 844 335</u>	<u>2 597 795</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

14 Cash and cash equivalents

Cash and balances with banks		
- Current accounts	31 179 887	27 132 860
- Short-term deposits	34 370 867	52 575 798
Cash on hand	21 083	7 987
	<u>65 571 837</u>	<u>79 716 645</u>
	31 March	31 March
	2008	2007
	R	R

15 Trade and other payables

Trade payables	3 641 213	7 309 524
Accrued expenses	10 167 031	6 956 354
Other	869 661	5 787 981
	<u>14 677 905</u>	<u>20 053 859</u>

16 Lease commitments

Current portion of lease commitments – included in current liabilities	7 950 439	5 567 684
Non-current portion of lease commitments – included in non-current liabilities	5 387 957	13 676 035
Net lease commitments – to be released over the period of the leases	<u>13 338 396</u>	<u>19 243 719</u>

Independent Communications Authority of South Africa
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

17 Provisions

	PAYE penalty R	Leave pay provision R	Bonus provision R	Legal fees R	Total R
Opening balance at 1 April 2006	1 100 000	4 970 403	3 710 661	431 946	10 213 010
Provisions made during the year	-	1 189 196	3 897 032	-	5 086 228
Utilisation of provisions during the year	-	(622 173)	(6 446 284)	-	(7 068 457)
Balance at 31 March 2007	1 100 000	5 537 426	1 161 409	431 946	8 230 781
Provisions raised during the year	-	128 737	6 132 959	-	6 261 696
Utilisation of provision during the year	(1 100 000)	-	(5 950 173)	(431 946)	(7 482 119)
Balance at 31 March 2008	-	5 666 163	1 344 195	-	7 010 358

An amount of R1 141 310,31 was paid to SARS for the settlement of penalties imposed on ICASA for late payment of PAYE and other related deductions. A provision of R1 100 000 was provided for in the prior years, thus resulting in a charge of R41 310,31 in the 2007/8 financial year.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

	31 March 2008 R	31 March 2007 R
18 Deferred income grants		
Balance as at the beginning of the year	65 046 056	54 385 681
Capital portion of grant received	33 202 201	17 318 396
Amount realised in statement of financial performance	(10 476 348)	(6 658 021)
Amount realised on disposal of property, plant and equipment	(1 093 523)	-
Balance at the end of the year	86 678 386	65 046 056

19 Commitments

Commitments for the acquisition of property, plant and equipment:

– Contracted for but not provided in the annual financial statements	4 308 621	28 166 758
– Authorised but not contracted for	217 776	1 625 651
	4 526 397	29 792 409

20 Operating lease arrangements

At 31 March 2008, outstanding commitments existed under non-cancellable operating leases, which fall due as follows:

Up to 1 year	24 900 606	22 882 404
1 to 5 years	15 069 274	39 365 480
	39 969 880	62 247 884

The operating leases entered into represent arrangements to lease office premises and certain computer equipment. The operating lease commitments comprise cash flow commitments. These commitments do not take account of the straight-line basis of accounting required by AC105 leases. The commitments are mainly in respect of property leases for ICASA's head office in Sandton and regional offices in Cape, Town, Durban, Bloemfontein, Nelspruit and Port Elizabeth.

The terms of the leases varies, with expiry dates between 31 October 2007 and 31 October 2010. Escalation clauses range between 8% and 15% depending on the lease agreements. At 31 March 2008 the Authority had no commitments under non-cancellable operating leases as lessor.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

	31 March 2008 R	31 March 2007 R
21 Reconciliation of surplus to cash generated from operations		
Surplus for the year	4 867 254	24 398 417
Adjusted for:	(12 017 274)	(10 391 565)
– Depreciation	9 970 364	6 242 176
– Amortisation	1 104 391	863 117
– Deficit on disposal of property, plant and equipment	1 094 014	-
– Interest received	(16 631 458)	(14 114 103)
– Interest paid	170 491	356 884
– Decrease in provisions	(1 220 423)	(1 982 227)
– Lease commitments	(5 905 323)	(3 174 028)
(Decrease)/increase in finance lease liability	(599 330)	1 416 616
Operating cash flow before working capital	(7 150 020)	14 006 852
Working capital changes	9 746 446	12 835 260
– Decrease in receivables and prepayments	(6 509 932)	(612 558)
– (Decrease)/increase in payables	(5 375 952)	2 899 261
– Increase in deferred income grants	21 632 330	10 548 557
Cash generated from operations	<u>2 596 426</u>	<u>26 842 112</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

