



# **2009/10**

# **Annual Report Presentation**

## **to**

# **Portfolio Committee on**

# **Communications**

**09 November 2010**

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**Dr Stephen Mncube – Chairperson**  
**Mr Themba Dlamini – CEO**  
**Ms Montseng Mopeli – Former Acting CEO**



# AGENDA



## **1. Introduction**

- **ICASA Vision & Mission**
- **Strategic Intent & Objectives**

## **2. High Level – Non-financial performance**

- **Mid-term Strategic Objectives Achievements**

## **3. 2009-2010 Annual Report**

- **Programme Performance Achievements**
- **2009-2010 Financial Information**
- **Issues raised by the Auditor-General**

## **4. 2010-2011 Performance Progress to Half Year**

- **Programme Performance Achievements**
- **2010-2011 Financial Information**

## **5. Finance Performance**

## **6. Going Forward**

- **MTEF**
- **Alignment of ICASA's objectives with government objectives**
- **ICASA Future Performance**
- **Making better use of Technology**

**Closing**



# VISION & MISSION



## ● Vision

To be a credible and effective regulator in the transformation of South Africa into an information and knowledge based society.

## ● Mission

To create a competitive environment for delivering a wide range of high quality communication services at affordable prices in order to contribute to the economic growth and social development of South Africa.



# STRATEGIC INTENT



- Regulate the communications sector in the public interest
- Position the communications sector as a sector of choice for local and international investors
- Achieve universal service and access for disadvantaged individuals and communities
- Facilitate affordability of a wide range of quality services for consumers
- Establish and maintain regional, continental and international partnerships in the regulation of the ICT sector
- Ensure regulatory certainty



# 2009-2010 Business Plan Objectives

- Liberalise and promote competition in the ICT sector
- Monitor, adjudicate and enforce compliance with regulations and the law
- Fulfill mandate and deliver services effectively and efficiently
- Align structure, leadership and culture with strategy
- Enhance business processes and intelligence, governance and reporting



# Strategic Objectives



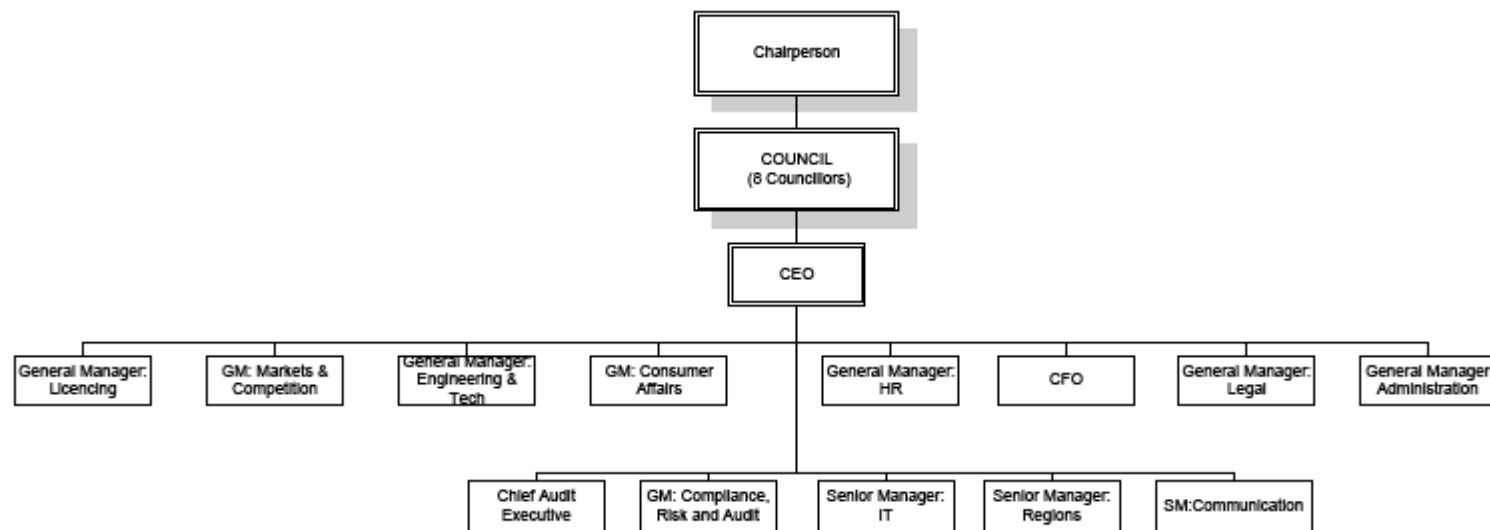
- Liberalisation of the ICT Sector
- Ensure regulatory certainty
- Promote effective competition
- Deliver services effectively and efficiently
- Align structure, leadership and culture with strategy
- Enhance business processes and intelligence, governance & reporting
- Management of scarce resources
- Monitor and enforce compliance with regulations and the law
- Facilitate universal access and service



# ORGANOGRAM

ICASA ORGANOGRAM 2010

## Council & Executive Structure





# DEMOGRAPHICS per Level 2009-2010

Headcount Stats	Population Group 2009-2010								Total Female	Total Male	Grand Total
	African		Asian		Coloured		White				
	F	M	F	M	F	M	F	M			
Council	3	4	0	0	0	0	0	2	3	6	9
Executive Management	2	8	0	0	0	1	0	0	2	8	10
Senior Management	8	7	0	2	1	1	0	1	9	11	20
Managers	12	20	0	1	0	2	2	3	14	26	40
Total Management	25	39	0	3	1	4	2	6	28	51	79
General Staff	119	81	6	6	10	9	14	34	149	130	279
Total Staff	144	120	6	9	11	13	16	40	177	181	358
Percentages	55.0%	45.5%	40.0%	60.0%	45.8%	54.2%	28.6%	71.4%	49.4%	50.6%	100%
People with Disabilities	1	1	0	0	0	0	1	3	2	4	1.67%





