ANNUAL REPORT
2013 - 2014

ICASA

Independent Communications Authority of South Africa

CONTENT

1. GENERAL INFORMATION 4

1.1 ICASA DETAILS 4
1.2 LIST OF ABBREVIATIONS AND ACRONYMS 5
1.3 STRATEGIC OVERVIEW 6
1.4 MANDATE 8
1.5 ICASA COUNCIL 10
1.6 FUNCTIONAL PROGRAMMES STRUCTURE 11
1.7 CHAIRPERSON'S FOREWORD 12
1.8 CHIEF EXECUTIVE OFFICER'S REPORT 14

2. PERFORMANCE INFORMATION 18

3. PERFORMANCE INFORMATION BY PROGRAMME 28

3.1 PROGRAMME 1 GOVERNANCE AND ADMINISTRATION 28
3.2 PROGRAMME 2 LICENSING AND COMPLIANCE 34
3.3 PROGRAMME 3 ENGINEERING AND TECHNOLOGY 38
3.4 PROGRAMME 4 MARKETS AND COMPETITION 44
3.5 PROGRAMME 5 CONSUMER AFFAIRS 50
3.6 REGIONAL OFFICES 55

4. PERFORMANCE TABLES 58

5. HUMAN RESOURCE MANAGEMENT 72

6. GOVERNANCE 82

7. COMPLAINTS AND COMPLIANCE COMMITTEE 90

8. ANNUAL FINANCIAL STATEMENTS 94

- REPORT OF THE AUDITOR-GENERAL 96
- REPORT OF THE AUDIT AND RISK COMMITTEE 100
- REPORT OF THE ACCOUNTING OFFICER 103
- STATEMENT OF FINANCIAL POSITION 104
- STATEMENT OF FINANCIAL PERFORMANCE 105
- STATEMENT OF CHANGES IN NET ASSETS 106
- CASH FLOW STATEMENT 107
- STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS 108
- ACCOUNTING POLICIES 109
- NOTES TO THE ANNUAL FINANCIAL STATEMENTS 131

ANNEXURES

1. LITIGATION MATTERS 178
2. SUMMARY OF PENDING AND FINALISED COMPLAINTS BEFORE THE CCC 180
3. ECS/ECNS COMPLIANCE ASSESSMENTS 185
4. BROADCASTING COMPLIANCE 186

1.GENERAL INFORMATION

1.1 ICASA DETAILS

Registered name:	Independent Communications Authority of South Africa
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Auditors:	Auditor-General of South Africa
Bankers:	Nedbank First National Bank Investec Private Bank

1.2 ABBREVIATIONS AND ACRONYMS

ADSL	Asymmetrical Digital Subscriber Line
ADR	Alternate Dispute Resolution
APP	Annual Performance Plan
ATU	African Telecommunications Union
BBBEE	Broad-Based Black Economic Empowerment
BWA	Broadband Wireless Access
CAP	Consumer Advisory Panel
CCC	Complaints and Compliance Committee
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHP	Complaints Handling Procedure
CNDB	Central Number Database
COA/CAM	Chart of Accounts and Cost Allocation Manual
CPE	Customer Premises Equipment
CRASA	Communications Regulators' Association of Southern Africa
CRM	Customer Relationship Management
CTO	Commonwealth Telecommunications Organisation
DCF	Disability Consultative Forum
DF	Direction Finding
DoC	Department of Communications
DPW	Department of Public Works
DTT	Digital Terrestrial Television
DVB-H	Digital Video Broadcasting – Handheld
ECA	The Electronic Communications Act
ECNS	Electronic Communications Network Service
ECS	Electronic Communications Service
FL	Facilities Leasing
FM	Frequency Modulation
FTA	Free-to-Air
GAAP	Generally-Accepted Accounting Practice
GHz	Gigahertz
GMDSS	Global Maritime Distress and Safety System
GPRS	General Packet Radio Service
GRAP	General Recognised Accounting Practice
GSM	Global System for Mobile Communications
HDI	Historically-Disadvantaged Individual
HSDPA	High-Speed Downlink Packet Access
IBA	Independent Broadcasting Authority
IC	Interconnectivity
ICT	Information and Communications Technology
I-ECNS	Individual Electronic Communications Network Service
IPC	Internet Protocol Connect
IIC	International Institute of Communications
IMT	International Mobile Telephony
IPSASB	International Public Sector Accounting Standard Board
ISDN	Integrated System Digital Network
ISP	Internet Service Provider
IT	Information Technology
ITA	Invitation to Apply
ITR	International Telecommunications Regulation
ITU	International Telecommunications Union
JCPS	Justice Crime Prevention & Security
JSAG	Joint Spectrum Advisory Group
LLU	Local Loop Unbundling
LMO	Line Maintenance Organisation
LRIC	Long-Run Incremental Cost
MCTS	Mobile Cellular Telecommunication Service
MHz	Megahertz
MTEF	Medium-Term Expenditure Framework
MTR	Mobile Termination Rate
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NATJOC	National Joint Operational Centre
NERSA	National Electricity Regulator of South Africa
OHS	Occupational Health and Safety
OPEX	Operational Expenditure
PAA	Public Audit Act
PAPU	Pan African Postal Union
PABX	Private Automatic Branch Exchange
PAJA	The Promotion of Administration Justice Act
PBS	Public Broadcasting Service
PEB	Party Election Broadcast
PFMA	Public Finance Management Act
PPCC	Parliamentary Portfolio Committee on Communications
QoE	Quality of Experience
QoS	Quality of Service
RF	Radio Frequency
RFI/RFID	Radio Frequency Identification
RIA	Regulatory Impact Assessment
RPA	Retail Postal Agency
SAPO	South African Post Office
SABC	South African Broadcasting Corporation
SADC	South African Development Community
SATFA	South African Table of Frequency Allocation
SATRA	South African Telecommunications Regulatory Authority
STB	Set Top Boxes
SKA	Square Kilometre Array
SMP	Significant Market Power
SMS	Short Message Services
SNG	Satellite News Gathering Service
SO	Strategic Objective
SOOG	Strategic Outcome-Orientated Goal
SRD	Short-Range Device
SWS	Switching Systems
TLTE	Telecommunications Line Terminal Equipment
TMDA	Time Division Multiple Access
TPS	Telecommunications and Postal Services
UHF	Ultra High Frequency
UPU	Universal Postal Union
USAASA	Universal Service and Access Agency of South Africa
USAO	Universal Service and Access Obligations
VANS	Value-Added Network Service
VHF	Very High Frequency
VoIP	Voice-over Internet Protocol
WAP	Wireless Application Protocol
WRC	World Radio-communication Conferences

1.3 STRATEGIC OVERVIEW

The Independent Communications Authority of South Africa (ICASA, the Authority) operates under Chapter Nine of the Constitution of the Republic of South Africa and was established by the ICASA Act 13 of 2000, which provides for the continued existence of the Authority.

1. Our vision

To advance the building of a digital society.

2. Our mission

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

3. Our values

The Authority adopts the following principles in the consideration of all regulatory activity:

People

We value, respect and recognise our people;

Necessity

We are committed to evidence-based regulation ensuring that regulation is only introduced where there is a demonstrable need. We intend to ensure that regulatory compliance does not become a barrier to the development of a sustainable Information and Communications Technology (ICT) sector by simplifying or reducing regulation, wherever possible or appropriate;

Effectiveness

We are committed to achieving our identified goals and to delivering on our mandate, taking into account the impact of such decisions;

Proportionality

We aim to impose obligations in an objective, transparent and proportionate manner, where intervention is necessary;

Transparency

We will strive to work within a consistent, fair and defined set of parameters and ensure decisions are evidence-based and fully-reasoned, and that any decision-making process is open and accessible;

Accountability

We are formally accountable to the Parliament of South Africa and, through the appeals system, to the courts and remain mindful that we ultimately serve the end-users; and

Consistency

We will pursue our legal responsibility to ensure consistency in our actions.

The Authority's work is used to assist Government in addressing some of its pertinent challenges such as the digital divide and universal access to electronic communications broadcasting and postal services, thereby making a difference to the lives of people in South Africa.

4. Strategic outcome orientated goals (SOOGs)

SOOG 1	**Promote competition**
Goal statement	ICASA will promote competition by enabling new entrants to participate in the ICT sector and level the playing field. ICASA will facilitate effective HDI/BBBEE participation in the sector.
SOOG 2	**Promote the digital agenda**
Goal statement	ICASA will develop a roadmap for spectrum licensing to support the national digital agenda and maximise universal coverage broadband services.
SOOG 3	**Promote efficient use of spectrum and numbering resources**
Goal statement	Efficient and effective use of frequency and numbering resources to promote the growth and rapid deployment of innovative and efficient communications technologies and services.
SOOG 4	**Protect consumers**
Goal statement	Ensure the continued protection of consumers through empowerment and knowledge of their rights pertaining to ICT services, as well as accessibility and the needs of people with disabilities.
SOOG 5	**Modernise ICASA**
Goal statement	ICASA will be an efficient and highly productive regulator that maximises benefit to stakeholders, staff and management from effective systems, processes, resources and organisational culture.

1.4 MANDATE

ICASA's mandate is spelt out in the Electronic Communications Act (ECA) for the licensing and regulation of electronic communications and broadcasting services, and by the Postal Services Act for the regulation of the postal sector.

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

1.4.1. Constitutional mandate

The Constitution of the Republic of South Africa

- The constitution establishes an independent regulatory institution which is required to provide "for the regulation of broadcasting in the public interest and to ensure fairness and a diversity of views broadly representing South African society" (Section 192). Legislative mandates provide for additional responsibilities for the regulation of electronic communications and postal services;
- ICASA is a licensing body, a regulator and a quasi-judicial body because it licenses, regulates, adjudicates and issues sanctions (Section 34); and
- ICASA is also an organ of state, bound by the Bill of Rights (Section 8).

1.4.2. Legislative mandates

The Broadcasting Act No. 4 of 1999

- The Act amended the Independent Broadcasting Authority (IBA) Act No. 153 of 1993, which sought to clarify the powers of the Minister and the regulator; and
- The Act called for a new broadcasting policy that will contribute to democracy, development of society, gender equality, nation-building, provision of education and strengthening the spiritual and moral fibre of society.

The Independent Communications Authority of South Africa Act No. 13 of 2000

- The Act established ICASA and that the regulator shall be independent and impartial (Section 3).
- The primary objective of this Act is to provide for the regulation and control of telecommunication matters in the public interest (Section 2). It seeks to promote the universal and affordable provision of telecommunication services.

The Electronic Communications Act No. 36 of 2005

- The substantive regulatory function of ICASA pertains to broadcasting and the electronic communications service sectors;
- ICASA plays a concurrent function with the Competition Commission on competition matters (Chapter 10); and
- ICASA strives to create an appropriate and predictable regulatory environment to achieve the stated objectives of the ECA, (Section 2).

The Postal Services Act No. 124 of 1998

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

The Competition Act No. 89 of 1998

- The Competition Commission and Competition Tribunal play a complementary role or co-jurisdiction role with ICASA on competition matters within the electronic communications environment (Section 82 (1));
- The Competition Commission holds an *ex post* jurisdiction over competition-related matters; and
- ICASA holds an *ex ante* jurisdiction over competition-related matters.

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

- PAJA binds both ICASA in its decision-making functions and the Complaints and Compliance Committee (CCC) in the exercise of its administrative and judicial functions.

The Public Finance and Management Act No. 1 of 1999

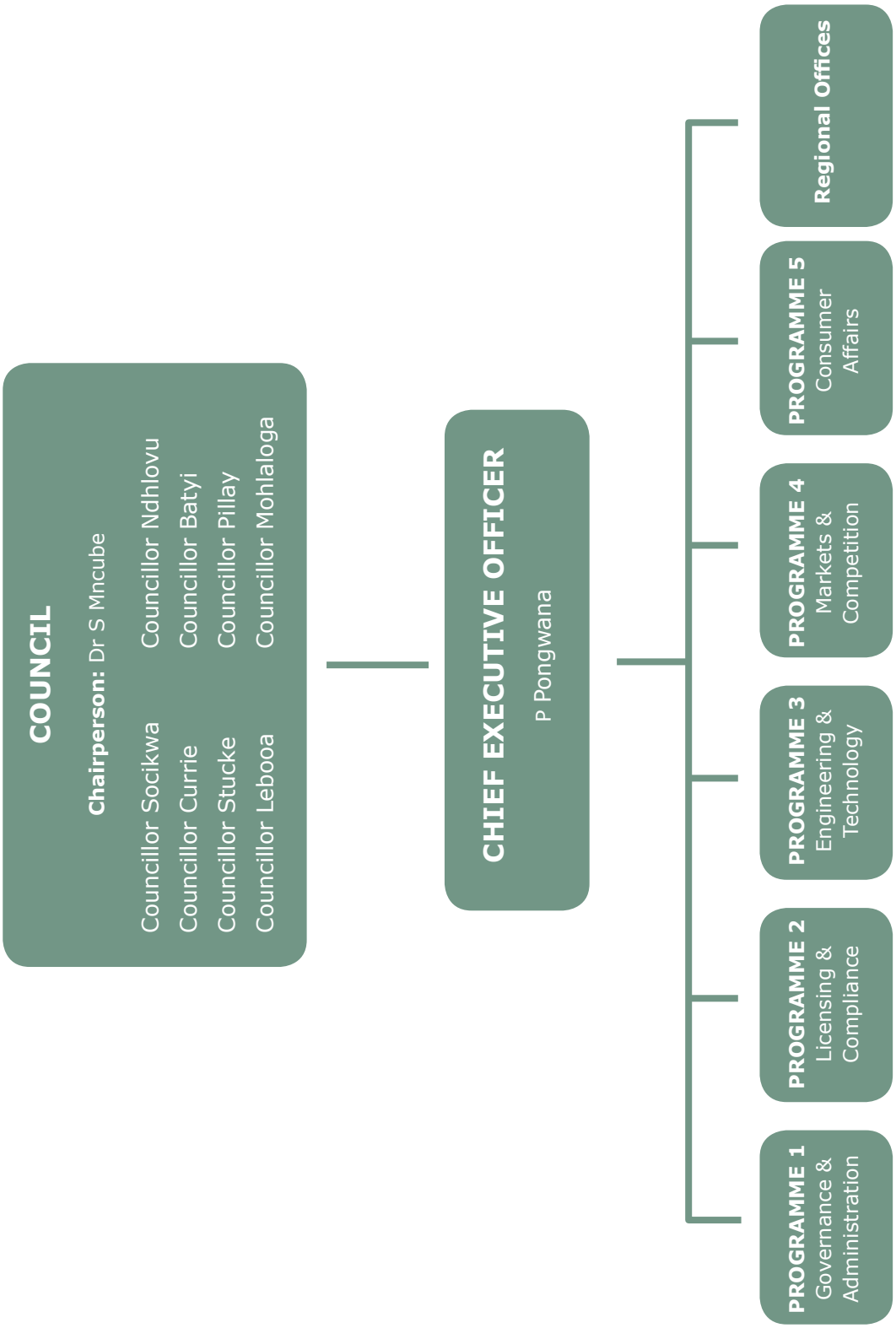
- The Act provides guidelines for the usage of public funds by government departments and public entities.

1.5 COUNCIL

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

Council member	Term of office
Dr. Stephen Mncube (Chairperson)	2010 to 2015
William Currie	2010 to 2014
Joseph Lebooa	2010 to 2014
Ntombizodwa Ndhlovu	2010 to 2014
William Stucke	2010 to 2014
Dr. Marcia Socikwa	2011 to 2015
Nomvuyiso Batyi	2013 to 2017
Rubben Mohlaloga	2013 to 2017
Katharina Pillay	2013 to 2017

1.6 ICASA STRUCTURE



Dr Stephen Mncube
Chairperson

1.7 CHAIRPERSON'S FOREWORD

This year marks twenty years of sector-specific regulation for the South African broadcasting and telecommunications sector. South Africa was one of the first countries to follow the International Telecommunications Union (ITU) advisory to establish sector-specific, national regulatory agencies. The advisory was opportune for South Africa, as the country was navigating to a new democratic dispensation - a process in which the Authority played an important role in relation to the broadcasting coverage of party political activities. The rationale for the advisory was to assist member countries to introduce competition to erstwhile monopoly markets, and to introduce independent regulatory authorities to the burgeoning information and communication technologies.

Postal regulation was added to the responsibilities of the Authority almost a decade later.

Whereas the Authority has introduced competition and ownership diversity in the ICTs, the question at the heart of the Authority's role is how effective is competition in these sectors? This question spurred the Authority to review its strategy at the end of the 2013/14 financial year. This intervention was also meant to address a matter of emphasis raised by the Auditor-General, that the Authority needs to improve its performance and deliverables in relation to its commitments, as outlined in its Strategy and Annual Performance Plan.

The primary focus of the Authority in the 2013/14 financial year was on reducing the cost to communicate through the Call Termination Regulations. In March 2014, the Authority published new Call Termination Rates as part of the overall strategy to reduce costs to communicate. However, the introduction of the new rates have been put on hold in order to allow judicial review processes to run their course on this matter. To date, the Authority has reduced wholesale interconnection costs between networks from R0.89 to R0.40, over a three-year period, between March 2010 and March 2013.

The introduction of competition to the subscription television market features prominently on the Authority's radar. There is an urgency to define and regulate premium content in order to enable competition and diversity in the subscription television market.

Whilst digital migration promises a plethora of new, terrestrial television services at national, provincial and local levels, on the other hand, the Authority views the determination of the cost of digital terrestrial signal transmission as a priority.

I would err if I left out the regulation of postal services. The South African Post Office promises to be the delivery arm for universal access and service, including broadband and financial services, to millions of our people in all areas of the country. Courier services in the non-reserved sector also play an important role in the country's economy. It is important for the Authority to play an enabling and supportive role to all operators in the postal, broadcasting and electronic sectors, to ensure that the developmental needs of the country are met.

The Authority's supporting role for the country's democratic system was, once again, demonstrated with the promulgation of the Election Broadcasting Regulations for the May 2014 General Elections. Much like the role it played during the watershed 1994 transition to democracy, the Authority drew the involvement and participation of all political parties into its processes.

When hundreds of world media organisations descended on our shores for the state memorial and funeral service of former President Mandela, the Authority was on call around the clock to issue radio frequency spectrum licences for satellite news gathering equipment to enable the broadcasting of these historic national events across the world.

In addition, lines of communications were secured for thousands of dignitaries, including Heads of State. It is this meticulous provision of support to events of national and international stature that attracted the Brazilian national regulatory agency Anatel (Agência Nacional de Telecomunicações) to conduct a study visit four years ago regarding their hosting of the FIFA World Cup tournament.

The same could be said about sister regulatory agencies across the continent when they come to visit not only the Authority, but South African signal distribution, broadcasting and electronic communications operators as well. Indeed, the Authority plays an important role in the regulatory sphere of the Southern African Development Community, and has also visited fellow African countries such as Tanzania and Kenya in the past on fact-finding missions.

At the operational level, the Council's intervention to temporarily assume operational responsibilities, by having regulatory divisions report directly to Council, has borne fruit. For the second consecutive year, the Authority has received an unqualified audit report for the management of its finances. All operational responsibilities have since been returned to the Chief Executive Officer.

I take this opportunity to welcome Councillors Nomvuyiso Batyi, Rubben Mohlaloga and Katharina Pillay to the collective leadership of the Authority, as well as Mr Pakamile Pongwana as the Chief Executive Officer. I would like to assure them of the unqualified support of all in executing their duties.

My gratitude also goes to former Ministers of Communications during this reporting period, namely Ms Dina Pule and Mr Yunus Carrim for the support and guidance they provided to the Authority during their term of office. The same applies for Mr Eric Kholwane, the former Chairperson of the Parliamentary Portfolio Committee on Communications.

Finally, on behalf of the Authority, I am extremely grateful to the services rendered by Councillors William Currie, Joseph Lebooa, Miki Ndhlovu and William Stucke during their four-year term of office, and wish them well.

Dr Stephen Mncube
Chairperson

Pakamile Pongwana
Chief Executive Officer

1.8 CHIEF EXECUTIVE OFFICER'S REPORT

ICASA has regulated the communications sector since 2002, with the merger of the Independent Broadcasting Authority and the South African Telecommunications Regulatory Authority. The sector today is unrecognisable from the one when ICASA was formed. End-users only have to press a button on their cell phones to be instantly connected to internet users around the world, to access all available information, payment systems, including human to machine interaction.

We have seen the progression from the slow Wireless Application Protocol (WAP) mobile internet access technologies to the introduction of 3G technologies (whereby operators claim a population coverage of over 75%) to the deployment of infrastructure to offer 4G technologies whereby a mobile phone may be able to download content from the internet at speeds of up to 100 Megabytes per second.

We have also seen the introduction of an increasing variety of both international and locally-produced content offered to consumers via radio and television services, including a range of new satellite television services now available that did not exist previously.

Whilst these are significant achievements, there is still an enormous amount of work to be done before the Authority can claim that it has achieved its vision that "consumers receive high quality services at reasonable and affordable prices."

During the 2013/14 financial year, we undertook a number of activities in our efforts to enable competition, free-up spectrum so that wireless broadband services could be offered on a much wider scale. We also improved on the Authority's monitoring and compliance responsibilities to prevent spectrum interference and ensure that the prescribed minimum of quality of service is adhered to by broadcasting, electronic communications and postal services licensees.

The highlights of the 2013/14 financial year include the review of the voice termination market programme. This multi-year programme aims to reduce the cost of all communications services, ensure transparency and introduce better operator behaviour towards end-users.

The impact is also evident with the limited five percent (5%) increase granted to the South African Post Office for basic mail services as well as the decreases in the retail price of a mobile call to R 0.40. The efforts to change and improve the allocation of spectrum resources is a crucial deliverable for

the regulator. This work effectively aims to ensure that licensees are assigned sufficient spectrum to facilitate improved quality of services to end-users in all geographic areas of the country, particularly in the under-serviced areas. This is particularly relevant in order to support the Square Kilometre Array (SKA) currently under construction in the Northern Province. The Authority's role in the success of this national project is to ensure that there is no radio frequency interference.

Another crucial role of the regulator is to ensure that broadcasting services support inclusivity of all South Africans. The Authority ensured that the broadcasting coverage of the National and Provincial elections of 2014 were delivered in a fair and transparent manner through the publication of the Political Elections regulations.

A decade on, there are still many significant challenges, as not everyone has access to modern communication services. More work is needed to deliver a wider availability of super-fast broadband, particularly to the rural communities. There is also the growing demand for spectrum for expanding broadband that connects people to the internet. The pressure on South Africa to meet the ITU switch-off date for analogue signal distribution, of 17 June 2015, is also of concern.

During the 2014/15 financial year, the Authority intends to continue its actions to increase competition by completing its work on call termination rates, cost-modelling, ensuring that all retail tariffs become transparent, as well as investigating the publicly-voiced concerns of monopolistic behaviour in the broadcasting sphere.

To enable the Government's goal of universal access to broadband by 2020, the Authority will in 2014/15 release the Invitation to Apply (ITA) for High-Demand Spectrum, conduct a regulatory impact assessment on local loop unbundling, as well as look into the necessity for infrastructure-sharing in the deployment of broadband and digital migration for broadcasting service providers.

In conclusion, the year ahead for the Authority, as a regulator, is one of enablement, migrating from its existing structure to a realigned organisation able to improve its service delivery. This will lead to improved turn-around times for the various licensing and regulatory activities as well as a more effective working environment for ICASA employees.

Pakamile Pongwana
Chief Executive Officer

ICASA LEADERSHIP

Clr Joseph Lebooa

2.PERFORMANCE INFORMATION

2.1 Statement of responsibility for performance information for the year ended 31 March 2014

The Accounting Officer is responsible for the preparation of the Authority's performance information and for the judgments made in this information.

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

In my opinion, the performance information fairly reflects the performance of the Authority for the financial year ended 31 March 2014.

Pakamile Pongwana
Chief Executive Officer

2.2 Auditor-General's report on predetermined objectives

The Auditor-General currently performs the necessary audit procedures on performance information The findings on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the auditor's report.

Refer to pages 96 to 99 of the Report of the Auditor-General.

2.3 Overview of ICASA's performance

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

ICASA's mandate is to further the interests of the citizens of South Africa in relation to telecommunication, broadcasting and the postal markets, and to promote competition. For 2013/14, this was embodied in the five (5) strategic outcome orientated goals, supported by then (10) strategic objectives (SO) and their key outputs and targets.

Within the performance tables on pages 58 to 70, for each strategic goal, we have reported against each key output target the status of progress and the reasons for any variance against full achievement of the target. Certain outcomes identified in 2013/14 span multiple years and continue into 2014/15.

The strategic direction of the Authority continues to embrace an international technology-driven trend and to ensure that all regulatory endeavours enable the development of South Africa's ICT sector into the digital era. The Authority's approach, as a regulator, towards promoting fair competition is by ensuring that the cost to communicate is fully examined and has planned to look into the matter of price transparency.

The cost to communicate in South Africa remains too high. This has stimulated public debate, launching a Cost to Communicate program to address both the concerns regarding the high costs of communication in South Africa and enhanced competition in the telecommunications sector. The Authority acted on the call by various parties, including Government, and imposed regulated pricing, following a review of the call termination market.

The significant risk to overall performance faced by the Authority continues to be the limited resources with respect to technical expertise in the area of inspection; inadequate researchers to validate data and/or compliance reports; and specialist analysts in numbering, costing and monitoring equipment, especially with respect to inspection of telecommunications instruments and facilities.

2.4 Service delivery environment

Assessment of predetermined objectives

In terms of the predetermined objectives set for 2013/14 in the Annual Performance Plan (APP), 13 (41%) of the total 32 strategic targets were fully achieved during the financial year. Although the remaining 19 (59%) targets were not fully achieved, the Authority made significant progress towards the achievement of these targets which is described in the performance tables.

In reviewing the performance of the Authority, it was evident that the number and complexity of its predetermined objectives continued to exceed the organisation's financial and human resource capabilities. The Authority has assessed its past performance in not achieving all of the targets set, the budget allocation received and the demand from the industry, together with government imperatives. Its predetermined objectives have been revisited and the number of achievable key outputs and targets has been reduced from 32 to 21 for the 2014/15 budget year.

2.PERFORMANCE INFORMATION

Achievements

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

- licensed individual commercial sound broadcasting services in the primary and secondary markets and individual commercial subscription broadcasting service licences;
- published in the Government Gazette, the National Radio Frequency Plan 2013, giving the frequency allocations to services from 8 kHz up to 3000 GHz;
- publication of the Frequency Migration Plan 2013;
- implementation of a new radio frequency spectrum licence fee regime;
- granted more than 1600 spectrum licences for a variety of electronic communication services and several broadcasting services;
- granted more than 1900 type approval authorisations for radio-frequency and fixed-line equipment;
- released the final regulations on mobile termination rates;
- publication of the Political Elections Broadcasting Regulations, for the May 2014 General Elections;
- completion of a cost-benefit study on the existing analogue-based local content obligations;
- publication of a draft End-User and Subscriber Service Charter Regulations for public comment; and
- publication of a draft Code on People with Disabilities for public comment.

The progress on the priority initiatives and regulatory intervention is discussed in the performance information by programme section and covers:

- licensing of spectrum;
- Local Loop Unbundling (LLU);
- access to broadband and fair pricing across the broadband value chain;
- spectrum monitoring and assignment equipment and related software;
- review of existing regulatory framework for broadcasting services to support the introduction of Digital Terrestrial Television (DTT); and
- promoting universal access and service.

Integrated planning

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

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

The Authority's way forward in supporting government imperatives, especially Outcome 6, is outlined in its 2015-19 Strategic and Annual Performance Plans. The plan continues to identify five (5) strategic goals for the 2014/15 financial year, and acknowledges that the same risks still exist, in as far as adequate financial and technical resources are concerned, in order to achieve the full mandate of ICASA.

It has continued to examine the migration to DTT, LLU and universal access for broadband and has reviewed its budget allocation to ensure that funding was allocated directly to those core areas that support government objectives.

It used the recently-published South Africa Broadband Policy as its guiding platform for identifying the 2015-19 strategic deliverables, with the goal of achieving universal access to broadband by 2020.

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

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

2.5 Organisational environment

In November 2013, a new Chief Executive Officer (CEO) was appointed, and before the end of 2013/14, two critical vacancies were filled: General Manager Human Resources and General Manager Legal. The Authority has made some progressive steps in moving the leadership of the organisation forward. Significant is the approval of the organisational realignment plan which had been mooted for some time, as well as reaching clarity on the operational responsibilities between the CEO and the Council.

The ICASA Council is responsible for overseeing the formulation and implementation of the Authority's strategy, national policy and compliance with its mandate, as set down in the ICASA Act and other relevant legislation.