22 Council and executive management's remuneration

Details of remuneration paid are as follows:

Council	Date of appointment	Date of resignation/end of term	Remuneration	
			31 March 2008 *R	31 March 2007 *R
P Mashile	1 July 2005		954 143	791 416
N Bulbulia	1 July 2002	31 August 2006	-	180 942
T Cohen	1 July 2004		741 819	614 757
M Mohlala	1 November 2006	31 May 2007	113 154	282 301
L Mtimde	1 July 2002	30 June 2006	-	211 106
ZR Masiza	1 July 2004		741 819	613 459
R Nkuna	18 October 2006		741 819	308 356
BB Ntombela	1 November 2006		741 819	282 301
JCW Van Rooyen SC	1 January 2007		702 737	169 381
MM Socikwa	1 April 2007		741 819	-
M Zokwe	1 July 2005		741 819	613 371
TOTALS			6 220 948	4 067 390

*Council remuneration is at cost to company and members did not receive performance bonuses.

22 Council and executive management's remuneration (continued)**Permanent executive management**

Executive management	Date appointed	Date resigned	Title	Salary			Remuneration 31 March 2008			Remuneration 31 March 2007			
				R	R	R	Performance bonus	Acting allowance	TOTAL	Salary	Performance bonus	Acting allowance	TOTAL
B Motlana	3 September 2007		CEO	774 182	-	842 116	67 934	-	-	-	-	-	-
T Mosia	6 November 2006		CFO	752 696	-	815 511	62 815	-	-	240 642	16 636	-	257 278
M Mopeli	8 January 2007		GM: Human Resources	672 207	-	731 790	59 583	-	-	1 118 862	17 252	-	136 114
S Mamaregane	1 April 1999		GM: Legal	639 557	-	759 140	59 583	60 000	-	-	-	-	-
K Weeks	3 March 2008		GM: Markets and Competition	58 458	-	58 458	-	-	-	-	-	-	-
S Tsotetsi	5 June 2006		GM: Licensing	682 273	-	740 856	58 583	-	-	-	-	-	-
P Mashangoane	1 July 2007		GM: Consumer Affairs	505 465	-	550 153	44 688	-	-	-	-	-	-
D Ngwenya	1 August 2007		GM: Engineering and Technology	456 441	-	496 163	39 722	-	-	-	-	-	-
JB Manche	1 July 2004	30 December 2006	CEO	-	-	-	-	-	1 131 123	-	-	-	1 131 123
E Nhlapo	1 August 2001	30 June 2006	GM: Broadcasting	-	-	-	-	-	420 836	-	-	88 923	509 759
W Skowronski	2 July 2001	30 June 2006	GM: Spectrum and Engineering	-	-	-	-	-	206 895	-	-	-	206 895
B Mohlala	18 July 2002	31 August 2006	CFO	-	-	228 915	-	-	-	-	-	-	228 915
Total				4 541 279	60 000	4 994 187	392 908	60 000	2 347 273	33 888	88 923	2 470 084	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

22 Council and executive management's remuneration (continued)

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

ACTING EXECUTIVE MANAGEMENT						
Name	Title	Start/ End Date	Remuneration 31 March 2007			Total
			Salary R	Performance bonus R	*Acting Allowance R	
B Jooste	CEO		402 026	67 236	62 021	531 283
S Mamaregane	GM: Telecom GM: Legal CEO		430 778	96 562	125 052	652 392
**R Langa	GM: Postal		131 681	58 651		190 332
**V Letsiri	GM: Postal		110 435	58 651	20 000	189 086
P Molefe	GM: Technology		406 682	63 659	47 323	517 664
P Moleele	GM: Telecom		394 155	63 659	47 323	505 137
M Ngxingo	GM: Legal		384 394	62 317	53 823	500 534
S Tsotetsi	GM: Broadcasting		484 354	-	-	484 354
Total			2 744 505	470 735	355 542	3 570 782

