ICASA

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

ANNUAL REPORT 2011/2012

ICASA Annual Report 2011/2012

CONTENTS

1. STRATEGIC OVERVIEW

VISION

To advance the building of a digital society

MISSION

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

OUR VALUES

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

- Necessity
- Effectiveness
- Proportionality
- Transparency
- Accountability
- Consistency

STRATEGIC OUTPUT-ORIENTATED GOALS

ICASA's strategic priorities are linked to Government's Outcomes Based Approach:

- Ensure effective participation by HDIs in the industry
- Ensure the provision of broadband services
- Optimise the use of the radio frequency spectrum to support the widest variety of services
- Promote the protection of consumers and accessibility for persons with disabilities
- Promote the development of public, community and commercial broadcasting services in the context of digital migration
- Ensure compliance with legislation and regulation
- Strengthen and modernise ICASA
- Promote competition

2.2 Council

Dr Stephen Mncube, Chairperson
1 July 2010 – 30 June 2015

Dr Marcia Socikwa
1 April 2011 – 31 March 2015

Mr Joseph Lebooa
1 October 2010 – 30 September 2014

Ms Ntombizodwa Ndhlovu
1 November 2010 – 31 October 2014

Mr William Stucke
1 January 2011 – 31 October 2014

Mr William Currie
1 October 2010 – 30 September 2014

Outgoing councillors

Mr Thabo Makhakhe
10 July 2008 to 9 July 2012

Ms Nomvuyiso Batyi
4 August 2008 to 31 July 2012

Mr Fungai Sibanda
1 October 2008 to 31 September 2012

3. CONSTITUTIONAL AND LEGISLATIVE MANDATES

3.1 The Constitution of the Republic of South Africa

- The Constitution of the Republic of South Africa (RSA) places a duty on Parliament "to establish an independent regulatory institution which is required to provide for the regulation of broadcasting in the public interest and to ensure fairness and a diversity of views broadly representing South African society" (S192). Parliament has deemed it fit to add the regulation of electronic communications and postal services to this function.
- ICASA is a licensing body, a regulator and a quasi-judicial body because it licenses, regulates, adjudicates and issues sanctions (S34).
- ICASA is also an organ of state bound by the Bill of Rights (S8).

3.2 The Broadcasting Act of 2002

- The Act amended the Independent Broadcasting Authority (IBA) Act of 1993, which sought to clarify the powers of the Minister and the regulator.
- The Act called for a new Broadcasting Policy that will, among others, contribute to democracy, development of society, gender equality, nation building, provision of education and strengthening the spiritual and moral fibre of society.

3.3 The Independent Communications Authority of South Africa, Act of 2006 (ICASA Amendment Act)

- The primary object of this Act is to provide for the regulation and control of tele-communication matters in the public interest (S2). It seeks, among others, to promote the universal and affordable provision of telecommunication services.
- The Act established the South African Communications Authority, and this regulator shall be independent and impartial (S3).

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

- The substantive regulatory function of ICASA is pertaining to broadcasting, postal services and the electronic communications sectors. iCASA plays a concurrent function with the Competition Commission on competition matters (Chapter 10).
- ICASA strives to create an appropriate and predictable regulatory environment to achieve the stated objects of the ECA of 2005, section 2 (S2).

3.5 The Competition Act of 1998

- The Competition Commission and Competition Tribunal play a complementary role or cojurisdiction role with ICASA on competition matters within the electronic communications environment (S82 (1)).
- The Competition Commission holds an ex post jurisdiction over competition-related matters. ICASA holds an ex ante and ex post jurisdiction over competition-related matters.

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

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

3.7 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) and unreserved postal services (couriers) 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 underserviced areas.

4. CHAIRPERSON'S STATEMENT

"The Authority kicked-off the year on a high note with the parliamentary approval of the five-year ICASA Strategic Plan for the fiscal years 2013-2017."

Dr Stephen Mncube

The tabling of the Independent Communications Authority of South Africa's Annual Report to Parliament, and its presentation to the Minister of Communications is indeed an important milestone on the Authority's calendar.

This Annual Report provides the Authority with an opportunity to account for its regulatory and corporate activities for the financial year 2011/12. The Authority kicked-off the year on a high note with the parliamentary approval of the five-year ICASA Strategic Plan for the fiscal years 2013-2017.

The ICASA Strategic Plan charts the roadmap the Authority will follow in guiding the electronic communications and the postal industries in relation to the country's socio-economic and developmental goals. The Strategic Plan will also assist the two industries to develop and tailor their business plans well in advance.

Stakeholder relations and management is central in implementing the five-year Strategic Plan. Licensees and operators always find an avenue to engage the Authority, either through a special meeting request, letters and submissions to our public consultation processes and public hearings or to the Offices of both the Chairperson and the Chief Executive Officer.

The voice of smaller electronic communications and postal operators also needs the Authority's ear. Although many of these class category licensees operate on a smaller scale, they do make an important contribution to the regional economies of our cities and provinces.

These smaller operators could be having special licensing and regulatory needs that are different from the mainstream and established operators.

The Authority needs to reach out to stakeholders that have been on the periphery in the past. One of the scathing criticism against the Authority is its accessibility to remote and rural areas of the country.

Although the Authority does not have the financial muscles to take its public processes to all our people, we have undertaken to use consumer road-shows and other special events and industry-celebrated days to reach out to areas that have limited or no electronic communications and postal services at all.

It is important to listen and engage with ordinary people at grass-root level to personally get to appreciate their everyday problems and frustrations regarding non-availability and limited access to electronic communications and postal services.

Ga-Mmafefe in Limpopo province is a case in point. The Authority's consumer road-shows enabled the

4. Chairperson's statement (continued)

management and leadership of ICASA to witness the experience of the villagers who could not share with the rest of the South African population the spectacle of the 2010 FIFA World Cup which the country hosted. Many villagers had to travel to neighbouring villages to catch a glimpse of some of the World Cup broadcasts or to make a call to their loved ones and friends.

Ga-Mmafefe is not the only village with limited access to electronic communications and postal services, there are scores of villages in Limpopo and other provinces with similar problems.

This is unacceptable in an age when there is a plethora of technological solutions on our finger tips. All that is required is to harness resources from a policy, regulatory and service provision basis to ensure that such "white spaces" disappear from the map of our country.

Allow me to report that I am comforted by the cooperation already displayed so far between the Authority, the Department of Communications, the Parliamentary Portfolio Committee on Communications, state-owned enterprises in electronic communications and postal services to close rank and coordinate all community road-shows to ensure that the needs and concerns of our people are attended and responded to immediately and holistically.

In terms of the Authority's deliverables on the projects for the year, I can cite a few examples such as the Local Loop Unbundling project in which the Authority facilitated an Open Access Regime Through Improved Infrastructure Sharing.

Another important intervention by the Authority was the reduction of broadcasting transmission services costs for the community radio and television sector. These are non-profit, community-driven initiatives that deserve to pay lesser tariffs compared to established and commercial radio and television broadcasting services.

Preparations are in full swing for the country's Digital Migration process. Digital Terrestrial television regulations will be finalised soon, and a review process of all existing broadcasting regulations is underway to align our regulations with the looming digital era.

The Authority continues to monitor the roll-out of postal retail outlets and street addresses by the South African Post Office to un-served remote and rural areas of the country.

Thousands of our people remain on the periphery of economic activity because they do not have a street address, and therefore cannot access credit facilities and other financial services.