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

Organisational realignment

The Authority concluded its organisational review process during the year which resulted in an approved realigned organisational structure intended to ensure that the Authority is appropriately structured to deliver on its mandate. The new organisational structure is aimed at supporting the organisational strategy and aligning areas to ensure clear accountability, responsibility, quality assurance, leadership support and performance management.

During the 2014/15 financial year, the Authority intends implementing the migration plan that will guide the migration of all existing employees to the new organisational structure.

Formulation of a self-funding model

With respect to its financial standing, the Authority was expected to develop such a business model through extensive consultation in 2013/14. The precondition for the implementation of a self-funding model remains proper consultation with all parties, including Parliament, the DoC and the National Treasury.

2.6 Key policy developments and legislative changes

One of the most notable policy developments announced in 2013 was the South African Broadband Policy: South Africa Connect – Creating Opportunities, Ensuring Inclusion. This has had a huge impact, particularly in relation to the radio frequency spectrum assignment and the provision of wireless broadband. The Authority has factored the provisions of the Broadband Policy into its 2014/15 APP.

Following the publication of the broadband policy, Government initiated a wide ranging policy review process for the postal, broadcasting and electronic communication sectors. The Authority is participating and making submissions to this policy review process and looks forward to the publication of the White Paper that will outline key policy interventions with a bearing on the regulatory space.

Other policy developments to be announced in 2014/15 include the Ministerial Policy Directive on the Licensing of the High Demand Spectrum (800 MHz and 2,6 GHz).

The Authority's regulatory framework for the country's migration from analogue to a digital platform is in place and awaits the Ministerial Policy Directives regarding the announcement of the Dual Illumination period and the roll-out of Set Top Boxes (STB).

In relation to legislative amendments, Parliament promulgated amendments to the ICASA Act and Electronic Communications Act. Both legislations came into operation in May 2014 and the Authority has begun to implement the requisite provisions in its internal control policies and procedures.

2.7 Strategic outcome oriented goals

The Authority's contribution to the development of the ICT sector is informed by Government's outcome-based model. As the policy-implementing agent for Government, the DoC, through the Minister's performance agreement with the President, has committed to **Outcome 6:**

"An efficient, competitive and responsive economic infrastructure network"; Output 1: Improving Competition and Regulation; and Output 5: Information and Communication Technology.

Commensurate with this model of an outcome oriented approach, the Authority aligned its five-year strategic plan with the above-mentioned outcome and outputs by reclustering eight (8) strategic-oriented output goals into five (5) strategic oriented goals, and ten (10) strategic objectives.

Some of the major highlights of these strategies focus on reducing the cost of communication, increasing broadband penetration and reducing the digital divide in both urban and rural contexts.

The Authority had embarked on reviewing the industry structure to ensure that the principle of separating policy, operations and regulations was driven through the development and enactment of the ECA Amendment Bill and the ICASA Amendment Bill into law in an integrated ICT framework. Another goal was to achieve compliance with legislation and regulation, promote competition in the ICT sector and strengthen and modernise ICASA to enable it as a regulator to meet the demands of a fast-changing industry landscape.

As communications sectors develop and consumers' needs change, so does the focus of key priorities, each year. However, the Authority has remained focused on a number of these key issues from 2012/13. The Authority aimed to deliver against the objectives set in its APP priorities. The table below summarises these priorities and objectives:

Strategic outcome oriented goals

SOOG	1	Promote competition
SO	1.1	Remove bottlenecks to competition
SO	1.2	Ensure South African retail prices of ICT services fairly reflect costs
SO	1.3	Ensure effective HDI/BBBEE participation in the sector
SOOG	**2**	**Promote the digital agenda**
SO	2.1	Facilitate nation-wide broadband penetration by 2020
SO	2.2	Promote the development of public, community and commercial broad-casting services in the context of digital migration
SOOG	**3**	**Promote efficient use of spectrum and numbering resources**
SO	3.1	Establish innovative approaches to technology usage
SO	3.2	Support the rapid uptake of new ICT technologies
SOOG	**4**	**Protect consumers**
SO	4.1	Promote consumer rights
SO	4.1	Ensure universal access and service
SOOG	**5**	**Modernise ICASA**
SO	5.1	Improve operational processes and performance

While the Authority plans its work around strategic goals and objectives and fulfilling its mandate, it also carries out other vital work that arises during the course of the year to achieve the best outcomes for citizens and consumers.

2.8 Strategy to overcome areas of under-performance

In reviewing the 2013/14 performance of the Authority, the number of predetermined objectives continued to exceed the organisation's financial and human resources. As a result of these weaknesses in achieving the predetermined objectives and all the strategic output targets, it was imperative to review the key outputs once again.

The Authority assessed its performance in 2013/14 relative to the targets set, the budget allocation received and the demand of the industry, together with government imperatives. The 2015–19 Strategic Plan continues with the re-clustered five (5) strategic outcome oriented goals now supported by nine (9) strategic objectives and 21 key output targets and provides the blueprint for the Authority to carry out its mandated objectives, in the context of a national plan of work informed by priorities identified in the MTSF.

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

The Authority's next medium-term APP for 2015-17 contains the detailed operational information and budgetary provisions to support performance targets. The organisation remains committed to ensure that performance measures to demonstrate excellence, institutional accountability and ongoing transformation remain in place. To achieve its mandate, the 2015-17 plan requires that the National Treasury provides increased levels of financial support to fully achieve the operational and regulatory work of ICASA.

The National Development Plan (NDP) noted that ICASA's "work has been hampered by legal bottlenecks, limited capacity and expertise, and policy direction being complicated by the constitutional guarantee of 'independence', which should only apply to broadcasting rather than to the technical areas of ICT, although this may need to be revised as broadcasting and ICTs converge." This analysis contributed to the need to review the regulator's strategic thrust and its priorities for the 2014/15 financial year.

2.9 Changes to planned targets

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

2.10 Linking performance with budgets

Revenue

The Authority's initial budgeted revenue was R397,877,002 with accrued interest of R7,150,998. From the total revenue of R383,956,935 only R365,270,288 was spent which represented 95%. This has resulted in the deferred income increasing to R93,309,102, which is mainly related to the ring-fenced projects.

Expenditure

The total expenditure budget for the year ended 31 March 2014 was R416,384,517. The actual total expenditure was R365,270,288 and represented a spending level of 88%. In the previous year the total 2012/2013 expenditure was 82%. The positive improvement can be attributed to better execution of both normal and ring-fenced projects as compared with 2012/13.

Figures in Rand

2013/14				2012/13		
Category	Budget	Actual expenditure	(Over)/Under expenditure	Budget	Actual expenditure	(Over)/Under expenditure
OPEX	320,492,425	313,130,521	7,361,904	319,348,087	317,073,777	2,274,310
Projects	43,892,092	26,274,437	17,617,655	40,198,435	17,212,285	22,986,150
CAPEX	52,000,000	25,865,330	26,134,670	68,550,515	16,832,039	51,718,476
Total	416,384,517	365,270,288	51,114,229	428,097,037	351,118,101	76,978,936

Operating expenses (OPEX) actual of R313,130,521 was R7,361,904 (2,3%) less than budget of R320,492,425. The savings arose on the following 2013/14 expenditure items: printing and stationery; publications; advertising and publicity; communication costs; conferences and meetings; staff costs; repairs and maintenance costs; travel costs; information technology; equipment rental; and external legal fees.

Projects and Capital Expenditure (CAPEX) actual expenditure of R52,139,767 was R43,752,325 (45,6%) less than budget. This was mainly due to the following:

1) The ring-fenced allocation for procurement of the postal monitoring equipment was not spent due to the inability to source a supplier locally, resulting in an overseas supplier being appointed and the contract being finalised only at year end.

2) Cash outflow expected on delivery and installation of equipment by the second quarter of the 2014/15 financial year.

3) Challenges experienced with respect to the procurement of the spectrum management software and IT related infrastructure.

4) Underspending related to the non-infrastructural projects under Legal Services and CCC; Licensing & Compliance; Consumer Affairs; and Markets & Competition sub-programmes and programmes.

Regarding spending patterns on the expenditure trends for normal projects, the Authority has spent 60% and 43% for 2013/14 and 2012/13 respectively of its budget allocation. For OPEX, the spending for the year under review was 98%, compared with the previous year of 99% of budget. On CAPEX, the level of spending increased to 50% of budget in 2013/14 as compared with 25% in 2012/13.

At programme level shown in the table below, the overall expenditure trends have improved slightly when compared with the previous year, but still remain low for certain programmes like License & Compliance and Engineering & Technology when compared with the budget, as a result of the inclusion of ring-fenced budget figures for the second year, which are linked to the delays in procurement processes.

Figures in Rand

	2013/14			2012/13		
Category	**Budget**	**Actual expenditure**	**(Over)/Under expenditure**	**Budget**	**Actual expenditure**	**(Over)/Under expenditure**
Governance & Administration	242,736,570	241,998,432	738,138	286,589,255	252,531,482	34,057,773
Licensing & Compliance	59,465,274	40,165,376	19,299,898	49,244,261	22,350,063	26,894,198
Engineering & Technology	57,125,706	36,043,016	21,082,690	45,559,974	38,461,995	7,097,979
Markets & Competition	31,985,199	27,392,646	4,592,553	25,367,869	20,993,350	4,374,519
Consumer Affairs	25,071,768	19,670,818	5,400,950	21,335,677	16,781,210	4,554,467
Total	416,384,517	365,270,288	51,114,229	428,097,037	351,118,101	76,978,936

With respect to economic classifications, the breakdown of 2013/14 OPEX actual versus budget excluding CAPEX and projects is as follows:

Figures in Rand

Category	Budget	Actual expenditure	(Over)/Under expenditure	Variance %
Compensation of employees	222,192,034	202,620,727	19,571,307	8.8
Goods and services	98,300,391	110,509,794	(12,209,403)	(12.4)
Total	320,492,425	313,130,521	7,361,904	2.3

Cost of employment continues to represent the major portion of the total expenditure allocation, at 55%. Compensation of employees' savings of R19,571,307 was due to certain management and staff positions not being filled during the financial year, as a result of a moratorium on filling vacancies pending the finalisation of the organisational realignment process. Whereas, goods and services' overspend of R12,209,403 was due to consultants fees and facilities costs.

2.11 Capital investment, maintenance and asset management plan

Capital investment

The Authority receives in the first month of every quarter a tranche of the annual allocation from the DoC, based on an approved, draw-down schedule. The funds for the latter two months of a quarter are treated as surplus funds and are invested on short-term deposit. The table below indicates actual interest earned.

Figures in Rand

2013/14				2012/13		
Category	Budget	Actual income	Over/ (Under) income	Budget	Actual income	Over/(Under) income
Interest income	7,114,998	10,336,820	3,221,822	4,500,000	6,012,090	1,512,090

Assets management plan

Asset replacements

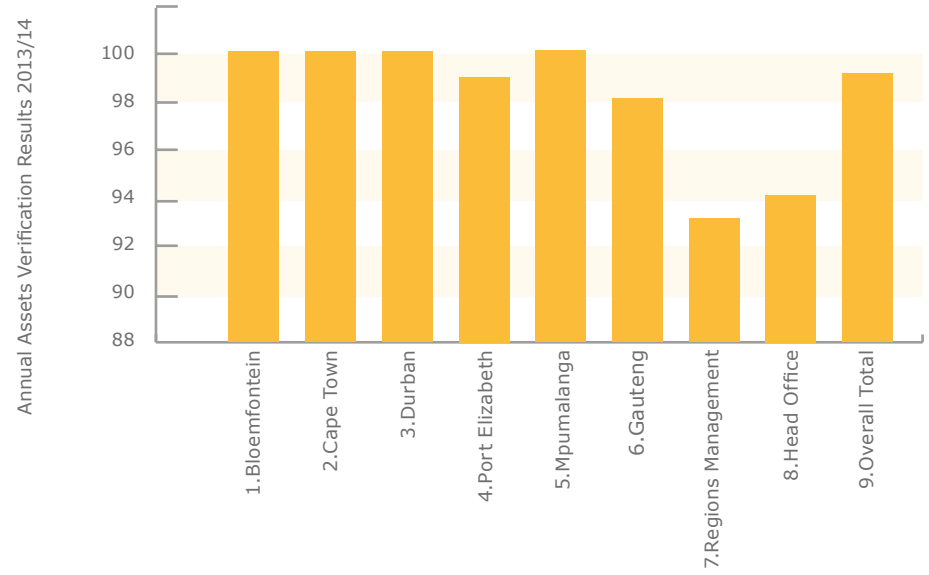
The Authority relies on both National Treasury and DoC availing CAPEX funds especially on infrastructural needs, for example, monitoring equipment for both broadcasting and postal, and motor vehicles used for monitoring purposes. As indicated below most of the Authority's assets have deteriorated and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

Asset verification

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

Verification Results

The Authority achieved a 99% success rate during the annual verification which was an improvement compared to the 98% in 2012/13, demonstrating that adequate control measures are in place. The table below depicts the results per region:



SuccessRate %	100	100	100	99	100	98	93	94	99

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

Asset control forms are completed by custodians for every movement that takes place; these are collected by the finance asset management team on a weekly basis and the asset register updated regularly to ensure accuracy as well as completeness.

Asset conditions

In the last five years, the Authority's acquisition of assets has increased significantly. The conditions of the overall assets base can be categorised as poor, fair and good. See below for each asset category:

Type of Asset	Poor	Fair	Good
Technical equipment	70%	10%	20%
Motor vehicles	50%	25%	25%
Computer equipment	10%	20%	70%
Office equipment	30%	40%	30%
Furniture & fittings	40%	40%	20%
Leasehold improvements	70%	15%	15%

This demonstrates that the technical equipment and motor vehicles require urgent recapitalisation. In the above table, 50% of the asset population is technical equipment; given the age and condition, this is now a major concern for the Authority and requires replacement.

Maintenance

Major maintenance projects have been undertaken during the period under review, these were primarily for the motor vehicles and technical equipment in the regional offices.

3.1 PROGRAMME 1 GOVERNANCE AND ADMINISTRATION

ICASA's operating budget was structured into four core functional programmes and a single corporate services programme, Governance and Administration, which included all the support service business units.

The Governance and Administration Programme consists of the Legal, Communications and International Relations, Administration, Information Technology, Finance, Compliance and Risk business units. The Human Resources and Internal Audit functions are, for purposes of this report, allocated their own sections.

The purpose of Programme 1 was to provide administrative support to the Authority through ensuring sound governance practices within the organisation, provision of effective and efficient project monitoring and evaluation services, efficient and quality legal service by drafting, vetting, reviewing and management of contracts/agreements and regulations. It also ensured that the Authority had an effective and efficient financial system, as well as sound financial policies and procedures framework for management in place. Furthermore, it strengthened regulatory compliance and ensured an effective risk management framework and effective stakeholder relations with all ICT stakeholders (domestic and international).

Programme 1 provided operational support services through the following business units:

3.1.1 Legal

The Legal business unit is responsible for providing legal services and other ancillary services, including but not limited to, legal advice, drafting or vetting of opinions, contracts, regulations and other documents, litigation and general legal support. Its mandate is to provide effective and efficient legal services to safeguard the Authority's interests.

Objectives/performance outcomes:

The performance outcomes of this function is to:

- provide technical and administrative support to the Complaints and Compliance Committee (CCC) in its adjudicatory functions;
- monitor Parliamentary Legislative Processes that may impact on the statutory mandate of ICASA;
- draft comments, inputs, proposals and written submissions on Amendment Bills and Bills published by Government Departments;
- draft, vet and scrutinise subordinate legislation, namely, regulations and government notices published in the Government Gazette;
- draft, vet and scrutinise all agreements and memoranda entered into and concluded between the Authority and other national and international regulatory agencies or bodies; and
- manage all litigation instituted against and for the Authority that is before the High Court, Supreme Court of Appeal and the Constitutional Court.

Strategic objective 5.1.7 statement: In order to improve operational processes and performance, the objective was to restructure Legal services by establishing an administratively independent CCC.

A list of litigation matters dealt with can be found in Annexure 1.

3.1.2 Communications and International Relations

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

Objectives/performance outcomes:

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

Strategic objective 5.1.3 statement: In order to improve operational processes and performance by improving local stakeholder management and by implementing the ICASA Media Communications Strategy and the ICASA Stakeholder Strategy.

Strategic objective 5.1.4 statement: In order to improve operational processes and performance to improve international stakeholder engagement framework by co-ordinating and strengthening the Authority's participation with relevant international organisations and through relevant bilateral relationships. Implement the ICASA International Relations Strategy by 2016.

3.1.2.1 Communications

The corporate communications activities of the Authority included the following:

Media and stakeholder liaison involved interaction with the media and stakeholders entailing the provision of information about the Authority's regulatory and corporate activities to stakeholders, including:

- media and stakeholder liaison was informed by media plans of each regulatory project or corporate activity. The information was packaged through communiqués, media statements, media interviews, media notices, press conferences and briefings, as well as responses to general enquiries. Highlights for the year include the implementation of media plans for Quality of Service (QoS) reports, LLU and the Call Termination regulations;
- stakeholder information sessions were also arranged for high school and university students to showcase the Authority's activities and career opportunities; and
- stakeholder engagements were conducted to address the persistent radio frequency spectrum interferences in the Cape Peninsula that emanated from imported cordless phones.

Branding and marketing the Authority involved exhibiting and distributing information about the Authority's regulatory activities. The Authority participated in industry expos and celebrated important calendar events with other portfolio organisations to reach out to communities in different parts of the country. Some of the highlights for the year included the World Telecommunications Day, World Post Day and service delivery community meetings arranged by provincial and local government.

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

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

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

Public relations/diplomacy support provided to the Authority whereby the business unit facilitated all public interaction and drafted presentations and speeches for industry events and conferences to which the Chairperson of ICASA was invited.

3.1.2.2 International Relations

Enabling legislation required the Authority to comply with international bilateral and multilateral treaties and conventions to the electronic communications and postal sectors. The Authority participated in and made submissions and representations to the following international organisations:

- International Telecommunications Union (ITU);
- Universal Postal Union (UPU);
- African Telecommunications Union (ATU);
- Pan African Postal Union (PAPU); and
- Communications Regulators Association of Southern Africa (CRASA).

With the exception of CRASA, the Authority partnered the DoC and other portfolio organisations in developing country positions and making submissions to these international forums.

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

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

The Authority received and hosted other regulatory agencies on study visits from time to time. During the reporting period, the Authority hosted and facilitated interaction and visits to the policy-maker and to local electronic communications and postal operators for the following national regulatory agencies:

- Communications Commission of Kenya;
- Namibian Parliamentary Portfolio Committee;

- Botswana Communications Regulatory Authority;
- Radio Frequency Spectrum interference and spillage clearance between South Africa and Lesotho; and
- Digital Migration Radio Frequency Spectrum Plan for the Southern African Development Community.

The Authority honoured an invitation from the Mozambican national regulator to present and share experience on the opportunities and challenges regarding the regulation of internet-based electronic services.

3.1.3 Information Technology

The Information Technology (IT) and Services business unit provided application, hardware and software support to all of the Authority's programmes and regional offices to enable them to execute their day-to-day duties.

The IT business unit provided technology infrastructure, continuous access and security, technical support and maintenance of internal systems.

Objectives/performance outcomes:

- Introduce latest technical architecture and key systems to reduce potential failures and security risks and leverage information technology performance benefits;
- Implementation of a new Spectrum Management System to improve efficiency in the licensing and allocation of spectrum;
- Implementation of a Customer Relationship Management (CRM) System to facilitate the complaints management process. This will allow the public to log their complaints on the ICASA website and also allows service providers to view and manage complaints addressed for their attention; and
- Implementation of a Human Resources System to better manage the internal resources including skills development and performance management.

The above systems will be phased in over a two-year period with full integration across all systems.

Strategic objective 5.1.1 statement: In order to improve operational processes and performance to improve the Authority's efficiency and effectiveness through the implementation of an integrated management system and processes to improve spectrum management.

Operational objectives

In the 2013-17 strategic plan, there was provision for integrated management systems for the Authority. This included the execution of the IT Master Systems Plan and the development of a framework for a new Human Resources Management (HRM) system.

The selection of the new CRM system and the appointment of an implementation partner have been completed. The implementation of this system had become an operational objective. The appointment of a service provider to develop the HRM framework is to be finalised and the development of the HRM system framework became an operational objective.

The IT business unit had no strategic objective for 2013/14 and its activities were operational. During the reporting period, the following have been achieved:

- Implemented a complaints management system regarding consumer complaints, for telecommunications services (voice and data). Members from the public can lodge a complaint online, via e-mail or via fax. All of these complaints are then automatically loaded onto a CRM system. Once assessed, the calls can automatically be routed to the respective Electronic Communications Service licensee for a response and resolution. Licensees are also able to provide responses via e-mail or online on the CRM system. The CRM's operations reports and dashboards are available for real-time analysis and reporting; and
- Concluded a new five-year disaster-recovery contract for information technology systems. The scope of this contract allows for the recovery of all ICASA software applications at an offsite location. Provision is also made for up to forty staff to operate from the offsite location.

3.1.4 Administration

The Administration business unit is responsible for facilities management, security, Occupational Health and Safety (OHS) and the ICASA library.

In providing support services to other ICASA programmes and stakeholders, it planned the following performance outcomes:

- ensured the Authority's records management uses effective Knowledge Management Systems;
- engaged the Department of Public Works (DPW) in respect of the Authority's accommodation strategy; and
- ensure adequate Security and OHS measures are in place throughout the Authority's office locations.

The key operational objective was to have strategically positioned ICASA offices at cost effective rates. During 2013/14, the Authority, together with DPW, worked on developing an accommodation strategy to include regional offices.

The Administration business unit had no strategic objectives for 2013/14 and its activities were operational.

3.1.4.1 Facilities management

The Facilities Management unit is responsible for the provision of office support services, which include building maintenance, managing office space, as well as the provision of hygiene and sanitation services. There are additional auxiliary services rendered, such as the provision of switchboard, reception and refreshment services and the provision of emergency power during electricity outages.

3.1.4.2 Security, occupational health & safety services

The objective was to promote and maintain a safe and secure working environment, as well as oversee and protect ICASA assets by putting in place appropriate safety and security controls and systems. This included the provision of OHS services and equipment to ensure safe and secure working conditions for all employees.

3.1.4.3 Library

The ICASA library provides access to the Authority's regulatory documentation and records that are in the public domain for stakeholders and the members of the public. The library is also a resource for industry and the media.

3.1.5 Finance

The mandate of the Finance business unit is to implement financial standards and policies, financial controls, and to manage financial resources and procurement in line with the Public Finance and Management Act (PFMA) and other relevant legislation.

Its planned performance outcomes were to:

- improve financial systems;
- improve financial processes, procedures, policies and compliance;
- improve financial reporting;
- improve revenue collection;
- improve participation of HDI/BBBEE in the Authority's procurement processes; and
- obtain support from the DoC and National Treasury to address funding shortfalls for infrastructural support.

3.1.6 Compliance and Risk

The Compliance and Risk business unit provides an effective and efficient internal assurance function in collaboration with both internal and external assurance providers to all stakeholders of the Authority.

The mandate of the business unit is to promote good governance through ensuring that all strategic and operational risks identified by management are effectively monitored and mitigated to enable the Authority to achieve its strategic objectives.

The performance outcomes planned were to:

- co-ordinate an enterprise-wide risk management strategy, through implementation of a Risk and Compliance Management Strategy, Policy and Plan;
- co-ordinate Business Continuity and Disaster Recovery Plans; and
- co-ordinate fraud prevention, detection and investigative strategies through a Fraud Prevention Plan.

Strategic objective 5.1.6 statement: In order to improve operational processes and performance, establish a culture of Risk Management throughout the Authority. To achieve this strategic objective, the Authority produced risk registers which were reviewed on a quarterly basis.

3.2 PROGRAMME 2 LICENSING AND COMPLIANCE

The activities of Licensing and Compliance is to grant, authorise, renew, amend, transfer and revoke broadcasting, electronic communications services (ECS), as well as electronic communications network services (ECNS) and postal services. It also authorises licence exemptions, monitoring and ensuring compliance with legislation, regulations and licence terms and conditions by licensees and exempted services. The LCD is also required to promote competition and Historically Disadvantaged Individuals (HDI)/Broad-based Black Economic Empowerment (BBBEE) participation in the broadcasting, electronic communications and postal services.

The objectives and performance outcomes undertaken were to:

- conduct annual audits on HDI/BBBEE participation in the ICT Sector;
- prepare to publish regulations on HDI/BBBEE by 31 March 2015;
- license additional commercial sound broadcasting services to successful applicants in secondary markets (Northern Cape, Free State and Eastern Cape); and
- license additional commercial sound services to successful applicants in primary markets (Gauteng, Cape Town and Durban) on Medium Wave (MW) frequencies;

Strategic objective 1.1 statement: In order to remove barriers to competition, the Authority will promote diversity and choice of broadcasting services through the licensing of new sound broadcasting services in the primary and secondary markets, and subscription broadcasting services by 31 March 2014.

Strategic objective 1.3 statement: In order to ensure effective HDI/BBBEE participation in the sector and align the BBBEE equity ownership of individual broadcasting, ECS and ECNS with relevant legislation and ICT Charter, the Authority will conduct annual audits on HDI/BBBEE participation in the ICT sector by 31 March 2014.

3.2.1 Licensing

3.2.1.1 HDI/BBBEE ownership

The Licensing business unit's target was to publish HDI and BBBEE ownership audits for the postal, broadcasting, electronic communication service and network industries in a Government Gazette.

During the reporting period, the programme had collected the HDI/BBBEE information from broadcasting and ECS and ECNS licensees. The report will be published in the 2014/15 financial year.

3.2.1.2 Licensing of individual commercial subscription broadcasting service licences

The Authority went on to conduct public hearings from 24 to 26 July 2013, granting conditional licences to all five applicants, namely Kagiso TV, Siyaya TV, Mindset TV, Mobile TV and Close-T.

3.2.1.3 Licensing of individual commercial sound broadcasting service licences in Eastern Cape, Free State and Northern Cape (secondary markets)

The Authority conducted public hearings on 22 and 23 August 2013. It granted conditional licences to Beat FM in the Free State, and granted Rhythm FM a licence in the Eastern Cape. No applications were received for the Northern Cape.

3.2.1.4 Licensing of individual commercial sound broadcasting service licences in Gauteng, Durban and Cape Town (primary markets)

The Authority conducted public hearings from 14 to 16 August 2013. The Authority granted a broadcasting licence to LM Radio and a conditional licence to TalkSport Radio in Gauteng. For the Cape Town primary market, the Authority granted a licence to Magic 828.

3.2.1.5 Licence transfers and amendments

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

- 13 Individual ECNS applications;
- 13 Individual ECS transfer applications;
- 1 class community sound broadcasting service licence amendment application;
- 3 individual commercial sound broadcasting service licence amendment applications; and
- 1 individual commercial sound broadcasting licence transfer application.

Two (2) class community sound broadcasting licence amendment applications were unsuccessful due to failure to meet the prescribed requirements.

3.2.1.6 Registrations and licence exemptions

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

- 82 Class ECNS;
- 72 Class ECS;
- 19 Private ECN licence exemptions;
- 6 ECS licence exemptions;
- 14 Unreserved Postal Services certificates;
- 7 Unreserved Postal Service Renewal certificates;
- 26 Class Sound Broadcasting Service licences;
- 14 Channel Authorisation applications; and
- 88 Class Sound Broadcasting Service licences renewed.

Three (3) Class Sound Broadcasting Service licence applications were unsuccessful due to failure to meet the prescribed requirements.

3.2.2 Compliance

3.2.2.1 ECS/ECNS compliance assessments

For 2013/14, the Compliance unit conducted licence compliance assessments based on the following criteria:

- licensee standard terms in the Compliance Procedure Manual regulations;
- licence terms and conditions for licensees who had rollout targets in their licence conditions;
- licensees with universal service access obligations; and
- financial compliance with regard to General Licence Fees and Universal Service Access Fund Contribution Regulations.

Details of the compliance assessments conducted can be found in Annexure 3.

3.2.2.2 Broadcasting compliance

During 2013/14, the Authority published 45 broadcasting compliance reports. The compliance reports produced covered the following areas:

- Licence terms and conditions (i.e. geographic coverage);
- Language, format and local content obligations;
- General programming obligations;
- Training and skills development obligations;
- Must Carry Regulations;
- Finances;
- South African Music Content Regulations;
- Limitations on advertising and regulations on South African Television Content;
- Standard Terms and Conditions;
- Universal Service and Access Fund Regulations; and
- Licence Fee Regulations.