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

** Transferred from DoC to ICASA on 1 January 2007

Summary of council and executive management's remuneration

	31 March 2008 R	31 March 2007 R
Council	6 220 948	4 067 390
Executive management	4 994 187	2 470 084
Acting executive management	2 781 573	3 570 782
	13 996 708	10 108 256

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

	31 March 2008 R	31 March 2007 R
	<u> </u>	<u> </u>
23 Finance lease obligations:		
Current portion of finance lease obligations	590 040	860 324
Non-current portion of finance lease obligations	227 246	556 292
	<u>817 286</u>	<u>1 416 616</u>

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

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

24 Intangible assets

Cost		
Opening balance	5 419 537	11 326 263
Additions	2 045 228	809 122
Disposals	–	(6 715 848)
Closing balance	<u>7 464 765</u>	<u>5 419 537</u>
Accumulated amortisation		
Opening balance	(3 431 829)	9 299 234
Amortisation	(1 104 391)	863 117
Disposals	–	(6 730 522)
Closing balance	<u>(4 536 220)</u>	<u>3 431 829</u>
Closing net book amount	<u>2 928 545</u>	<u>1 987 708</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

25 Contingent liabilities

The Authority's decisions are often challenged through the legal system. There are a number of ongoing legal cases which the Authority is defending or instituting. The final outcome cannot be reliably determined as it is dependent on the strength of both parties' case and the judiciary's findings. A contingent liability is noted for legal cases that may have unfavourable decisions. 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. As at 31 March 2008, the Authority was not aware of any contingent litigation matters that may have unfavourable results against the Authority.

26 Related party relationships and transactions

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

ICASA's related parties consist of government departments, state-owned enterprises, and public entities in the national sphere of government, close family members of related parties and key management personnel at ICASA.

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

	31 March 2008	31 March 2007
	R	R
Grants received from DoC	234 475 000	201 538 289
Payments made to DoC	–	(2 436 479)
	234 475 000	199 101 810

Purchases of goods and services

Sita (Pty) Limited	1 342 264	673 530
Government Printing Works	727 191	184 978
South African Broadcasting Corporation	8 258	16 358
Telkom SA Limited	2 514 908	1 714 152
South African Bureau of Standards	1 090	–
Eskom	90 130	81 936
	4 683 841	2 670 954

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

27 Financial risk management

Forward foreign exchange contracts

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

Credit risk

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

Interest rate risk

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

Fair values

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

Risk management policies

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

NATIONAL REVENUE FUND

for the year ended 31 March 2008

CONTENTS	PAGE
Statement of responsibility	141
Report of Audit Committee	142
Auditor-General's report	144
Report by the accounting officer	146
Statement of financial performance	147
Statement of financial position	148
Cash flow statement	149
Notes to the annual financial statements	150

STATEMENT OF RESPONSIBILITY

for the year ended 31 March 2008

The chief executive officer, in his capacity as accounting officer, is responsible for the preparation and integrity of the annual financial statements and related information included in this annual report.

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

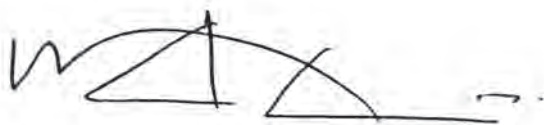
The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the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

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

The annual financial statements have been prepared in accordance with Generally Accepted Accounting Practice 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 believes that the entity will be a going concern in the year ahead. For this reason it continues to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements for the year ended 31 March 2008 set out on pages 141 to 158 have been approved by the council and are signed on its behalf by:



Karabo Motlana

CHIEF EXECUTIVE OFFICER

31 May 2008

ICASA Administered Revenue

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2008

INTRODUCTION

The Audit Committee has pleasure in presenting to Parliament its report for the financial year ended 31 March, 2008 as required by the Treasury Regulations issued in terms of the Public Finance Management Act, Act 1 of 1999 (as amended) (PFMA).

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

In accordance with its charter, the Audit Committee has met eight times since its 2007 report (dated 31 July 2007). The membership and attendance at those meetings were as follows;

<u>Meetings</u>	<u>Meetings attended</u>
Sandile Swana (chairperson)	5
René Kenosi (member – re-appointed 24 June 2008)	6
Liezel Samuel (member)	6
Tsediso Gcabashe (member – appointed 26 February 2008)	4
Bongo Rulashe (member – appointed 26 February 2008)	1
Danie Du Plessis (member – resigned 9 October 2007)	-

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

The Audit Committee concurs with the Auditor-General that at this time there are no grounds for a qualified audit opinion. However issues of housekeeping and the strengthening of collections have been noted together with the introduction of accruals to more accurately reflect the debtors position.