ICASA continues to play a critical role in the regional, continental and international regulatory environment. Our role in the Southern African Development Community's portfolio for electronic communications and postal services is well documented.

The Authority's regional role spans from harmonisation of the regional radio frequency spectrum to the lowering of the costs to communicate within and across SADC countries.

ICASA remains a subject of study visits from other national regulatory agencies from across the continent, and other developing countries. It is the Authority's wish to reciprocate some of these study visits but we cannot do it because of pressing financial constraints.

I would like to end my report by paying tribute to former Minister of Communications, Mr Roy Padayachee. We will miss his wisdom and guidance in the industry. May his soul rest in peace.

Let me extend a hand of welcome to our current Minister of Communications, Ms Dina Pule. In a very short space of time after taking office, the synergies and cooperation between our teams has been phenomenal.

A word of welcome to the Ms Rosey Sekese who was also appointed the Director-General of the department.

On the home front, I would like to pay tribute to the Council, management and employees of ICASA for their unwavering commitment to the work of the Authority.

Special mention goes to Councillors Nomvuyiso Batyi, Thabo Makhakhe and Fungai Sibanda who are/have completed their four-year terms. Their contribution to ICASA will always be immeasurable.

Let me conclude my statement by paying tribute to the Parliamentary Portfolio Committee on Communications under the leadership of MP Eric Kholwane. We no longer meet in parliamentary chambers like before, but in interaction with our people on the ground. I am grateful for your support and guidance.

Dr Stephen Mncube
Chairperson

5. CHIEF EXECUTIVE OFFICER'S REPORT

This is the second annual report of the Independent Communications Authority of South Africa (ICASA) that I have the honour to present under my three-year tenure, which commenced on 1 November 2010.

As raised last year, establishing a long-term strategic planning framework remains core for the sustained performance of ICASA, establishing targeted goals and the necessary strategic interventions to be taken to ensure efficient delivery on both mandate-related and internal matters.

This financial year the Authority moved from a three-year to a five-year planning cycle with the intention to provide greater certainty to all stakeholders as to how the Authority intends to ensure the mandate of ICASA of ensuring universal service of high quality services to end-users at reasonable prices.

The five-year Strategic Plan as approved by the Parliamentary Portfolio Committee on Communications in April 2011 addresses, amongst others, how ICASA plans to support the Department of Communications in achieving universal broadband access by 2020, reducing the cost of communications by fostering a competitive environment in the provision of broadcasting, electronic communications and postal services as well as fostering the introduction of Digital Terrestrial Television and the ensuing multi-channel environment, through an overhaul of the existing broadcasting regulatory framework.

Significant achievements during the reporting period include the introduction of a new spectrum pricing regime to ensure efficient use of this crucial natural resource and the 30% administered price reduction of wholesale input prices for the provision of fixed line broadband (ADSL) connectivity as the first step towards the implementation of Local Loop Unbundling.

"The first steps towards organisational re-alignment have been achieved through the introduction of an improved evidence-based performance management system."

Themba Dlamini

These achievements, coupled with the regulated reduction on wholesale voice call termination rates, have generated a more competitive environment in the provision of electronic communications services, achieving the intended outcome of such interventions: a decline in retail prices faced by consumers. Consumers are now able to pick and choose between a vast array of packages offered by the various mobile operators that reduce the effective tariff paid by consumers to less than R1 per minute.

As wholesale interconnection rates decrease in line with the specified glide-path, the Authority expects a continuing overall reduction in the total cost of communication as operators seek new avenues to provide cost efficient and quality services to end-users.

5. Chief Executive Officer's Report (continued)

The broadcasting sphere received significant attention this year, with ICASA engaging with broadcasters regarding the provision of broadcasting transmission services. The outcome has thus far been a reduction in prices of 65% charged by Sentech to community television and radio broadcasters, thus establishing a base for the development of this crucial arm of the development of journalistic and media skills in the country. ICASA also kicked off on its review of the existing broadcasting regulatory framework, via regional consultation in all nine provinces. ICASA has based its future plans in regulating this sector on the input received from across the country and will focus its energies on local content requirements for the digital era in the 2012/13 financial year.

More information on deliverables may be found in Section 6 of this report: Information on Predetermined Objectives.

The Authority continues to confiscate illegal communications equipment. In Nelspruit/Mbombela, Mpumalanga Province, a number of illegal equipment items were confiscated from a retail store. This blitz was conducted jointly with Provincial Home Affairs and South African Revenue Services offices.

ICASA plays a pivotal role in national and international events. During the United Nations Framework Convention for climate change (UNFCCC) COP 17 held in November and December 2011, ICASA provided technical assistance with regards to clearing interferences, locating critical radio networks, monitoring of user specific radio services and homing of emergency services.

Internally, ICASA continues to focus on the need for improved financial management and controls, organisational re-alignment to enable more efficient and effective service delivery and an improved working environment for all staff members.

Whilst the Authority has again received a qualified audit on the National Revenue Fund receivables and resulting payables, based on the defects in the General Licence Fee Regulations and the collection of spectrum fees owing, ICASA acknowledged these shortcomings at the beginning of the year in its presentation to the PPCC, announcing the pending review of the General Licence Fee Regulations. The Authority has submitted a request to the Minister seeking relief from the application of the General Licence Fee Regulation 2009 for the collection of Annual Licence Fees for the 2009/10, 2010/11 and 2012/13 financial years.

The introduction of new Spectrum Fee Regulations means that some Bulk Licensees would pay significantly more. It is expected that they will rationalise their spectrum usage and return unneeded spectrum in the near future. Indeed, this is already happening. While this means that their contribution in fees will be lower, the spectrum will become available for use by others, who will in time pay equivalent fees. Overall, we will achieve more efficient spectrum usage.

ICASA has made progress in addressing other concerns timeously, including the management of assets, improvements in clearing the suspense account as well as an 80% reduction of Fruitless, Wasteful and Irregular expenditure.

In addition, ICASA has formulated a Finance Turnaround Plan (FTP) to ensure that no further audit findings occur by creating a sustainable control environment.

The first steps towards organisational re-alignment have been achieved through the introduction of an improved evidence-based performance management system for all staff, for implementation in the 2012/13 financial year. On the human resource front, the organisation has made significant progress in the roll out of the Total Cost of Employment to the rest of ICASA staff. The advantage of this conversion is costs will be fixed and will be known to both parties. Also, the total guaranteed package is more equitable and enables the organisation to be more effective in addressing any disparities. Lastly, the conversion system would assist ICASA to carry out a proper benchmarking salary review.

Gearing up for the 2012/13 financial year, Universal Access and Services, Local Loop Unbundling, Access to Broadband and fair pricing across the broadband value chain remain on our radar.

In conclusion, I would like to express my gratitude to the ICASA Council led by Dr Stephen Mncube, colleagues in the Executive Management of ICASA, officials in the Department of Communications and most importantly, all employees of ICASA who collectively play a pivotal role in ensuring the provision of communications services to all.

Themba Dlamini
Chief Executive Officer

6. INFORMATION ON PREDETERMINED OBJECTIVES

6.1 Overall Performance

ICASA's strategic objectives are linked to the Government's Outcomes based approach, and the Authority's overall performance in terms of its Corporate Strategy 2011-2014 is summarised as follows:

Strategic Objective 1: Transformation of the Information Communications and Technology Sector:

Promoting the empowerment of historically disadvantaged persons, including black people, with particular attention to the needs of women, youth and persons with disabilities.