# DEMOGRAPHICS per Level current

	Female	Male	African	Coloured	Indian	White	Total
Council (F)	2	4	5			1	6
Executive Management (E)	2	7	8	1		0	9
Senior Managers (D4)	9	11	15	2	2	1	20
Managers (D1)	13	25	31	2	1	4	38
Total Management	26	47	59	5	3	6	73
Staff	155	135	211	19	12	48	290
Total Employees	181	182	270	24	15	54	363
% Per Gender & Race	49.86%	50.14%	74.38%	6.61%	4.13%	14.88%	
People with Disabilities	1	2	1	0	0	2	3



# Non Financial Performance

## 2. High Level – Non-financial performance

- Mid-term Strategic Objectives Achievements



# Non Financial Performance



## ● Liberalise the sector and enhance competition

The Authority Issued the following licences:

- 5 Individual Electronic Communications Network Service (ECNS)
- 58 Class Electronic Communications Service (ECS)
- 55 Class ECNS, 27 Class Sound Broadcasting Service (BS) and 2 community TV licences
- 432 aeronautical applications
- 114 amateur applications
- 128 maritime applications
- 202 radio dealer certificates, amongst others



# Non Financial Performance cont.

## ● **Promote sustainable competition**

- Developed guidelines for conducting market reviews i.t.o. Chapter 10 of the EC Act
- Published market studies reports and a framework for wholesale call termination regulation
- Published the Call Termination Regulations

## ● **Enhancing competition within the postal sector**

- Issued an additional 21 Courier services licences
- Reviewed the price cap applicable to Telkom and tariffs applicable to SAPO



# Non Financial Performance cont.

## ● Encouraging competition

- Non-discriminatory allocation of numbers
- Published the draft revised numbering plan regulations
- Finalised interconnection regulations

## ● Local loop unbundling framework

- Finalising the local loop unbundling framework

## ● Broadcasting Services

- Published regulations (see slide 23 - 25)
- Published the codes which regulate transactions between broadcasters and independent producers



# Non Financial Performance cont.

## ● Strengthen regulation (monitoring and compliance)

The Authority conducted:

- 84 monitoring visits in the postal sector;
  - 36 ECS/ECNS visits;
  - 86 BS visits across the country; and
  - completed 1704 compliance reports at regional level.
- Developed a draft compliance procedure manual
  - Drafted elections report on the national and provincial government elections
  - Approved a framework to facilitate regulatory impact analysis to allow for evidence based regulation



# Non Financial Performance cont.

## **Strengthen regulation (monitoring and compliance) continued**

- Proposed detailed amendments to the ECA, Independent Communications Authority of South Africa (ICASA) Act, South African Post Office Bill, South African Post Bank Bill and the Public Service Broadcasting Bill



# Non Financial Performance cont.

## **Enable effective management of spectrum and technology**

- Published spectrum fees regulations and spectrum auditing processes
- Published the national radio frequency plan and broadcasting frequency plan
- Participated in ITU-R study groups and SABS technical committees and have secured knowledge sharing partnerships with various universities





# Non Financial Performance cont.

## ● Consumer Affairs

- Resolved 62% of the complaints
- Conducted 496 workshops nationwide
- Finalised:
  - End-user and subscriber service charter regulations
  - Conveyance of mail regulations
  - Commissioned two research projects central to the Authority's understanding of the impact of our regulations i.e.
    - access of services for people with disabilities
    - consumer experience and perception of accessibility, availability and reliability of services



# **2009-2010 Annual Report**

## **3. 2009-2010 Annual Report**

- **Programme Performance Achievements**
- **2009-2010 Financial Information**
- **Issues raised by the Auditor-General**



# LICENSING



Predefined Objective	Target	Achievement
<b>Liberalization of Sector, Access to Basic Services and Economic Growth</b>	Registration of class licences and courier services : 50 ECS & ECNS 25 Community BS 30 Courier services	Registered : 113 ECS & ECNS 30 Community BS 21 Courier Services
<b>To ensure universal access and service</b>	Consider and decide on lodged individual licence transfer and / or amendment applications: 5 ECS & ECNS 19 BS	Granted: 14 ECS & ECNS licence transfer applications. 1 ECS & 1 ECNS licence amendment applications. 9 BS licence amendment applications. Refused 8 BS licence amendment applications.
<b>Liberalization of Sector, Access to Basic Services and Economic Growth</b>	Publish the revised Standard Terms and Conditions regulations; and Processes and Procedures regulations	Regulations published
	Grant and issue four 4 Individual ECNS licences for self-provisioning to successful applicants	3 licensees issued to successful applicants. 2 applicants were requested to furnish the Authority with additional information.
	Grant and issue 1 ECS & ECNS 1 licences to a public entity	1 ECNS licence issued to Broadband Infraco. 1 ECS licence refused
	Allocation of 24 channels to the SABC, M-Net, e.tv and TBN	The Digital Terrestrial Television regulations were published on 15 February 2010. Awaiting SABC, M-Net, e.tv and TBN to submit amendment applications as per the DTT regulations.
	Grant and issue 3 commercial sound broadcasting service licences in primary markets	41 applications were received. Granted requests for confidentiality and condonation. Project timelines extended to consider procedural issues and accommodate industry requests for submission of comments
	Grant and issue 2 spectrum licences for Mobile Broadcasting Services	The regulations and the Invitation To Apply have been finalised and published. The project could not be achieved due to Court reviews by interested parties.