EVALUATION OF THE FINANCIAL STATEMENTS

The Audit Committee has reviewed:

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

The Audit 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.

A handwritten signature in black ink, appearing to read 'S. Swana', with a large, stylized initial 'S'.

Sandile Swana

Chairperson

Audit Committee

31 July 2008



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA ADMINISTERED REVENUE FOR THE YEAR ENDED 31 MARCH 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Independent Communications Authority of South Africa (ICASA) Administered Revenue which comprise the statement of financial position as at 31 March 2008, statement of financial performance, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 140 to 158.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements. This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

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

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

Basis of accounting

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

Opinion

9. In my opinion, the financial statements present fairly, in all material respects, the financial position of the ICASA Administered Revenue as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury as set out in the accounting policy note 1.1 to the financial statements and in the manner required by the PFMA.

Emphasis of matter

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

Restatement of corresponding figures

10. As disclosed in note 6 to the financial statements, the corresponding figures for 31 March 2007 were restated as a result of prior period errors in the financial statements of the ICASA Administered Revenue.

APPRECIATION

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

Auditor-General
Johannesburg

31 July 2008



AUDITOR-GENERAL

ICASA Administered Revenue

REPORT BY THE ACCOUNTING OFFICER

for the year ended 31 March 2008

It is with pleasure that the Independent Communications Authority of South Africa (ICASA) presents to Parliament of the Republic of South Africa, the annual financial statements of the ICASA Administered Revenue for the year ended 31 March 2008.

Background

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

- Broadcasting;
- Telecommunications;
- Frequency spectrum, and
- Postal services.

Events after the reporting date

The council and executive management are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with, within the financial statements that would affect significantly the financial statements for administered revenue.

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ICASA Administered Revenue

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2008

	Note	31 March 2008 R	31 March 2007 R
<i>Licence and application fees</i>	2	2 098 671 428	2 083 971 981
<i>Expenditure</i>		(22 124 246)	(25 248 883)
Impairment of accounts receivable	3	(21 917 714)	(25 013 886)
Commission		(193 172)	(218 967)
Bank charges		(13 360)	(16 030)
<i>Net operating income</i>		2 076 547 182	2 058 723 098
<i>Interest income</i>	9	19 036 413	11 553 490
<i>Net surplus for the year</i>		2 095 583 595	2 070 276 588
<i>Funds transferred</i>		(2 094 218 201)	(2 093 746 511)
Licence and application fees transferred to NRF during the year		(2 085 174 410)	(2 082 155 898)
Net interest income transferred to ICASA	8	(9 043 791)	(11 590 613)
<i>Funds accrued/(transferred) for the year</i>		1 365 394	(23 469 923)

ICASA Administered Revenue

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2008

	Notes	31 March 2008	31 March 2007
		R	R
Assets			
Current assets		671 565 860	550 012 422
Accounts receivables	3	610 284 483	528 271 628
Cash and cash equivalents	4	61 281 377	21 740 794
Total assets		671 565 860	550 012 422
Liabilities			
Current liabilities		671 565 860	550 012 422
Inter-company loans		-	1 814 036
NRF payables	5	671 565 860	548 198 386
Total liabilities		671 565 860	550 012 422

ICASA Administered Revenue

CASH FLOW STATEMENT

for the year ended 31 March 2008

	31 March 2008	31 March 2007
Note	R	R
1 CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from licensees	1 970 586 556	1 958 438 233
Cash transferred to NRF	(1 941 038 595)	(1 979 990 373)
Net cash received from licensees	7 29 547 961	(21 552 140)
Interest received	19 036 413	11 553 490
Interest paid	(9 043 791)	(11 590 613)
	<u>39 540 583</u>	<u>(21 589 263)</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	39 540 583	(21 589 263)
Cash and cash equivalents at the beginning of the year	<u>21 740 794</u>	<u>43 330 057</u>
<i>Cash and cash equivalents at the end of the year</i>	4 <u>61 281 377</u>	<u>21 740 794</u>

ICASA Administered Revenue

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

1. Summary of accounting policies

1.1 Basis of preparation

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

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

Statement of GAAP

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

(a) Terminology differences:

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

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

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

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

1.2 Adoption of standards and interpretations effective in 2007

The following standard has been applied by the Authority from 1 January 2007:

- AC144 Financial instruments: disclosure

The application of AC144 in the year ended 31 March 2008 has not affected the amounts recognised in the statement of financial position or statement of financial performance as the standard is concerned with disclosure only. Certain comparative information has however been restated to achieve compliance with the disclosure requirements set out in these standards.