The Authority's aim was to publish a final findings document on ownership trends and structures for 50% of all the licensees in the sector together with a Compliance Audit Report on HDI Equity Ownership for 127 licensees who were assigned spectrum and allocated numbers. The report on ownership structure of licensees who hold spectrum assignments will be published in the next financial year. In the meantime a recommendation report was submitted to the Minister of Communications on Ownership and Control for Broadcasting Services.

Strategic Objective 2: Ensure the provision of Broadband Services:

All South Africans should have affordable access to reliable high speed broadband services. Regulatory policies must promote open access, technological neutrality and investment to ensure that broadband service providers have sufficient incentive to develop and offer broadband services as well as harness the capacities of the state in support of the provision of broadband services.

The plan to release a guideline under the Electronic Communications Facilities Leasing (ECFL) regulations to facilitate leasing of the local loop and public consultations led to a 30% reduction in the wholesale input product used by ISPs to provide ADSL services (IPConnect). The conclusion of the inquiry resulted in the IPConnect price reduction, a statement on the framework for LLU next steps in the new financial year outlining the Authority's determination regarding resolution of the Access Line Deficit and the introduction of Bitstream by November 2012.

In identifying hindrances to broadband penetration and proposing corrective measures the Authority was to report on recommendations to remove barriers to network investment as well as incentives to facilitate investment in electronic communications infrastructure. On engagement with the industry a need was identified to develop Rapid Deployment Guidelines (RDG) as per Section 21 of the ECA rather than develop a report on the bottlenecks to network deployment. A draft RDG document was produced and submitted to the DoC for policy formulation.

Strategic Objective 3: Optimise the use of the radio frequency and numbering resources to support the widest variety of services:

Efficient and effective use of frequency spectrum promotes the growth and rapid deployment of innovative and efficient communications technologies and services.

The publication of a frequency migration strategy and plan will be finalised during the next financial year so as to allow consideration of the WRC-12 Final Acts.

In replanning broadcasting bands to optimise Digital Terrestrial Television (DTT) and holding a public enquiry for reallocation of digital dividends the Joint Spectrum Advisory Group (JSAG) was formed and an action plan was developed and acted upon by all members. A revised broadcasting plan will be published in the next financial year.

Part of the licensing of all wireless broadband spectrum is to re-arrange the GSM900 band and licensing of the following bands: 790-862MHz, 1880-1920MHz, 2010-2025MHz and 2500-2600MHz. A Spectrum plan for the combined licensing of 2.6GHz and 800MHz bands was developed and published with an ITA. Comments were received from the public, but the licensing process has been postponed pending the finalisation of the Ministerial Policy Directive.

The objective for the Authority to report on the comprehensive usage of broadband wireless spectrum resulted in all audit report targets for the financial year being completed but not published.

Strategic Objective 4: Promote the protection of consumers and accessibility for persons with disabilities:

Ensure the continued protection of consumers in the ICT and postal sectors, through advocacy and awareness raising programmes and a streamlined complaints handling system. Ensure the needs of persons with disabilities are provided for and that there is compliance by operators to meet their requirements.

The development of a framework to measure consumer satisfaction was completed.

6. Information on predetermined objectives (continued)

An Alternative Dispute Resolution committee was established to improve consumer complaints redress, and 62% of complaints were addressed within 30 days.

Strategic Objective 5: Promote the development of public, community and commercial Broadcasting Services in the context of Digital Migration:

ICASA will promote the development of public, commercial and community broadcasting services which are responsive to the needs of the public, competitive and diverse and which promote a plurality of news, views and information and provide a wide range of entertainment and educational programmes, a proportion of which are locally produced.

The Authority released an Issues Paper on a review of the existing regulatory framework for Broadcasting Services and related policies to respond to the new evolving digital environment. The paper was gazetted in December 2011 followed by extensive public consultation between January and March 2012. The Authority intends to conclude the review in the following financial year.

The Authority revised and republished draft Digital Migration regulations on the assignment of broadcasting spectrum in the digital era. Public hearings were held in March 2012. However, the regulations will only be completed in the next financial year owing to the Ministerial Policy Directive on the matter, which was issued in February 2012.

Strategic Objective 6: Ensure compliance with legislation and regulations:

ICASA will advocate for compliance with applicable laws and regulations in South Africa. ICASA will also investigate and audit activities by licenced and unlicenced entities to ensure compliance.

The Compliance Procedure Manual regulations were published on 15 December 2011.

From the Access Gap study conducted in collaboration with USAASA and the DoC prior to publication of Section 8(4) regulations, workshops were conducted in five (5) provinces to determine which services were needed. The Findings Document on USAO Review will be published in the next financial year.

The Authority published the Universal Service Access draft Definition for comment in October 2011 and public hearings were held during February 2012. The final regulations will be released in the next financial year.

Only some of the planned Compliance Reports were produced during the financial year, with the publication of two postal service regulations on Customer Care Standards and the Code of Practice for the postal industry. The Authority produced a Compliance Report on the coverage of Local Government Elections.

An additional funding request to procure Broadcasting and Postal Monitoring Equipment resulted in allocated funding for:

- Broadcasting – R10 million (2012/2013); R10 million (2013/2014); and
- Postal – R15 million (2012/2013); R15 million (2013/2014).

A preliminary audit on five major operators on the effective use of the numbering resource, in compliance with the Numbering Plan regulations, was conducted in the 2011/12 financial year. A full audit will be conducted in the next financial year.

A database to both store information and monitor compliance with the Interconnection and Electronic Communications Facilities Leasing regulations was developed during the 2011/12 financial year. Owing to certain IT related challenges, the introduction of the database will only take place in the next financial year.

Strategic Objective 7: Strengthen and modernise ICASA:

The Authority strives to be an efficient and highly productive regulator that maximises benefit to internal and external stakeholders by constantly improving its processes and systems, allocation and use of resources, improving its organisational culture as well as service quality and standards.

Not all organisational projects achieved their objectives in the work carried out by Support Services departments.

Strategic Objective 8: Promote Competition:

Competition in the provision of electronic communications, postal and broadcasting services that supports the nation's economy and the developmental goals of the Republic. The competitive framework should foster innovation and offer consumers a reliable, meaningful choice in affordable services.

The Authority undertook a number of activities in this area, from examining the structure of specific markets to proposed licensing mechanisms for broadband wireless spectrum and the issuing of an ITA for broadcasting services.

Regarding specific markets, the Authority produced a findings document and draft regulations on the market for the provision of broadcasting signal distribution services which resulted in an administered average price reduction for community FM radio broadcasters of 65% and a 33% price reduction for Community TV broadcasters. The Authority also drafted an internal research report to inform future regulatory strategy towards premium content as well as ongoing monitoring of trends in retail voice tariffs.

Spectrum availability plans and targets for new players having access to broadband wireless spectrum made no progress. This project awaits a Ministerial Policy Directive on High Demand Spectrum.

In promoting diversity and choice of broadcasting services an ITA for broadcasting service Pay TV has been drafted, approved and published in the Government Gazette. The ITA for I-ECNS self-provisioning has also been drafted and is awaiting publication of the Policy Directive by the Minister of Communications. The ITA for Commercial Sound BS has been published in the Government Gazette.

The Authority drafted a recommendations report on a framework to facilitate infrastructure sharing in the postal sector as well as a licensing framework for the introduction of Extra Territorial Offices of Exchange.

The Authority also undertook the first phase in developing the Accounting Separation Regulations for Wholesale Voice Call Termination, a market remedy requirement as per the market review conducted in 2010/11. This exercise culminated in a report outlining various pricing methodologies which may be applied in determining the cost of termination. The development of these regulations will take place in the 2012/13 financial year.