# COMPLIANCE



Predefined Objective	Target	Achievement
<b>Strengthen regulation</b>	48 Monitoring visits to SAPO postal outlets in all nine provinces and production of Compliance Report.	The Division was able to verify all SAPO's new infrastructure as recorded in their 1st and 2nd quarter reports,
	36 Monitoring visits to courier companies in all nine provinces and production of Compliance Report.	Since the framework for unreserved postal services was being finalised, monitoring was deferred to the 2010/11 financial year. An audit of unreserved postal services in respect of the undertakings made in terms of Section 22 of the Postal Services Amendment Act was done and a report was compiled.
	36 Monitoring visits to ECN/S licensees in all nine provinces and production of Compliance Report.	The Authority only issued new licences on 16 January 2009, thus monitoring could not commence in the 2009/10 financial year. An audit was conducted on compliance by ECS and ECNS licensees with the obligation to provide services within the prescribed periods (12 months for ECNS and 6 months for ECS) from the date of issue of the licence. In total, 413 letters were sent out (both class and individual ECS & ECNS) and only 190 licensees have responded.
	48 Monitoring visits to Broadcast licensees in all nine provinces and production of Compliance Report.	86 monitoring visits were conducted for the 2009/2010 financial year. 85 Post Visits reports have been compiled.
	Monitoring of National and Provincial Government Elections and production of Compliance Report.	Monitoring was finalised on 31 May 2009. Consultants submitted their final analysis of all captured data on 20 August 2009. Elections report compiled.
	Monitoring of Local Government Elections and production of Compliance Report.	Project was deferred to 2010/11 financial year, as Local Government Elections are expected to be conducted in 2011.
	Publication of Regulations on the Compliance Procedure Manual.	Draft regulations were published on 19 March 2010.
	Development and publication of USAO's policy framework.	Service provider submitted Research Report. Discussion document for public comments was compiled.
	Develop USAO's regulations.	Project forms part of the second phase of the Review of Universal Service and Access Obligations Framework. Project was deferred to 2010/2011 financial year.



# ENGINEERING & TECHNOLOGY

Predefined Objective	Target	Achievement
<b>Readiness for 2010 FIFA World Cup South Africa.</b>	High level plan for monitoring and interference	A high level plan was produced; Spectrum monitoring was conducted in all venues; spectrum and equipment authorisation completed; In addition QoS measurements were done for GSM coverage.
<b>Initiate and establish a research collaboration program with institutes of higher learning to assist in forecasting on technological development and spectrum issues.</b>	Develop research themes and engage with institutes of higher learning	Research themes were developed and engagements with higher learning institutes occurred. Two Universities submitted proposal sfor evaluation.
<b>Meaningful participation in technical forums as part of national and international standardization processes.</b>	Contribution of technical information to SABS and ITU working groups.	Participated in SABS and ITU working groups. Specific contribution on short range devices was made in ITU-R working party.



# ENGINEERING & TECHNOLOGY

Predefined Objective	Target	Achievement
<b>Development and implementation of a new and progressive spectrum fees framework taking into account economic value of spectrum and ensuring efficient use of spectrum.</b>	The new framework should be in place and regulations completed.	The new framework was approved by Council and the regulations were completed.
<b>The review of the national radio frequency plan taking into account regional harmonization and the results of WRC-07 and other WRCs.</b>	Completion of the plan and submission for Minister's approval.	The National Radio Frequency Plan was completed and submitted for approval by the Minister on November 2009.
<b>Development of the Broadcasting frequency plan in support of digital migration.</b>	Publication of the plan.	The plan was published on November 2009.
<b>Development of a preliminary frequency migration plan to form part of the national radio frequency plan.</b>	Preliminary plan for frequency migration.	Not achieved
<b>Review of equipment type approval framework to align with international trends and streamline processes.</b>	New type approval framework and regulations.	Not achieved
<b>Development of radio frequency spectrum related regulations and procedures.</b>	Draft regulations.	Draft regulations completed and ready for publication.



# ENGINEERING & TECHNOLOGY

Predefined Objective	Target	Achievement
<b>Spectrum audit for specific priority spectrum bands to ascertain spectrum utilisation.</b>	To complete audit of 450 – 470 MHz band.	450 – 470 MHz band was completed. In addition spectrum audit was done on 790 – 862 MHz band identified for digital dividends.
<b>Development of GSM and CDMA measurement capability and conduct measurements for QoS.</b>	Equipment acquired; training for employees and trial measurements	Required equipment licenses obtained; employees were trained; and trials were done in Gauteng with 1000 calls per network.
<b>Development of wireless network for spectrum monitoring</b>	GSM based monitoring network commissioned.	The network was commissioned





# MARKETS & COMPETITION

Predefined Objective	Target	Achievement
<b>Guidelines setting out the procedures and processes that the Authority will adopt</b>	Workshop, Report, Public Notice	Published Guidelines, Processes and Procedures for Chapter 10 of the ECA, with a public briefing session. This document provides regulatory certainty on the process the Authority will follow for implementing pro-competitive terms and conditions where necessary
<b>Market studies reports for identified relevant markets (Call Termination)</b>	Discussion document on market definition, SMP and effectiveness of competition	Discussion document, including draft regulations, released on 16 April 2010. This document provided the basis for the completion of the call termination regulations which were released on the 29 <sup>th</sup> of October 2010
<b>Framework Interconnection and Facilities Leasing Regulations.</b>	Regulations	Published draft Interconnection and Facilities Leasing Regulations; final regulations published in Q1 of 2010/2011. These regulations enforce the obligation to interconnect/lease facilities, which is crucial for facilitating interoperable networks and greater competition.
<b>Effective assessment of interconnection and electronic communication facilities leasing agreements</b>	Ensure effective assessment of interconnection agreements	Processed 41 Interconnection agreements and 66 Facilities Leasing Agreements
<b>Promote sustainable, stable, dynamic and innovative competition in the ICT sector (Telkom Tariff Review)</b>	Review Telkom Tariffs within 15 day timeline	Analysed and approved Telkom's 2009/10 tariff review within stipulated 15 day time period. Meeting the timelines ensures continued regulatory certainty
<b>Promote sustainable, stable, dynamic and innovative competition in the ICT sector (SAPO Stamp tariff review)</b>	Reviewed within stipulated 2 month review period	Analysed SAPO's 2009/10 tariff review within stipulated timeframe. Meeting the timelines ensures continued regulatory certainty
<b>Promote sustainable, stable, dynamic and innovative competition in the ICT sector</b>	Review number requests within 28 calendar days	Analysed and processed 72 ad-hoc tariff lodgements. Meeting the timelines ensures continued regulatory certainty
<b>Allocation of numbers to licensees</b>	Effective review of applications for numbers	Processed 335 numbering applications. Meeting the timelines ensures continued regulatory certainty