1.3 Significant judgements

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

Provision for impairment of accounts receivables

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

1.4 Revenue recognition

Revenue comprises fees earned from application fees, issue of licences, licence amendment fees and the annual licence fees from broadcasting services, frequency spectrum services, postal services and telecommunications services. Revenue is recognised and measured at the fair value of the consideration received or receivable.

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

1.5 Financial instruments

Financial instruments carried on statement of financial position include cash and bank balances, trade receivables and trade payables. These instruments are generally carried at their estimated fair value.

1.5.1 Cash and cash equivalents

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

1.5.2 Licence fees receivables

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

1.5.3 Licence fees due to NRF

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

1.6 NRF

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

31 March 2008 R	31 March 2007 R
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2. Licence and application fees**2.1. Broadcasting services**

Community sound broadcasting licence application fees	136 250	211 400
Commercial television licence fees	22 064 963	43 027 467
Commercial sound broadcasting licence fees	12 227 213	13 427 467
Unearned finance income	(780 951)	(452 043)
Unwinding adjustment	70 670	–
	<u>33 718 145</u>	<u>56 214 291</u>

2.2. Telecommunication services

Underserved area licence application fees	–	420 000
Net operating income licence fees	1 662 613 803	1 669 279 759
Fixed licence fee	18 333 333	53 972 962
Universal Service Fund	182 673 416	153 438 706
Telecommunications network licence application fees and licence fees	2 315 760	544 883
Unwinding adjustment	20 002 242	12 278 928
Unearned finance income	(9 111 128)	(3 337 240)
Impairment recovered	20 472 803	–
	<u>1 897 300 229</u>	<u>1 886 597 998</u>

2.3. Frequency spectrum

Commercial radio application fees	1 910 147	3 521 070
Commercial radio licence fees	143 226 629	80 146 343
Miscellaneous fees	2 717	32 407
Radio frequency equipment fees	976 867	1 310 355
Type approval labels income	252 564	329 524
Annual licence fees	–	34 842 021
Type approval	4 954 824	4 043 023
Exam related fees	103 704	79 886
	<u>151 427 452</u>	<u>124 304 629</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

	31 March 2008 R	31 March 2007 R
2. Licence and application fees (cont)		
2.4 Postal services		
Annual licence fees	16 801 563	16 855 063
Unearned finance income	(575 961)	–
	<u>16 225 602</u>	<u>16 855 063</u>
	<u>2 098 671 428</u>	<u>2 083 971 981</u>
3. Accounts receivable		
Broadcasting services	24 045 778	23 933 668
Frequency spectrum services	23 503 661	37 029 912
Telecommunications services	509 443 390	398 927 316
Postal services	16 827 563	16 855 063
Total receivables	<u>573 820 392</u>	<u>476 745 959</u>
Unearned finance income	(10 468 041)	(3 789 283)
Advance payments	73 390 930	80 328 838
	<u>636 743 281</u>	<u>553 285 514</u>
Less: impairment of accounts receivables	(26 458 798)	(25 013 886)
Broadcasting services	(100 950)	(100 950)
Postal services	(36 500)	–
Telecommunications services	(2 598 721)	(24 912 936)
Frequency spectrum services	(23 722 627)	–
	<u>610 284 483</u>	<u>528 271 628</u>
Impairment of receivables:		
Opening balance	25 013 886	–
Impairments recognised in profit and loss	21 917 714	25 013 886
Reversals of impairments recognised in profit and loss	(20 472 802)	–
Closing balance	<u>26 458 798</u>	<u>25 013 886</u>

The following factors was considered in determining the amount of the impairment:

- Compliance with chapter 8, paragraph G10 of radio regulations in terms of the spectrum debtors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