6. Information on predetermined objectives (continued)

6.2 Core Programmes

Licensing and Compliance is responsible for the granting, authorisation, renewal, amendment, transfer and revocation of broadcasting, electronic communications services, electronic communications network services and postal services, including authorising licence exemptions. Licensing and Compliance is also responsible for monitoring and ensuring compliance with legislation, regulations and licence terms and conditions by licensees and exempted services.

Markets and Competition is responsible for promoting competition in the communications and postal sectors, and the efficient provision of postal, electronic communications and broadcasting services at affordable prices. Markets and Competitions also promotes connectivity and allocates numbers to licensees in a fair, transparent and non-discriminatory way.

Engineering and Technology is responsible for the management of the frequency spectrum, and the monitoring of the frequency spectrum usage. This includes the licensing of radio frequency spectrum and station licences, certificates and authorisations, investigations of radio communications interferences, quality of service monitoring and radio spectrum audits.

Consumer Affairs is responsible for protecting the rights of consumers with respect to the provision of communications and postal services, filing of consumer complaints and redress, raising public and consumer awareness about communications and postal services as well as developing consumer-specific regulations in relation to electronic communications and postal services.

6.3 Support Services

The regulatory divisions outlined above are supported by a number of Support Divisions, namely:

Regional Offices are responsible for enforcing compliance with frequency spectrum allocations and usage, signal interference clearance as well as sealing of and seizure of illegal equipment.

Legal is responsible for vetting documents and providing legal advice to all regulatory projects and for corporate matters.

The Complaints and Compliance Committee, with the support from Legal, hears and adjudicates complaints and disputes.

Human Resources is responsible for the development of people management practices to enable the Authority to realise its objectives and mandate.

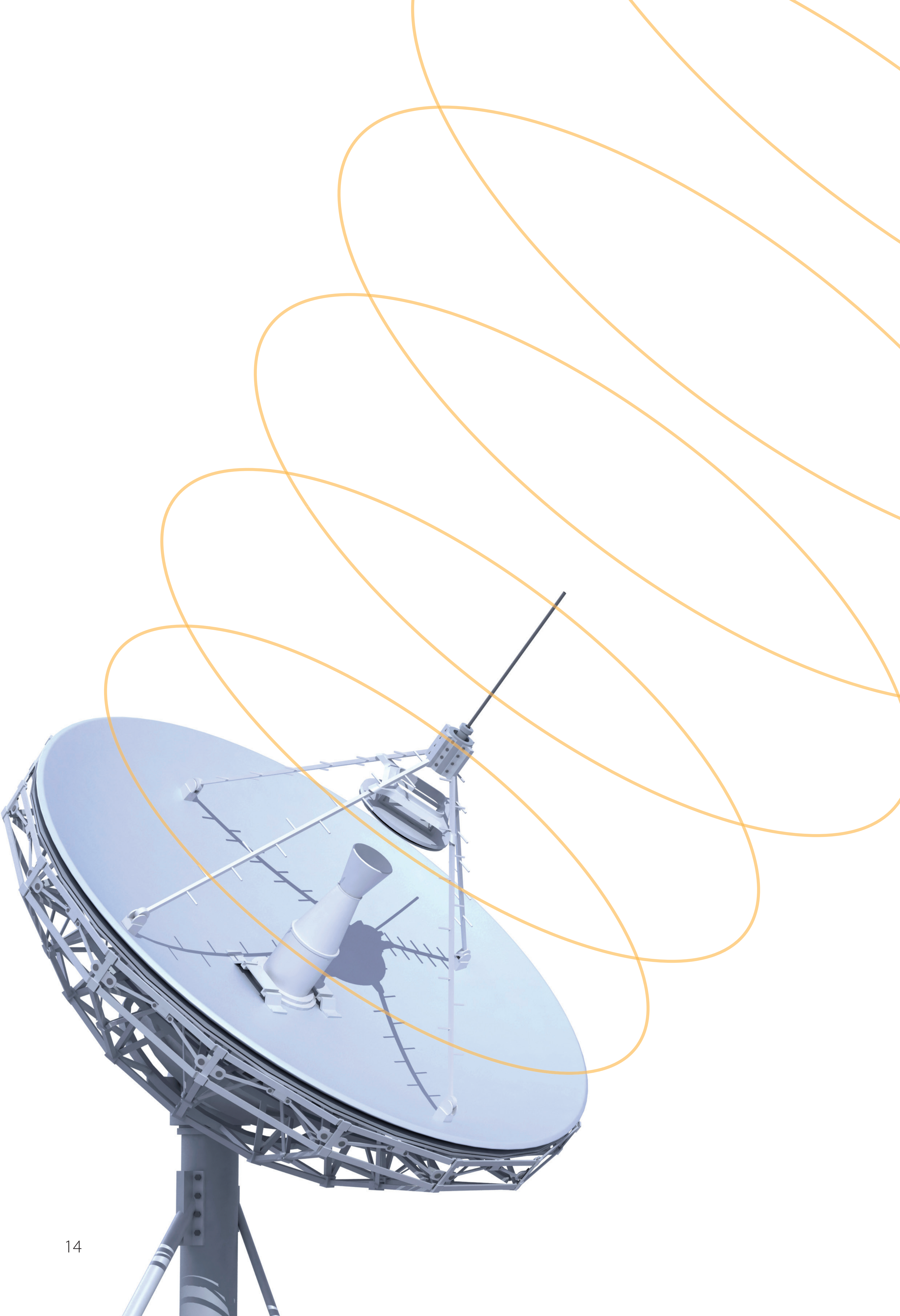
Communications and International Relations is responsible for corporate communications and international relations activities of the Authority.

Administration is responsible for maintenance and rental of assets and fleet management, cleaning and security services, as well as library services, records and document management.

Information Technology is responsible for IT applications, hardware and software support to all of the Authority's divisions and regional offices to enable them to execute their day-to-day duties.

Finance is responsible for the allocation of financial resources to meet budgetary requirements for implementing the organisational business plan. Finance also collects licence fees from all licensees, on behalf of the Fiscus.

Compliance, Risk and Audit is responsible for providing an overall internal assurance function regarding internal control, risk management and governance processes. This is in collaboration with external assurance providers.



7. ICASA OPERATIONS

Organisational deliverables in terms of the ICASA five-year strategic plan for the financial year 2011/12

Core Programmes

7.1 Licensing and Compliance

7.2 Markets and Competition

7.3 Engineering and Technology

7.4 Consumer Affairs

Support Services

7.5 Legal and Complaints and Compliance Committee

7.6 Human Resources

7.7 Communications and International Relations (CIR)

7.8 Information Technology and Services

7.1 Licensing and Compliance

7.1.1 Licensing

The Authority grants and issues broadcasting services, electronic communications service and network licences, as well as the exclusive operating licence for the South African Post Office. In addition, it issues authorisations and certificates to unreserved postal operators/ courier services.

In so doing, the Authority plays an important social, cultural and economic role in the lives of South African citizens, and the development of the country as a whole.

The licensing of electronic communications, broadcasting and postal services stimulates and contributes to the country's economic growth and development. The focus is on diversifying the ownership structure of the electronic communications, broadcasting and postal markets by opening up opportunities and enhancing ownership and control by historically disadvantaged groups and individuals including women and persons with disabilities.

On the broadcasting front, the Authority's licensing activities contributes to the country's democracy and social development, thereby enabling our diverse society to engage and debate issues of national importance.