# MARKETS & COMPETITION

Predefined Objective	Target	Achievement
<b>Develop Codes of Practice/Guidelines on Commissioning of Independently Produced South African content</b>	Publish Regulations	Final Position Paper and Regulations published. These regulations provide regulatory certainty to the relationship between the broadcaster and independent producers.
<b>Review of the Code of Conduct for Broadcasting Service Licensees</b>	Publish Regulations	Final Regulations published. These regulations ensures that broadcasting content is not harmful to society and ensures fair coverage of news current affairs.
<b>Review of Current Regulations on Sports Broadcasting Rights</b>	Publish Regulations	Final Findings Document and Regulations published. These regulations ensures that “national interest” sporting interests are available to society through free-to-air broadcasting services
<b>Develop Regulations for Digital Terrestrial Television Broadcasting</b>	Publish Regulations	<p>Final Position Paper and Regulations published.</p> <p>These regulations will ensure greater spectrum availability for a greater range of services as broadcasters move from the analogue to the digital broadcasting platform.</p> <p>The implementation of these regulations depends on clarifying the standard for digital broadcasting.</p>
<b>Develop and Publish new Regulatory Framework for VOD and IPTV</b>	Framework Document	This project was delayed and only finalized in August 2010. The impact is to clarify the licensing requirement for IPTV and VOD services therefore ensuring investor certainty
<b>Develop a framework for Regulatory Impact Assessment</b>	Report	This is an internal report that ICASA now uses to evaluate the impact of proposed regulations on the ICT sector to ensure public benefit.
<b>Review the current regulations on ownership and control of commercial services &amp; limitations on broadcasting services</b>	Recommendations to the Minister of Communications	
<b>Study into the regulatory models of addressing &amp; allocating the Digital Dividend</b>	Regulatory framework	ICASA has submitted its proposed recommendations to the DoC on how best to allocate spectrum under the “Digital Dividend”



# CONSUMER AFFAIRS



Predefined Objective	Target	Achievement
<b>To receive and manage the resolution of complaints</b>	Resolve 60% of complaints	Received and handled 3390 consumer complaints
		Resolved 2101 consumer complaints, 82% of complaints resolved.
	Produce and distribute 30,000 copies of Complaints Manual	Printed and distributed 30,000 copies of Complaints Manuals.
<b>To monitor compliance with consumer protection regulations</b>	4 Compliance reports	Monitored the Quality of Service provided by Operators in 9 provinces
<b>To provide public education and awareness</b>	9 National campaigns	Conducted 5 National Campaigns to enhance public education and awareness
<b>To establish, launch and monitor Consumer Representative Forums</b>	6 Consumer representative Forums	Established Consumer Representative Forums to assist in collating information on consumer related issues and forward to the Authority for intervention
<b>To create Regulatory Certainty</b>	3 Regulations	Provided support to the development of Conveyance of Mail Regulations that was published
		Provided support to the development of E-Rate Regulations
<b>To establish and maintain partnership with organisations that promote people with disabilities</b>	9 Reports on meetings held	Established partnership with Associations for People with Disabilities to assess compliance with regulations on the Code on People with Disabilities



# LEGAL & CCC



Predefined Objective	Target	Achievement
Ensure that ICASA discharges its mandate within the law	Reduced litigation and/ or favourable court judgments	22 litigation matters: 10 finalised Recommendations on possible amendment to the underlying statutes finalised and submitted 63 reasons for decisions and/ regulations drafted/ vetted 31 legal opinions provided
Adjudicate disputes and complaints from licensees and consumers	Timeous resolution of complaints	Complaints and Compliance Committee adjudicated 5 complaints against licensees



# 2009-2010 Financial Performance

## MAIN ACCOUNT

	31 March 2010 R Actual	31 March 2009 R Restated
<b>REVENUE</b>		
Revenue from non-exchange transactions	269 607 000	247 272 000
Other income from non-exchange transactions	598 869	729 242
Other income from exchange transactions	10 539 850	12 163 838
	<u>280 745 719</u>	<u>260 165 080</u>
<b>EXPENDITURE</b>	(279 217 253)	(255 243 987)
Administrative expenses	(36 255 923)	(37 208 010)
Staff costs	(159 040 381)	(133 316 499)
Audit fees	(1 602 727)	(2 153 768)
Other operating expenses	(85 633 622)	(70 869 321)
Depreciation	3 227 480	(10 598 221)
Amortisation	87 920	(1 098 168)
<b>SURPLUS FROM OPERATIONS</b>	<u>1 528 466</u>	<u>4 921 093</u>
Finance income	4 688 307	7 260 940
Finance costs	(5 834)	(81 204)
Total finance Income	4 682 473	7 179 736
<b>SURPLUS FOR THE YEAR</b>	<u>6 210 939</u>	<u>12 100 829</u>



# 2009–2010 Consolidated Financial Position

## ASSETS

### Non-current assets

Property, plant and equipment  
Intangible assets

103 897 717

79 055 694

98 256 577

76 279 277

5 641 140

2 776 417

### Current assets

Trade and other receivables  
Prepayments  
National Revenue Fund – Administered Assets  
  
Cash and cash equivalents

583 413 954

644 240 099

1 456 833

1 789 813

4 531 485

8 083 228

496 281 284

555 834 637

81 144 352

78 532 421

### TOTAL ASSETS

687 311 671

723 295 793

## LIABILITIES

### Current liabilities

Trade and other payables  
National Revenue Fund payables  
Current portion of operating lease liability