3.2.2.3 Broadcasting content-monitoring equipment

The Authority appointed a service provider to deliver, install and commission a broadcast monitoring system capable of automated monitoring, managing, analysing, recording, reporting and archiving content transmitted from terrestrial digital television, satellite television, cable television and terrestrial sound broadcast transmissions.

The equipment was procured and installed by September 2013. Radio logs were also installed for the regions.

3.2.2.4 Postal compliance

The Authority produced two (2) compliance reports for SAPO and Unreserved Postal Services.

Unreserved postal services report

All 71 registrants have complied with the Postal Services Regulations of 2010. No licensee was referred to the Complaints and Compliance Committee (CCC) for adjudication. All operators who were not on the database of the Authority will be dealt with in 2014/15.

Reserved postal service

The report entails all SAPO's universal service obligations that need to be complied with, and how the Authority has monitored them. During the year, the Authority monitored 583 SAPO postal outlets around the country in relation to:

- **Infrastructure roll-out targets -** the Authority approved 50 proposed infrastructure roll-outs for the financial year 2013/14. In the absence of the postal monitoring tool, the Authority was unable to accurately conclude whether SAPO has complied with this obligation.
- **Customer care standard and conveyance of mail regulations -** provincial analyses were conducted and SAPO has made some headway on retail postal outlets with the exception of the Retail Postal Agency (RPA), which showed poor performance.

Based on the information highlighted above, the Authority may refer SAPO to the CCC in relation to the RPAs. The Authority is conducting intervention meetings to assist SAPO to be in full compliance with the licence terms and conditions.

Postal monitoring equipment

The Authority had planned to procure a postal monitoring system capable of:

- analysing, managing, recording and reporting on the end-to-end delivery of letters mailed in South Africa via the SAPO, across metropolitans, cities and remote outlying towns, between mail centres and to end-users; and
- generating detailed reports on individual routes measured, including determining the duration of the time it takes to deliver the letters to the recipient.

The Authority appointed a service provider during 2013/14 to procure, install and maintain the postal monitoring equipment. The installation and implementation will take place in the 2014/15 financial year.

3.2.2.5 Complaints

The Compliance unit received complaints from consumers of broadcasting and postal services and processed the following complaints:

Complaints	Broadcasting	Postal
Received	120	31
Closed	80	19
Referred	-	16
Carried over	40	16

3.3 PROGRAMME 3 ENGINEERING AND TECHNOLOGY

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

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

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

Objectives/performance outcomes:

- Develop and implement a roadmap for licensing the identified BWA radio frequency spectrum;
- Implement the radio frequency migration plan;
- Develop a framework for the licensing of available International Mobile Telephony (IMT) spectrum to facilitate access to the BWA spectrum;
- Collaborate with research institutions in endeavours to discover more efficient ways to manage the spectrum resource;
- Implement a state-of-the-art, end-to-end spectrum management system to improve the capacity to efficiently manage the spectrum and improve the turnaround times for processing spectrum applications; and
- Monitor QoS of networks to support a better consumer experience.

Strategic Objective 2.1 statement: In order to facilitate nation-wide broadband penetration by 2020, Engineering and Technology will endeavour to support the national broadband policy by developing the licensing framework for available IMT spectrum, develop a roadmap for all IMT spectrum and implementation of the migration plan.

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

Strategic Objective 3.2 statement: To support the rapid uptake of new ICT Technologies, Engineering and Technology will promote and support the introduction of new ICT technologies by putting in place and reviewing type approval frameworks that remove barriers to entry and facilitate speedy introduction of new ICT technologies.

3.3.1 Spectrum Management

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

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

3.3.1.1 Radio frequency spectrum licence fees

The ECA mandates the Authority to make regulations with respect to radio frequency 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 Authority commissioned a scientific study during the 2010/11 financial year to determine a new radio spectrum fees framework. This takes into consideration demand for spectrum in the various frequency bands. New spectrum fee regulations were developed and were effective from 1 April 2013. These resulted in a large quantity of spectrum to be returned to ICASA. The billing of fees for the 2013/14 financial year was successfully completed.

3.3.1.2 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 was published in Government Gazette No. 32409 in June 2010 and was updated in Government Gazette No. 36336 (354 of 2013) in June 2013. It took into account the ITU's Radio Regulations, edition 2012, which were based on the Final Acts of the 2012 World Radio Communications Conference (WRC-12) and regional harmonisation to be in line with SADC Frequency Band Plan. The national frequency plan also took into account those aspects from the ITU WRC-12 that address IMT radio frequency spectrum, including spectrum for broadcasting migrating from analogue to digital technology.

3.3.1.3 Frequency migration plan and implementation strategy

A radio frequency migration plan and regulations were published in Government Gazette No. 36334 in April 2013. The Authority developed an implementation plan based on the migration plan to inform the overall process by identifying specific frequency bands to which migration will be applied.

The implementation plan involves, amongst others:

- Development of a roadmap for IMT spectrum with spectrum estimates to meet 2030 national broadband access targets;
- Development of spectrum plans for IMT and other utilisations for migration to destination bands;
- Conduct feasibility studies in the frequency bands where there is large-scale occupancy of the specific band by legacy systems and equipment; and
- Finalisation of the implementation plan during the 2014/15 financial year.

3.3.1.4 Licensing framework for high-demand frequencies

The Authority has been conducting a project for developing a framework for licensing IMT spectrum, through an ITA process. The purpose is to create regulatory scope for operators to provide, in the medium term, broadband services. The targeted frequency bands are the 700 MHz and 800 MHz bands, as well as the 2.6 GHz band. The Authority identified the 700 MHz and 800 MHz bands, as well as 2.6 GHz band, as high-demand bands which must be licensed through a competitive licensing process. The available spectrum in the 700 MHz and 800 MHz bands is to be made available for network deployment in phases during and after the dual illumination period for digital migration. Analogue switch-off is scheduled for June 2015.

The licensing of the above bands before June 2015 will allow the licensees time to plan for network roll-out before analogue broadcasting is switched off.

In the 2.6 GHz band, the available spectrum is 175 MHz. The Authority has engaged with the DoC on the issue relating to a policy directive that was anticipated to be forthcoming on high-demand spectrum. However, by the end of March 2014, the policy directive had not materialised.

3.3.1.5 Digital terrestrial television replanning

The Authority published a comprehensive Digital Terrestrial Television (DTT) frequency plan, as part of the Terrestrial Broadcasting Frequency Plan.

The Radio Frequency Migration Plan and Regulations also covers DTT. This plan contains a detailed migration implementation strategy to address the challenges faced by the Authority in the roll-out of DTT using DVB-T2. This is to ensure that optimum benefits are derived to accommodate current and future television broadcasting services. The migration plan also seeks to identify and plan for the resultant radio frequency spectrum earmarked for IMT.

The replanning process for DTT took into account the ITU Final Acts of 2007, the ITU's 2008 Radio Regulations and the WRC-12 Final Acts.

The DTT replanning exercise was finalised during 2013/14 with the successful co-ordination of the Geneva 2006 (GE06) plan with the SADC, taking into account the ITU's Radio Regulations of 2012.

The plan makes provision for seven DTT single-frequency multiplexes and was successfully lodged with the ITU to ensure compliance with international convention.

3.3.1.6 Joint Spectrum Advisory Group

A Joint Spectrum Advisory Group (JSAG) was formed during 2011/12 to promote the efficient co-ordination of radio frequency spectrum and interference resolution during the dual illumination period. The group was formed to advise the Authority on the most efficient processes to be adopted in resolving matters related to spectrum management, in order to minimise and/or prevent harmful interference during digital migration. The co-ordinating role of the group has led to DTT broadcasting transmitters having been installed that will cover at least 81% of the population. JSAG is expected to operate until December 2015 to ensure a smooth migration to a DTT platform.

3.3.1.7 Diffusion of innovative technologies

The key deliverables achieved were:

- Contributed to the development of a harmonised framework, in the SADC region, on radio frequency spectrum, spectrum management and standardisation. SADC-wide harmonisation is aimed at achieving economies of scale in terms of services and technologies.
- Adoption of a draft radio frequency spectrum framework on cognitive radio systems at SADC level for further study.
- Completed a final model on opportunistic spectrum management and IMT occupancy measurements with recommendations in collaboration with research institutions. The aim was to develop a framework for dynamic spectrum management, in order to ensure efficient use of radio frequency spectrum resources.
- Submitted proposals to the ITU World Radio-communication Conference 2015 (WRC-15) planning process, in order to address additional IMT spectrum requirements for 2020 and beyond and to provide for co-existence of DTT and mobile services in the 700 MHz band. The aim was to strategically influence the outcome of WRC-15 in favour of 700 MHz spectrum for broadband, through the ITU's study groups and working parties.

3.3.1.8 Collaboration with research institutions

The Authority collaborated with the universities of the Witwatersrand and Pretoria, as well as the Council for Scientific and Industrial Research (CSIR) on radio frequency spectrum research in order to improve administrative, regulatory and technical expertise in spectrum management. Three priority research areas were: emerging wireless technologies, spectrum management (policy and regulation) and the application of wireless technologies in society.

Technical papers and journals were submitted, peer-reviewed and accepted at a number of international conferences and workshops held at the universities of the Witwatersrand and Pretoria. A memorandum of understanding with the CSIR was concluded and resulted in a report with recommendations on technical aspects of the co-existence of broadcasting and other services, as part of the utilisation of TV spectrum white spaces. The Television White Space trial project conducted in Cape Town during 2012/13 was followed, in March 2014, by an authorisation for a trial in a rural and underserviced area.

3.3.2 Spectrum Licensing

During 2013/14 a total of 3,654 new licenses were issued, mostly due to the new license fee regulations. There were 3,069 licence cancellations as compared with 3,062 in the 2012/13 year. The total number of licences increased 1% from 53,155 to 53,740.

The breakdown of licences issued is as follows:

Licensing category	Licences at 1 April 2013	New Licences	Cancellations	Licences at 31 March 2014
Aeronautical	8,490	1,148	731	8,907
Amateur	5,752	304	131	5,925
Fixed	261	28	25	264
Land mobile including ski boats	29,831	1,323	1,698	29,456
Maritime	5,055	596	315	5,336
Radio dealer	3,602	132	153	3,581
Satellite	164	123	16	271
Total	**53,155**	**3,654**	**3,069**	**53,740**

3.3.3 Equipment Type Approval

Equipment Type Approval regulations are reviewed from time to time in accordance with the ECA. In 2013/14, the type approval unit undertook a review of the current type approval framework, based on international benchmarking of type approval regimes. A final type approval framework was published in the Government Gazette in August 2013. In terms of the framework, all type approvals, including Telecommunication Line Terminal Equipment (TLTE) and switching systems (SWS), will be valid for an unlimited period of time. This is meant to ensure that no modifications are made to the equipment. If changes to the type-approved equipment are not substantial and the technical information recorded in the type approval register is unchanged, a new application for type approval is not required.

The new framework repealed the Telecommunication Regulations published of August 1994, including the line maintenance organisation (LMO), which is addressed in Chapter 2 of the Telecommunications Regulations. Therefore, in terms of the promulgated framework, the concept of LMO is abrogated and the Authority no longer issues LMO licences. Also equipment sullpiers (SUP) are no longer licensed.

During the 2013/14 financial year 2,710 new licences were issued. This translates to an increase of 376 (16%) compared with 2012/13. A total of 1,346 licences were renewed compared with 1,378 in 2012/13. The total number of licences increased from 16,178 to 20,234 (an overall increase of 25%).

The breakdown of certificates issued is as follows:

Authorisation category	1 April 2013	New Licences/ certificates	Revised	31 March 2014
RF	14,117	2,497	0	2,497
TLTE	1,037	151	662	813
SWS	751	54	366	420
LMO	211	8	309	317
SUP	62	0	9	9
Total	**16,178**	**2,710**	**1,346**	**20,234**

3.3.4 Broadcasting Spectrum

The Broadcasting Spectrum unit analysed 147 applications for broadcasting frequency spectrum licences. There were 37 applications for new spectrum licences, 22 applications for spectrum licence amendments and 88 applications for spectrum licence renewals.

3.3.5 Spectrum Monitoring and Control

Spectrum Monitoring and Control is responsible for identifying and managing spectrum monitoring to ensure radio frequency spectrum efficiency, compliance and the devising of long-term strategies for interference control. Other functions include monitoring and compliance with rules and regulations and QoS monitoring.

3.3.5.1 Quality of Service monitoring

During the year under review, QoS monitoring was conducted on three Global System for Mobile Communications (GSM) networks in Cape Town, Durban, Port Elizabeth, Johannesburg and Pretoria. The aim of monitoring, done by means of drive-tests, is to establish the quality of service provided by the three major mobile operators. The focus of the monitoring was on network performance in terms

of accessibility and retention of voice calls. The metric used to measure the above was the call setup success rate and the drop call rate. Reports based on the measurements are shared and discussed with the operators and are published on the ICASA website. This provides an incentive for the operators to improve their services.

3.3.5.2 Spectrum monitoring

The key objective for 2013/14 was to ensure efficient radio frequency spectrum monitoring in general, and improving the monitoring of spectrum being used by licensees. The following were undertaken:

- Optimisation of the cost and effectiveness of radio frequency monitoring stations by means of site-sharing. Surveys and analyses were done in East London, Durban, Pretoria and Johannesburg.
- Procurement of specialised spectrum monitoring equipment for 12 fixed stations and two mobile units was initiated. The fixed stations, planned to be commissioned during 2014/15, will be located in Cape Town, Kwa-Zulu Natal, Port Elizabeth, East London, Bloemfontein and Gauteng. All stations will be centrally controlled from the Authority's head office; and
- Monitoring and occupancy measurements of the frequency bands that have been identified for IMT in the National Radio Frequency Plan, including the bands for the first and second digital dividend. The information is useful for establishing wheather radio frequency spectrum use is commensurate with current licensed use of these frequency bands. The bands are important spectrum resources for the future licensing of operators to provide broadband access in both urban and rural areas.

3.4 PROGRAMME 4 MARKETS AND COMPETITION

The Markets and Competition Programme is responsible for conducting socio-economic research regarding the regulation of electronic communications, broadcasting and postal services. For the 2013/14 financial year, the Programme set out to achieve the following Performance Outcomes:

- Overhaul the existing regulatory framework for broadcasting services so as to support the migration to digital broadcasting services by 2017;
- Review and submit recommendations to the Minister of Communications as to the need for the South African Post Office's exclusivity in the provision of identified postal services in order to achieve Universal Service by 2015; and
- Propose regulatory measures to support growing competition and fair prices for end-users in the ICT sector through continuous reviews of relevant markets including:
  - voice call termination rates;
  - managed transmission services for broadcasting signal distribution (DTT Rate Card); and
  - implementation of a price control for basic mail services.

This work took place under the following Strategic Objectives:

Strategic Objective 1.1 statement: In order to remove bottlenecks to competition the objective was to foster new entrants and level the playing field between licensees by promoting infrastructure-based competition through the conducting of market reviews to justify cost-determinations in the provision of identified services.

Strategic Objective 1.2 statement: In order to ensure South African retail prices of ICT services fairly reflect costs, the objective was to ensure that end-users pay fair retail prices, which are comparable to those prices charged in Brazil, Russia, India and China (BRIC) countries, for all electronic communications and postal services by 2017.

Strategic Objective 2.1 statement: In order to facilitate nation-wide broadband penetration by 2020, the objective was to facilitate increased utilisation of existing infrastructure to foster greater fixed-line broadband penetration.

Strategic Objective 2.2 statement: In order to promote the development of public, community and commercial broadcasting services in the context of digital migration, the objective was to ensure that South African citizens have access to a range of sound and television broadcasting services that support a plurality of views and cater for all language and cultural groups, to be achieved through the development of a new regulatory framework to support broadcasting services in the digital era, and to be completed by 2016.

Strategic Objective 4.1 statement: In order to promote consumer rights, the objective was to ensure the rights of the consumer to receive broadcast local content, fair media coverage of political elections as well as free access to identified telecommunications services.

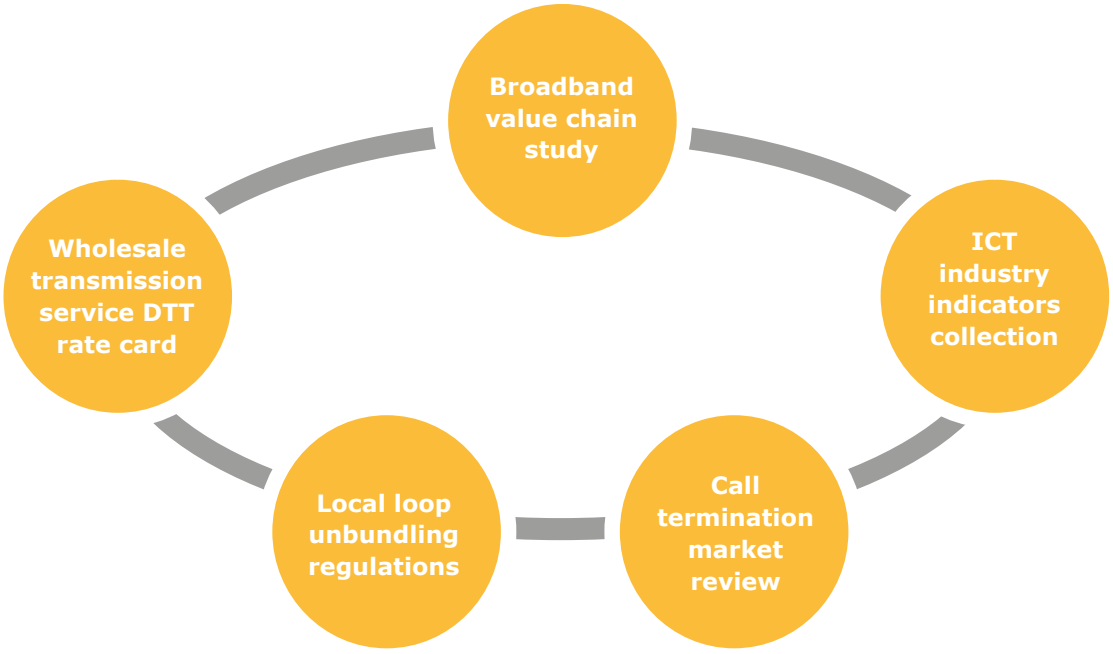
Strategic Objective 4.2 statement: In order to ensure Universal Service & Access, the objective was to develop a new licensing framework for the provision of basic mail services.

The Programme was structured into four (4) business units to carry out its deliverables, namely: Markets and Competition Analysis, Economic and Financial Analysis & Numbering Administration, Postal Policy Research and the Policy Development & Research unit. The programme undertook the following during the reporting period:

- Cost to Communicate review;
- Review of Political Elections regulations;
- Cost benefit study of the existing analogue-based local content obligations for broadcasters; and
- Review of the exclusivity period of SAPO's monopoly over basic mail services.

3.4.1. Cost to Communicate

The Cost to Communicate program consists of five (5) projects, all aiming to reduce the amount that consumers pay for communications, postal, broadcasting and electronic communications services.



Progress made on these projects is reported below:

3.4.1.1 Annual review of prices for basic postal services

SAPO is the only entity that may carry postal goods that weigh less than one kilogram. In return for this legal exclusivity, the Authority is mandated to review the annual increase in the cost of basic mail services to ensure that SAPO operates efficiently. This year the Authority limited the annual increase in reserved postal services to merely 5%, with effect from 1 April 2014.

3.4.1.2 Broadband value chain study

South Africa Connect, the national broadband plan, states that vertical integration[1] is potentially the cause of a lack of competition in the provision of broadband services. This study aimed to identify where the Authority should intervene along the value-chain of services, at the wholesale level of intervention. The Authority's core principle in this approach is that high retail prices are a result of high input costs. South Africans have benefitted from lower retail prices through wholesale regulation in the past through the reduction of call termination rates.

The Authority now wants to follow this success with effective intervention in the provision of internet and data services.

Although the Authority did not fully conclude its exploratory research in the 2013/14 financial year, the following draft findings are noteworthy:

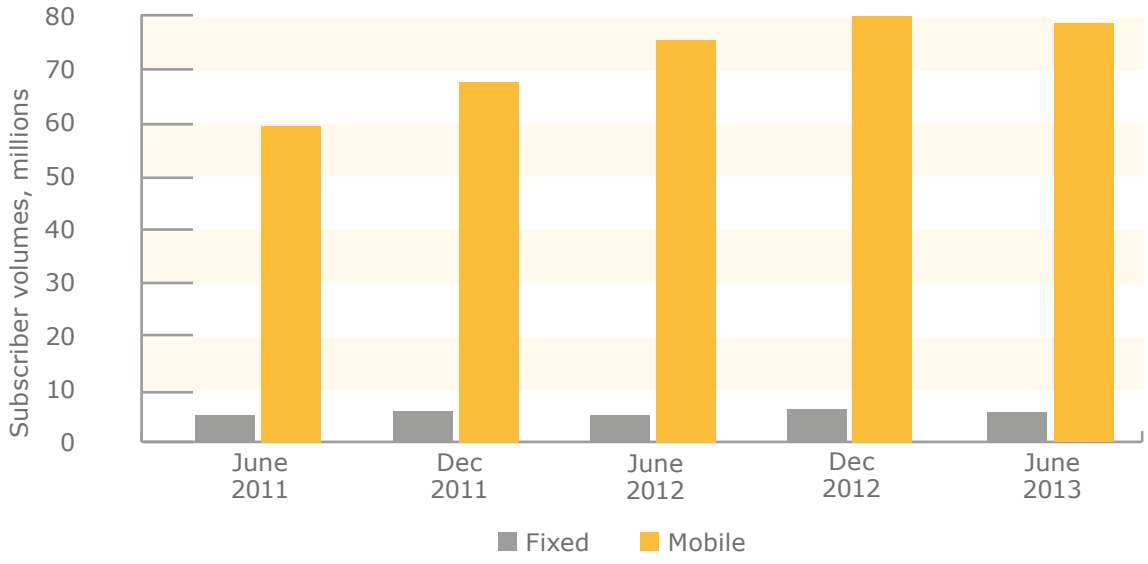
- The limited performance of the fixed-line Asymmetrical Digital Subscriber Line (ADSL) network may be a significant driver in the demand for mobile data; and
- The release of the High-Demand Spectrum is crucial if South Africans are going to benefit from higher broadband speeds.

3.4.1.3 ICT industry indicators collection

The goal of this project was to collect the primary development measurement indicators used by the ITU to measure improvements in access to ICT services across countries. This project has been successful, with ongoing submission of data by licensees. As illustrated in the chart below, the ICT sector consistently provides subscriber services to a substantial number of South Africans.

The most important feature is the limited number of fixed-line connections in existence, with fixed-line subscriber volumes remaining around the four million subscriber mark for the last few years.

Subscribers of mobile and fixed-line voice services



1 Whereby a service provider owns and controls the end-to-end network and infrastructure required to provide a service.

3.4.1.4 Call termination market review

The Authority introduced regulations in 2010 to reduce the fee operators charge each other for carrying calls between subscribers on their networks, namely the call termination rate.

The Authority committed to reviewing these regulations in the 2013/14 financial year so as to provide an up-to-date price to be charged for call termination by the end of the 2010 glide path. The Authority published Final Call Termination Regulations in February 2014. However, these regulations were declared "unlawful and invalid" by the South Gauteng High Court on 31 March 2014.

The High Court determined that ICASA has six months to determine revised call termination rates, and imposed a reduction in mobile termination rates from R 0.40 to R 0.20, while also introducing an asymmetric termination rate (to benefit smaller mobile operators) of R 0.44.

3.4.1.5 Local loop unbundling

The objective of unbundling the local loop is to allow all licensees access to the 'last mile' of connectivity – the very last network component required to provide services to consumers. The rationale behind this regulatory intervention is to provide customers with increased choice, greater product differentiation and competitive prices.

The Authority published draft regulations in September 2013, based on the right of access to facilities enshrined in the governing legislation. The objective of these regulations was to ensure that all licensees were given the right of access, enabling them to establish the fees for access on a commercial basis.

Due to limited input from industry as well as the existence of a potential legal technicality, the Authority has had to develop a revised approach to introducing local loop unbundling. This initiative will be launched in the 2014/15 financial year and will encompass a Regulatory Impact Assessment (RIA) to ensure that licensees are granted access to all forms of the local loop, such as fibre and copper, as well as wireless technologies.

This approach is in line with technology neutrality as well as the reality of access to broadband services in South Africa, whereby the majority of South Africans access basic internet sevices through wireless technologies.

3.4.1.6 Wholesale transmission services

The Authority initiated a regulatory process to address concerns that the prices charged by free-to-air broadcasters by the state-owned signal distributer (Sentech) were too high. The rates that free-to-air broadcasters are charged by Sentech are a key component in ensuring the success of digital migration.

The Authority published a findings document on the matter, declaring Sentech to have significant market power and that the Authority would develop regulations to address this matter. Sentech identified a technical error in the legal process and lodged legal proceedings against the Authority. The Authority will rectify this error in the 2014/15 financial year.

3.4.2 Review of election broadcasting regulations

The Authority conducted a review of the existing regulations that govern the number of broadcasting slots the registered political parties are granted for political election broadcasts, as well as the governing of political advertisements. This was a crucial project to ensure the smooth running of the National and Provincial elections held on 7 May 2014.

The final regulations were published on 17 February 2014.

3.4.3 Cost benefit study of the existing analogue-based local content obligations for broadcasters

The obligation for both radio and television broadcasters to broadcast locally-produced content is a key tool in building South Africa's cohesive democracy. The migration from analogue to digital broadcasting through the digital migration process presents new challenges to the provision of local content because of the vastly increased potential number of channels that television broadcasters will be able to provide.

The Authority decided to review the costs and benefits of the existing analogue-based local content obligations as a stepping stone to finalising new local content obligations for the digital era. The Authority concluded its study in the 2013/14 financial year and found that:

- The obligation to broadcast local content has supported the government objective of fostering a local, independent production industry; and
- The broadcasting of local content is, in some cases, more profitable than the broadcasting of content purchased from other jurisdictions. These results indicate that broadcasters have an incentive to invest in locally-produced content rather than relying on international content.

The Authority will finalise this project in the 2014/15 financial year, by developing new, local content regulations for the period after digital migration.

3.4.4 Review of the exclusivity period for postal services

The Authority is required by the Postal Services Act (Section 16 of the Postal Services Act No. 124 of 1998) to review whether the SAPO should continue to maintain a monopoly of letters and small parcels weighing 0-1 kilogramme. This exclusivity (for five years) was granted as a means of ensuring universal access and service to basic letter and parcel services. The project sought to review the current universal service policy for postal services, with the aim of establishing whether the goals of the current policy have been achieved and whether any amendments to the Act are necessary.

Research conducted in the 2013/14 financial year sought to establish parameters for universal service of postal services in the digital era by:

- Determining the existing level of demand for postal services through face-to-face interviews with general consumers; and
- Identifying whether existing post office outlets comply with the universal service requirements for retail postal outlets such that citizens have access to a postal outlet within a three kilometre radius and that postal outlets serve no greater than 10,000 people.

The project will have an impact on the definition of universal access and service in the context of the national broadband policy. The ICT green paper has identified SAPO as an important delivery agency in the roll-out of broadband, with its infrastructure potentially to be used as public access nodes.

The Authority did not achieve its goal of completing the demand survey in the 2013/14 financial year and will complete it in 2014/15.

3.4.5 Operational activities

3.4.5.1 Electronic communications retail tariffs

The Authority reviewed 120 retail tariff notifications in the year under review as part of the ongoing monitoring of retail tariffs trend. The majority of these notifications were received from mobile operators (75 notifications), followed by internet service providers (37 notifications) and lastly, fixed-line operators (8 notifications).

The Authority noted a decrease in the average, prepaid, voice tariffs as a result of both tariff reductions and promotions. Promotional tariffs can offer significant value to the customer. However, the customer has to be fully aware of the nature of product promotions and their expiry as well as the duration of calls. The Authority believes that there is limited transparency on voice tariffs and intends to investigate this matter in the 2014/15 financial year.

3.4.5.2 Management of the numbering resource

The Authority is the custodian of the national numbering resource and allocates numbers to licensees to enable them to offer retail services. The Authority allocates numbers on a first-come, first-served basis. During the 2013/14 financial year, the Authority received 382 applications and of these applications, 95% were processed within the set target of processing 90% of applications within 20 business days upon receipt.