Broadcasting is an important tool for community development and empowerment through educational, informational and entertainment services.

For the reporting period, the Authority issued licences for the following activities:

Commercial Radio Stations for the Primary and Secondary Markets

The Position Paper on the Review of Ownership and Control of Broadcasting Services (2004) demarcates commercial radio broadcasting services into primary and secondary markets. The primary market refers to the metropolitan areas of Gauteng, Cape Town and Durban, whereas secondary markets refers to cities and urban areas of the Eastern Cape, Northern Cape, Free State, Limpopo, North West and Mpumalanga provinces.

During the reporting period, the Authority licensed three new commercial sound broadcasting services for the primary markets of Gauteng, Cape town and Durban, namely Power FM, 021 FM and One Gospel KNI, respectively. This brings the total number to 22 of commercial radio stations licensed to date – all with a regional geographic coverage.

The Authority explored opportunities to increase competition in the commercial sound broadcasting market by conducting public hearings to determine the feasibility of issuing Medium Wave licences. Based on the outcome of this enquiry, the Authority assigned Medium Wave frequencies for this purpose on a needs basis, and invited interested parties to bid through an Invitation To Apply (ITA). The closing date for the ITA is 22 August 2012.

In order to introduce competition, diversity of broadcasting content and to introduce more historically disadvantaged individuals in the ownership and control of broadcasting services, the Authority has issued an Invitation To Apply for commercial radio broadcasting licences in the FM frequencies for the geographical markets of the Eastern Cape, Northern Cape and Free State provinces.

The closing date for the ITA is August 2012.

The secondary markets of Mpumalanga, Limpopo and North West already have three full commercial radio stations, namely M-Power, Capricorn FM and Radio North West.

New Commercial Subscription Broadcasting Services

The Commercial Subscription Broadcasting market is another segment of the broadcasting sector that requires more competition and liberalisation. In previous financial years the Authority licensed five new commercial subscription services, but only one managed to launch services, namely Top TV.

To further stimulate new market entry, the Authority granted and issued radio frequency spectrum licences for purposes of providing Mobile Television to existing licensees, namely Multichoice and e-TV.

During the reporting period, the Authority has issued an Invitation To Apply for new subscription television services.

Community Radio Services

Community broadcasting services are the third tier of the broadcasting system, to complement public and commercial broadcasting services. Community radio services to provide a voice for community development and empowerment.

For the reporting period, the Authority licensed 19 community radio stations.

The Authority refused the following communities community radio broadcasting licences on the grounds of failure to meet the licence requirements (requirements that can be rectified to allow for licences to be granted in the future):

- Diepsloot Community Radio
- Northern Cape Youth Radio
- Radio Kraaifontein
- Maxad (Pty) Ltd
- Lifestyle Radio
- Radio Pulpit
- St Albans College Radio
- Motsitle Community Radio
- E-Radio

The Authority issued one province with a Community Low Power Broadcasting Service licence.

The Authority issued 12 Community Special Event Broadcasting licences for the areas/ provinces to allow communities in these areas to experiment with community radio broadcasting services through pilot initiatives during festivals and other events.

These Special Event Broadcasting licences helped communities to enhance community development and empowerment programmes.

Class Electronic Communications Network and Services

Class Electronic Communications Service (ECS) is a category of licences that provides voice and data services to end-user and consumers. However, they do not have access to the Authority's Numbering Plan.

Class Electronic Communications Network Service (ECNS) licences, on the other hand, provide network facilities to service providers to connect to other service providers and networks at local or district municipality level.

Both ECS and ECNS licences provide small and emerging entrepreneurs with opportunities of entering the lucrative and expanding electronic communications market. ECS and ECNS licences contribute to regional economies, and the national economy through business opportunities and job creation.

For the reporting period, the Authority licensed 64 ECS and 68 ECNS operators.

Unreserved Postal Services

Unreserved Postal Services refers to the courier services market that is open to competition among hundreds of operators spread across the country. This market is unreserved, as opposed to the reserved standard letter postal market that is exclusive to the South African Post Office (SAPO).

Courier operators play an important role in the delivery of parcels across the country, the southern African subcontinent and internationally.

The increasing global movement of business men and women, transnational immigrants, emigrants and refugees, and the economic interaction among economies of the world is manifested by the volumes of goods that these operators transport and deliver.

For the reporting period, the Authority registered 34 operators to bring a total of 68 in operation. One applicant was unsuccessful for failure to meet the requirements.

The unreserved postal sector provides an opportunity for historically disadvantaged individuals to enter this growing market.

Transfers, Amendments and Licence Exemptions

The Authority receives, from time to time, requests for Licence Transfers and Licence Amendments. Although the Authority cannot stand in the way of commercial transactions and requests to adjust business models and plans of operators, it has a duty to ensure that basic licence terms and conditions remain intact.

Legislation empowers the Authority to grant licence exemptions for the provision of certain electronic communications services.

During the reporting period, the Authority granted licence transfers and amendments, as well as Private Electronic Communications Network Services (PECNS) and Electronic Communications Service (ECS) licence exemptions .

7.1 Licensing and Compliance (continued)

7.1.1 Licensing (continued)

Transfers, Amendments, Private Electronic Networks and Electronic Communication Service Licence Exemptions.

For the reporting period the Authority issued the following licences:

- 30 individual Electronic Communications Services and Individual Electronic Communications Network Service licence transfers.
- 18 PECN Licence exemptions.
- Two ECS Licence exemptions.
- One Class Community Sound Broadcasting Service licence amendment.
- One reserved Postal Service licence amendment.
- One individual Broadcasting Service licence transfer.
- One individual Broadcasting Service licence amendment.

The Authority refused one application to amend its class community broadcasting service licence because it failed to meet the requirements.

7.1.2 Compliance

Legislation empowers the Authority to licence terms and conditions as well as regulations that govern the electronic communications, broadcasting and postal sectors from time to time. The Authority is mandated to ensure that all licensees comply with licence terms and conditions and the regulations governing the respective markets on an annual basis.

Broadcasting Compliance

During the 2011/12 financial year, the Authority approved 40 Annual Compliance Reports in terms of compliance with broadcasting regulations and legislation.

SABC public and commercial television and radio services

- Motsweding FM
- Ukhozi FM
- Umhlobo Wenene FM
- Lesedi FM
- Thobela FM
- Munghana Lonene FM
- Phalaphala FM
- Radio Sonder Grense
- Ligwalagwala FM
- Ikwekwezi FM
- SAFM
- XKFM
- Lotus FM
- Tru FM
- Radio 2000

Commercial broadcasting services

- Metro FM
- 5 FM
- Good Hope FM
- SABC Television Channels 1, 2 and 3
- Capricorn FM
- Classic FM
- Algoa FM
- Jacaranda FM
- iGagasi 99.5 (x 2)
- East Coast Radio
- Kaya FM
- Cape Talk
- 94.7 Highveld Stereo
- M-Power
- North West FM
- OFM
- Talk Radio 702
- YFM
- 94.5 KFM
- Heart
- M-Net
- e.TV
- MultiChoice Africa (Pty) Ltd
- On Digital Media (ODM)/TOP TV

Compliance Procedure Manual Regulations

The Authority published the Compliance Procedure Manual Regulations in December 2011 to assist licensees to comply with various regulations as well as the terms and conditions of their licences. Licensees that fail to comply with regulations are referred to the Complaints and Compliance Committee for disciplinary purposes.