554 669 937

596 842 345

32 681 071

17 645 535

521 966 213

572 653 145

22 653

6 369 988

-

173 677

Current portion of finance lease obligations

### Non-current liabilities

Non-current portion of operating lease liability

-

22 653

-

22 653

### TOTAL LIABILITIES

554 669 937

596 864 998

## FUNDS

### ACCUMULATED RESERVES

Accumulated surplus

132 641 734

126 430 795

132 641 734

126 430 795

### TOTAL FUNDS AND LIABILITIES

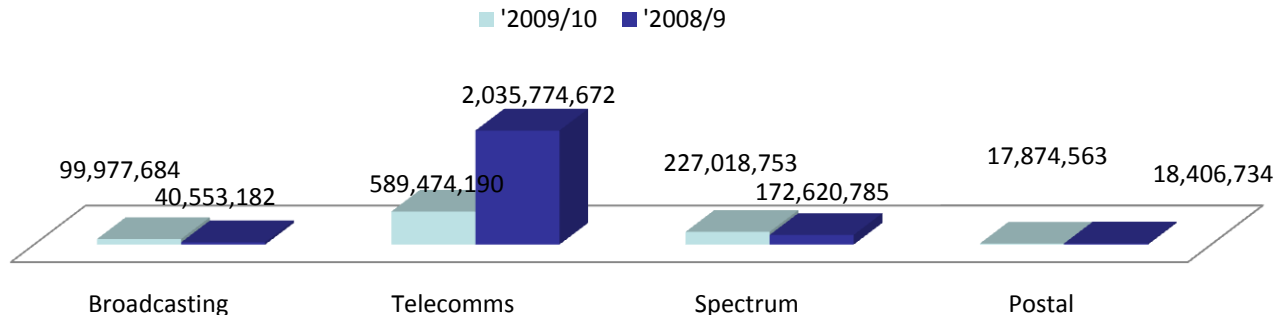
687 311 671

723 295 793



# NRF FINANCIAL PERFORMANCE 31 MARCH 2010

## NRF Revenue



### ● Broadcasting

- The broadcasting revenue increased because of the change in licence fee regulations. The broadcasters were paying 1% of gross profit which was arrived at after deducting 20% from regulating revenue. In the new licence fee regime, the licenses are 1.5% of gross profit which is arrived at after deducting direct cost.

### ● Telecoms

- The revenue reduced drastically because of the change in license fees. Previously the revenue was 1%- 5% of net operating income and it has now been changed to 1.5% of gross profit.

### ● Frequency

- The revenue increased because of new entrants who can now develop their own network.

### ● Postal Service

- There was minimal decrease in regulated postal service income.



# Auditor-General



- Qualified Audit Report
- Emphasis of Matter
- Recommendations of Auditor-General
- Implementation of AG recommendations



# Qualified Opinion

## Accruals



### Audit Finding

There was no system of control over the recording of outstanding invoices at year-end.

### Background

- Accruals are raised for all open orders when we receive invoices.
- This is done through the JDE system
- Accruals are raised on a monthly basis





# Qualified Opinion

## Accruals



### Problem Area

- Some divisions do not inform finance about the services that they have undertaken or about the invoices that might be at their disposal.

### Action Taken

- Suppliers with open orders are requested to provide invoices in terms of SLA by SCM.
- Suppliers are informed to submit all the invoices to Supply Chain Management when the offer letter is sent to them.



# Qualified Opinion

## Accruals



### Long Term Action

- Work flow system will be implemented in order to track the flow of all documents in the supply chain process and to enable every affected person to see the status of each and every order.

### Plan for work flow

- The presentations of different work flow systems was done in the first and second weeks of October 2010
- IT and Finance will complete the drafting of the specifications by 22 October 2010
- The tender will be advertised by 5 November 2010
- Configuration will start on 9 December 2010
- The system will be completed by 5 March 2011



# Qualified Opinion

## Opening Accounts Receivable and Accounts Balances

**Audit Finding:** Included in the opening accounts receivable and accounts payable balances as disclosed in note 12 and note 15 to the financial statements, are Spectrum license debtors and a corresponding NRF payable of ***R24 450 119***. I was unable to obtain sufficient appropriate audit evidence and perform alternative audit procedure that I considered necessary to satisfy myself as to the existence and valuation of the opening Spectrum accounts balance and the resulting NRF payables



# Qualified Opinion

## Opening Accounts Receivable and Accounts Balances

### Background

- This was part of the qualification of the NRF in the previous financial year.
- In order to address this qualification the project of transferring spectrum debtors to the JDE system was initiated.
- The project was responsible for the transfer of data from spectrum system to the JDE system as well as the development of contract management in the JDE system.
- Transfer of data was planned for the 2009/10 financial year and the implementation of contract management in the JDE system was planned for the 2010/11 financial year.



# Qualified Opinion



## Short term deliverables

- The transfer of the spectrum debtors records to the JDE system was completed on 20 July 2010.
- This had been planned to be completed before the end of the 2009/10 financial year.
- The delay was mainly due to the recommendations of the IT Review Committee that indicated that the implementation of the ERP system should be complemented first before any work of this nature could be carried out. Their major concern was that money could be wasted if configuration were to be carried out on the JDE system and in a short period of time a completely new ERP system is implemented.
- We worked around the clock to ensure that this project was completed on time in order to meet our reporting deadlines.
- The auditors did not get adequate time to audit the opening balance because data transfer process from the spectrum system to the JDE system was finalised right towards the end of July 2010.
- The Auditors were satisfied with closing balance. Moving forward the spectrum system won't be an issue because the closing balance was unqualified.



# Qualified Opinion



## Causes of delay in completing the project on time

- The volume of data was much higher than anticipated.
- Our server could not handle the volume data and the system crashed several times.
- The spectrum database had to be cleaned up in order to ensure that all the reporting requirements were met.
- The spectrum system is more than 25 years old and it is difficult to get someone to support the system and pull out all the necessary reports.



# Qualified Opinion



## Long-term deliverables

- Phase two of contract management project will be completed by 12 November 2010.
- What will be left thereafter will be the integration, testing and transfer of new customers data to JDE system.



# Qualified Opinion

## Commitments

### Audit Finding

- There was no contract management system in place for the identification and recognition of contracts and there were no satisfactorily alternative audit procedures that I could perform to obtain reasonable assurance that all commitments were properly recorded.