Type of number applications received in 2013/14

Numbering resource type	Applications processed
Geographic numbers	166
Non-Geographic numbers	182
Number Portability Routing Code (NPRC)	7
National and International Signaling Point Code (NSPC & ISPC)	3
Mobile Network Code (MNC)	1
Transfers of ownerships	4
Total	**363**

Volumes of numbers allocated per type of request

2013/14	Geographic	Mobile	Other non-geo-graphic	NPRC	NSPC\ ISPC	MNC	Quarterly totals
Quarter 1	62,000	1,000,000	32,256	2	2	1	1,094,261
Quarter 2	21,000	0	212,293	1	0	0	233,294
Quarter 3	45,000	8,000,000	1,167	0	1	0	8,046,168
Quarter 4	68,000	0	13,223	4	0	0	81,227
Total	**196,000**	**9,000,000**	**258,939**	**7**	**3**	**1**	**9,454,950**

3.5. PROGRAMME 5 CONSUMER AFFAIRS

The primary role of the Consumer Affairs Programme is to ensure that the consumer is central to all relevant activities. This includes creating awareness about the regulations and resulting rights and obligations and participating in regulatory processes so that the consumer's voice is heard.

The following performance outcomes were set:

- Promote consumer rights; and
- Promote universal access and service.

The strategic objectives that were set as outputs for Consumer Affairs were:

Strategic Objective 4.1 statement: In order to promote consumer rights, the objective was to ensure continued protection of consumers through empowerment and knowledge of their rights pertaining to ICT services, as well as accessibility and the needs of people with disabilities.

Strategic Objective 4.2 statement: In order to ensure universal access and service, the objective was to impose an obligation on licensees to ensure that consumers regardless of location should have access to quality communication services at affordable prices.

3.5.1 Consumer affairs

For 2013/14 the Consumer Affairs Programme set out to achieve:

- creating awareness of regulations, especially rights and obligations so that consumers are better able to make informed decisions;
- consumer participation in regulatory processes;
- improving the complaints management process to reduce complaint resolution times through an efficient and effective process.

The achievements during 2013/14 included:

3.5.1.1 Awareness

The awareness programmes reached 324 communities in rural and under-serviced communities and the key messages included:

- awareness of regulations;
- regulatory processes underway informing consumers of the provisions and opportunities to participate; and
- consumer advice on how to better manage their bills.

3.5.1.2 Consumer participation in regulatory processes

Two key consumer protection regulations were reviewed, viz. the End User and Subscriber Service Charter and the Code for People with Disabilities.

3.5.1.3 Public consultation process

A new, consumer-friendly public consultation process was adopted. This included regional workshops, radio and print promotional campaigns which informed consumers of the ability to review and the opportunities to participate, including platforms to make commentary simpler.

3.5.1.4 Improving the complaints-handling process

An integrated, complaints-management system, that gave all relevant stakeholders access to the complaint from lodging to resolution, was implemented. Despite some teething problems, it has contributed to a more efficient flow and distribution of complaints.

3.5.2 Public awareness

The key objective is to promote awareness of regulations, especially the rights and obligations resulting therefrom and also to encourage consumer participation in consumer regulatory processes.

ICASA's public awareness model comprised of two primary elements - community meetings and community radio interviews.

National campaigns

In addition, there were five national campaigns to commemorate national and international days of significance in the ICT and consumer environments. The Authority collaborates with other government entities and the private sector regarding these events.

- **World Telecommunications Day**

  Celebrated annually in May, the theme for 2013 was "ICTs and Road Safety." The aim was to promote safer driving and phone usage. This was coupled with the promotion of Type Approval regulations and its role in ensuring safer devices and better quality services.

- **Youth Day**

  Celebrated annually in June, the theme for 2013 was "Working together for youth development and a drug free South Africa." The Authority promoted opportunities for the youth in the ICT sector, including study assistance, experiential training and business and career opportunities, in collaboration with ICT licensees.

- **World Post Day**

  Celebrated annually in October, the campaign promoted customer care standards for the Post Office.

- **International Disability Day**

  Celebrated annually in December, the campaign promoted ICASA's agenda of inclusivity for People with Disabilities and progress thereof to date.

- **World Consumer Rights Day**

  Celebrated in March annually, this is the Authority's main national campaign. The theme for 2013 was "Fix our phone rights" which had resonance with ICASA due to its alignment with the revisions of the draft End-User and Subscriber Service Charter.

3.5.3 Complaints

ICASA's role in complaints resolution is limited to that of disputed complaints only within its jurisdiction. Complaints lodged with the Authority fall into two categories: 1) those where consumers dispute the resolution by the service provider; and 2) the service provider failing to address the complaint. Operators have 14 days to resolve complaints lodged with them.

Numbers of complaints

The Authority received 4,948 complaints, 2,504 of which fell outside of its jurisdiction[1] and were referred to the competent Authority. These primarily fell within the jurisdiction of the National Consumer Commission.

A total of 2,543 complaints lodged with ICASA fell within its jurisdiction of which 1,981 were consumer complaints and 562 were inquiries that were referred internally to the relevant departments for resolution.

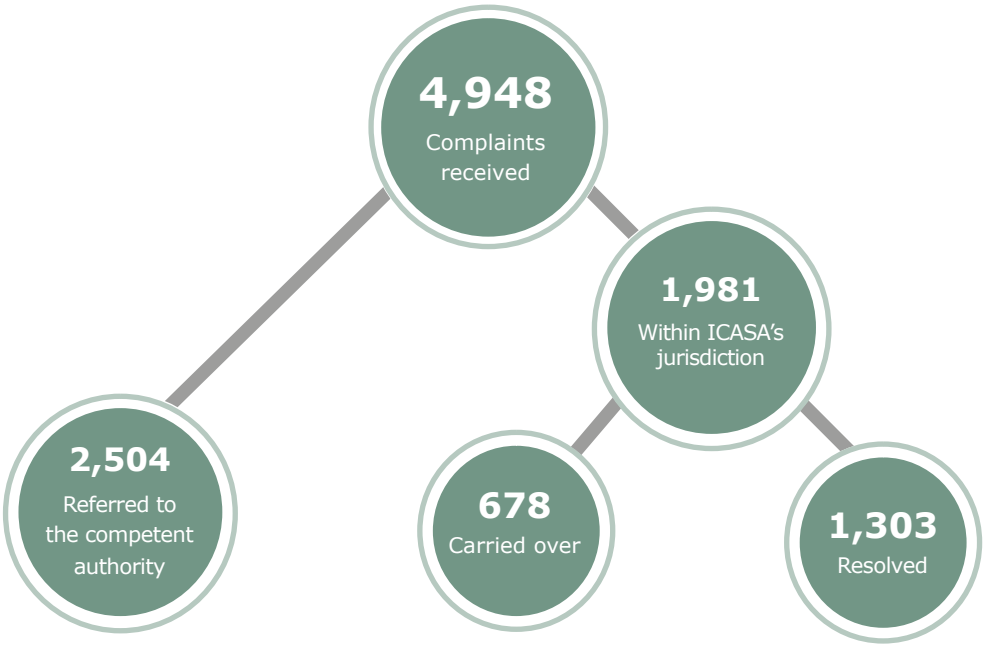
Consumer complaints within ICASA's jurisdiction primarily fell into 2 categories:

1) Billing - 1,286; and
2) Quality of Service - 695.

Billing complaints are usually related to data usage or international roaming. QoS complaints are mainly about dropped calls, lack of availability of network coverage and ADSL installations and fault repairs.

The Authority developed and published complaints manuals in all official languages and Braille outlining the complaints process.

2013/14 Complaints



1 As a result of the promulgation of the Consumer Protection Act complaints relating to contract terms and conditions and devices now reside with the National Consumer Commission (NCC).

Types of complaints

The majority of complaints received by ICASA are simple complaints which are closed after interactions with the service provider. A limited number of complaints are still disputed by the complainant and these are referred to ADR for mediation. Complaints that are in violation of legislation, regulations or licence conditions are referred to the CCC.

Alternative dispute resolution

The Alternative Dispute Resolution (ADR) mechanism is a standing Council Committee in terms of the ICASA Act which mediates disputed complaints. Five sessions were held during 2013/14. ADR sessions were initially piloted in Gauteng and later extended to other provinces. Telephonic ADR sessions now hear complaints from all Provinces.

Most complaints referred to ADR relate to billing, primarily regarding data usage and international roaming, followed by complaints relating to charges resulting from fraud. A lack of awareness and inadequate regulatory provisions were contributory factors.

The five (5) ADR sessions heard 28 complaints, 25 of which were resolved and three (3) were not resolved by the end of the financial year due to the following reasons:

- Consumers were dissatisfied with mediated settlements; and
- Operators took longer to investigate and revert with settlements accepted by consumers.

3.5.4 Research

Quality of experience

The Authority conducted a Quality of Experience (QoE) survey to gauge the perceptions and experiences of fixed and mobile telephony subscribers nationally. It was conducted to provide a snapshot of consumer experiences across urban and rural areas to inform regulatory processes, including the End-User and Subscriber Service Charter which was under review.

3.5.5 People with Disabilities

3.5.6.1 Disability consultative forum

The Authority launched the Disability Consultative Forum (DCF) to advise on issues related to people with disabilities. A key outcome for the review was the formulation of a framework for universal design. The principle of universal design relates to the more inclusive design of devices so that they would be accessible to people with disabilities while accepting the broader appeal and application of those services. At the core of the principle of universal design is that devices traditionally developed for specific disabilities are included as a matter of course as the features have broader appeal and functionality and are essential to ensure greater accessibility.

3.5.6 Consumer Protection Regulations

3.5.6.2 Review of the Code for People with Disabilities

The Code for People with Disabilities (the Code) sets the minimum standards applicable for products, services and targets. The Code was reviewed and a draft of the revised regulation published in March 2014 for public comment.

The review was prompted by the evolving communications landscape and changing consumer needs. A key addition to the draft Code is Universal Design and it applies to television and voice services.

Review of the End-User and Subscriber Service Charter

The End-User and Subscriber Service Charter (the End-User Charter) sets the minimum standards applicable for electronic communications services and is being reviewed. It was first promulgated in 2009 with a narrow focus limited to QoS. Its scope is being broadened to include:

- new parameters for billing;
- essential information to be provided to consumers;
- an improved complaints process; and
- innovative penalties.

A draft regulation was published in January 2014 and written responses were received by March 2014

3.5.7 Universal Access and Service

During the year under review, the Authority identified areas in Limpopo, KwaZulu Natal and the Eastern Cape as priority areas to facilitate access to ICT services. The availability of services was monitored in these areas resulting in the production of technical reports, which confirmed the limited or non-availability of services.

This will be followed by a process of engagement with operators.

3.6. REGIONAL OFFICES

The Regional Offices', in conjunction with the core programmes plan for 2013/14, was to enforce compliance with legislation and regulations to enable unimpeded communications throughout South Africa. Regional Offices performed the following Performance Outcomes:

- Enforcement, including the seizure of radio apparatus of operators who have not renewed radio spectrum licences;
- Investigations of operators who have not complied with licence conditions as stated in ECS and ECNS licences;
- Monitoring ICT services available to the public, as determined at specific main place locations;
- Executing the Authority's mandate in safety and security operations at national events/situations as co-ordinated by the National Joint Operational Centre (NATJOC) on behalf of the Justice Crime Prevention & Security (JCPS) Cluster of Government;
- Investigations at high sites to ensure that radio apparatus installed complies with licence and type approval conditions; and
- Resolving or mitigating instances of harmful radio frequency interference cases reported to the Authority.

The mandate of the regional offices is to control the possession of radio apparatus (ECA section 32) by ensuring that, in the use of radio frequency spectrum, harmful interference to communications services is eliminated or reduced (ECA section 30, (3), (4). Regional offices may, on their own initiative, take appropriate action to ensure effective control of radio frequency spectrum (ECA section 31 (7).

During the financial year, the Regional Offices achieved the following:

- Secured all communications at the state funeral of former President Nelson Mandela from 6 to 15 December 2013. The regional offices' role was to prevent any harmful radio frequency interference to authorised spectrum users and to prevent illegal use of the radio frequency spectrum. The Authority was also responsible for the monitoring of compliance with all temporary licences issued relating to licence conditions; and

- The state funeral had generated mass public interest from both national and global media outlets and drew heavily on radio frequency spectrum for communications infrastructure, for which licensing and approval was required. In all circumstances, ICASA controlled the use of radio frequency spectrum to ensure efficient use by all who had been issued with spectrum licences. Those with valid licences were also protected from illegal transmissions from those who were not licensed to operate in any spectrum band.

World Post Day in the Free State.

Youth Day in the North West province.

Minister Muthambi as a member of the PPCC during public hearings in Gauteng.

A meeting of Institutions Supporting Democracy, established in terms of Chapter 9 of the SA Constitution

4. PERFORMANCE TABLES

PREDETERMINED OBJECTIVES

The performance tables identify the level of achievement against predetermined objectives in the 2013/14 Annual Performance Plan and also provide a reason for performance variances against targets.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SOOG 1	Strategic Outcome Orientated Goal - **Promote competition**					
SO 1.1	Strategic Objective - **Remove bottlenecks to competition**					
SO 1.1.1	Increase competition by promoting diversity and choice of broadcasting services.	Licensing of additional commercial broadcasting services by 31 March 2014.	Additional subscription broadcasting service and Individual ECNS licences for self provisioning licensed to successful applicants by 31 March 2014.	All applications for additional subscription broadcasting services considered and analysed.	Issuance of 5 additional licences for subscription broadcasting services and Individual ECNS licences for Self-provisioning to successful applicants by 31 March 2014.	The Authority finalised the analysis report and conducted public hearing on 24 and 26 July 2013. The Authority granted licences to all five (5) of the received applications (i.e. Kagiso TV, Siyaya TV, Mindset TV, Mobile TV, and Close-T).
			Additional commercial sound broadcasting services licensed to successful applicants in Secondary Markets (Northern Cape, Free State and Eastern Cape) by 31 March 2014.	All applications for additional commercial sound broadcasting services in Northern Cape, Free State and Eastern Cape considered and analysed.	Issuance of 3 additional Licences for additional commercial sound services to successful applicants in Secondary Markets (Northern Cape, Free State and Eastern Cape) by 31 March 2014	There were only two successful applications in the Secondary Markets. There was no application received from Northern Cape. The licences for Beat FM and Rhythm were granted on conditions; hence the licences were not issued.
			Additional commercial sound services licensed to successful applicants in Primary Markets (Gauteng, Cape Town and Durban) on Medium Wave (MW) Frequencies by 31 March 2014.	All applications for additional commercial sound broadcasting services in Gauteng, Cape Town and Durban considered and analysed.	Issuance of 6 additional Licences for additional commercial sound services to successful applicants in Primary Markets (Gauteng, Cape Town and Durban) on Medium Wave (MW) Frequencies by 31 March 2014.	There were only three successful applications in the Primary Markets. The Authority granted licences to those three applications (one of the three licences was granted with conditions).

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SOOG 1	Strategic Outcome Orientated Goal - **Promote competition**					
SO 1.1	Strategic Objective - **Remove bottlenecks to competition**					
SO 1.1.2	Increase competition by promoting diversity and choice of broadcasting services.	Licensing of additional free-to-air television broadcasting services by 31 March 2016.	Additional TV services and I-ECNS for self-provisioning licensed to successful applicants by 31 March 2016.	None.	No Strategic Activity.	No strategic activity in this budget year.
SO 1.1.3	Improved levels of competition in the ICT sector.	Rate Card for DTT services based on the approved cost model for Sentech.	Publication of regulations outlining transparent cost accounting framework for Sentech by 1 January 2015.	Reasons Document published.	Approved report on outcomes of public consultation on the Sentech Cost Model.	The Authority identified a technical error in the legal process to ensure that Sentech charges fair prices in support of the migration from analogue to digital television. This technical error was raised by Sentech through the lodgement of legal proceedings against the Authority. The Authority will rectify this error in the 2014/15 budget year.
SO 1.1.4		Revised number portability framework that promotes porting of all numbers.	Revised number portability regulations that cater for all number types and scales correctly for number blocks by 2016.	Existing Number Portability Regulations.	No Strategic Activity.	No strategic activity in this budget year.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SOOG 1	Strategic Outcome Orientated Goal - **Promote competition**					
SO 1.1	Strategic Objective - **Remove bottlenecks to competition**					
SO 1.1.5	Development of pro-competitive remedies and implementation thereof.	Development of pro-competitive remedies and implementation thereof.	Accounting separation framework for wholesale call termination.	Development of Accounting Separation Regulations as per the Call Termination Regulations (GG 33698).	Approved Accounting Separation Regulations for licensees designated with Significant Market Power.	This project was linked to the regulation of call termination rates. As a consequence of the Call Termination court case (see SO 1.2.3) the Authority has subsequently decided to develop a new bottom-up cost model on network engineering principles.
SO 1.2	Strategic Objective - **Ensure South African retail prices of ICT services fairly reflect costs**					
SO 1.2.1	Ensure that retail price of reserved postal services is affordable to all citizens.	Updated Postal price control and accounting separation regulations for postal services.	Gazetted final price control regulations by 31 March 2017.	Existing Price Cap Regulations.	No Strategic Activity.	No strategic activity in this budget year.
			Gazetted Final Accounting Separation Regulations by 31 March 2017.	Existing Accounting Separation Regulations.	No Strategic Activity.	No strategic activity in this budget year.
SO 1.2.2		Approved reserved postal fees and charges.	Annual Gazette Publication of reserved postal fees and charges.	Gazette Publication of 2013/2014 reserved postal fees and charges.	Gazetted Publication of 2014/2015 reserved postal fees and charges.	Approved and gazetted SAPO's reserved postal services tariffs on 30 Jan 2014 (GG37283).
SO 1.2.3	Fair prices for voice services.	Call Termination Market Review.	Revised call termination regulations on a three-yearly basis.	Call Termination Regulations (GG 33698).	Gazetted Revised Call Termination Regulations by 30 December 2013.	The Final Call Termination Regulations were published on 4 February 2014 (GG37295). However, these regulations were declared "unlawful and invalid" by the South Gauteng High Court on 31 March 2014. The High Court determined that ICASA has six months to determine new call termination rates, but also imposed a reduction in mobile termination rates from R0.40 to R0.20, whilst introducing an asymmetrical termination rate (to the benefit of smaller mobile operators) of R0.44.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SOOG 1	Strategic Outcome Orientated Goal - **Promote competition**					
SO 1.2	Strategic Objective - **Ensure South African retail prices of ICT services fairly reflect costs**					
SO 1.2.4	Fair prices for ECS/ECNS services, accessible by all South Africans by 2016.	Imposition of pro-competitive regulations to remove monopoly barriers.	Price benchmark results against peer countries by March 2014. Definition of Markets in the Value Chain by 31 March 2015.Imposition of pro-competitive remedies by 31 March 2015.	National Broadband Policy.	Gazetted Discussion Document defining identified markets and licensees with Significant Market Power across the Value Chain.	The Authority has a draft price benchmarking report on wholesale and retail broadband services. The Authority is currently revising this report based on recent price changes of mobile data services and will release the report in the second quarter of 2014/15.
SO 1.3	Strategic Objective - **Ensure effective HDI/BBBEE participation in the sector**					
SO 1.3.1	Align the HDI/ BBBEE equity ownership of Individual Broadcasting, ECS and ECNS with relevant legislation and ICT Charter.	Issuance of amended licences to reflect HDI/ BBBEE equity ownership by 31 March 2017.	Publish report in Government Gazette on HDI/BBBEE equity ownership audit by 31 March 2014. Publish HDI/BBBEE Regulations by 31 March 2015.	Collation of HDI Equity data through Compliance Manual.	Publish report in Government Gazette on HDI/BBBEE equity ownership audit, based on data collected through Compliance Procedure Manual by 31 March 2014.	The Authority has collected the HDI/BBBEE information from Broadcasting and ECS/ECNS Licensees. The Authority has noted the HDI/BBBEE Audit Report for Broadcasting and ECS/ECNS Licensees. The Audit Report will be published in the next budget year because the committee structure required to approve the publishing of the audit report had not been appointed in time.
SOOG 2	Strategic Outcome Orientated Goal - **Promote the digital agenda**					
SO 2.1	Strategic Objective - **Facilitate nation-wide broadband penetration by 2020**					
SO 2.1.1	Support development of Broadband nationwide in line with Vision 2020.	Frequency migration strategy/plan - Phase 1.	Approved Migration plan - Phase 1 in line with the 2012/13 Frequency Migration regulations published by 31 March 2014.	Frequency Migration Plan and Regulations and Updated National Frequency Plan.	Frequency Migration Strategy - Phase 1 implemented in line with 2012/13 Frequency Migration Regulations by 31 March 2014.	The Authority initially faced budgetary constraints. Then through reprioritisation of budget funding at the end of the second quarter the necessary funds were made available to achieve the target deliverables in the next budget year.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SOOG 2	Strategic Outcome Orientated Goal - **Promote the digital agenda**					
SO 2.1	Strategic Objective - **Facilitate nation-wide broadband penetration by 2020**					
SO 2.1.2	Support development of Broadband nationwide in line with Vision 2020.	Roadmap for all of International Mobile Telephony (IMT) spectrum.	Roadmap published by 31 March 2014.	None.	Approved Roadmap for all of IMT spectrum published by 31 March 2014.	The Authority initially faced budgetary constraints. Then through reprioritisation of budget funding at the end of the second quarter the necessary funds were made available to publish the roadmap in Government Gazette once the frequency migration plan has been finalised during 2014/15.
SO 2.1.3		Proposal on Frequency Migration Strategy - Phase 2.	Proposal on Radio Frequency Migration - Phase 2 approved by Council by 31 March 2014.	Frequency Migration Plan and Regulations and Updated National Frequency Plan.	Proposal on Radio Frequency Migration Strategy - Phase 2 completed by 31 March 2014.	A proposal on a radio frequency migration strategy could not be achieved due to a temporary resource constraint in developing and finalising the service provider terms of reference.
SO 2.1.4		Licensing Framework available International Mobile Telephony (IMT) spectrum.	Licensing Framework published by 31 March 2014.	None.	Approved Licensing framework for available IMT by 31 March 2014.	Delayed until issuance of the Ministerial Policy directive on High Definition Spectrum.
SO 2.1.5		Open-access model of wholesale network infrastructure (Local Loop Unbundling).	Regulations introducing Local Loop Unbundling by 31 March 2014 200,000 local loops being leased by competing service providers by March 2017(= 20% of existing copper-based local access lines utilised by competing service providers).	30% reduction in the cost of the Telkom IP Connect (IPC) product.	Approved Final Regulations on Local Loop Unbundling (LLU) by 31 March 2014.	The Authority published draft LLU regulations on 11 September 2013 with public hearings scheduled for 17-19 February 2014. However, owing to the introduction of the National Broadband Policy, the Electronic Communications Amendment Act, the growth of mobile data as well as technical considerations regarding the publication of the regulations, the Authority has revised its approach to implementing Local Loop Unbundling and will conduct a Regulatory Impact Assessment of access to the mobile, copper and fibre "last mile" in the 2014/15 budget year.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SO 2.2.	Strategic Objective - **Promote the development of public, community and commercial broadcasting services in the context of digital migration**					
SO 2.2.1	Availability of choice & diversity in broadcasting services.	Broadcasting regulatory framework to support the digital era.	New regulations governing broadcasting for political elections by 31 March 2014.	Findings document outlining framework for the introduction of a new regulatory framework for broadcasting services in the digital era.	Approved Regulations governing broadcasting for Political Elections.	The final regulations on Party Political Elections Broadcast together with its Findings Document were published on 17 February 2014 (GG37350).
			Findings document on the programming needs of targeted groups by 31 March 2016.		No Strategic Activity.	No strategic activity in this budget year.
			New regulations governing Local Content for broadcasting in place by 31 March 2015.	Draft Discussion document on review of Local Content Regulations by 31 March 2013.	Report and recommendations on Local Content Regulations presented to Council for approval.	A report and recommendations on the way forward for the regulation of Local Content post digital migration has been approved by Council. The Authority will now develop new Local Content regulations in the 2014/15 budget year.
			New regulations governing must-carry obligations by 31 March 2015.	Findings document outlining framework for the introduction of a new regulatory framework for broadcasting services in the digital era.	No Strategic Activity.	No strategic activity in this budget year.
			New regulations governing the Commissioning Protocols and Terms of Trade by 31 March 2015.	Findings document outlining framework for the introduction of a new regulatory framework for broadcasting services in the digital era.	No Strategic Activity.	No strategic activity in this budget year.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SO 2.2.	Strategic Objective - **Promote the development of public, community and commercial broadcasting services in the context of digital migration**					
SO 2.2.1	Availability of choice & diversity in broadcasting services.	Broadcasting regulatory framework to support the digital era.	New regulations governing Advertising and Sponsorship rights by 31 March 2017.	Findings document outlining framework for the introduction of a new regulatory framework for broadcasting services in the digital era.	No Strategic Activity.	No strategic activity in this budget year.
			New regulations governing broadcasting of National Sporting Events by 31 March 2015.	Findings document outlining framework for the introduction of a new regulatory framework for broadcasting services in the digital era.	No Strategic Activity.	No strategic activity in this budget year.
			New licensing Framework for Community Broadcasting services by 31 March 2018.	None.	No Strategic Activity.	No strategic activity in this budget year.
			New licensing framework for broadcasting services in the digital era in place by 31 March 2017.	None.	No Strategic Activity.	No strategic activity in this budget year.
			New licensing framework for digital radio by 31 March 2018.	None.	No Strategic Activity.	No strategic activity in this budget year.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SO 2.2.	Strategic Objective - **Promote the development of public, community and commercial broadcasting services in the context of digital migration**					
SO 2.2.1	Availability of choice & diversity in broadcasting services.	Broadcasting regulatory framework to support the digital era.	Recommendations on interoperability of broadcasting services by 31 March 2018.	None.	No Strategic Activity.	No strategic activity in this budget year.
			Revised Code of Conduct for Broadcasters by 31 March 2018.	None.	No Strategic Activity.	No strategic activity in this budget year.
SOOG 3	Strategic Outcome Orientated Goal - **Promote efficient use of spectrum resources**					
SO 3.1.	Strategic Objective - **Establish innovative approaches to technology usage**					
SO 3.1.1	Diffusion of innovative technologies.	Strategic Outcome of study groups to influence World Radio Communication Conference 2015 (WRC15) decision.	Contribution papers to the study groups on WRC15 agenda items considered and discussed by 31 March 2014.	WRC-12 resolutions on future agenda items.	Consideration and discussion of prepared contribution papers to WRC15 study groups by 31 March 2014.	The Authority provided inputs to the DoC on South Africa's position for the WRC-15.
SO 3.1.2		Harmonised spectrum plans to achieve economies of scale in terms of service and technologies by 31 March 2014.	Contributions to International Telecommunications Union (ITU) and regional fora dealing with International Mobile Telephony (IMT), digital migration and cognitive radio and standardisation considered and discussed by 31 March 2014.	ITU-R Radio Assembly 2012 recommendations and resolutions.	Recommendations to ITU and regional fora dealing with IMT, digital migration and cognitive radio and standardisation considered and discussed by 31 March 2014.	Contributions dealing with International Mobile Telephony (IMT), digital migration and cognitive radio and standardisation were made and considered during participation at the ITU as well as regional fora and discussions at the meetings, during the 2013/14 budget year.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SO 3.1	Strategic Objective - **Establish innovative approaches to technology usage**					
SO 3.1.3	Diffusion of innovative technologies.	Opportunistic spectrum model.	Model on opportunistic spectrum management and International Mobile Telephony (IMT) occupancy measurements and recommendations by 31 March 2014.	Final Research Reports 2012.	Final Model on opportunistic spectrum management and IMT occupancy measurements and recommendations presented to Council by 31 March 2014.	The results of "white space" studies on opportunistic spectrum management and IMT occupancy measurements were presented to Council.
SO 3.1.4		Framework for the use of "white space" and cognitive radio technologies published by 31 March 2015	Framework for the use of "white space" and cognitive radio published.	None.	No Strategic Activity.	No strategic activity in this budget year.
SO 3.2	Strategic Objective - **Support the rapid uptake of new ICT technologies**					
SO 3.2.1	Uptake of New technologies and innovation.	Revised Type Approval Framework.	Revised Type Approval Framework implemented.	2013 Type approval Framework.	No Strategic Activity.	No strategic activity in this budget year.
SOOG 4	Strategic Outcome Orientated Goal - **Protect Consumers**					
SO 4.1	Strategic Objective - **Promote consumer rights**					
SO 4.1.1	Regulatory regime to support consumer rights.	Developed and implement consumer protection strategy.	Strategy for accessibility for persons with disabilities, public education, consumer activism, complaints redress, Quality of Service (QoS) and Quality of Experience (QoE) by 31 March 2014.	None.	Consumer Protection Strategy approved by Council for publishing before 31 March 2014.	The Consumer Protection Strategy could not be completed as the Authority needed to widen the scope and focus in line with the best international practices on consumer protection.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SO 4.1	Strategic Objective - **Promote consumer rights**					
SO 4.1.2	Regulatory regime to support consumer rights.	Revised End-User and Subscriber Service Charter.	End-User and Subscriber Service Charter published by 31 March 2014.	Existing End-User and Subscriber Service Charter.	Development of End-User and Subscriber Service Charter.	The draft End-User Subscriber Service Charter Regulations were published. The Authority then identified that the scope for this project was insufficient to address the issues relating to Quality of Service.
SO 4.1.3		Revised Code on People with Disabilities.	Code on People with Disabilities published by 31 March 2014.	Existing Code on People with Disabilities.	Development of Code on People with Disabilities.	The draft regulations were published in the Government Gazette. The Authority identified that the scope for this project was insufficient to address the issues relating to People with Disabilities.
SO 4.1.4		Consumer-friendly framework for number utilisation.	Approved final regulations on framework for toll-free numbers by 31 March 2014.	New Numbering Plan Regulations published in October 2012.	Approved final regulations on framework for toll-free numbers by 31 March 2014.	The Authority has developed a draft toll free framework which will be released for public consultation in June 2014. The Authority delayed the publication of the framework in order to include certain legal matters not foreseen at the beginning of the project.
			Approved process for migration of numbers assigned to machine-to-machine services to dedicated number ranges by 31 March 2015.		No Strategic Activity.	No strategic activity in this budget year.
			Publication of short code strategy framework by 31 March 2016.		No Strategic Activity.	No strategic activity in this budget year.
			Gazetted Final regulations on Number Charging Framework by 31 March 2016.		No Strategic Activity.	No strategic activity in this budget year.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SO 4.2	Strategic Objective - **Ensure universal access and service**					
SO 4.2.1	Bridging the Digital Divide.	Recommendation to the Minister on SAPO exclusivity period.	Recommendation to the Minister on exclusivity of basic mail services by 31 March 2015.	None.	Publish discussion document by 31 March 2014 on achievement of targets per licence conditions.	The Authority initially faced budgetary constraints. Then through reprioritisation of budget funding at the end of the second quarter the necessary funds were made available to achieve the target deliverables in the next budget year.
SO 4.2.2	Bridging the Digital Divide.	Roll-out of ICT infrastructure in Eastern Cape, Kwa-Zulu Natal and Limpopo.	Increase in the penetration level of ICT services in Eastern Cape, Kwa-Zulu Natal and Limpopo by 31 March 2015.	Mafefe community Lekgotla intervention.	3 x Community Lekgotla initiatives in Eastern Cape, Kwa-Zulu Natal and Limpopo.	Due to the limited resources available and insufficient information gathered the Authority was not able to produce the necessary technical reports to justify carrying out the planned events.
SOOG 5	Strategic Outcome Orientated Goal - **Modernise ICASA**					
SO 5.1	Strategic Objective - **Improved Operational Processes and Performanc**e					
SO 5.1.1	Improved efficiency and effectiveness by the implementation of integrated systems and processes.	Improved management of Spectrum.	Procure and implement new Spectrum Management system by 31 December 2014.	Spectrum Management System selected (LS).	Improved management of Spectrum.	The procurement and implementation of new Spectrum Management system was delayed. The main reason for the delay was that there were some risks raised concerning the ability of the preferred bidder to deliver the system as required. These risks could not be mitigated.
SO 5.1.2	Improved governance with a fit for purpose organisational structure.	Completed review and implementation of new organisational structure by 31 March 2014.	Reviewed organisational structure fit for purpose to align with strategic requirements by 31 March 2014.	Organisational re-alignment study reports.	Approved organisational re-alignment roadmap with clear milestones developed.	The organisational realignment roadmap was developed and approved.