Electronic Communications Service (ECS)/Electronic Communications Network Services (ECNS) Compliance Reports

During the 2011/12 financial year, the Authority approved 15 major ECS and ECNS Annual Compliance Reports in terms of compliance with General Licence Fees regulations; Code of Conduct regulations; Code on People with Disabilities as well as licence terms and conditions.

In addition, the Authority is working on the Universal Service and Access Framework, as well as developing a definition of universal service and access. The Authority intends to publish the list of underserviced areas in the new financial year.

Monitoring of Local Government Elections

The Authority is required by legislation to monitor the broadcasting of Local and General Elections as and when these take place, and to develop regulations guiding the broadcasting of these events.

During the reporting period, the Authority monitored broadcasting coverage of the 2011 Local Government Elections.

One case of non-compliance and violation of the Election broadcasts regulations was for broadcasting a political advertisement within the forty-eight (48) hours prior to polling. The matter was referred to the Complaints and Compliance Committee (CCC).

Postal Compliance

During the 2011/2012 financial period, the Authority approved the Annual Compliance Report of the South African Post Office. The Report focused on infrastructure roll-out, address roll-out, delivery performance standards, customer care standards, and the conveyance of mail regulations.

During the reporting period, the Authority published two postal regulations, namely the Customer Care Standards and the Code of Practice for the Postal Industry in order to improve universal service and access and improve compliance. The Authority will begin monitoring compliance with these regulations from the next financial year.

Notifications and Extensions

During the 2011/2012 financial year, the Authority noted 40 filings on changes to entity contact particulars, address and other details.

The Authority also approved 17 requests for extension of commencement of operations.

7.2 Markets and Competition

The South African electronic communications, broadcasting and postal industries, operated for many years as monopolies before the introduction of liberalisation and the licensing of new players. Even after the licensing of new players, the industries remain dominated by only a few operators.

Competition is viewed as vital for stimulating innovation among operators, bringing the costs down and providing choice for consumers. The promotion of competition necessitates changing market structures and the conduct of existing licensees so as to ensure an improved experience for the end-user.

Apart from licensing new operators, the Authority promotes competition in the electronic communications, broadcasting and postal sectors by developing regulations that govern each market and by acting as an umpire in adjudicating disputes among operators.

The Authority executes its role by:

- promoting sustainable, stable, dynamic and innovative competition in the electronic communications, broadcasting and postal sectors and high-quality services at affordable prices;
- reducing the cost of doing business in South Africa by encouraging effective competition through increased access to infrastructure, diversity of service, competitive prices and a greater choice for consumers;
- ensuring competitive, fair, open, transparent and non-discriminatory pricing for broadcasting services;
- promoting access to basic services at affordable prices; and
- ensuring fair, transparent and non-discriminatory allocation of numbers to licensees and providing sufficient numbering capacity for existing and future numbering demands.

The Authority creates competition for the market through: Markets and Competition Analysis; Numbering, Economic and Financial Analysis; Broadcasting Policy Development and Research; and Postal Policy Research and Development.

7.2.1 Market and Competition Analysis

For the reporting period the Markets and Competition Analysis sub-programme delivered the following projects:

Fostering the Open Access Regime Through Improved Infrastructure Sharing (Local Loop Unbundling)

The Authority sought to ensure that the "last mile" of existing fixed-line electronic communications infrastructure was used efficiently by fostering access by all licensees to such infrastructure. The "last mile" is the final infrastructure connecting the household to the broader electronic communications network.

The objective of fostering access to the "last mile" for all licensees is to create an environment of product innovation and fair prices for consumers through competition between licensees. The Authority conducted extensive public consultations on how best to foster access to the "last mile", including which version of access should be considered. Ultimately the Authority chose to follow a phased approach to the introduction of local loop unbundling taking the following actions:

- Administer a reduction in wholesale access prices charged by Telkom SA for licensees of 30 percent for the charges levied on the IP Connect product by 30 March 2012.
- The introduction of a further wholesale access product (Bitstream services) by November 2012.
- The introduction of a mechanism to address the access line deficit (the difference between the retail price charged for a fixed-line connection and the cost of providing such access) during the 2012/13 financial year.

The impact of the 30 percent price reduction in the IP Connect product led to an immediate reduction in end-user prices charged by licensees, in some cases up to R100 per month. In other cases, the value received by end-users for the same monthly fee was dramatically increased by up to 400 percent.

Broadcasting Transmission Services

The division continued with the market review of the provision of broadcasting transmission services initiated in the 2010/11 financial year with the publication of a discussion document outlining the definition of the market for the provision of signal distribution services and the holding of public hearings.

The outcome of the public hearings and subsequent engagement with Sentech, the national signal distribution provider, has been a direct reduction in prices that Sentech levies on community television and radio licensees from April 2012 as outlined below:

- An average of 33% reduction for community television broadcasters.
- An average of 65% reduction for community radio broadcasters.

The Authority will engage with Sentech further in the 2012/13 financial year to ensure that tariffs for the introduction of Digital Terrestrial Television services are fair and transparent.

Framework for Interconnection and Facilities Leasing Regulations

The Interconnection and the Facilities Leasing Regulations were published in April and May 2010 respectively. These regulations provide the framework to uphold the open-access provisions of the Electronic Communications Act to promote inter-operable networks and competition in the electronic communications markets.

For the reporting period, the Authority noted and received forty-nine (49) interconnection agreements and fourteen (14) facilities leasing agreements. Ten (10) disputes regarding the conclusion of agreements were reported, and their resolution will be carried out in the new financial year.

7.2.2 Economic, Financial Analysis and Numbering

For the reporting period, the Economic, Financial Analysis and Numbering sub-programme delivered the following projects:

SAPO Tariff Regime

SAPO is required to submit annual tariff increase applications to the Authority for review in terms of its licence conditions. For the 2011/12 financial year, SAPO requested an 8,9% general increase in prices for reserved postal services. However, to protect the consumer from excessive tariff increases, the Authority approved a 5,7% general price increase on 1 February 2012, for implementation in the 2012/13 financial year.

Number Plan Review

The Electronic Communications Act (the ECA) introduced a new licensing regime (licence conversion process in January 2009) resulting in over four hundred licensees becoming eligible to apply for numbers for purposes of providing communication services.

During the reporting period, the Authority revised the existing proposed regulations regarding the introduction of a new numbering plan and engaged in further public consultation. Owing to important factors regarding the efficient use of the national numbering resource raised by stakeholders, the Authority released another version of regulations for public comment in March 2012. The project will be finalised in the new year.

Numbering Applications

The Authority received three hunderd and nine (309) applications for numbers from licensees for the provision of communication services during the financial year 2011/2012. Applications are classified according to the various categories including geographic and non-geographic numbers, national and international signalling point codes, geographic and mobile number portability routing codes and carrier pre-selection codes.

7.2 Markets and Competition (continued)

7.2.2 Economic, Financial Analysis and Numbering (continued)

Number Audit

A preliminary audit of the numbering resource allocations was conducted to ensure efficient and effective utilisation of numbering resource by licensed operators in line with the numbering plan regulations. The project continues into the new year.

Accounting Seperation for Wholesale Call Termination Market

For the reporting period the authority initiated the development of the regulatory financial reporting framework for wholesale call termination. An inception report was compiled in this regard. The purpose of this framework is to specify the methodology which is to be used by established significant market power (SMP) operators to submit cost information in the form of regulatory financial statements to the Authority. This framework will be completed in the new financial year.