# Qualified Opinion



## Background

- SCM keeps the register of bids on excel
- The excel is updated manually when payments are made

## Problem Area:

- This register was not updated
- The divisions do not inform SCM on the services or projects that are in progress hence this register is not updated on time



# Qualified Opinion



## Action taken

- SCM and accounts payable update the register on monthly basis together.
- This register is being reviewed by SCM Manager and Manager: Management Accounts on monthly basis.

## Long-term action

- Contract management that is currently being developed for accounts receivable will be extended to SCM.
- Customisation of contract management will be completed on 5 March 2010.



# History of Audit Opinions

Financial Year	Main Account	NRF	Consolidated
2006/7	Unqualified	Unqualified	
2007/8	Unqualified	Unqualified	
2008/9	Unqualified	Qualified	
2009/10			Qualified

- Initially the Auditor-General wanted separate financial statements to be prepared for the Main Account and the NRF. The financial statements for the 2006/7 financial year, the 2007/8 financial year and the 2008/9 financial years were prepared in this manner.
- Towards the end of the 2008/9 financial year, the Auditor-General received a technical opinion that indicated that ICASA should report on a consolidated basis. Due to time constraints, it was agreed that ICASA would report on a consolidated basis from the 2009/10 financial year onwards. The 2009/10 financial statements were prepared on a consolidated basis.



# Emphasis of Matter



The Auditor-General highlighted the following issues:

## Irregular Expenditure

- As disclosed in disclosure note 10 to the financial statements, irregular expenditure to the amount of R271 033 (2009: R425 651) was incurred because proper procurement procedures were not followed.



# Emphasis of Matter



## Background

- There were instances where goods and services were sourced without following the supply chain policies and procedures.

## Action taken:

- SCM has trained the divisions on procurement processes.
- The policy on irregular, fruitless and wasteful expenditure has been developed.
- SCM policy has been updated to close the policy gaps that resulted in unnecessary irregular expenditure.
- Action will be taken against perpetrators.



# Emphasis of Matter

## Fruitless Expenditure

As disclosed in disclosure note 10 to the financial statements, fruitless and wasteful expenditure to the amount of R2 487 (2009: R39 570) was incurred due to several instances where expenditure was made in vain.

### Background

- Some invoices are submitted late for payment and the suppliers concerned charged interest/penalties on the outstanding invoices.



# Emphasis of Matter



## Action taken:

- The unreasonable payment terms were renegotiated with the suppliers concerned.
- SCM has trained the divisions on procurement processes.
- The policy on irregular, fruitless and wasteful expenditure has been developed.
- SCM policy has been updated to close the policy gaps that resulted in unnecessary irregular expenditure.



# Emphasis of Matter

## Restatement of Corresponding Figures

As disclosed in note 3 and 4 to the financial statements, the corresponding figures for the year ended 31 March 2009 have been restated as a result of errors discovered during the year ended 31 March 2010 in the financial statements of ICASA at, and for the year ended, 31 March 2009.

### Background

#### Start up fund

- The start-up fund was created in or around 2002 when SATRA and IBA were merged. This amount has always been reported as part of the reserves.





# Restatement of Corresponding Figures

## Deferred Income

- Previously, a GAAP statement on Government Grants was used. All the amounts spent on CAPEX were deferred over the periods of use of the assets.

## Fair Value of Assets

- The assets that were recorded at nil book value because these assets did not have historical costs. Most of the assets concerned were acquired before the merger of SATRA and IBA and there were no records available for these assets. The accounting firm was requested to assign fair values to these assets.



# Restatement of Corresponding Figures

## Action Plan

- This process is considered closed now and the review of the residual values exercise will be conducted earlier in the year in order to ensure that this project is completed with the set deadlines.



# Compliance with rules and Regulation

## Payment within 30 day

- Contrary to the requirements of TR 8.2.3 the Authority did not pay its suppliers within 30 days of receipt of invoices.

## Background

- SCM notifies the authorisers to approve the orders or invoices on the JDE system.
- The JDE system also sends out automatic e-mail notifications for all orders that are awaiting approval.
- If the authoriser does not approve on time, the SCM informs the head of division concerned.



# Compliance with rules and Regulation

## Problem Area

- Some of authorisers still do not approve on time and this leads to the late payment of suppliers

## Action Taken:

- Heads of departments will take an action in this regard



# Suspense Account



Contrary to the requirements of TR 17 the authority utilised a revenue suspense account, and did not implement adequate controls to clear the items on a monthly basis.

## Background

- Suspense account is being cleared on monthly basis and is being reviewed by Revenue Manager. Due to the volume of transactions especially around March of each year and the absence of supporting documents for some transactions, it takes a longer period of time to clear the suspense accounts.



# Suspense Account



## Action Taken:

We put the following measures:

- We requested the bank to make reference number to be conditional when deposits are made.
- Staff members have been instructed not to allocate any transaction to the suspense account unless the Revenue Manager has confirmed that indeed the transaction concerned cannot be allocated to a particular customer account.



# Suspense Account

## Daily Bank Reconciliation

Contrary to the requirements of TR 15.10 management did not prepare daily bank reconciliations for any of their bank accounts.

### Background

- Bank reconciliation was prepared on monthly basis and reviewed by senior Manager: Finance.

### Action Taken

- The daily bank reconciliations is now being done.



# Internal Control

Actions are not taken in a timely manner to address the risks relating to the achievement of complete and accurate financial reporting.