Performance tables

	Key Outcome	Key Output	Performance Measure/ Indicator	Baseline 2012/2013	Target 2013/2014	Performance against 2013/14 Target and Reason for Variance
SO 5.1	Strategic Objective - **Improved Operational Processes and Performance**					
SO 5.1.3	Improved domestic and international stakeholder engagement to align with ICASA/National objectives.	Implement ICASA Media Communications Strategy by 31 March 2014.	Coordinate ICASA Media liaison through Press Statements/ Media Briefings/ Interviews.	Approved Media Communication Strategy.	Implement approved Media Engagement Plans in accordance with the ICASA Media Communications Strategy.	Media Plans were developed and implemented for individual projects and activities.
SO 5.1.4		Implement ICASA Stakeholder Strategy by 31 March 2014.	Stakeholder Satisfaction Index.	Facilitation of media liaisons and coordinated stakeholder meetings.	Develop and Implement approved ICASA Stakeholder Strategy by 31 March 2014.	The Stakeholder Strategy was not developed because of incapacity within the division.
SO 5.1.5		Implement ICASA International Relations Strategy by 2016.	International Stakeholder Relations Index.	ICASA International Relations calendar approved annually.	Phase 1 implementation of the approved 2013/14 ICASA International Relations Strategy Framework.	Draft International Relations Strategy delayed by lack of capacity within the division.
SO 5.1.6	Establish a culture of Risk Management.	Enterprise Risk Management (ERM) plan fully implemented.	Complete and approved Risk Registers in place, reviewed and monitored quarterly	Risk Registers created.	Approved Risk Registers, reviewed and monitored quarterly.	Risk registers are in place and reviewed on a quarterly basis.
SO 5.1.7	Restructure of Legal services and the Complaints and Compliance Committee (CCC).	Establishment of an administratively independent CCC.	Strengthened and enhanced administratively independent CCC, separate from ICASA Legal services.	None.	Appointments to approved framework for an administratively independent CCC, separate from ICASA Legal services by 31 March 2014.	The CCC is functioning independently with its own dedicated budget separate from the ICASA Legal Department, but still requires additional staffing.

Public service delivery roadshow in Limpopo.

ICASA election broadcasting regulations committee members conducting a workshop for political parties.

5.HUMAN RESOURCE MANAGEMENT

Human Resources (HR) business unit is a strategic business solutions enabler through the deployment of human capital with the responsibility to ensure that the organisation optimally utilises of its human resources.

HR is the custodian of the Authority's human capital management function, with the responsibility to ensure that ICASA is able to achieve its vision, mission and strategic goals. HR creates value through the effective and efficient delivery of relevant HR solutions that meet the strategic and operational business needs of the Authority.

Objectives/performance outcomes

Management of employees is a line responsibility focused on enhancing motivation and performance. Competent, skilled employees are an important asset and remain key to the successful execution of the Authority's business objectives and strategy during the planning period. To achieve this, the Authority's objectives are as follows:

- Improved governance systems;
- Improved skills and leadership capabilities;
- Transformation of remuneration practices;
- Sound employee relations practices for the establishment of a disciplined and harmonious workplace;
- An entrenched culture of performance; and
- Talent attraction and retention.

Strategic objectives 5.1.2 statement: To improve operational processes and performance of the Authority with a fit-for-purpose organisational structure.

Overview

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

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

HR Objectives

Complete review and implementation of the new organisational structure	Develop and implement an integrated Talent Management Framework	Ensure sound implementation of Employee Relations Practices	Develop and implement the HR Service Delivery Model
• Fit-for-purpose developed and implemented structure • Change management	• Attraction and acquisition • Employee engagement • Development, retention and succession	• Development of HR Policies and procedures • Collective bargaining • Dispute resolution	• Efficient execution of HR services and offerings in business

Organisational realignment

The long outstanding organisational realignment to ensure that the Authority is appropriately structured to deliver on its mandate and move towards a more integrated way of operating cross-functionally finally commenced in October 2013, whereby the following realigned structures were approved by Council:

- Executive level;
- General Manager level; and
- Senior Manager level.

Appointment of executive positions

The following executive positions were filled before the end of the 2013/14 financial year:

- Chief Executive Officer;
- Executive: Human Resources; and
- Executive: Legal and Risk.

Employment equity

As a designated employer, in compliance with the Employment Equity Act of 1998, the Authority consulted with the employees, as required by Section 16 of the Act, conducted a detailed analysis of its employment policies, practices, procedures and the working environment, in order to identify employment barriers which adversely affect people from designated groups. The Authority's employment equity plan was developed and approved for implementation.

At the end of the financial year 2013/14, the Authority had a total of 331 permanent staff members.

HR Priorities and impact

HR priorities	Impact
Filling of critical and prioritised positions.	• Ensure that prioritised and critical positions are discussed with various business units and filled accordingly.
Skills audit	• Ensure that the Authority has the right people at the right place and at the right time.
Leadership Development Programme	• Ensure that the Authority has effective leadership that responds to the needs within the Authority, as well as the dynamic ICT environment. • Ensure that there is also a leadership that drives positive culture which in turn drives individual and organisational performance.
Training, development and empowerment of employees	• Ensure that training interventions are in line with the Work Place Skills Plan and that they are implemented to develop and empower the Authority's workforce.
Performance Management	• Ensure effective implementation and monitoring of individual performance as per the performance agreements and cycle, in line with the Authority's strategy.
Development of succession as well as retention strategies	• Develop and implement an integrated Talent Management framework which will include, amongst others: • implementation of a Succession Planning Strategy; • implementation of Reward and Recognition, Career Management Policies; and • implementation of an effective Induction Programme.
Employee Relations issues	• Insure sound employee relations practices for the establishment of a disciplined and harmonious workplace.
Employee Equity	• Identify employment which adversely effect people from designated groups.

Human resource oversight statistics

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

Population group	Total	Percentage	TARGET
African	251	76%	74.9%
Indian	20	6%	10.8%
Coloured	13	4%	3.0%
White	47	14%	11.3%
Total	**331**	**100%**	**100%**

Personnel-related expenditure

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

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

Personnel cost

Allocations	Personnel expenditure	Number of employees	Average personnel cost per employee
Basic	172,364,696	331	520,739
Bonus	10,508,932	307	34,231
Training	1,060,803	72	131,806

Personnel cost by salary band

Level	Personnel expenditure	% of total personnel cost	No. of employees	Average personnel cost per employee
Top Management	12,962,651	7.52%	10	1,296,265
Senior Management	8,308,943	4.82%	7	1,186,991
Professional qualified	40,228,433	23.34%	49	820,988
Skilled	63,864,693	37.05%	129	495,075
Semi-skilled	46,999,977	27.27%	136	345,588
Unskilled	0	0.0%	0	0
Total	**172,364,696**	**100%**	**331**	**520,739**

Training costs

Business unit	Total personnel expenditure	Training expenditure	Training expenditure as a % of Personnel Cost.	No. of employees trained
Administration	8,963,773	21,189	0.24%	2
CEO & Council	18,881,248	168,187	0.89%	5
Consumer Affairs	12,042,275	56,930	0.47%	12
Finance	16,357,296	239,626	1.46%	15
HR	5,869,221	27,360	0.47%	5
IT	6,293,841	45,383	0.72%	5
Internal Audit	2,091,127	-	0.00%	0
Licensing & Compliance	21,532,984	96,751	0.45%	5
Markets & Competition	16,076,721	286,166	1.78%	12
Regions	26,129,316	68,618	0.26%	4
Engineering & Technology	27,148,882	30,773	0.11%	3
Legal & Compliance	7,417,223	8,322	0.11%	2
Comms & Int.Relations	3,560,788	11,500	0.32%	2
Total	**172,364,696**	**1,060,803**	**0.62%**	**72**

Employment and vacancies

2012/2013 no. of employees	2012/2013 Approved posts	2013/2014 no. of employees	2013/2014 vacancies	% of vacancies
349	401	331	68	12.1%

Level	2012/2013 no. of employees	2012/2013 approved posts	2013/2014 no. of employees	2013/2014 vacancies	% of vacancies
Top management	10	10	10	1	10%
Senior management	7	9	7	3	43%
Professional qualified	54	63	49	9	18%
Skilled	125	142	129	25	19%
Semi-skilled	153	177	136	30	22%
Unskilled	0	0	0	0	0%
Total	**349**	**401**	**331**	**68**	**21%**

HR has put measures in place in order to decrease the overall vacancy rate to 14%.

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	10	1	0	10
Senior management	7	3	4	7
Professional qualified	54	2	7	49
Skilled	125	6	8	129
Semi-skilled	153	3	14	136
Unskilled	0	0	0	0
Total	**349**	**15**	**33**	**331**

Headcount decreased by 5% compared to the headcount as at the beginning of the period.

Reasons for staff attrition

Reason	Number	% of total no. of staff leaving
Death	1	3%
Resignation	28	85%
Dismissal	0	0%
Retirement	0	0%
Ill health	1	3%
Expiry of contract	3	9%
Other	0	0%
Total	**33**	**100%**

Overall labour turnover rate is at 10%.

Labour relations misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	1
Final written warning	3
Dismissal	0

Equity target and employment equity status - Male

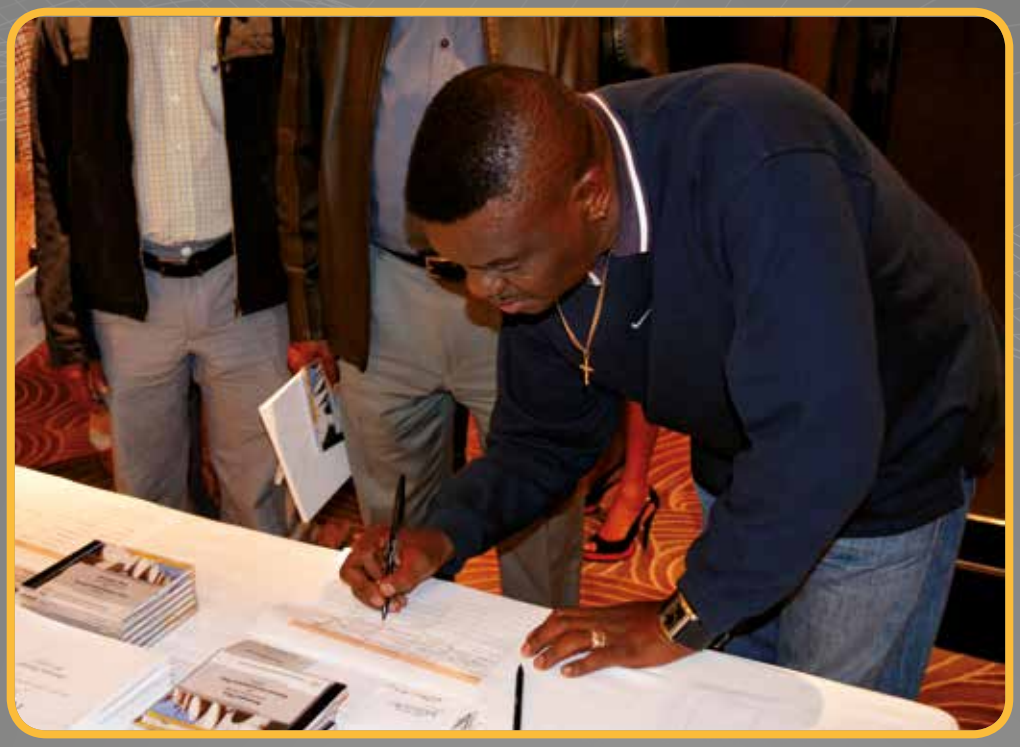
Levels	Male									
	African		Coloured		Indian		White		Total	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top management	4	4	0	0	0	1	2	2	6	7
Senior management	2	2	0	1	0	1	2	1	4	5
Professional qualified	25	27	4	2	3	3	1	3	33	35
Skilled	52	71	3	10	4	8	18	25	77	114
Semi-skilled	33	15	3	4	3	3	9	2	48	24
Unskilled	0	0	0	0	0	0	0	0	0	0
Total	**116**	**119**	**10**	**17**	**10**	**16**	**32**	**33**	**168**	**185**

Equity target and employment equity status - Female

Levels	Female									
	African		Coloured		Indian		White		Total	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	3	0	0	1	1	0	0	4	4
Senior Management	1	1	1	0	0	1	1	1	3	3
Professional qualified	16	19	0	1	0	1	0	1	16	22
Skilled	44	76	3	5	0	4	5	15	52	100
Semi-skilled	71	41	6	4	2	3	9	4	88	52
Unskilled	0	0	0	0	0	0	0	0	0	0
Total	**135**	**140**	**10**	**10**	**3**	**10**	**15**	**21**	**163**	**181**

Councillor Mohlaloga (middle) after taking an oath of office before Justice de Villiers.

Deputy Minister of Communications, Stella Ndabeni-Abrahams, at a public service delivery road-show in the Eastern Cape.



A member of the public registering at an ICASA consumer rights workshop in the North West.

World Telecommunications Day in Kwazulu Natal.

6. GOVERNANCE

King III is a stakeholder-centric model which is based on the precept that, in taking the legitimate interests of stakeholders of the entity into consideration, the best interests of the entity are served. As such, success is defined in terms of the long-term positive impact on all stakeholders. Stakeholders, therefore, need to assess the sustainability of the entity, including aspects such as brand, goodwill, quality of management and risk management and whether sustainability issues have been taken into consideration. This report, accordingly, provides sufficient information for stakeholders to make informed decisions.

6.1 Parliamentary Portfolio Committee on Communications

ICASA met with the Parliamentary Portfolio Committee on Communications (PPCC) on three occasions during the financial year. Some of the concerns raised by the PPCC were as follows:

- Implementation of the broadband policy;
- Policy on and the allocation of frequency spectrum;
- White Space framework;
- Spectrum policy management model;
- Local loop unbundling;
- Regulatory impact assessments; and
- The Cost to Communicate in which the committee undertook consultations countrywide on the issue.

These concerns have been taken into account when developing the 2015-2019 strategic plan.

6.2 Accounting Authority/ICASA Council

As recommended by the King code, the Council has a charter setting out its responsibilities. The purpose of the Council Charter is to set out:

- the demarcation of roles, responsibilities and powers of Council, the Minister of Communications, Parliament, Councillors, the CEO and the Corporate Secretary and other officials;
- powers delegated to Council Committees; and
- matters reserved for final decision-making or pre-approval by Council.

Composition of Council

Council Members	Role	Appointment date	End of term	Meetings attended out of 40
Stephen Mncube	Chairperson	1 July 2010	30 June 2015	35
Nomvuyiso Batyi	Councillor	1 February 2013	31 January 2017	33
William Currie	Councillor	1 October 2010	30 September 2014	31
Joseph Lebooa	Councillor	1 October 2010	30 September 2014	34
Katharina Pillay	Councillor	1 February 2013	31 January 2017	34
Ntombizodwa Ndhlovu	Councillor	1 November 2010	31 October 2014	34
Marcia Socikwa	Councillor	1 April 2011	31 March 2015	32
William Stucke	Councillor	1 January 2011	31 October 2014	25
Rubben Mohlaloga [1]	Councillor	1 July 2013	30 June 2017	27

1 Councillor appointed on 1 July 2013 therefore would have been eligible to attend 31 meetings.

6.3 Committees

Council has established the following committees to assist in attending to all governance matters effectively:

- Complaints and Compliance Committee (CCC);
- Audit and Risk Committee (ARC);
- Human Resources and Remuneration Committee (REMCO); and
- Information Technology Review Committee (ITRC).

The table shows the composition of these committees and the roles of the various members.

Committee	Names of members	Date appointed	End of term	Role
CCC	Wandile Jacobeth Tutani	1 September 2011	30 August 2014	Chairperson
CCC	Councillor Miki Ndhlovu	1 November 2010	31 October 2014	Council Representative
CCC	Prof Kasturi Moodaliyar	1 December 2011	30 November 2014	Member
CCC	Tumeka Matshoba [1]	1 July 2011	30 June 2014	Member
CCC	Nomveliso Ntanjana [2]	1 August 2010	31 July 2013	Member
CCC	Zolile Ntukwana	1 August 2010	31 July 2013	Member
CCC	Jack Tlokana	1 February 2014	31 January 2017	Member
CCC	Nomfundo Maseti	1 February 2014	31 January 2017	Member
CCC	Mapato Ramokgopa	1 February 2014	31 January 2017	Member
ARC	Rob Theunissen	1 January 2012	31 December 2013	Chairperson
ARC	Charl de Kock	1 January 2012	31 December 2013	Member
ARC	Sathie Gounden [3]	1 June 2012	31 March 2016	Member
ARC	Dion Pillay	1 January 2012	31 December 2013	Member
ARC	Doris Dondur	1 July 2012	21 April 2013	Member
ARC	Prof. Anton du Toit	1 February 2014	31 January 2016	Member
ARC	Masaccha Mbonambi	1 February 2014	31 January 2016	Member
ARC	Maleho Nkomo	1 February 2014	31 January 2016	Member
ARC	Mpho Mosweu	1 February 2014	31 January 2016	Member
REMCO	Mertz Aucamp	1 March 2012	28 February 2014	Chairperson
REMCO	Mochabo Moerane	3 January 2012	31 March 2016	Member
REMCO	Cecilee Phatudi [4]	1 March 2012	31 March 2016	Member
REMCO	Dineo Mathibedi	1 March 2012	28 February 2014	Member
REMCO	Harley Morgan	1 April 2014	31 March 2016	Member
REMCO	Takalani Musekwa	1 April 2014	31 March 2016	Member
ITRC	Pierre Cronje [5]	1 February 2011	30 September 2015	Chairperson
ITRC	Potlaki Maine	1 October 2013	30 September 2015	Member

1 The Member's term expired and the term was extended by the Authority until the vacancy was filled.
2 Resigned on 23 October 2013 and term had expired at the time when resignation tendered.
3 The Member's term was extended by the Authority as Chairperson with effect from 11 April 2014.
4 The Member's term was extended by the Authority as Chairperson with effect from 1 April 2014.
5 The member's term was extended by the Authority as Chairperson with effect from 1 February 2014.

Committee membership and attendance tables

The CCC is established in terms of section 17A of the ICASA Act. The Committee consists of seven members. Six of the members are independent, non-executive members and the seventh member is a Councillor who is in the full-time employ of ICASA.

Complaints and Compliance Committee meetings

Member	Number of meetings due to attend	Total attended
Wandile Jacobeth Tutani	3	3
Councillor Miki Ndhlovu	3	3
Prof. Kasturi Moodaliyar	3	3
Tumeka Matshoba	3	3
Nomveliso Ntanjana [1]	2	2
Zolile Ntukwana [2]	1	1
Jack Tlokana	3	3
Nomfundo Maseti [3]	2	2
Mapato Ramokgopa [4]	2	2

Audit and Risk Committee meetings

Member	Number of meetings due to attend	Total attended
Rob Theunissen	5	5
Charl de Kock	5	5
Sathie Gounden	6	4
Dion Pillay	5	4
Prof. Anton du Toit	1	1
Masaccha Mbonambi	1	1
Maleho Nkomo	1	1
Mpho Mosweu	1	1

1 The Member's terms expired and the term was extended by the Authority until the vacancy was filled.
2 Resigned on 23 October 2013 and term had expired at the time resignation tendered.
3 Appointed from 1 February 2014 to replace Mr. Ntukwana whose terms ended on 1 August 2013.
4 Appointed from 1 February 2014 to replace Ms. Ntanjana whose term ended on 1 August 2013.

Human Resources and Remuneration Committee meetings

Member	Number of meetings due to attend	Total attended
Mertz Aucamp	4	3
Mochabo Moerane	4	4
Cecilee Phatudi	4	4
Dineo Mathibedi	4	3

Information Technology Review Committee meetings

Member	Number of meetings due to attend	Total attended
Pierre Cronje	4	4
Potlaki Maine	4	4

6.4 Risk management

ICASA has adopted the Public Sector Risk Management Framework published by National Treasury. The Authority's management identified strategic risks associated with objectives in its strategic plan. The Risk Management Framework provides guidelines to staff and management in the way risks should be managed. The risk management process has been automated to ensure that all risks facing the Authority are captured and reviewed on a quarterly basis.

Risk workshops are conducted with staff at which risks are identified and the ICASA risk register is updated with the identified risks. Further, the Compliance and Risk unit has a risk tracking tool which is used for risks identified after litigation, after applicable legislation has been amended and ICASA has to meet certain requirements, as well as the risks identified during the normal, day-to-day activities.

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

6.5 Internal Audit

The ARC is responsible for ensuring that the Authority's Internal Audit function is independent and has the necessary resources and standing within the Authority to enable it to discharge its duties. Furthermore, the ARC oversees co-operation between the internal and external auditors and serves as a link between the Council and these functions. The Annual Audit Plan was approved by the ARC and the Internal Audit unit performs audits that are risk-based.

The Chief Audit Executive has direct access to the ARC, primarily through its Chairperson. The ARC receives and deals with any concerns or complaints, whether from within or external to the Authority, relating to the accounting practice and internal audit of the Authority, the content or auditing of ICASA's Financial Statements, the internal financial controls of the Authority and other related matters.

Internal Audit is responsible for providing assurance regarding internal control, risk management and governance processes. This is in collaboration with external assurance providers. The Internal Audit function reports centrally, with the responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Authority's operations. The Chief Audit Executive is responsible for reporting the findings of the internal audit work against the agreed Internal Audit Plan to the ARC, on a regular basis.

The unit planned to conduct twenty-two audits for the year and completed thirteen (59%) audit projects for the year. Progress on work done for the year was reported to the ARC as per its mandate. The non-achievement of the audit plan was mainly due to resource constraints and the uncertainty around whether to outsource the Internal Audit function or to have an effective in-house function. A decision was made to have an in-house function and the process to fill the vacant position is at an advanced stage.

An external quality assurance review was performed during 2012 and the report was finalised in March 2014. The peer review team stated that internal audits partially conform to the International Standards for the Professional Practice of Internal Auditing. Internal Audit has established a tracking matrix with updates on the implementation of the action plans agreed upon.

An issues log tracking dashboard was created to follow up on all audit findings, including the Auditor-General's management letter points from the previous financial period.

6.6 Compliance with laws and regulations

There is a Compliance Management function within the Authority which is responsible for promoting regulatory compliance to applicable legislation, policies and procedures, standards and codes of good practice. The function is also responsible for assessing the state of compliance with the above through compliance reviews and compliance monitoring. Compliance status reports are issued to management and the ARC with recommendations for corrective actions where non-compliance has been identified. An assessment of the compliance risks and potential costs of non-compliance was conducted and the relevant statutes, as per the regulatory compliance universe, were risk-profiled and annual risk-based compliance plans were developed accordingly.

6.7 Fraud and corruption

For the 2013/14 the fraud prevention plan was approved and implemented as part of the Compliance and Risk business plan. The Authority has an approved Fraud and Corruption Prevention Policy and Whistle-blowing Policy in place, as well as a dedicated Ethics line which is operated and monitored by an external service provider. Fraud-related incidents are investigated by the Compliance and Risk unit. Fraud awareness workshops were held for general staff and executive management in March 2014.

Employees are urged to report any fraud, corruption and/or unethical behaviour within the organisation through the ICASA Ethics line. All fraudulent incidents are investigated and disciplinary action is taken against perpetrators. For the period under review there were no incidents reported through the Ethics line.

6.8 Code of Conduct

The responsibility of building and sustaining an ethical corporate culture is shared equally by the Council and Management. An approved Code of Conduct, which should be read in conjunction with the Conflict of Interest Policy, defines the Authority's organisational values and requires adherence by Councillors, employees and contractors to ICASA. The purpose is to set ethical standards and values applicable to all Councillors, employees and contractors of the Authority. These documents are intended to assist in

fostering adherence to the highest ethical standards of the Authority and to clarify issues, policies and protocols relating to fraud, corruption and unacceptable conduct.

The Council has established effective procedures in terms of the Code of Conduct and Conflict of Interest Policy to manage and address issues related to the declaration of conflict of interests pertaining to financial and business interests, recruitment and selection, procurement, as well as dealings with stakeholders. Related matters dealt with include the use of the Authority's assets, protection of confidentiality and obligations of management and the Council. The Code of Conduct prescribes the mechanisms put in place to deal with deviant behaviour.

6.9 Health, safety and environmental issues

The Authority has a formalised structure with regards to safety, health and the environment. A committee meets quarterly and has the responsibility to govern safety, health and environmental issues and to ensure that safety, health and environmental risks are addressed.

6.10 Performance assessment

In accordance with Section 6A of the ICASA Act of 2000 the Minister must, in consultation with the National Assembly, establish a performance management system to monitor and evaluate the performance of the Chairperson and the Councillors.

6.11 Annual performance plan

The Authority concludes, on an annual basis, a performance plan with its executive authority and the Minister of Communications. The plan documents the key performance indicators and measures to be attained by the Authority, as agreed between Council and the Minister. The plan serves to promote and encourage good governance practices within the Authority, by clarifying the respective roles and responsibilities of the Council and the Minister. The plan provides the Minister with a framework to direct the activities of the Authority in line with the national strategic objectives of Government.

A Thailand delegation on a study visit to South Africa.

ICASA call termination rates committee members at a public hearing.