Carrier Pre-Selection

The Authority published the Code of Practice for the implementation of Carrier Pre-Selection (CPS) Phase 1. CPS Phase 1 is a process whereby subscribers choose an alternative service provider on a call-by-call basis by dialling a special prefix (short code) known as a carrier access code. The objective is to promote customer choice to take advantage of different pricing options.

Tariff Notifications

For the reporting period, 60 tariff notifications were received and noted by the Authority. These were processed in terms of the Standard Terms and Conditions Regulations issued by the Authority which specify that: *"a licensee may not provide any services for a charge, fees or other compensation, unless the price(s) for the services and other terms and conditions of the provision for such services have been filed with the Authority at least seven days prior to the provision of the said services. In making such filing, a licensee must utilise a format approved by the Authority."*

7.2.3 Broadcasting Policy Development and Research

For the reporting period, the Policy Development and Research sub-programme was involved in the following projects:

Review of the Existing Analogue-based Regulatory Framework for Broadcasting Services

The division initiated a review of all existing analogue-based broadcasting service regulations with the objective of fostering a smooth transition to the digital era, owing to the introduction of Digital Terrestrial Television. The Authority published an Issues Paper and engaged in extensive regional public consultation on the necessity for the review of existing regulations.

The purpose of the Issues Paper was to consult with the public and to identify the effective sequencing of the review process. This project has a multi-year timeframe, and includes the need for the Authority to review the impact of the current Local Content regulations in the new year.

Regulations on Digital Terrestrial Television Migration

The Authority is responsible for developing regulations that allocate capacity for broadcasting services to existing and future licensees in the digital era. The Authority initially released regulations outlining the proposed allocation of capacity in September 2011.

The Minister of Communications subsequently requested, through a Policy Directive, to include the provision of capacity for the introduction of new players in the terrestrial television arena so as to foster competition. The Authority thereafter released revised regulations in March 2012 that incorporate the Ministerial Policy Directive and maps out the regulatory process for Digital Terrestrial Television Migration.

Review of Ownership and Control of Broadcasting Services

The purpose of the review is to analyse the existing ownership and control of commercial broadcasting services with the purpose of determining whether the market can be further opened up and enhance the participation of historically disadvantaged groups and individuals, including women and persons with disabilities. The Authority submitted its recommendations to the Minister of Communications in August 2011.

7.2.4 Postal Policy and Research

The following projects were delivered by the Postal Policy and Research sub-programme during the reporting period:

Extra Territorial Offices of Exchange

The Universal Postal Union (UPU) defines an Extra Territorial Offices of Exchange (ETOE) as an "office of exchange operated by or in connection with a designated operator outside its national territory, and is established for commercial purposes to draw business in markets on the territory of another member country".

South Africa is a signatory to the Universal Postal Union (UPU) resolutions, and has agreed to the development of a regulatory framework that provides for ETOEs within the South African market.

The Authority has drafted its initial proposals on how best to introduce ETOEs in South Africa and is engaging with the Department of Communications regarding the consideration of potential legislative amendments necessary to ensure that ETOEs are introduced in a manner that does not disrupt existing postal services. This is an ongoing process and will continue into the next financial period.

Retail Infrastructure Roll-out Targets for SAPO

SAPO was granted a 25-year licence with an exclusivity period of five years. As a trade-off for this exclusivity, SAPO is required to comply with specific universal service targets including quality of service and roll-out of infrastructure. SAPO's universal service target requires that it establishes retail postal outlets within reasonable reach of all citizens of South Africa.

During the period, the Authority required SAPO to roll out 50 new retail postal outlets in identified under-serviced areas and 797 000 addresses, as part of its universal service obligations. The method of identifying the 50 outlets was based on the 60/40 split whereby the 60% represented rural areas and 40% urban areas.

With regard to postal addresses, a 70/30 split is required, with 70% of the addresses to be rolled out as street addresses and 30% post boxes. Postal addresses are critical in enabling South Africans fully participate in the economy of the country. Once again, the roll-out of these postal addresses should have a rural bias. The project will be finalised in the new year.

7.3 Engineering and Technology

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

For the year under review, the Authority delivered the following projects:

7.3.1 Frequency Spectrum

Radio Spectrum Licence Fees

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

The Authority commissioned a study to determine the new radio spectrum fees framework, specifically the economic value of the spectrum. The new radio spectrum fees regulations are effective from 1 April 2012. The billing for the 2012/13 financial year was successfully completed based on the new radio frequency spectrum regulations.

Review of National Radio Frequency Plan

Legislation and international convention require the Authority to review the national radio frequency plan from time to time. The plan under review will take into account regional harmonisation in line with Southern African Development Community (SADAC) guidelines and the final acts of the 2012 World Radio-communications Conference (WRC-2012).

The national frequency plan will also have to take into account annotations contained in the WRC final radio regulations, International Mobile Telecommunications (IMT), identified spectrum and have a bearing on digital broadcasting migration.

The final National Radio Frequency plan published in Government Gazette No 32409 of 30 June 2010 will be reviewed during the 2012/2013 financial year taking into account the ITU Radio Regulations edition 2013.

Frequency Migration Plan and Implementation Strategy

The Authority initiated the process of developing a National Radio Frequency Migration Plan (FMP) that will inform the overall process and principles of implementing the frequency migration by identifying specific frequency bands where migration and re-farming will be applied, and the migration of specific frequency bands through specific migration projects.

The final National Radio Frequency Migration Plan will be developed during the 2012/2013 financial year with final publication by March 2013 taking into account the ITU Radio Regulations edition 2013.

Licensing Framework for High-demand Frequencies

The licensing framework of high-demand frequencies refers to the 800MHz and 2.6GHz bands. The available Spectrum in the 800MHz band is 20MHz.

The 800MHz band is not yet available for network deployment and will only become available in phases during dual illumination of the Digital and Analogue Broadcasting Transmission after June 2015.

The licensing of the band immediately would allow whoever gets the licence enough time to plan for the network roll-out.

The available spectrum in the 2.6GHz band is 130MHz, following the proposed in-band migration of Sentech while retaining 30MHz as 2 x 15MHz FDD in the 2.6GHz band; and the proposed Wireless Broadbands Solutions (WBS) in-band migration occupying the upper 20MHz of the sub-band 2 570 to 2 620MHz as unrestricted spectrum.

The Authority identified the 800MHz and the remaining radio frequency spectrum in the 2 500 to 2 690MHz (2.6GHz) bands as high-demand bands which must be licensed through a competitive licensing process.

The draft industry consultations were completed and the process has since been put on hold pending finalisation of the policy direction on high-demand spectrum by the Minister of Communications. The Spectrum Plan and Invitation to Apply process will be reviewed as soon as the final policy directive is published.

Digital Terrestrial Television Re-planning

The Authority has commenced the development of a comprehensive Digital Terrestrial Television (DTT) Frequency plan and a detailed migration implementation strategy to address the challenges faced by the Authority to roll out DDT using Digital Video Broadcast – T2. This is to ensure that optimum benefits are derived to accommodate current and future television broadcasting services. The plan also seeks to identify and plan for the resultant spectrum earmarked for International Mobile Telecommunications (IMT) with proposals on most efficient use and fair allocation thereof.

The re-planning process is to be undertaken taking cognisance and consideration of the ITU final act of 2007, the ITU's Radio Regulations edition 2008 and the WRC-12 Final Acts 2012.

The project is to be finalised in the 2012/2013 financial year, taking into consideration all previous frequency migrations identified including new allocations made by WRC-12 as contained in the WRC-12 Final Acts.