	31 March 2008 R	31 March 2007 R
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3. Accounts receivable (cont)

Trade receivable past due but not impaired

Amounts in 30 days and less	542 416 947	475 382 734
Amounts in 30 to 60 days	-	-
Amounts in 60 to 90 days	-	-
Amounts in 90 days+	31 403 446	1 362 861
	<u>573 820 393</u>	<u>476 745 595</u>

4. Cash and equivalents

Balances with banks		
Deposit accounts	9 820 347	11 090 138
Call accounts	51 457 099	10 650 656
Postal	3 931	-
	<u>61 281 377</u>	<u>21 740 794</u>

5. NRF payables

Cash with banks	61 281 377	21 740 794
Licence fees receivable	61 255 646	61 722 160
Advance billings	96 652 526	80 328 838
Accruals for licence fees	452 376 311	384 406 594
Inter-company loans	-	1 814 036
	<u>671 565 860</u>	<u>550 012 422</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

6. Prior-year adjustments

Administered revenue annual financial statements for the previous financial years were prepared on a cash basis. Confirmation was received from National Treasury in the last week of July 2007 that the administered revenue annual financial statements should be prepared using Statements of GAAP, incorporating Standards of GRAP.

Due to the short timeframe between the confirmation date and the submission date of 31 July 2007, the Authority was unable to obtain all the necessary information from the licensees to enable it to raise all necessary accruals.

As the accounting records were kept on a cash-basis format, the licence fees received from licensees and payments made to NRF were accounted for in the period in which they were received.

The prior-year adjustment below resulted from the raising of the accruals and reallocation of payments made to NRF to the correct accounting period.

6.1 Statement of financial position

	<i>Previously reported 31 March 2007 R</i>	<i>Prior-year adjustment</i>	<i>Restated 31 March 2007 R</i>
<i>Current assets</i>	<u>427 282 328</u>	<u>122 730 094</u>	<u>550 012 422</u>
<i>Total liabilities</i>	<u>427 282 328</u>	<u>122 730 094</u>	<u>550 012 422</u>

The prior-year financial statements were adjusted with additional accruals relating to the following licensees:

1. Telkom	R30 181 581
2. South African Postal Services	R16 794 063

Spectrum debtors were adjusted to reflect revenue in the correct accounting period.

3. Advance payment	R80 328 838
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6.2 Statement of financial performance

<i>Revenue</i>	<u>2 121 114 457</u>	<u>(37 142 476)</u>	<u>2 083 971 981</u>
<i>Expenditure</i>	<u>(1 738 720 417)</u>	<u>(368 721 487)</u>	<u>(2 107 441 904)</u>
<i>Funds accrued for the year</i>	<u>382 394 040</u>	<u>(405 863 963)</u>	<u>(23 469 923)</u>

The prior-year funds accrued for the year were increased with payments made in 2007/8 financial year relating to the 2006/7 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

	31 March 2008 R	31 March 2007 R
7. Notes to the cash flow statement		
<i>Net cash generated from/(utilised in) operations</i>		
<i>Funds accrued for the year</i>	1 365 394	(23 469 923)
Adjustments for:		
Interest received	(19 036 413)	(11 553 490)
Interest paid	9 043 791	11 590 613
	<u>(8 627 228)</u>	<u>(23 432 800)</u>
Movement in net working capital:	38 175 189	1 880 660
Increase in accounts receivable	(82 012 855)	(120 849 434)
Increase in trade and other payables	123 367 474	122 730 094
Decrease in inter-company accounts	(1 814 036)	-
Transfer to NRF liability	(1 365 394)	-
	<u>29 547 961</u>	<u>(21 552 140)</u>
8 Interest paid		
Interest on late payment of licence fees*	-	37 123
Interest transferred to ICASA	9 043 791	11 553 490
	<u>9 043 791</u>	<u>11 590 613</u>
9. Interest income		
Interest on late payment of licence fees	9 992 622	-
Interest received from cash and cash equivalents	9 043 791	11 553 490
	<u>19 036 413</u>	<u>11 553 490</u>

This interest on late payment was incorrectly included in revenue in the previous financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

10. Financial risk management

Financial risk factors

Interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates.

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RP239/2008

ISBN: 978-0-621-38154-2