An ICT Career Expo for Gauteng youth.

Councillor Ndhlovu addressing a workshop for persons with disabilities.

7. COMPLAINTS AND COMPLIANCE COMMITTEE

CHAIRPERSON'S REPORT

Introduction

The Complaints and Compliance Committee (the CCC/ Committee) is a product of statute, established in terms of section 17A of the ICASA Act. The CCC is guided by the Constitution and the law in all the complaints and disputes placed before it for adjudication and decision-making. The Chairperson presides at the hearings and the hearings are open to the public and the media.

The mandate of the CCC as spelt out in the ICASA Act is that it must:

- investigate and hear, if appropriate, and make a finding on all matters referred to it by the Authority;
- investigate complaints received by it; and
- investigate allegations of non-compliance with the Act or underlying statutes.

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

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

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

7.1 Committee membership and attendance

The Committee consists of seven (7) members, six (6) of which are independent, non-executive members. The seventh member is a Councillor who is in the full-time employ of ICASA. The skills, qualifications and experience of the CCC members are complementary to the execution of their duties. CCC members have qualifications and/or experience in law, economics, broadcasting, technology and commerce and this satisfies the requirements of section 17A of the ICASA Act.

The term of office of CCC members is three years and the following are members and former members whose term of office expired during the period under review:

CCC members

Member	Commencement of term	Expiry of term
Wandile Jacobeth Tutani	1 September 2011	30 August 2014
Councillor Miki Ndhlovu	1 November 2010	30 October 2014
Prof Kasturi Moodaliyar	1 December 2011	30 November 2014
Tumeka Matshoba	1 July 2011	30 June 2014
Nomveliso Ntanjana[1]	1 August 2010	31 July 2013
Zolile Ntukwana[2]	1 August 2010	31 July 2013
Jack Tlokana	1 February 2014	31 January 2017
Nomfundo Maseti	1 February 2014	31 January 2017
Mapato Ramokgopa	1 February 2014	31 January 2017

1 The Member's term expired and the term was extended by the Authority until the vacancy was filled.

2 Resigned on 23 October 2013 and term had expired at the time when resignation tendered.

7.2 Report on cases received by the committee

At the time of writing this report, the Committee was inundated with 169 complaints which are tabled below:

Number of complaints

Broadcasting	Telecommunications	Postal
2	167	Nil complaints were received under this category during the period under review

Wandile Jacobeth Tutani
Chairperson
Complaints and Compliance Committee

Former Communications Minister Yunus Carrim, addressing a service delivery roadshow in Limpopo.

Representatives of political parties attending an ICASA election broadcasting regulations workshop.

Complaints and Compliance Committee members with support staff.

A delegation from the Zambian national regulatory agency ZICTA, during a study visit in South Africa

8.FINANCIAL STATEMENTS

CONTENTS

The reports and statements set out below comprise the annual financial statements presented to the ICASA Council:

REPORT OF THE AUDITOR-GENERAL	96
REPORT OF THE AUDIT AND RISK COMMITTEE	100
REPORT OF THE ACCOUNTING OFFICER	103
STATEMENT OF FINANCIAL POSITION	104
STATEMENT OF FINANCIAL PERFORMANCE	105
STATEMENT OF CHANGES IN NET ASSETS	106
CASH FLOW STATEMENT	107
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	108
ACCOUNTING POLICIES	109
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	131

The annual financial statements set out on pages 104 to 176, which have been prepared on the going concern basis, were approved by the Council on 29 May 2014 and were signed on its behalf by

Dr. Stephen Mncube
Chairperson

Pakamile Pongwana
Chief Executive Officer

General Information

Legal form of entity	A Chapter Nine Institution
Nature of business and principal activities	ICASA is the regulator for the South African communications, broadcasting and postal services sector. ICASA was established by an Act of statute, the Independent Communications Authority of South Africa Act of 2000, as amended
Accounting Officer	Pakamile Pongwana
Business address	Blocks A, B, C and D Pinmill Farm 164 Katherine Street Sandton 2128
Postal address	Private Bag X10002 Sandton 2146
Bankers	Nedbank First National Bank Investec Private Bank
Auditors	Auditor-General of South Africa
Attorneys	Bowman Gilfillan Attorneys Damons Margardie Richardson Attorneys Maenatja Attorneys Motsoening Bill Attorneys
Councillors	Batyi, NA Currie, WH Lebooa, JM Mncube, Dr. S (Chairperson) Mohlaloga, MR Ndhlovu, NL Pillay, KGS Socikwa, Dr. MM Stucke, WF

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

Introduction

1. I have audited the financial statements of the Independent Communications Authority of South Africa as set out on pages 104 to 176, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and statement of comparison of budget and actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The Accounting Officer is responsible for the preparation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Independent Communications Authority of South Africa as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matters

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

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

Significant uncertainties

8. With reference to note 36 to the financial statements, ICASA has instituted an investigation into the extent of possible fruitless and wasteful expenditure incurred in the cost of the development of an Intangible asset as disclosed as work in progress (WIP) in note 9 to the financial statements. The ultimate outcome of this investigation cannot currently be determined, and no adjustment to the fruitless and wasteful expenditure note has been made.

9. With reference to note 28 to the financial statements, ICASA is a defendant in a number of lawsuits. The ultimate outcome of these matters cannot currently be determined, and no provision for any liability that may result has been made in the financial statements.

Impairment of NRF receivables

10. As disclosed in note 5 to the financial statements, impairment of trade receivables of R114,715,129 occurred as a result of ICASA not being able to recover long outstanding debts from licensees due to regulatory disputes.

Unspent conditional grants

11. As disclosed in note 15 to the financial statements, ICASA has materially underspent on the conditional grant to the amount of R93,309,102.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to the reported performance information against predetermined objectives for selected strategic outcome orientated goals presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic outcome orientated goals (SOOGs) presented in the annual performance report of the Authority for the year ended 31 March 2014:

- SOOG 1: Promote competition pp. 59 to 62
- SOOG 2: Promote the digital agenda pp. 62 to 66
- SOOG 3: Promote efficient use of spectrum resources pp. 66 to 67
- SOOG 4: Protect consumers pp. 67 to 69

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

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

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

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

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

SOOG 4 – Protect consumers

Usefulness of reported performance information

18. Treasury Regulation 5.2.4 requires the strategic and annual performance plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 33% of the targets reported were not consistent with those in the approved strategic plan and annual performance plan. The reason for this could not be ascertained.

Reliability of reported performance information

19. I did not raise any material findings on reliability of the reported performance information for this strategic outcome orientated goal.

20. I did not raise any material findings on usefulness and reliability of the reported performance information for the strategic outcome orientated goals 1 – Promote competition, 2 – Promote the digital agenda and 3 – Promote efficient use of spectrum resources.

Additional matters

21. I draw attention to the matters below.

Achievement of planned targets

22. Refer to the annual performance report on pages 59 to 70 for information on the achievement of planned for the year. This information should be considered in the context of the material finding on the usefulness of the reported performance information reported in paragraph 18 of this report.

Adjustment of material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing of the reported performance information for SOOG 1 – Promote competition. As management subsequently corrected the misstatements, I did not raise material findings on the usefulness of the reported performance information of this strategic outcome orientated goal.

Compliance with legislation

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

Expenditure management

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

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

Internal Audit

26. The internal audit function did not adhere to the requirements, as set by section 38(1)(a)(ii) of the PFMA and Treasury Regulation 3.2, in that internal audit did not evaluate and develop recommendations on the effectiveness and efficiency of controls throughout the year.

Internal control

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

Leadership

28. The Accounting Officer did not exercise oversight responsibilities regarding the usefulness and reliability of the performance reporting and related internal controls.

Financial and performance management

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

Governance

30. The institution did not ensure that there was an adequately functioning internal audit unit that identified internal control deficiencies and recommends corrective action effectively throughout the year.

OTHER REPORTS

Investigations

31. The Hawks are currently investigating the charges around the suspension of the former supply chain manager and related procurement matters. The outcome of the investigation is not yet certain.

32. An independent consulting firm is performing investigations at the request of the constitutional institution. The one investigation was initiated based on an allegation of possible irregularities in the supply chain management unit which covers the period 1 April 2011 to 31 March 2013. In addition it also includes the review of the increases of senior management salaries, which covers the period 1 April 2009 – 31 March 2014. The outcome of the investigation is expected by 31 August 2014.

Auditor - General

Pretoria
31 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDIT AND RISK COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2014

Introduction

The Audit and Risk Committee (The Committee) herewith present our report for the financial year ended 31 March 2014, as required by Treasury Regulations and the PFMA.

Audit and Risk Committee members and attendance

The Committee was established in accordance with the provision of the PFMA. The Audit and Risk Committee Charter requires that the Committee comprised of a minimum of three members. During the months of January 2014 and February 2014, the Committee only had one member. However, no Committee meetings were held during this period.

The Committee comprised the following members during the year under review:

Member	Date of appointment	End of term	Number of meetings to attend	Number of meetings attended
Sathie Gounden	1 June 2012	31 March 2016	6	4
Prof. Anton du Toit	1 February 2014	31 January 2016	1	1
Mpho Mosweu	1 February 2014	31 January 2016	1	1
Masaccha Mbonambi	1 February 2014	31 January 2016	1	1
Maleho Nkomo	1 February 2014	31 January 2016	1	1
Rob Theunissen	1 January 2012	31 December 2013	5	5
Charl de Kock	1 February 2012	31 December 2013	5	5
Dion Pillay	1 January 2012	31 December 2013	5	4

Audit and Risk Committee responsibility

The Committee reports that it has, as far as it was possible, complied with its responsibilities arising from Treasury Regulations 27.1.7 and 27.1.10(b) and (c) issued in terms of sections 51(1)(a)(ii) and 76(4)(d) of the PFMA.

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

Internal Audit

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

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

REPORT OF THE AUDIT AND RISK COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2014

The Committee is not satisfied that Internal Audit properly discharged its functions and responsibilities to the Authority during the year under review. The Chief Audit Executive position was only filled in May 2014 and for most of the year an interim Chief Audit Executive was employed on a contractual basis. Due to capacity constraints and poor leadership a large portion of the planned internal audits were not completed during the year under review.

Effectiveness of internal control

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

Governance of risk

The Committee is responsible for the oversight of the risk management function. The Risk Management unit reports to the Committee on ICASA's management of risk. The Committee has reviewed the risk register and it was not completely satisfied with the risk management process and therefore has suggested certain improvements to be made.

Quality of management and quarterly reports submitted in terms of the PFMA

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

Quality of budgets submitted in terms of the PFMA

There were material differences between budgeted and actual operating expenditure as well as capital expenditure which indicates that management has not carefully and diligently considered the budgeting process for the year.

Evaluation of the Annual Financial Statements

The Committee reviewed the annual financial statements and wishes to indicate that it performed a review on the annual financial statements focusing on:

- significant financial reporting judgments and estimates contained in the annual financial statements;
- clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- quality and acceptability of, and any changes in, accounting policies and practices;
- compliance with accounting standards and legal requirements;
- significant adjustments and/or unadjusted differences resulting from the audit;
- reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted;
- reasons for major year-on-year fluctuations;
- asset valuations and revaluations;

REPORT OF THE AUDIT AND RISK COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2014

- calculation and levels of general and specific provisions;
- write-offs and reserve transfers; and
- the basis for the going concern assumption.

Auditor General's report

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

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

On behalf of the Audit and Risk Committee.

Sathie Gounden
Chairperson
Audit and Risk Committee

REPORT OF THE ACCOUNTING OFFICER
FOR THE YEAR ENDED 31 MARCH 2014

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

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

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

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

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

The Accounting Officer has reviewed the Authority's cash flow forecast for the year ended 31 March 2014 and, in the light of this review and the current financial position, he is satisfied that the Authority had or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for auditing and reporting on the Authority's annual financial statements. The annual financial statements have been examined by the Authority's external auditors and their report is presented on pages 96 to 99.

The annual financial statements set out on pages 104 to 176, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 May 2014 and were signed on its behalf by

Pakamile Pongwana
Accounting Officer

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	3	**582,362**	530,421
Receivables from exchange transactions	4	**1,758,158**	1,777,765
National Revenue Fund receivables	5	**723,505,282**	789,485,093
Prepayments	6	**4,583,754**	5,735,289
Cash and cash equivalents	7	**321,594,294**	155,124,500
		1,052,023,850	**952,653,068**
Non-Current Assets			
Property, plant and equipment	8	**101,147,791**	90,977,635
Intangible assets	9	**7,306,997**	8,285,997
		108,454,788	99,263,632
Total Assets		**1,160,478,638**	**1,051,916,700**
Liabilities			
Current Liabilities			
Finance lease obligation	10	**455,452**	533,359
Operating lease liability	11	**2,475,088**	75,523
Payables from exchange transactions	12	**39,431,506**	18,941,894
Trade and other payables from non-exchange transactions	13	**20,937**	20,937
National Revenue Fund payables	14	**834,555,077**	824,047,963
Unspent conditional grants and receipts	15	**93,309,102**	63,412,424
Provisions	16	**11,453,904**	10,185,600
		981,701,066	**917,217,700**
Non Current Liabilities			
Finance lease obligation	10	**-**	455,452
Operating lease liability	11	**-**	60,955
		-	**516,407**
Total Liabilities		**981,701,066**	**917,734,107**
Net Assets		**178,777,572**	**134,182,593**
Accumulated surplus		178,777,572	134,182,593

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from non-exchange transactions	17	**361,339,067**	342,523,936
Revenue from exchange transactions	18	**22,617,868**	6,085,858
Total Revenue		**383,956,935**	**348,609,794**
Expenditure			
Employee related costs	19	**(204,378,172)**	(194,269,231)
Depreciation and amortisation	8, 9, 20	**(14,383,471)**	(12,611,899)
Impairment loss		**(39,703)**	(36,773)
Finance costs	21	**(115,225)**	(196,722)
Repairs and maintenance	22	**(4,612,597)**	(3,344,024)
Audit fees	23	**(4,049,316)**	(2,688,436)
General expenses	24	**(111,783,473)**	(121,138,976)
Total expenditure		**(339, 361,957)**	**(334,286,061)**
Operating surplus		**44,594,978**	**14,323,733**
Fair value adjustment to assets		**-**	273,087
Surplus for the year		**44,594,978**	**14,596,820**

STATEMENT OF CHANGES IN NET ASSETS
AS AT MARCH 31, 2014

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	**119,461,378**	**119,461,378**
Adjustments		
Correction of errors	**124,395**	**124,395**
Balance at April 01, 2012 as restated	**119,585,773**	**119,585,773**
Changes in net assets		
Surplus for the year	**14,596,820**	14,596,820
Total changes	**14,596,820**	**14,596,820**
Balance at April 01, 2013	**134,182,594**	**134,182,594**
Changes in net assets		
Surplus for the year	**44,594,978**	44,594,978
Total changes	**44,594,978**	**44,594,978**
Balance at March 31, 2014	**178,777,572**	**178,777,572**

CASH FLOW STATEMENT
FOR THE YEAR ENDING MARCH 31, 2014

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Cash received from Department of Communication		**390,661,000**	405,797,000
Other receipts		**768,554**	213,128
Cash received by Administered Revenue		**1,499,418,735**	969,774,535
Finance income		**12,664,491**	5,755,203
		1,903,512,780	**1,381,539,866**
Payments			
Employee costs		**(202,890,177)**	(192,736,050)
Suppliers		**(85,401,859)**	(118,701,903)
Finance costs		**(2,810)**	(4,613)
Cash paid by Administered Revenue		**(1,422,931,809)**	(943,418,953)
		(1,711,226,655)	**(1,254,861,519)**
Net cash flows from operating activities	26	**192,286,125**	**126,678,347**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(25,549,875)**	(16,917,452)
Proceeds from sale of property, plant and equipment	8	**48,999**	-
Purchase of intangible assets	9	**(315,455)**	(187,674)
Net cash flows from investing activities		**(25,816,331)**	**(17,105,126)**
Net increase in cash and cash equivalents		**166,469,794**	**109,573,221**
Cash and cash equivalents at the beginning of the year		**155,124,500**	45,551,280
Cash and cash equivalents at the end of the year	7	**321,594,294**	**155,124,501**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 37)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	7,150,998	65,004	7,216,002	22,617,868	15,401,866	
Revenue from non-exchange transactions						
Transfer revenue						
Public contributions and donations	**390,726,004**	(65,004)	**390,661,000**	361,339,067	**(29,321,933)**	
Total revenue	**397,877,002**	**-**	**397,877,002**	**383,956,935**	**(13,920,067)**	
Expenditure						
Personnel	**(221,882,505)**	(495,000)	**(222,377,505)**	(204,378,172)	**17,999,333**	
Depreciation and amortisation	**(16,997,011)**	-	**(16,997,011)**	(14,383,471)	**2,613,540**	
Impairment loss	**-**	-	**-**	(39,703)	**(39,703)**	
Finance costs	**-**	-	**-**	(115,225)	**(115,225)**	
Repairs and maintenance	**(4,115,553)**	697,269	**(3,418,284)**	(4,612,597)	**(1,194,313)**	
Contracted services	**(2,800,000)**	-	**(2,800,000)**	(4,049,316)	**(1,249,316)**	
General expenses	**(101,629,754)**	16,947,025	**(84,682,729)**	(111,783,473)	**(27,100,744)**	
Total expenditure	**(347,424,823)**	**17,149,294**	**(330,275,529)**	**(339,361,957)**	**(9,086,428)**	
Surplus before taxation	**50,452,179**	**17,149,294**	**67,601,473**	**44,594,978**	**(23,006,495)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**50,452,179**	**17,149,294**	**67,601,473**	**44,594,978**	**(23,006,495)**	

ACCOUNTING POLICIES

1 Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

A summary of the significant accounting policies are disclosed below.

1.1 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Receivables

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

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

Impairment testing

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

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

Provisions

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

ACCOUNTING POLICIES

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

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

Allowance for doubtful debts

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

Prepayments

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

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

Where an asset is acquired through at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.
Where an item of property, plant and equipment is acquired in exchange for a non monetary asset or monetary assets, or a combination of monetary and non monetary assets, the asset acquired is initially measured at fair value (the cost) unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is

ACCOUNTING POLICIES

recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

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

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

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

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

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

Item	Average useful life
Office and computer equipment	5 - 24 years
Furniture and fixtures	3 - 24 years
Office and computer equipment under finance lease	Depreciated over lease period
Leasehold improvements	Depreciated over lease period
Motor vehicles	10 - 21 years
Test equipment	5 - 25 years

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

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

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

ACCOUNTING POLICIES

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.
Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.
The gain or loss from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

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

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the Authority and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, excluding rights granted by statue, regardless whether those rights are transferable or separate from the Authority or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.

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

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

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors,

there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

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

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

Item	Useful life
Computer software	5 - 22 years

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.
The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.4 Financial instruments

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

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

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

ACCOUNTING POLICIES

Classification

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

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

ACCOUNTING POLICIES

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying

amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The Authority derecognises financial assets using trade date accounting.

The Authority derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

1.5 Leases

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

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

Finance leases - lessee

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

ACCOUNTING POLICIES

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.
The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight line basis.
Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight line basis over the lease term.
Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.6 Inventories

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

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

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

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

Current replacement cost is the cost the Authority incurs to acquire the asset on the reporting date. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.
The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Authority.

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

1.7 Impairment of cash generating assets

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

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

If the recoverable amount of a cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.
An impairment loss is recognised immediately in surplus or deficit.

ACCOUNTING POLICIES

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

Cash generating units

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

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

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

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

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

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

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

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

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

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

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

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

A reversal of an impairment loss for a cash generating unit is allocated to the cash generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non cash generating asset contributing service potential to a cash generating unit.
In allocating a reversal of an impairment loss for a cash generating unit, the carrying amount of an asset is not increased above the lower of:

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

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

1.8 Impairment of non cash generating assets

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

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

Identification

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

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

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

asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.9 Employee benefits

Short term employee benefits

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

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

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

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

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

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

Post employment benefits

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

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

Post employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the Authority

recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating expenditure.

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

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

A contingent liability:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.11 Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will

flow to the Authority;

- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.
Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

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

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

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

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

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

1.12 Revenue from non exchange transactions

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

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential

is required to be returned to the transferor if not deployed as specified.

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

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

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

Recognition

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

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

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

Measurement

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

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

Transfers

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

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

Services in kind

ACCOUNTING POLICIES

Services in kind are not recognised.

1.13 Investment income

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

1.14 Translation of foreign currencies

Foreign currency transactions

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

At each reporting date:

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

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

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

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

1.15 Comparative figures

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

ACCOUNTING POLICIES

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

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

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

1.18 Commitments

Items are classified as commitments where the Authority commits itself to future transactions that will normally result in the outflow of resources.
Commitments are not recognised in the statement of financial liability, but are included in the disclosure notes in the following
cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.19 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non adjusting events have been disclosed in the notes to the financial statements.

1.20 Budget information

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

The approved budget covers the fiscal period from April 1, 2013 to March 31, 2014.

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

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

Comparative information is not required.

ACCOUNTING POLICIES

1.21 Related parties

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

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

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

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

1.22 Taxation

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

1.23 Administered revenue on behalf of the National Revenue Fund

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the Authority to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the Authority consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short term employee benefits;
    - all short term employee benefits;
    - short term compensated absences;
    - bonus, incentive and performance related payments;
- post employment benefits: defined contribution plans;
- other long term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19 (R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the Authority to recognise all actuarial gains and losses and past services costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after April 1, 2013.

The Authority has adopted the standard for the first time in the 2014 annual financial statements. The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of financial statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

GRAP 3 (as revised 2012): Accounting policies, change in accounting estimates and errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in associates

Amendments were made to definitions and a requirement to include transaction costs on initial recognition of an investment in an associate under the equity method has been included.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.
The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from exchange transactions

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.
All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, plant and equipment

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as revised 2012): Intangible assets (replaces GRAP 102)

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Intangible Assets (IPSAS 31).

The effective date of the amendment is for years beginning on or after April 1, 2013.

The Authority has adopted the amendment for the first time in the 2014 annual financial statements.

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

IGRAP 1 (as revised 2012): Applying the probability test on initial recognition of revenue

This interpretation now addresses the manner in which the entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and

(b) non exchange revenue in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after April 1, 2013.

The Authority has adopted the interpretation for the first time in the 2014 annual financial statements.

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

IGRAP 16: Intangible assets website costs

The interpretation deals with the treatment of the Authority's own website. It concludes that the Authority's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the Authority can satisfy the requirements in paragraph .54, which in particular requires the entity to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the Authority is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after April 1, 2013.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The Authority has adopted the interpretation for the first time in the 2014 annual financial statements.

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

2.2 Standards and interpretations early adopted

The Authority has not early adopted any standards.

2.3 Standards and interpretations issued, but not yet effective

The Authority has not applied the following standards and interpretations, which have been published and are mandatory for the Authority's accounting periods beginning on or after April 1, 2014 or later periods:

GRAP 20: Related parties

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

The Authority (in this standard referred to as the reporting entity) applies this standard in:

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence
  The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The Authority has decided to early adopt the standard.

The adoption of the standard has resulted in more disclosure than was currently provided in the annual financial statements

GRAP 105: Transfers of functions between entities under common control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The Authority expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 106: Transfers of functions between entities not under common control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The Authority expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.
In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The Authority expects to adopt the standard for the first time once it becomes effective.
The impact of the standard is currently being assessed.

GRAP 32: Service concession arrangements: grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

- PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

- An asset provided by the operator, or an upgrade to an existing asset is recognised as a service concession asset if:
  - the grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
  - the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of the arrangement.

- A liability is recognised where a service concession asset is also recognised subject to certain conditions.

Specific disclosures are required for service concession arrangements.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The Authority expects to adopt the standard for the first time once it becomes effective.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

GRAP 108: Statutory receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the Authority to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will then be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

- Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.
- Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
    - interest or other charges that may have accrued on the receivable (where applicable);
    - impairment losses; and
    - amounts derecognised.
    - Specific disclosures are required for statutory receivables.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The Authority expects to adopt the standard for the first time once it becomes effective.

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

IGRAP 17: Service concession arrangements where grantor controls significant residual interest

This interpretation provides guidance to the grantor where:

- it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.
- Grantor recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.
- Value of the receivable (the right to the residual interest in the asset), at the end of the service concession arrangement, should reflect the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.
- Grantor recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of arrangement.
- Value of the performance obligation is the same as the receivable interest recognised.

The performance obligation is reduced and revenue recognised based on the substance of the arrangement.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The Authority expects to adopt the interpretation for the first time once it becomes effective. It is unlikely that the interpretation will have a material impact on the Authority's annual financial statements.

GRAP 5 (revised 2013): Borrowing costs

Benchmark treatment is to recognise borrowing costs as an expense.

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

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

The Authority expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

GRAP 100 (revised 2013): Discontinued operations

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

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

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

The Authority expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Authority's accounting periods beginning on or after April 01, 2014 or later periods but are not relevant to its operations:

GRAP 18: Segment reporting

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the Authority's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

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

The Authority expects to adopt the standard for the first time once it becomes effective.

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

Figures in Rand	Note(s)	2014	2013

3. Inventories

Consumable stores	**317,478**	306,477
Groceries	**43,747**	24,676
Stationery	**219,196**	181,716
Toiletries	**1,941**	17,552
	582,362	**530,421**
Inventories recognised as an expense during the year	751,213	790,111

4. Receivables from exchange transactions

Staff receivables	**1,165,578**	1,107,720
Other receivables	**910,768**	670,838
Less: Impairment of receivables	**(318,188)**	(793)
	1,758,158	**1,777,765**

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

Travel and cellphone receivables refer to amounts that the employee owes the Authority after a business trip or for excess/personal usage of the cellphone provided to the employee by the Authority.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Receivables from exchange transactions (continued)

Normally no impairment is provided for on these amounts as these amounts are recovered from employees on a regular basis. The employees sign contracts for bursaries, standing advances and cellphones which give the Authority the right to deduct outstanding amounts. For training related international travel, employees sign letters that give the Authority the right to deduct such amounts should employees decide to leave before the stipulated period of time.

Credit quality of trade and other receivables

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

Trade receivables

The rating of gross trade and other receivables was as follows:

Figures in Rand	Note(s)	2014	2013
Medium risk		**1,758,158**	1,777,765
High risk		**318,188**	793
		2,076,346	**1,778,558**

The trade and other receivables balances are considered to be medium risk because they are mainly granted to staff members and these are normally deducted from the employees. Dealings outside the Authority are normally with reputable institutions with good credit ratings.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At March 31, 2014, R 1,131,403 (2013: R 1,083,433) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Figures in Rand	Note(s)	2014	2013
1 month past due		**34,640**	41,901
2 months past due		**200,143**	213,302
3 months past due		**896,620**	828,230
		1,131,403	**1,083,433**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

Trade and other receivables impaired

The amount of the provision was R 318,188 as of March 31, 2014 (2013: R 793).

The ageing of the allowance for impairment at March 31, 2013 was as follows:

Amounts in 91 days +	**318,188**	793

Reconciliation of allowance for impairment of trade and other receivables

Opening balance	**793**	2,586
Impairments recognised in surplus and deficit	**317,395**	(1,793)
	318,188	**793**

5. National Revenue Fund receivables

Broadcasting services	**97,404,529**	196,533,715
Spectrum receivables	**343,329,573**	377,751,070
ECS and ECNS services	**594,473,806**	589,192,737
Postal services	**20,507,764**	20,231,830
Allowance for impairment	**(332,210,390)**	(394,224,259)
	723,505,282	**789,485,093**

Accruals for licence fees relate to the accrual for all licences that were due at the end of the reporting period but were only due for settlement after the end of the reporting period. These are based on either the actual results of the licensee, where the licensee has finalised its financial statements, in instances where actual results are not available at the end of the reporting period, and the licensee submits the expected financial results.

ECS and ECNS receivables relate to all the amounts that had been billed to but not settled by the Electronic Communications Services and the Electronic Communications Network Services licensees.

The broadcasting receivables relate to all the outstanding licence fees for broadcasting licences.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

5. National Revenue Fund receivables (continued)

The ageing of the National Revenue Fund receivables before impairment was as follows:

Current	**685,794,923**	738,117,907
31 - 60 days	**691,588**	231,581
61 - 90 days	**106,380**	168,915
Greater than 90 days	**369,122,781**	445,190,949
	1,055,715,672	**1,183,709,352**

National Revenue Fund receivables impaired

As of March 31, 2014, receivables from non exchange transactions of R 332,210,390 (2013: R 394,224,259) were impaired and provided for.