## Action Plan:

- Orders will be closed the end of February to ensure that commitments and accruals are controlled.
- Awarding of bids will be closed in January to ensure that accruals and commitments are controlled.
- Accruals and commitments will be requested directly from suppliers by first week of March.
- PFMA compliance will be reviewed on quarterly basis.
- Training has been planned on GRAP and other areas of accounting





# Audit & Risk Committee (ARC)

- The ARC is a committee of Council
- Comprises of five external members
- Meets at least four times per annum
- The ARC's objective is to assist Council in the effective discharge of its responsibilities with regard to the requirements of the PFMA and Treasury Regulations
- The ARC's duties include reviewing the effectiveness of the Authority's financial reporting, internal control and procedures for the identification, assessment, reporting and managing of risks



# 2010-2011 Financial Performance

to 30 September 2010

- ICASA's year to date actual operating expenses including depreciation were R130 175 586 at the end of September 2010. This is less than the year-to-date budget of R133 362 233 by R3 186 647 or 2%.  
(see additional information attached)



# YTD Budget vs Half Yearly Actual

	Year To Date - September 2010 Budget	Year To Date - September 2010 Actual	Var %
Grants from DoC	(141,548,079)	(141,548,079)	0.0%
Interest Income	(5,000,000)	(5,282,893)	5.7%
Other Income	(9,000)	(88,100)	878.9%
<b>Total Revenue</b>	<b>(146,557,079)</b>	<b>(146,919,072)</b>	<b>0.2%</b>
<b>Administrative Expenses</b>	<b>16,794,944</b>	<b>12,221,795</b>	<b>27.2%</b>
Printing & Stationery	998,016	733,346	26.5%
Publications	858,480	647,180	24.6%
Insurance	380,000	336,500	11.4%
Travel Costs	4,339,077	2,410,526	44.4%
Advertising & Publicity	1,413,000	757,370	46.4%
Communications Costs	3,351,179	2,879,120	14.1%
Conferences & Meetings	1,469,205	1,306,677	11.1%
Associations	496,745	226,994	54.3%
Training Costs	1,175,000	1,027,673	12.5%
General Administration	1,564,243	1,273,480	18.6%
Recruitment Costs	750,000	622,928	16.9%
<b>Staff Costs</b>	<b>79,447,509</b>	<b>79,075,789</b>	<b>0.5%</b>
<b>Audit Fees</b>	<b>1,750,000</b>	<b>2,117,337</b>	<b>-21.0%</b>
<b>Other Operating Expenses</b>	<b>28,411,644</b>	<b>32,562,076</b>	<b>-14.6%</b>
Repairs & Maintenance	691,724	1,052,773	-52.2%
Office Rental & Related Costs	20,215,576	24,194,278	-19.7%
Information Technology	2,505,026	2,038,301	18.6%
Equipment Rental	428,185	367,155	14.3%
External Legal Fees	3,000,000	2,359,796	21.3%
Consultants (not projects related)	521,492	1,402,603	-169.0%
Motor Vehicle Expenses	961,132	1,129,743	-17.5%
Other Expenses	88,509	17,428	80.3%
<b>Finance Costs</b>	<b>655,982</b>	<b>286,231</b>	<b>56.4%</b>
<b>Depreciation</b>	<b>6,302,154</b>	<b>3,912,358</b>	<b>37.9%</b>
<b>Total OPEX</b>	<b>133,362,233</b>	<b>130,175,586</b>	<b>2.4%</b>
<b>Surplus before adding back Depreciation</b>	<b>(13,194,846)</b>	<b>(16,743,486)</b>	<b>-26.9%</b>
<b>Add back: Depreciation</b>	<b>(6,302,154)</b>	<b>(3,912,358)</b>	
<b>(Surplus)/Deficit including depreciation</b>	<b>(19,497,000)</b>	<b>(20,655,845)</b>	<b>-5.9%</b>
Less:			
1. Projects - excluding World Cup project	18,264,504	7,350,014	59.8%
2. World Cup:	15,077,394	11,831,933	21.5%
2.1 Mobile Directional Finders System (MDFS)	12,539,246	9,755,501	22.2%
2.2 Other related World Cup - Event Monitoring	2,538,148	2,076,432	18.2%
<b>Funds (Surplus)/Deficit available after pro</b>	<b>13,844,897</b>	<b>(1,473,898)</b>	<b>110.6%</b>
Less:	400,000	3,100,113	-675.0%
<b>(Surplus)/Deficit after CAPEX</b>	<b>14,244,897</b>	<b>1,626,215</b>	<b>88.6%</b>



# STATEMENT OF FINANCIAL POSITION

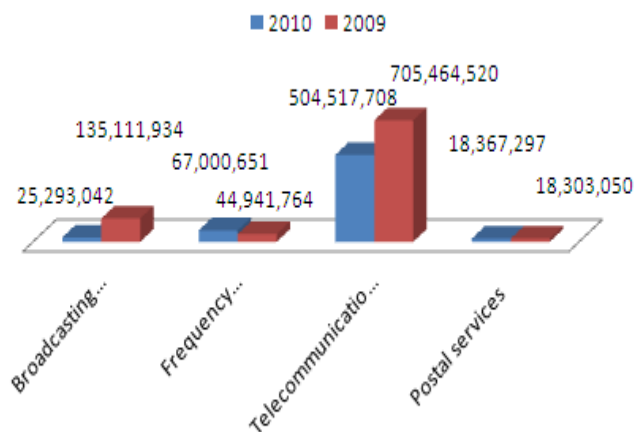
## as at 30 September 2010

	Note	30 September 2010 ZAR	31 March 2010 ZAR
<b>ASSETS</b>			
<b>Non-current assets</b>		112 655 292	103 897 716
Property, plant and equipment	9	105 995 633	98 256 577
Intangible assets	10	6 659 659	5 641 140
<b>Current assets</b>		58 190 052	61 414 153
Trade and other receivables	3	2 011 844	1 423 246
Prepayments and advances	4	4 141 820	4 531 484
Cash and cash equivalents	5	52 036 388	55 459 423
<b>TOTAL ASSETS</b>		<u>170 845 344</u>	<u>165 311 870</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		30 886 571	32 670 137
Trade and other payables	6	30 886 571	32 647 484
Current portion of lease accruals	7	0 0	0 0
Current portion of deferred grants		0 0	22 653
Current portion of finance lease obligations		0 0	0 0
<b>Non current liabilities</b>		0 0	0 0
Non current portion of lease accruals		0 0	0 0
Non current portion of deferred grants	8	0 0	0 0
Non current portion of finance lease obligations		0 0	0 0
<b>TOTAL LIABILITIES</b>		<u>30 886 571</u>	<u>32 670 137</u>
<b>ACCUMULATED RESERVES</b>		139 958 773	132 641 733
Accumulated surplus / (deficit)		139 958 773	132 641 733
<b>TOTAL FUNDS AND LIABILITIES</b>		<u>170 845 344</u>	<u>165 311 870</u>