Reconciliation of provision for impairment of National Revenue Fund receivables

Opening balance	**(394,224,259)**	(438,687,189)
Increase in provision	**(60,891,484)**	(246,789,866)
Reversals of impairments	**8,190,224**	45,672,517
Debts written off	**114,715,129**	245,580,279
	(332,210,390)	**(394,224,259)**

The licences are granted to various customers with very different credit profiles. These include successful multinational corporations, big security companies, medium sized entities and very small entities. The credit profiles of these entities vary significantly and, in terms of the legislation, the Authority cannot refuse to grant any entity licences due to its credit rating. Despite the fact that no credit vetting takes place, all licensees are granted licences after they have lodged their applications with the Authority. In instances where the licensee fails to comply with its licence conditions, which include payment terms, the licensee is referred to the Complaints and Compliance Committee or has its equipment sealed.

Amounts written off during the year were previously included in the impairment provision. Council approved the write off.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

6. Prepayments

Staff training	**37,214**	36,000
Membership fees	**5,419**	19,888
Software licence and support	**1,103,902**	528,694
TV licence subscriptions	**-**	29,484
IT maintenance and infrastructure	**55,966**	294,813
Library subscriptions	**136,895**	57,739
Insurance	**41,162**	80,338
Rent	**2,162,217**	3,919,777
Deposits	**1,040,979**	768,556
	4,583,754	**5,735,289**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	**210,495,373**	120,512,389
Administered Revenue cash balance	**111,049,794**	34,562,869
Other cash and cash equivalents (bank)	**17,291**	28,753
Other cash and cash equivalents (other)	**31,836**	20,489
	321,594,294	**155,124,500**

Cash and cash equivalents consist of cash on hand and balances with banks. The cash and cash equivalents balances as disclosed above did not include any restricted cash nor did the Authority have any borrowing facilities at the end of each reporting period. Included in the above balance at March 31, 2014 is an amount of R111,049,794 (2013: R34,562,869) for the Administered Revenue Section. The funds collected by the Administered Revenue Section are transferred to the National Revenue Fund through the Department of Communications. The Authority does not have the right to withhold these funds or use them for any other purpose it may deem fit. The cash and cash equivalents are placed with high credit quality financial institutions.

7. Cash and cash equivalents (continued)

The Authority had the following bank accounts

Account description	Bank statement balances			Cash book balances		
	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2014	March 31, 2013	March 31, 2012
Call accounts	**40,727,819**	**105,096,248**	**12,064,476**	40,727,819	105,096,248	12,064,476
Current accounts	**180,065,368**	**45,928,981**	**29,263,397**	180,065,368	45,928,931	29,263,397
Fixed deposits	**100,769,272**	**4,064,918**	**3,876,686**	100,769,272	4,064,918	3,876,686
Total	**321,562,459**	**155,090,147**	**45,204,559**	**321,562,459**	**155,090,097**	**45,204,559**

8. Property, plant and equipment

Figures in Rand

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R	R	R	R	R	R
Furniture and fixtures	**10,969,340**	**(4,831,036)**	**6,138,304**	10,945,893	(4,308,441)	6,637,452
Motor vehicles	**15,965,941**	**(4,382,533)**	**11,583,408**	15,065,794	(4,252,767)	10,813,027
Office and computer equipment	**45,651,418**	**(22,421,267)**	**23,230,151**	36,442,753	(20,841,305)	15,601,448
Leasehold improvements	**8,630,191**	**(6,185,265)**	**2,444,926**	8,630,191	(5,249,954)	3,380,237
Test equipment	**95,528,192**	**(38,164,532)**	**57,363,660**	85,860,630	(32,216,609)	53,644,021
Office and computer equipment under finance lease	**1,543,734**	**(1,156,392)**	**387,342**	1,543,734	(642,284)	901,450
Total	**178,288,816**	**(77,141,025)**	**101,147,791**	**158,488,995**	**(67,511,360)**	**90,977,635**

8. Property, plant and equipment (continued)

Figures in Rand

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Furniture and fixtures	**6,637,452**	**59,734**	**(15,211)**	**85**	(541,438)	(2,318)	6,138,304
Motor vehicles	**10,813,027**	**2,466,344**	**(907,813)**	**-**	(788,150)	-	11,583,408
Office and computer equipment	**15,601,448**	**12,247,660**	**(954,699)**	**(187,202)**	(3,473,981)	(3,075)	23,230,151
Leasehold improvements	**3,380,237**	**-**	**-**	**-**	(935,311)	-	2,444,926
Test equipment	**53,644,021**	**10,776,137**	**(376,237)**	**187,117**	(6,836,025)	(31,353)	57,363,660
Office and computer equipment under finance lease	**901,450**	**-**	**-**	**-**	(514,108)	-	387,342
Total	**90,977,635**	**25,549,875**	**(2,253,960)**	**-**	**(13,089,013)**	**(36,746)**	**101,147,791**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Adjustments	Disposals	Transfers	Depreciation	Total
	R	R	R	R	R	R	R
Furniture and fixtures	7,022,254	406,866	128,054	(364,295)	-	(555,427)	6,637,452
Motor vehicles	7,445,118	4,088,575	14,663	(44,209)	-	(691,120)	10,813,027
Office and computer equipment	17,678,506	2,117,081	157,656	(1,192,279)	62,773	(3,222,289)	15,601,448
Leasehold improvements	4,245,078	29,860	-	-	-	(894,701)	3,380,237
Test equipment	49,465,307	10,275,070	(5,362)	(643,248)	(34,394)	(5,413,352)	53,644,021
Office and computer equipment under finance lease	1,415,559	-	-	-	-	(514,109)	901,450
Total	**87,271,822**	**16,917,452**	**295,011**	**(2,244,031)**	**28,379**	**(11,290,998)**	**90,977,635**

8. Property, plant and equipment (continued)

The adjustments column has to do with the following three scenarios:

1. Some assets were previously not on the fixed asset register and have been introduced at fair value.
2. Some assets were historically incorrectly valued and were adjusted to their fair values.
3. Some assets were previously disposed, but were found to be still in use and thus needed to be reinstated.

9. Intangible assets

Figures in Rand

	2014 Cost / Valuation	2014 Accumulated Amortisation and accumulated impairment	2014 Carrying value	2013 Cost / Valuation	2013 Accumulated Amortisationand accumulated impairment	2013 Carrying value
	R	R	R	R	R	R
Computer software	**13,073,173**	**(7,625,873)**	**5,447,300**	12,757,718	(6,331,418)	6,426,300
WIP	**1,859,697**	**-**	**1,859,697**	1,859,697	-	1,859,697
Total	**14,932,870**	**(7,625,873)**	**7,306,997**	**14,617,415**	**(6,331,418)**	**8,285,997**

9. Intangible assets (continued)

Reconciliation of intangible assets - 2014

Figures in Rand

	Opening balance	Additions	Amortisation	Total
	R	R	R	R
Computer software	**6,426,300**	315,455	(1,294,455)	5,447,300
WIP	**1,859,697**	-	-	1,859,697
Total	**8,285,997**	**315,455**	**(1,294,455)**	**7,306,997**

Reconciliation of intangible assets - 2013

Figures in Rand

	Opening balance	Additions	Adjustment	Disposals	Transfers	Amortisation	Total
	R	R	R	R	R	R	R
Computer software	5,799,553	2,419,472	-	(443,441)	(28,379)	(1,320,905)	6,426,300
WIP	6,507,654	-	(4,647,957)	-	-	-	1,859,697
Total	**12,307,207**	**2,419,472**	**(4,647,957)**	**(443,441)**	**(28,379)**	**(1,320,905)**	**8,285,997**

The adjustments column has to do with the following three scenarios:

1. Some assets were previously not on the fixed asset register and have been introduced at fair value.
2. Some assets were historically incorrectly valued and were adjusted to their fair values.
3. Some assets were previously disposed, but were found to be still in use and thus needed to be reinstated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

10.Finance lease obligation

Minimum lease payments due		
Within one year	**484,331**	645,775
In second to fifth year inclusive	**-**	484,330
	484,331	1,130,105
Less: Future finance charges	**(28,879)**	(141,294)
Present value of minimum lease payments	**455,452**	**988,811**
Present value of minimum lease payments due		
Within one year	**455,452**	533,360
In second to fifth year inclusive	**-**	455,451
	455,452	**988,811**
Non current liabilities	**-**	455,452
Current liabilities	**455,452**	533,359
	455,452	**988,811**

The Authority entered into a 36 month finance lease agreement with Safika for office automation for 10 Kyocera TASKalfa 250ci and 16 Kyocera TASKalfa 300i multi function printers in January 2012. The monthly installments are fixed and do not contain any escalation clauses. Interest is charged at an effective rate of 15%. The contract expires December 2014.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

11. Operating lease liability

Non-current liabilities	**-**	(60,955)
Current liabilities	**(2,475,088)**	(75,523)
	(2,475,088)	**(136,478)**

Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

12. Payables from exchange transactions

Trade payables	**9,318,035**	3,112,640
Interest payable	**113,625**	62,823
Structured savings	**587,088**	688,013
Third party payables	**3,508,105**	125,214
Accrued Leave pay	**9,394,570**	7,811,574
Accrued expenses	**16,510,083**	7,141,630
	39,431,506	**18,941,894**

13. Trade and other payables from non - exchange transactions

Donations received from staff (Prior years)	**20,937**	**20,937**

14. National Revenue Fund Payables

NRF payables	**615,331,824**	779,701,742
Receipts in advance and other payables	**219,223,253**	44,346,221
	834,555,077	**824,047,963**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

15. Unspent conditional grants and receipts

Movement during the year

Balance at the beginning of the year	**63,412,424**	-
Additions during the year	**52,000,000**	81,000,000
Income recognition during the year	**(22,103,322)**	(17,587,576)
	93,309,102	**63,412,424**

Of the unspent conditional grant received in the prior year of R63,412,424 relating to ICASA's infrastructural needs, African Cup of Nations (AFCON) commitments and Complaints and Compliance Committee to address outstanding matters, only R20,173,957 (2013: R17,587,576) was recognised as revenue in the current year, which equalled the expenditure on these ring fenced projects. The balance of R93,309,102 (2013: R63,412,424), which is shown as an unspent conditional grant, includes an additional R52,000,000 ring fenced funds received in the current year of which R50,070,635 remained unspent at year end.

These amounts are invested in a ring fenced investment until utilised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
	R	R	R	R
Bonus provision	**10,185,600**	**11,453,904**	**(10,185,600)**	**11,453,904**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
	R	R	R	R	R
Bonus provision	9,154,027	10,185,600	(7,467,433)	(1,686,594)	10,185,600

This provision relates to the provision for performance bonuses and the figure is based on the key performance criteria that have to be met in order for the cash payout to be made. The cash payout is subject to approval by Council. The timing of the approval of the performance bonus incentives is always subject to approval by Council and Council can decide on a different amount or suggest a different criterion to be followed. This then creates uncertainty regarding the amount of the liability to be recognised in the financial statements.

17. Revenue from Non-Exchange Transactions

Grant received from Department of Communications Current year	**340,590,365**	342,384,576
Unspent Grants of prior year recognised	**20,173,957**	-
Insurance claim settlements	**574,745**	139,360
	361,339,067	**342,523,936**

The Authority receives its funding from the Department of Communications in order to enable it to carry out its mandate as laid out in the ICASA Act.

The grant received from the Department of Communications above consists of an original allocation of R390,661,000 (2013: R405,797,000) less an unspent portion of R50,070,635 (2013: R63,412,424).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

17. Revenue from Non-Exchange Transactions (continued)

This unspent portion was recognised on the statement of financial position as an unspent conditional grant, due to the fact that these funds have been ring fenced for specific projects. An amount of R20,173,957 ring fenced funds received in the prior year and spent in the current period is also recognised as grant received from the Department of Communications. Included in the R340,590,365 disclosed above is an amount of R1,929,365 (2013: R17,587,576), which is funds spent from an additional R52,000,000 (2013: R81,000,000) ring fenced funds received in the current year of which R50,070,635 remained unspent at year end.

18. Revenue from exchange transactions

Interest income	**13,038,074**	6,012,090
Legal settlement	**-**	10,253
Other	**9,579,794**	63,515
	22,617,868	**6,085,858**

19. Employee Related Costs

Basic	**159,723,594**	152,476,310
Bonus	**11,807,403**	9,000,614
UIF	**663,280**	631,107
WCA	**438,180**	476,425
Leave pay	**2,800,877**	2,491,759
Post-employment benefits-Pension/Defined contribution plan	**18,323,449**	17,523,270
Overtime payments	**1,912,034**	1,686,286
Long-service awards	**465,000**	818,000
Temporary staff	**7,478,642**	8,102,587
Periodic payments*	**765,713**	1,062,873
	204,378,172	**194,269,231**

*The periodic payments relate to structured savings paid out to employees

19. Employee Related Costs (Continued)

Council remuneration

	Date of appointment	Date of resignation/ end of term	March 31, 2014 Basic	March 31, 2014 Post employment benefits	March 31, 2014 Allowances	March 31, 2014 Total	March 31, 2013 Total
			R	R	R	R	R
Batyi NA	8/4/2008	9/17/2012	**-**	-	**-**	**-**	533,924
Batyi NA	2/11/2013		**1,144,624**	-	**-**	**1,144,624**	180,654
Currie WH	10/1/2010		**1,144,624**	-	**-**	**1,144,624**	1,083,924
Lebooa JM	10/1/2010		**1,144,624**	-	**-**	**1,144,624**	1,083,924
Makhakhe TLV	7/10/2008	8/20/2012	**-**	-	**-**	**-**	444,224
Mcube SS	7/1/2010		**1,495,657**	-	**-**	**1,495,657**	1,416,341
Mohlaloga MR	7/1/2013		**798,468**	-	**60,000**	**858,468**	-
Ndhlovu N	11/1/2010		**1,104,624**	-	**40,000**	**1,144,624**	1,083,924
Pillay KGS	2/11/2013		**948,414**	136,210	**60,000**	**1,144,624**	180,654
Sibanda FK	10/1/2008	11/14/2012	**-**	-	**-**	**-**	713,322
Socikwa MM	4/1/2011		**967,873**	116,752	**-**	**1,144,624**	1,083,924
Stucke WF	11/16/2009		**1,144,624**	-	**-**	**1,144,624**	1,083,924
Total			**9,893,532**	**252,962**	**160,000**	**10,366,495**	**8,888,739**

19. Employee Related Costs (Continued)

Executive management remuneration

	Date of appointment	Date of resignation/ end of term	March 31, 2014 Basic	March 31, 2014 Performance bonus	March 31, 2014 Post employment benefits	March 31, 2014 Allowances	March 31, 2014 Total	March 31, 2013 Total
			R	R	R	R	R	R
Dlamini TTC - CEO	11/1/2010	10/31/2013	**952,068**	**-**	**151,188**	**-**	**1,103,256**	1,804,673
Grootes PB - GM: Markets and Competition	10/1/2010		**858,999**	**45,981**	**116,028**	**-**	**1,021,008**	923,321
Dreyer K - GM: Legal and Complaints and Compliance	3/1/2014		**108,620**	**-**	**15,280**	**4,500**	**128,400**	-
Jooste BG - GM: Compliance, Risk and Audit	11/1/2008	10/31/2013	**557,773**	**53,645**	**47,320**	**20,000**	**678,738**	923,321
Mashangoane PJ - GM: Consumer Affairs	7/1/2012		**858,999**	**45,981**	**116,028**	**-**	**1,021,008**	923,321
Mathabathe M - Corporate Secretary	1/18/2011		**1,016,975**	**-**	**-**	**66,000**	**1,082,975**	1,025,545
Ntuli BL - GM: Administration	11/1/2008	10/31/2013	**448,719**	**53,645**	**-**	**170,986**	**673,350**	923,321
Mtsweni BW - GM: Human Resources	1/1/2014		**219,038**	**-**	**35,254**	**-**	**254,292**	-
Pongwana PK - CEO	11/1/2013		**847,963**	**-**	**114,537**	**-**	**962,500**	-
Seeber RJ - GM: Engineering and Technology	3/1/2013		**1,129,920**	**-**	**-**	**-**	**1,129,920**	89,167
Simpson CE - CFO	5/1/2012		**1,346,293**	**76,936**	**181,848**	**-**	**1,605,077**	1,326,512
Tsotetsi SP - GM: Licensing	7/1/2012		**915,027**	**53,645**	**-**	**60,000**	**1,028,672**	923,321
Total			**9,260,394**	**329,833**	**777,483**	**321,486**	**10,689,196**	**8,862,502**

19. Employee Related Costs (Continued)

Complaints and Compliance Committee remuneration

	Date of appointment	Date of resignation/ end of term	March 31, 2014 Basic	March 31, 2014 Allowances	March 31, 2014 Total	March 31, 2013 Total
			R	R	R	R
De Villiers IWB	6/1/2009		-	**132,000**	**132,000**	72,000
Maseti NS	2/1/2014		-	**21,000**	**21,000**	-
Moalosi DD	3/1/2007	3/1/2013	-	-	-	-
Moodaliyar K	12/1/2011		-	**63,000**	**63,000**	126,000
Ntanjana N	3/1/2007		-	**84,000**	**84,000**	217,000
Ntukwana EZ	8/1/2010	7/31/2013	-	**35,000**	**35,000**	189,000
Ramuedzisi MT	4/1/2008		-	**28,000**	**28,000**	147,000
Ramokgopa MO	2/1/2014		-	**21,000**	**21,000**	-
Thakur S	3/1/2007		-	**49,000**	**49,000**	-
Tlokana LJ	8/1/2010		-	**112,000**	**112,000**	315,000
Tutani JW	9/1/2011		-	**571,750**	**571,750**	990,000
Van Rooyn JCW	11/1/2010		-	**94,000**	**94,000**	140,250
Van Jaarsveld SR	4/1/2011		-	**49,000**	**49,000**	-
Total			-	**1,259,750**	**1,259,750**	**2,196,250**

19. Employee Related Costs (Continued)

Audit and Risk Committee remuneration

	Date of appointment	Date of resignation/ end of term	March 31, 2014 Basic	March 31, 2014 Allowances	March 31, 2014 Total	March 31, 2013 Total
			R	R	R	R
De Kock CG	2/1/2012	3/31/2014	-	**50,500**	**50,500**	50,500
Dondur DLT	7/1/2012	4/21/2013	-	**6,000**	**6,000**	21,000
Du Toit A	3/1/2014		-	**8,500**	**8,500**	-
Gounden S	7/1/2012		-	**79,000**	**79,000**	38,000
Nkomo MM	3/1/2014		-	**8,500**	**8,500**	-
Pillay D	1/1/2012	3/31/2014	-	**42,108**	**42,108**	55,512
Sihlaba T	1/7/2010	5/4/2012	-	-	-	12,000
Theunissen RN	1/1/2012		-	**90,500**	**90,500**	99,000
Total			-	**285,108**	**285,108**	**276,012**

HR and Remuneration Committee

	Date of appointment	Date of resignation/ end of term	March 31, 2014 Basic	March 31, 2014 Allowances	March 31, 2014 Total	March 31, 2013 Total
			R	R	R	R
Aucamp JM	3/1/2012		-	**78,641**	**78,641**	95,780
Mathibedi D	3/1/2012		-	**30,000**	**30,000**	39,000
Moerane EM	3/1/2012		-	**55,000**	**55,000**	65,000
Phatudi C	3/1/2012		-	**37,500**	**37,500**	35,000
Total			-	**201,141**	**201,141**	**234,780**

19. Employee Related Costs (Continued)

IT Review Committee

	Date of appointment	Date of resignation/ end of term	March 31, 2014 Basic	March 31, 2014 Allowances	March 31, 2014 Total	March 31, 2013 Total
			R	R	R	R
Cronje P	2/1/2013		-	**44,000**	**44,000**	8,500
Maine P	2/1/2013		-	**30,000**	**30,000**	7,500
Total			-	**74,000**	**74,000**	**16,000**

Remuneration Summary of Council, Executive Management and Committees

	March 31, 2014	March 31, 2013
	R	R
Council	**10,366,494**	8,888,739
Chief Executive Officer (*2)	**2,065,757**	1,804,673
Executive Management	**8,623,440**	7,057,829
Committees	**1,819,999**	2,723,042
Total	**22,875,690**	**20,474,283**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

20. Depreciation and Amortisation

Property, plant and equipment	**13,089,013**	11,290,998
Intangible assets	**1,294,455**	1,320,905
	14,383,468	**12,611,903**

21. Finance Costs

Finance leases	**112,415**	192,109
Other interest paid	**2,810**	4,613
	115,225	**196,722**

22. Repairs and Maintenance

Office and computer equipment	**2,157,850**	861,908
Spectrum Management System	**2,226,938**	2,043,156
Monitoring equipment	**227,809**	438,961
	4,612,597	**3,344,025**

23. Audit Fees

External audit	**3,951,276**	2,688,436
Internal audit – IT audits outsourced	**98,040**	-
	4,049,316	**2,688,436**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

24. General expenses

Publicity and advertising	**2,913,163**	4,506,966
Equipment items expensed	**43,480**	85,703
Bank charges	**148,976**	79,163
Cleaning	**1,546,383**	1,384,865
Consulting and professional fees	**26,968,795**	15,782,144
Training and conferences	**6,065,669**	5,618,716
Electricity	**1,642,240**	2,717,324
Loss on disposal of assets	**2,256,963**	5,117,057
General and administrative expenses	**1,410,144**	1,744,175
Printing and stationery	**958,174**	1,077,889
Publications	**892,859**	1,034,663
Recruitment costs	**1,763,573**	1,888,993
IT expenses	**9,266,731**	7,886,711
Insurance	**555,537**	923,498
Lease rentals on operating lease	**27,742,084**	45,075,968
Motor vehicle expenses	**2,373,829**	2,105,415
Other expenses	**4,122,279**	6,006,065
Security	**1,646,948**	1,392,424
Telephone and fax	**5,264,521**	5,246,312
Travel and subsistence	**12,699,092**	9,715,889
Rates and taxes	**1,502,033**	1,749,036
	111,783,473	**121,138,976**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

25. Operating lease arrangements (cash flow commitments)

The operating leases entered into represent arrangements to lease office premises. The operating lease commitments comprise cash flow commitments.

The terms of the leases vary with expiry dates between end of June 2014 and October 2017. Escalation clauses range between 8% and 10% per annum depending on the lease agreements.

The leases do not contain a purchase option.

At March 31, 2014, outstanding commitments existed under non-cancelable operating leases which fall due as follows:

Up to 1 year	**20,855,522**	4,123,184
2 to 5 years	**53,140,567**	5,321,374
	73,996,089	**9,444,558**

26. Cash Generated from Operations

Surplus	**44,594,978**	14,596,820
Adjustments for:		
Depreciation and amortisation	**14,383,471**	12,611,899
Fair value adjustment to assets	**-**	(273,087)
Finance costs - Finance leases	**112,415**	192,109
Impairment deficit	**39,703**	36,773
Movements in operating lease assets and accruals	**2,338,610**	(173,058)
Movements in provisions	**1,268,304**	1,031,573
Deficit on disposal of property, plant and equipment	**2,256,963**	5,117,057
Other non-cash item	**(700,735)**	(879,341)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

26. Cash Generated from Operations (Continued)

Changes in working capital:

Inventories	**(51,941)**	(22,612)
Receivables from exchange transactions	**19,607**	(57,270)
National Revenue Fund receivable	**65,979,811**	(147,322,082)
Prepayments	**1,151,535**	1,032,160
Payables from exchange transactions	**20,489,612**	3,684,478
National Revenue Fund payables	**10,507,114**	173,690,504
Unspent conditional grants and receipts	**29,896,678**	63,412,424
	192,286,125	**126,678,347**

27. Commitments

Authorised capital expenditure

Approved and contracted for

• Property, plant and equipment	**12,680,707**	8,927,921
• Intangible assets	**619,702**	-
	13,300,409	**8,927,921**

Approved but not yet contracted for

• Property, plant and equipment	**17,720,405**	13,475,267
• Intangible assets	**6,123,406**	-
	23,843,811	**13,475,267**

These capital commitment expenditure relates to property, plant and equipment and intangible assets and will be financed by government grants only.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

27. Commitments (Continued)

Operating leases - as lessee (expense)

Minimum lease payments due

• Within one year	**20,855,522**	4,123,184
• In second to fifth year inclusive	**53,140,567**	5,321,374
	73,996,089	**9,444,558**

28. Contingencies

The Authority's decisions are often challenged through the courts. The final outcome cannot be reliably determined as it is dependent on the strength of each party's case and the Judiciary's findings. A contingent liability is noted for legal cases that may have unfavourable decisions.

Contingent liabilities - various legal cases	**6,110,829**	**5,917,801**

Major litigation items that the Authority was faced with at the end of the financial year were as follows:

Legal fees

A case was opened regarding ICASA's regulations. The case is set to appear at the Complaints and Compliance Committee on 11 and 12 June 2014. The estimated outflow is R79,509.

A litigation case was opened regarding ICASA's regulations. Awaiting judgment on the case. The estimated outflow is R493,746.

An applicant instituted proceedings for the judicial review and setting aside of the Authority to award a commercial sound broadcasting service licence. The estimated outflow is R700,000.

An application for the judicial review and setting aside of the Authority's decision to grant testing licences. The estimated outflow is R600,000.

An application to compel the Authority to provide documents in terms of the Promotion of Access to Information Act 2. The estimated outflow is R100,000.

A company instituted review proceedings against ICASA to set aside ICASA's decision and findings, with regard to the Broadcasting Transmission Services Discussion Document. The estimated outflow is R20,000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

28. Contingencies (continued)

An applicant filed an application to interdict and prohibit ICASA and the Complaints and Compliance Committee, from implementing and giving effect to the decision of the CCC, to the extent that another service provider must be given access to the applicant's local loop. The estimated outflow is R100,000.

An applicant launched a review application against ICASA. The estimated outflow is R10,000.

An applicant filed an application with the South Gauteng High Court, to interdict and prohibit ICASA and the Complaints and Compliance Committee (CCC), from implementing and giving effect to the decision of the CCC. The estimated outflow is R250,000.

An application to interdict the implementation of the decision made by the CCC was received. The estimated outflow is R350,000.

An application was brought seeking relief from the High Court of South Africa, Gauteng Division (Johannesburg) to review ICASA's decision to decline its application for a licence. The estimated outflow is R100,000.

A company instituted review proceedings against ICASA. The estimated outflow is R20,000.

The applicants instituted review proceedings against ICASA's decision to award a licence to a service provider to broadcast three pornographic channels. The estimated outflow is expected to be R200,000.

A company instituted proceedings against ICASA. The estimated outflow is R200,000.

A company instituted review proceedings against ICASA. The estimated outflow is R10,000

An organisation instituted review proceedings against ICASA. The estimated outflow is R200,000

Labour related matters

A labour matter for unfair labour practice was referred to the CCMA, which may result in an estimated outflow of R33,471.

A labour matter for the claiming of bonuses, which may result in an estimated outflow of R69,209. Awaiting judgment on the case.

Two applicants instituted labour matters at both the CCMA and High Court. The estimated outflow is R2,014,894.

An application from the Labour Court was received by ICASA for unfair discrimination against an employee. The estimated outflow is R50,000 (only legal fees can be estimated reliably at this point).

An ICASA employee was found guilty in an internal disciplinary hearing and dismissed for misconduct. He referred the matter to the CCMA and received an award ordering ICASA to reinstate him immediately. The employee was reinstated, however, ICASA took the matter on review to the Labour Court. The Labour Court ruled in favour of ICASA and referred the matter back to the CCMA. The CCMA, once again ruled in favour of the employee. Subsequent to the outcome of the second CCMA 'award, the employee had summons issued for damages against ICASA, in terms of which the employee is suing ICASA for defamation, among others, resulting from disciplinary action that was taken against the employee from 2009 to 2012. The estimated outflow is R10,000.

An employee instituted proceedings against ICASA. The estimated outflow is R500,000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

29. Related Parties

The Independent Communications Authority of South Africa is a Schedule 1 entity in terms of the Public Finance Management Act (PFMA).

The related party disclosure is required in terms of GRAP 20, related party disclosures, issued by National Treasury.

National departments

Department of Communications

The Authority receives its budget allocation from the Department of Communications, which is based on the approved allocation from Parliament and therefore this is at arm's length. The Authority collects the licence fees from communication licensees, and application fees on behalf of the National Revenue Fund and transfers this to the Department of Communications, which is done at arm's length.

The following departments acquire and use the spectrum issued by the Authority at arm's length:

- Department of Environmental Affairs
- Department of Defence and Military Veterans
- Department of Water Affairs
- South African Police Service

Entities

The following government entities acquired and used the spectrum issued by the Authority and they are also licensed under the Electronic Communications Act and Postal Service Act. All the transactions and the issued licences are at arm's length:

- Telkom
- South African Post Office
- Sentech
- Transnet
- State Information Technology Agency
- South African Broadcasting Corporation
- Broadband Infraco

The Authority acquires services at arm's length from the following entities:

- Government Printing Works
- Telkom
- South African Post Office
- Sentech
- Transnet
- State Information Technology Agency
- South African Broadcasting Corporation

Refer to note 19 for all transactions between the Authority and key management personnel. No key management who owned an entity or a close family member entered into any transactions with the Authority during the period under review.

30. Change In Estimate

Property, plant and equipment

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

The residual values and useful lives were reviewed during the course of the financial year in line with paragraph 61 of GRAP 17, and the effect thereof was as follows:

Depreciation	**Office and computer equipment**	**Furniture and fittings**	**Motor vehicles**	**Test equipment**	**Leasehold improvement**	**Total**
			R	R	R	R
Depreciation after changes in useful lives and residual values	3,988,091	541,106	**788,150**	**6,836,357**	**935,311**	13,089,015
Depreciation before changes in useful lives and residual values	(4,390,914)	(570,734)	**(820,332)**	**(7,083,433)**	**(895,890)**	(13,761,303)
	(402,823)	**(29,628)**	**(32,182)**	**(247,076)**	**39,421**	**(672,288)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

30. Change In Estimate (continued)

Amortisation

	Computer software	Total
	R	R
Amortisation after changes in useful lives and residual values	**1,294,455**	1,294,455
Amortisation before changes in useful lives and residual values	**(1,649,213)**	(1,649,213)
	(354,758)	**(354,758)**

31. Comparative Figures

Certain comparative figures have been reclassified.
For purposes of better presentation:

Administrative expenditure was combined with general expenditure and disclosed under Note 24.

Rental deposits were reclassified from Receivables from exchange transactions to Prepayments (as well as the rating of gross trade and other receivables under Medium risk with the same amount), whilst Payables from exchange transactions with debit balances were reclassified to Receivables from exchange transactions.

Finance income as well as the finance charges in terms of the finance leases for the prior period were reclassified from Finance costs and are now included in Payments to suppliers on the face of the cash flow statement.

The effects of the reclassification are as follows:

Statement of Financial Position

Administrative expenditure	-	(31,752,102)
General expenditure	-	31,752,102

Statement of Financial Performance

Prepayments (Deposits)	-	768,556
Receivables from exchange transactions (Other receivables)	-	(828,850)
Payables from exchange transactions (Third party payables)	-	60,294

Cash Flow Statement

Finance Income	-	(256,887)
Payments to Suppliers	-	1,597,959
Employee Costs	-	(1,533,181)
Finance Costs	-	192,109

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Risk management

Financial risk management for National Revenue Fund receivable

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

Credit risk

Credit risk is the risk that the Administered Revenue may suffer a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises mainly from Administered Revenue's trade receivables. The licensees of Administered Revenue have to apply in terms of the relevant legislations in order to be authorised to conduct any activities.

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

The cash and cash equivalents are placed with high credit quality financial institutions. Trade and other receivables are presented net of the allowance for doubtful receivables.

ICASA Administered Revenue collects the majority of its revenue from the major mobile and fixed line telecommunications companies who have an excellent reputation with regard to compliance with regulatory obligations for the payment of both the annual licence and spectrum fees.

However, the Authority does face a risk in the collection of spectrum fees owed, in part due to the diverse nature of entities able to apply and utilise available spectrum. Such licensees include government departments, major telecommunications companies, broadcasting licensees, security companies, individuals, etc.

There is no significant exposure from major corporations and government departments. However, there is risk associated with the collection of revenue owed by those spectrum licensees who are not required to hold an ECNS licence as these licensees tend to be small companies with geographically diverse locations. The resources available at the Authority represent a significant risk in its ability to collect all outstanding revenues from such licensees.

The broadcasting services and postal services licensees do not pose any significant risk regarding the collection of annual or spectrum licence fees.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

32. Risk management (continued)

Exposure to credit risk

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

At March 31, 2014

Receivables from exchange transactions	1,055,715,672	1,183,709,352
The maximum exposure to credit risk for trade receivables by type of customer was as follows:	-	-
Broadcasting services	**97,404,529**	196,533,715
Frequency spectrum services	**343,329,573**	377,751,714
ECS and ECNS services	**594,473,806**	589,192,093
Postal services	**20,507,764**	20,231,830
	1,055,715,672	**1,183,709,352**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At March 31, 2014				
Payables from exchange transactions	**39,431,506**	-	-	-
Finance lease obligation	**455,452**	-	-	-
Operating leases	**20,855,522**	**21,445,644**	**31,694,923**	-
At March 31, 2013				
Payables from exchange transactions	**18,941,894**	-	-	-
Finance lease obligation	**645,775**	**484,331**	-	-
Operating leases	**4,123,184**	**2,850,317**	**2,471,057**	-

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

The entity maintains a reasonable balance between the period over which assets generate funds and the period over which the respective assets are funded.

The table above analyses the authority's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32. Risk management (continued)

Exposure to credit risk (Continued)

Credit risk

Credit risk is the risk that the Authority may suffer a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations; this arises mainly from staff receivables. Financial assets which potentially subject the Authority to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The cash and cash equivalents are placed with high-credit quality financial institutions. Trade and other receivables are presented net of the allowance for doubtful receivables. The Authority has no significant concentration of credit risk. Trade and other receivables are presented net of the allowance for doubtful receivables.

Trade and other receivables mainly originate from transactions that the Authority enters into with the employees. The main components of these receivables are bursary receivables, standing advance receivables, cellphone receivables and travel related receivables (other). The standing advance receivables are only payable when the employee leaves the employment of the Authority whether through resignation, disability, death or search of greener pastures. The bursary receivables originate when a qualifying employee of the Authority is granted a bursary to pursue studies in a particular field of study that would be useful to the Authority on completion of his/ her studies. Cellphone receivables and travel related receivables relate to the day to day activities and these are recovered on a monthly basis from the employees concerned. No significant losses have ever been suffered from staff receivables. The staff receivables are owed by many employees and they are diverse and they do not pose any major concentration of credit risk.

Financial assets exposed to credit risk at year end were as follows:

Figures in Rand	2014	2013
Financial instrument		
Receivables from exchange transactions	**1,758,158**	1,777,765
Cash and cash equivalents	**321,594,295**	155,124,500

33. Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

34. Events After The Reporting Date

A forensic investigation into Supply Chain Management processes is currently underway.
The outcome has not yet been finalised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note(s)	2014	2013

35. Fruitless and Wasteful Expenditure

Opening balance	**3,858,658**	189,292
Add: Fruitless and wasteful expenditure - current year	**2,810**	881,373
Add: Fruitless and wasteful expenditure - prior periods (identified in the current year)	**422,890**	2,789,906
Amounts condoned	**(3,952,637)**	(1,913)
	331,721	**3,858,658**

Details of fruitless and wasteful expenditure – current year

Interest paid on late payments	Interest was paid on late payments made to suppliers	**2,810**

Details of fruitless and wasteful expenditure – prior year

Procuring a UK Visa for the previous CEO for 10 years	A 10 year UK Visa was procured on June 11, 2011 for the previous CEO, who is no longer employed by the Authority.	7,681
Procurement of a generator	Purchase of a non functional generator	311,410
Procuring accommodation services without utilising the accommodation	An employee's accommodation with a foreign hotel was paid for, but the employee did not utilise the accommodation.	9,820
VAT payments were incorrectly made to a supplier that was not registered for VAT	VAT payments were made to a service provider, for leasing a building, who was not registered for VAT.	93,979
		422,890

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Note(s)	2014	2013

36. Irregular Expenditure

Opening balance	**4,153,874**	538,433
Add: Irregular Expenditure - current year	**7,023,020**	2,849,766
Add: Irregular Expenditure - prior periods (identified in the current year)	**-**	1,304,108
Less: Amounts condoned	**(4,343,506)**	(538,433)
	6,833,388	**4,153,874**

Details of irregular expenditure – current year

Procuring assessment services without requesting 3 quotations	The HR Department procured assessment services from a supplier without requesting three quotations	7,410
Caravans were procured without following procurement procedures	Caravans were procured from a supplier on August 13, 2013 by the Administration Department through a financial institution facility without following procurement procedures and without the approval of BAC.	538,980
Legal services were procured without having a contract	The Legal department procured legal services without initiating the procurement process to renew or extend the current contract before it expired.	6,286,998
Leasing a building as an emergency case	A building was leased by the Durban regional office as an emergency case for R3,766,330 for the period May 1, 2010 to April 30, 2013.	189,632
		7,023,020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

36. Irregular Expenditure (Continued)

Figures in Rand	2014	2013
Details of irregular expenditure condoned by Council after year end but before finalisation of the financial statements.		
Procurement of training services		23,906
Procurement of cleaning services		9,500
Procurement of replacement disks		7,217
Procurement of training services		815,420
Extending a cleaning contract without notifying National Treasury and the Auditor-General		397,028
Leasing a building as an urgent case		2,615,478
Services rendered after the contract had expired		62,038
Services procured without an official purchase order		108,300
Procurement of recording and transcription services		48,272
Services were procured without a valid tax clearance certificate or valid BBBEE certificate		96,900
Printing of a newspaper without declaring interest		55,000
Security services were procured without following the required procurement processes		72,447
Procurement of a mediator without following the procurement procedures		32,000
		4,343,506

The irregular expenditure identified during the current year is under investigation in terms of Section 38 and 51 of the PFMA and disciplinary steps against relevant officials will be taken where it is proven the relevant officials committed the fruitless and wasteful expenditure and/or irregular expenditure as disclosed.

Included in the Intangible assets note 9 above is Work In Progress to the amount of R1,859,697. A new company has been appointed to complete this project. The incurred expenditure is under investigation and the extent of possible irregular, fruitless and wasteful expenditure relating to the amount already incurred, cannot be established until the investigation is completed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

37. Budget Differences

Material differences between budget and actual amounts

Revenue

The allocated normal grants and conditional grants were used in ensuring the Authority delivers on its mandate as reflected in the annual report. The initial conditional grant was R52,000,000 relating to ICASA's infrastructural needs, only R1,929,365 for motor vehicles relating to monitoring activities was used. Effectively this has resulted in R50,070,635 being recognized as deferred grants for 2013/14 baseline allocation whilst R20,173,957 was realised from deferred grants of 2012/13.

Personnel

Moratorium on filling vacant positions continued from 2012/13 into 2013/14 pending restructuring of ICASA, this resulted in savings of R17,999,333 in the current year. The current staff establishment is able to fulfill the mandate of ICASA.

Depreciation and amortisation

Due to the delays at executing some of the key ring fenced projects which would have resulted in the acquisition of the capital technical assets, savings of R2,613,540 were realised.

Repairs and maintenance

Refurbishment of older technical assets have resulted in an overspending R1,194,313.

Contracted services

The extended audit services that related to the IT audit and audit of NRF conducted by the Auditor General of South Africa to avert a qualification resulted in an overspending.

General Expenses

Savings on printing and stationery, travel costs and conferences and venue bookings have contributed positively to the underspending of R9,766,860.

New lease agreement for the head office was only signed in May 2013 however reduced new rates were effected from November 2012. This has resulted in a credit note being received during 2013/14 whilst reduced new rentals were continued from April 2013, both having positively contributed to savings of R17,333,884.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to page 108 in the annual report.

ANNEXURES

ANNEXURE 1
LITIGATION MATTERS

ICASA
versus
Wireless Business Solutions (WBS), (licence fees)
Commencement date: 5 April 2013

WBS filed an urgent application, interdicting ICASA from confiscating its radio apparatus and other related equipment used for radio frequency spectrum. ICASA conducted a raid on WBS' premises in line with ICASA's programme, to clamp down on entities who utilise RF spectrum without payment of the requisite licence fees. The application was heard on 10 June 2013 at the South Gauteng High Court.

On 22 April 2014, the court ruled in favour of ICASA in that WBS did not pay the required licence fees and therefore, WBS may not engage in the operation of a network as it did not possess the radio frequency spectrum licence contemplated under section 31 of the Electronic Communications Act, 36 of 2005.

Progress to March 2014 WBS filed a notice of intention to appeal the decision of Judge Mundell, as well as a notice to extend the interim order granted by Judge Vally, to the extent that WBS can continue to operate until the finalisation of the matter, provided that WBS complies with the terms and conditions imposed under the former licences granted to WBS.

ICASA
versus
KZN Talk Radio (KZN Talk)
Commencement date: 8 December 2012

KZN Talk instituted review proceedings against ICASA's decision to award a broadcasting licence to One Gospel. The matter was heard on 4 February 2014.

Progress to March 2014: Judgment has been reserved.

ICASA
versus
Primedia Broadcasting ("Primedia")

Primedia instituted review proceedings against ICASA's decision to award test licences to Power FM.

Progress to March 2014: Awaiting the application to be heard.

ICASA
versus
Justice Alliance of South Africa/ Cause for Justice/ Doctors for Life International ("the Applicants")
Commencement date: 8 November 2013

The applicants instituted review proceedings against ICASA's decision to award a licence to On Digital Media t/a STARSAT, to broadcast three pornographic channels, namely Playboy TV, Desire TV and Private Spice.

Progress to March 2014: Awaiting the application to be heard.

ICASA / Neotel
versus
Telkom SA SOC Limited
Commencement date: 12 December 2012

Telkom SA SOC Limited filed an application to interdict and prohibit ICASA and the CCC, from implementing and giving effect to the decision of the CCC, to the extent that Neotel must be given access to Telkom's local loop.

Progress to March 2014: Awaiting the application to be heard.

ICASA
versus
Sentech SOC Limited
Commencement date: 18 November 2012

Sentech SOC Limited instituted review proceedings against ICASA to set aside ICASA's decision and findings with regard to the Broadcasting Transmission Services Discussion document, on the basis that ICASA had failed to adhere to the provisions of section 4C (6) of the ICASA Act No. 13 of 2000 (ICASA Act), and that ICASA had failed to publish the findings of the inquiry within a prescribed period of 180 days and therefore this amounted to an irregular procedure.

Progress to March 2014: Awaiting the application to be heard.

3.1.1.2 Finalised and/or closed litigation matters

ICASA
versus
Radio Pretoria
Commencement date: 23 June 2004

Radio Pretoria was broadcasting on unlicensed radio frequencies which caused interference with other radio stations. ICASA instructed Radio Pretoria to stop broadcasting on the unauthorised frequencies. Radio Pretoria filed several applications in an effort to continue broadcasting on the disputed frequencies.

Outcome: On 16 October 2013, the court ruled in favour of ICASA to the extent that Radio Pretoria is not authorised to broadcast on the disputed frequencies.

ICASA
versus
Mobile Telephone Networks (Pty) Ltd (MTN) and Vodacom (Pty) Ltd (Vodacom)
Commencement date: 13 February 2014

MTN and Vodacom filed an application to review and set aside ICASA's 2014 Call Termination Regulations on the basis that the regulations were irregular and therefore invalid.

Outcome: On 22 April 2014, the court declared that the 2014 Call Termination Regulations were invalid and unlawful, however the declaration of invalidity was suspended for a period of 6 (six) months from 1 April 2014.

ANNEXURE 2
SUMMARY OF PENDING AND FINALISED COMPLAINTS BEFORE THE CCC

Pending cases

Date of receipt	Parties involved	Nature of complaint	Status of complaint
July 2010	Phuthuma Networks versus Telkom SA Limited SOC	Network Telex provides maritime services and telegram services on behalf of Telkom. Phuthuma Networks filed a complaint that Network Telex provides the above services without the Electronic Communications Services and Electronic Communications Network Services Licences. The matter was heard on the following dates: 14, 15 July 2010, 28, 29 March 2011; 15-18 April 2013; 5-8 August 2013; 23–24 January 2014 and postponed to 5-16 May 2014.	At the time of writing this report, the Committee was in the process of drafting a recommendation to the Council of ICASA.
25 August 2010	Platitel (Pty) Ltd versus Dira Ka Thata (Pty) Ltd	On 25 August 2010, Platitel lodged a complaint to the effect that Dira Ka Thata's (DKT) traffic terminated on its network. Platitel alleged that DKT's traffic was artificially generated and was therefore unlawful. The matter was heard on 7 December 2010. The CCC issued an interim judgment and ordered, on 7 September 2011, that ICASA should appoint inspectors to carry out an investigation to establish whether indeed the traffic from DKT was artificially generated. The judgment specified, among other things, that the complainant should furnish the CCC with the information required in the interim judgment by 20 January 2012 and also provide proof to the Office of the CCC of compliance with the interim order.	The matter was postponed *sine die*.

Date of receipt	Parties involved	Nature of complaint	Status of complaint
11 August 2011	ICASA versus Screamer Telecoms (Pty) Ltd	ICASA alleged that Screamer Telecoms contravened section 31(1)(a)(b) of the ECA in that, between January 2007 to 4 May 2011, Screamer Telecoms transmitted signal by radio or used radio apparatus to receive a signal by radio without a radio frequency spectrum licence. The matter was first heard on 25 June 2012 and was postponed due to non-availability of the ICASA star witness; the matter was finally heard on 11-13 September 2013. At the hearing, it became clear that the services of an expert witness in telecommunications was required to enable the CCC to fully understand the technical aspect of this case, in order for it to arrive at a just and correct finding. In the circumstances, the matter was postponed to 11 and 12 June 2014 in order to secure the services of an expert witness.	The evidence of an expert witness will be held at hearings on 2 and 3 June 2014.
23 July 2012	ICASA versus Kenworld Marketing	Kenworld is charged by ICASA for failing to comply with section 35(1) of the ECA which provides that, "no person may use, supply, sell, offer for sale, lease or hire any type of electronic communications equipment or electronic communications facility, including radio apparatus, used or to be used in connection with the provisions of electronic communications, unless such electronic equipment facility or radio apparatus has, subject to subsection (2), been approved by the Authority."	Further information supporting the referral to the CCC was requested from ICASA.
23 July 2012	ICASA versus Fujitsu Siemens Ltd	Fujitsu is charged by ICASA for failure to comply with section 35(1) of the ECA which provides that, "no person may use, supply, sell, offer for sale or lease or hire any type of electronic communications equipment or electronic communications facility, including radio apparatus, used or to be used in connection with the provisions of electronic communications, unless such electronic equipment facility or radio apparatus has, subject to subsection (2) been approved by the Authority."	Further information supporting the referral to the CCC was requested from ICASA.

Date of receipt	Parties involved	Nature of complaint	Status of complaint
31 October 2013	MTN (Pty) Ltd versus Cell C (Pty) Ltd	MTN alleged that Cell C has contravened the Mobile Number Portability Regulations in that Cell C has inappropriately induced MTN's customers to port to it.	The hearing will be held on 23 June 2014.
17 March 2014	Buffelsfontein Gold Mines Limited versus Telkom SA Limited SOC	Consumer Affairs Division referred a complaint from Buffelsfontein Gold Mines to the CCC. The Complainant alleged incorrect billing by Telkom. The Complainant's request is that billing be halted until his complaint has been addressed. More information was requested from the Complainant to substantiate the complaint.	At the time of writing this report, the information had not been received by the CCC.
28 March 2014	Direng Investment Holdings (Pty) Ltd-Applicant and Respondent versus 21st Venture Capital (Pty) Ltd; North West FM (Pty) Ltd; SADTU Investment Holdings (Pty) Ltd; The interim trustees of the Khethani Trust; African Media Entertainment Limited	The Complainant alleged that 21st Venture Capital indicated an intention to enforce a side agreement entered into with the Black Economic Empowerment shareholders in contravention of section 64 of the ECA, which deals with limitations on foreign control of commercial broadcasting services.	The Chairperson decided to hear this matter on an urgent basis in terms of the Regulations Governing the Procedures of the Complaints and Compliance Committee. The hearing date had not been set at the time of writing this report as the parties were still exchanging pleadings.
19 June 2013	ICASA versus various non-compliant licensees	On 19 June 2013, ICASA's Licensing and Compliance Division referred complaints to the CCC against 182 licensees for failure to comply with the terms and conditions of their licences and/or provisions of the ICASA Act and underlying statutes. Twenty-seven matters were assessed and were returned to the Complainant due to incorrect charge sheets.	The remainder of the matters are waiting to be assessed by the CCC Office and the ICASA Division that escalated them. The Complainant will be informed of what action will be taken.

Date of receipt	Parties involved	Nature of complaint	Status of complaint
19 July 2014	Herman Pieterse versus MTN (Pty) Ltd	The Complainant alleged that MTN's rates applicable to international data roaming were high and were in contravention of the Code of Conduct Regulations which state that licensees must provide consumers with information regarding the broad range of services/products on offer, tariffs available to each service offered, terms and conditions, payment, etc. The hearing was held on 17 January 2014 and was postponed to 29 to 30 May 2014.	The hearing will be held on 29-30 May 2014.

Finalised and published cases

Date of receipt	Parties involved	Nature of complaint	Status of complaint
23 July 2012	ICASA versus Epsidon Technology Distribution	Epsidon Technology was charged with failure to comply with section 35(1) of the ECA which provides that, "no person may use, supply, sell, offer for sale or lease or hire any type of electronic communications equipment or electronic communications facility, including radio apparatus, used or to be used in connection with the provisions of electronic communications, unless such electronic equipment facility or radio apparatus has, subject to subsection (2) been approved by the Authority." The matter was heard on 3 May 2013 and the Authority ratified the recommendation of the CCC, warning the licensee to desist from non-compliance.	This matter has been finalised.
23 July 2012	ICASA versus Lexmark International	Lexmark International was charged with failing to comply with section 35(1) of the ECA which provides that, "no person may use, supply, sell, offer for sale or lease or hire any type of electronic communications equipment or electronic communications facility, including radio apparatus, used or to be used in connection with the provisions of electronic communications, unless such electronic equipment facility or radio apparatus has, subject to subsection (2) has been approved by the Authority." CCC's finding was that Lexmark had not violated the ECA and this was ratified by Council.	This matter has been finalised and closed.

Date of receipt	Parties involved	Nature of complaint	Status of complaint
23 July 2014	ICASA versus Verimark (Pty) Ltd	Verimark was charged with failing to comply with section 35(1) of the ECA which provides that, "no person may use, supply, sell, offer for sale or lease or hire any type of electronic communications equipment or electronic communications facility, including radio apparatus, used or to be used in connection with the provisions of electronic communications, unless such electronic equipment facility or radio apparatus has, subject to subsection (2) has been approved by the Authority." The matter was heard on 6 May 2013 and the CCC recommended a fine of R50 000 of which R40 000 was suspended for two years. The Council ratified this recommendation.	This matter is now finalised.
2 October 2011	South African Jewish Board of Deputies versus Islamic Unity Convention broadcasting as Radio 786	The dispute relates to a broadcast aired by Radio 786 on 8 May 1998, which allegedly violated clause 2(a) of the Code of Conduct for Broadcasting Services by transmitting a broadcast which allegedly constituted unprotected speech. The speech allegedly amounted to Holocaust denial, revisionism and incitement of hatred. This, according to the Complainant, constituted advocacy of hatred that was based on race, ethnicity or religion and was an incitement to cause harm. The matter went to different High Courts and eventually landed in the Constitutional Court. The Western Cape High Court referred the matter back to the CCC to adjudicate it. The CCC hearings were held in Cape Town on 10-14 December 2012 and were postponed to 31 March to 11 April 2014. The parties finally settled on 2 April 2014.	This matter has been settled and is now closed.

ANNEXURE 3
ECS/ECNS COMPLIANCE ASSESSMENTS

Compliance reports

A total of 41 compliance reports were compiled in relation to the following ECS and ECNS licensees:

- Altech Technology Concepts
- AT & T South Africa
- Border Internet
- Breedenet
- Broadband Infraco
- Cell C
- Clear Access
- Connect First
- Cybersmart (Pty) Ltd
- Dark Fibre Africa
- Desmond Bayley Ramsay
- eNetworks
- Exotic System
- Fleetcall
- Foneworx
- Gateway Communications (Pty) Ltd
- Internet Solutions
- I-Space
- Jireh Technologies (Pty) Ltd
- Metacom (Pty) Ltd
- Mitsol (Pty) Ltd
- MTN (Pty) Ltd
- Multisource Telecoms (Pty) Ltd
- MWEB
- Mzanzi Letsatsi Media
- Nashua Mobile (Pty) Ltd
- Neotel (Pty) Ltd
- Orange Business Service
- Reunert
- Seacom
- Sentech
- Skygistics (Pty) Ltd
- Songimali Communications
- Swifnet (Pty) Ltd
- Telemedia
- Telestream
- Telkom SA
- Velocity Communications (Pty) Ltd
- Vodacom (Pty) Ltd
- Vox Telecoms
- Web Africa Networks

Notifications

The following 29 notifications were processed:

- Integrat (Pty) Ltd;
- Connection Telecom (Pty) Ltd;
- Alazon Connexion (Pty) Ltd;
- Alexandre Miller t/a Imaginet;
- Singa-Tel (Pty) Ltd;
- Breedenet cc;
- ICT Globe Managements (Pty) Ltd;
- Dream Cellular Company (Pty) Ltd;
- East Coast Access (Pty) Ltd;
- First Technology (Pty) Ltd;
- ICTel (Pty) Ltd;
- Jazz Spirit 1354 t/a Virtual Prepaid Network;
- Megarserve Internet Solutions;
- Metro Fibre Networks (Pty) Ltd;
- Skyrove (Pty) Ltd;
- Urban Brew Studios (Pty) Ltd;
- Amatole Telecommunications Services (Pty) Ltd;
- Reflex Solutions (Pty) Ltd;
- David Kenny Consulting (Pty) Ltd;
- Rosewill Trading (Pty) Ltd;
- Altivex 705;
- Dark fibre Africa;
- Airband High;
- Simvada cc;
- The Web Data & Services
- Etribix;
- Abilia Trading;
- LPD Consulting; and
- Next Generation Network Telecommunication

Extensions

The following 14 licence extensions were processed:

- Birchman South Africa;
- Legadima Communications;
- Cometel Communications;
- Acce African Telecoms;
- Dotcom Trading 11;
- Digital Broadband International Holdings;
- Telematix Communications;
- Genband Black Connect;
- E-Five Telecommunication;
- Talkwith US;
- Epilite 102;
- Fibreco Telecommunications;
- Free Space Optics international; and
- Silver 8 Communications

ANNEXURE 4
BROADCASTING COMPLIANCE

Compliance reports

The Authority has produced the following 48 compliance reports:

- Vaal FM;
- Radio Zibonele;
- UJ FM;
- Kurara FM;
- Alex FM;
- Radio Helderberg;
- Maputaland FM;
- Aganang FM;
- Moletsi FM;
- Radio Qwa-Qwa;
- Rainbow FM;
- Vaaltar FM;
- Mafikeng FM;
- Radio Alpha;
- Star FM;
- Radio Riverside;
- Letlhabile FM;
- Mams FM;
- Witbank FM;
- Radio Khwezi;
- Umgungundlovu FM;
- Radio SunnySouth;
- Link FM;
- Barberton FM;
- Kingfisher FM;
- TUT FM;
- Chai FM;
- Mosupatsela FM;
- Radio Today;
- Univen FM;
- Tshwane FM;
- Kathorus FM;
- Impact Radio;
- SAFM;
- Ligwalagwala FM;
- Good Hope FM;
- Motsweding FM;
- Ukhozi FM;
- Metro FM;
- Algoa FM;
- Talk Radio;
- 94.5 KFM;
- Highveld Stereo;
- Capricorn FM;
- YFM;
- OFM;
- Multichoice; and
- North West FM.

Notifications

The Authority has noted 24 notifications pertaining to changes in shareholders, contact details and approved 3 requests for extension of commencement of operations:

- Smile FM;
- Youth Empowerment Network;
- M-Power FM;
- Power FM;
- Jacaranda;
- One Gospel KNI;
- Talk Radio 702;
- 94.7 Highveld Stereo;
- 567 Cape Talk;
- 95.4 KFM;
- Eldos FM;
- Divine Touch;
- Mashishing Community;
- Radio 786;
- Kaya FM;
- One Gospel -KNI (Pty) Ltd;
- Mix FM;
- Moletsi Community Radio;
- Siyalemoya (OFM);
- Jozi FM;
- Radio Al Ansaar;
- Cape Pulpit;
- Kowie FM; and
- Kosmos FM.

The Authority has rejected a notification from North West FM.

Extensions

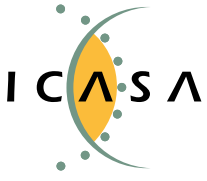
The Authority has processed the following extensions for commencement of operations:

- WowTV;
- Super 5 Media; and
- Divine Touch Radio.

ANNEXURE 4

ICASA WELLNESS DAY

ICASA WELLNESS DAY



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