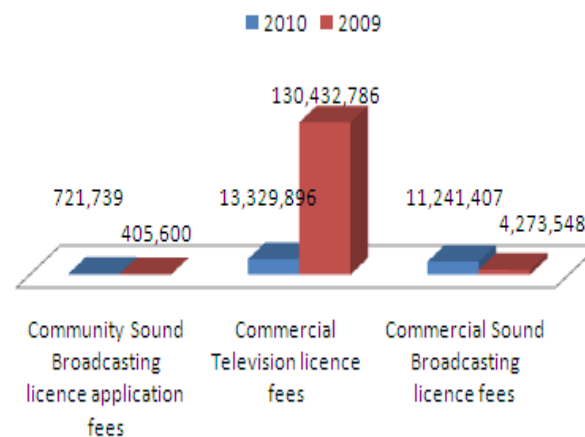


# FINANCIAL PERFORMANCE – HALF YEARLY: 30 SEPTEMBER 2010 – NRF

## Sector - Revenue



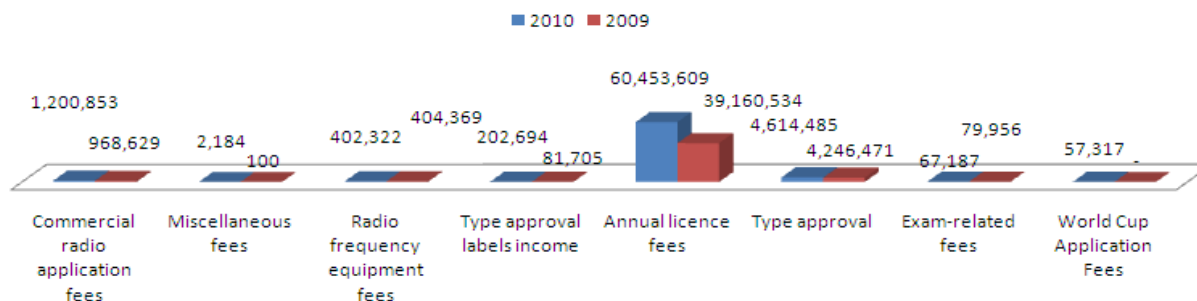
## Broadcasting Service



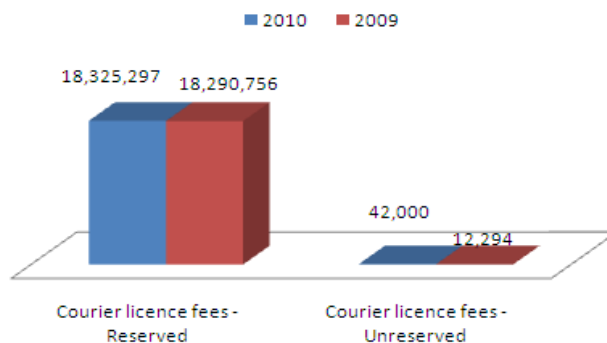


# FINANCIAL PERFORMANCE – HALF YEARLY: 30 SEPTEMBER 2010 – NRF

## Spectrum Service



## Postal - Service





# NRF FINANCIAL PERFORMANCE

AS AT 30 SEPTEMBER 2010

- **Broadcasting**

The broadcasting revenue decreased because the broadcasters are now paying after six (6) after their financial year.

- **Telecoms**

The revenue reduced drastically because of the change in license fees. Previously the revenue was 1% - 5% of net operating income and it has now been changed to 1.5% of gross profit.

- **Frequency**

The revenue increased because of new entrants who can now develop their own network.

- **Postal Service**

There was minimal increase in regulated postal service income



# **MANAGEMENT OF INCOME, EXPENDITURE, TRANSFER AND CASH (ANNEXURE 1)**





# Finance Performance



## ● Managing of grants from DoC

- ICASA was allocated R290 923 000 for the current financial year. The funds are requested from DoC in tranches on a quarterly basis based on the initial cash-flow projection submitted to Doc at the beginning of the financial year
- Quarterly spending forecast is submitted to DoC on the 15th of the first month for the previous quarter
- Transfers from DoC are received towards the end of the first month of the new quarter
- At the end of the quarter forecast versus actual spent report is submitted to DoC in order to account for both over and under-spending , where necessary corrective measures to be taken to bring spending under control are highlighted
- Monthly management reports are prepared



# Finance Performance cont

- **Managing expenditure**
- Budget and delegation of authority policies guide the Authority on how to manage preparation of the budget and different levels of approval in respect of managers and GMs authorizing requisitions and invoices
- Service providers invoices are settled within 30 days after submission
- Monthly divisional expense reports are distributed on the 10<sup>th</sup> of every month to the GMs for comments
- Where spending is significantly higher than budget, divisions submit virement forms to Finance
- Reviewing of results before sending to EXCO and Council takes place at Finance and Budget Review Committee
- Both monthly and quarterly reviews are done by divisions accounting for OPEX, Projects and CAPEX spending at Council



# Finance Performance cont.

## ● Managing transfers

- Authority issues licences for regulated activities and licensees are billed for application fees as well as licence fees
- Fees collected are paid over to NRF through DoC on a monthly basis
- Refunds to licensees are done within seven days after appropriate authorisation has been obtained

## ● Managing Cash

- All excess cash is invested for a limited period of time with any of ICASA's approved financial institutions based on our cash flow projections
- All interest earned from these short-term investment activities is used by ICASA to fund its unfunded CAPEX and operational needs