Formation of the Joint Spectrum Advisory Group

The Authority has establishes a joint spectrum advisory committee to advise the Authority on spectrum management matters during the digital migration process.

The focus of the advisory group would be on exploring the efficient coordination of frequency spectrum and interference resolution during the dual illumination of the analogue and digital terrestrial television migration process.

The group held three meetings and developed an action plan with timelines. The group will be in operation at the conclusion of the digital migration process in December 2015.

Participation in Regional and International Technical Fora

The Authority participates in the work of the WRC-12, with input generated from the country level with the Department of Communications, and the Southern African Development Community level to contribute to the development of the Final Acts and the ITU Radio Regulations.

The ITU Radio Regulations, in turn, inform the development of the National Radio Frequency Plan, Radio Frequency Migration Plan as well as the Digital Terrestrial Television Plan.

Collaboration with Academic and Research Institutions

The Authority continues to collaborate with academic and research institutions on matters related to improving the administrative, regulatory and technical expertise of frequency management as well as the funding of frequency spectrum research.

The Authority's partners in this endeavour include the universities of Witwatersrand and Pretoria, and the Council for Scientific and Industrial Research (CSIR).

This collaboration has resulted in presentations and submissions of technical papers to international conferences.

Radio Communications Frequency Licensing

The Authority issues about fifty thousand (50 000) or more radio frequency spectrum licences every year to a wide variety of operators for emergency and disaster management, safety and security, aeronautical and maritime purposes. These licences have a wide impact on the everyday lives of South Africans, ranging from accessing ambulance, fire fighting and police assistance to maritime and aviation safety and operations.

A number of industries use the radio frequency spectrum for executing projects and providing services to consumers. Examples here include the construction industry that uses the frequency spectrum for communication purpose on construction sites and the armed response security companies that patrol neighbourhoods.

There are also the larger voice and data service providers such as the IECS and ECNS licensees, namely Telkom and Vodacom, that use satellite platforms to provide a range of services to corporate clients and consumers.

7.3 Engineering and Technology (continued)

7.3.1 Frequency Spectrum (continued)

During the reporting period, the Authority issued the following radio frequency spectrum licences:

	Number of licences as at 1 April 2011	New licences	Cancellations	Number of licences as at 31 March 2012
Aeronautical	7 201	1 101	513	7 789
Amateur	5 250	339	172	5 417
Fixed	170	17	41	146
Land mobile including ski boats	24 594	804	734	24 664
Maritime	3 898	140	97	3 941
Radio dealer	4 732	219	94	4 857
Satellite	264	15	8	271
Total	46 109	2 635	1 659	47 085

Equipment Type Approval

Equipment Type Approval has to do with the authorisation that the Authority issues to manufacturers for the use of communications equipment in the country.

Equipment Type Approval is meant to ensure that communications equipment is approved for compliance with the prescribed standards of the country and the allocated radio frequency spectrum on which it is operated to ensure non-interference with other users of the radio frequency spectrum.

The Authority exercises this responsibility in conjunction with Standards South Africa (SSA), the country's standards' authority.

The Authority reviews the Radio Regulations and the Equipment Type Approval framework annually to align these with the Electronic Communications Act, and to ensure that these are in line with international frameworks.

To date, the Authority has finalised an official list of approved standards regulations for Equipment Type Approval. The Draft Regulations will be subjected to a public consultation process during the course of the next financial year.

In addition, the Authority issues and registers type approval for telecommunication line terminal equipment (TLTE), switching systems (SWS) and radio frequency equipment, as well as the licensing of maintenance organisations and the registration of suppliers. The Type Approval licences and registrations for the reporting period are as follows:

	Number of licences/ certificates as at 1 April 2011	New licences/ certificates	Licences renewed	Number of licences as at 31 March 2012
RF	10 132	1 939	0	12 071
TLTE	346	218	333	551
SWS	347	47	428	475
LMO	193	18	34	52
SUP	23	1	59	60
Total	11 041	2 223	854	13 209

The Authority took part in a number of technical committees and other forums, including study groups of the World Radio-communications 2012, and the technical committee of the Communications Regulators' Association of Southern Africa that approves the official list of standards to be used for Equipment Type Approval.

Broadcasting Frequency Spectrum

During the reporting period, the Authority received and analysed 268 technical requests for broadcasting frequency spectrum licences. The Authority published a government gazette that outlined the re-categorisation of the medium wave (MW) frequencies for open use. This allows the licensing of spare MW frequencies for sound broadcasting purposes. In addition, a study for identifying new FM frequencies in the Cape Town, Durban and Gauteng metropolitan areas was conducted.

7.3.2 Spectrum Monitoring and Control

Spectrum Monitoring and Control seeks to ensure spectrum efficiency, compliance and devising long-term strategies for interference control. Other related activities include compliance with rules and regulations, Quality of Service (QoS) and frequency use and occupancy.

During the reporting period, the Authority conducted QoS monitoring on all three Global System for Mobile (GSM) networks in the Free State, Mpumalanga and Limpopo. The methodology for QoS testing is still being developed, and will standardise the GSM drive test methodology in the next financial period.

Radio Frequency Spectrum Monitoring

The Authority audited the 450 – 470MHz, 2.3GHz; 2.5GHz and 3.4 – 3.6GHz bands for spectrum usage during the reporting period. This was a follow-up to the audit conducted in the previous year using mobile monitoring stations to extend the monitoring footprint. The results show that more than eighty percent (80%) of this band is still unoccupied.

7.4 Consumer Affairs

Enabling legislation mandates the Authority to protect consumers of electronic communications services and postal services from unscrupulous retail practices. With regard to electronic communications services, the ECA requires the Authority to develop regulations that would protect consumers in relation to end-user and subscriber information, billing and credit practices as well as fault repair services.

The ECA also provides specifically for the Authority to take concrete steps in ensuring that the needs and interests of people with disabilities are catered for by all categories of licensees in their provision of electronic communication services.

On the postal services side, enabling legislation also requires the SAPO to ensure that the needs and interests of people with disabilities are specifically catered for in the provision of postal services.

Consumer affairs and protection in the electronic communications and postal sectors also encompass universal access and service to the whole population, as well as geographic reach to all areas, both urban and rural.

Universal service and access in the information and communication technologies is central to the realisation of the country's socio-economic development goals with regard to the provision of health and education as well as Government services to people and areas on the periphery.

The Authority's Consumer Protection programme consists consumer complaints and public awareness.

7.4.1 Consumer Complaints

Consumer Affairs receives and redresses consumer complaints regarding communications services in the field of fixed and mobile telephony, broadcasting and postal services. A total of 4 553 complaints were received and handled during the year under review. Altogether 3 081 complaints were resolved and 1 472 are still pending.

This gives a ratio of 68:32 in the resolution of consumer complaints as indicated in the table below. It should be noted that the handling of complaints overlaps from one financial year to the next.

The Authority receives a wide range of complaints from mobile phone subscribers, from contract terms and conditions to billing complaints. The distribution of complaints across categories is illustrated below.

Distribution of complaints across categories

Complaint category	Number of complaints received	%
Other complaints	854	19
QoS	1 050	23
Contract terms and conditions	1 248	27
Billing	1 401	31
	4 553	**100**

The majority of consumer complaints still emanate from the metropolitan areas of Gauteng, Western Cape and KwaZulu-Natal, as below:

7.4.2 Consumer Research

During the year under review, Consumer Affairs undertook desktop research studies on consumer issues. The findings of these studies are to be used to inform the Authority's consumer protection strategy. The studies undertaken are as follows:

Benchmark Study on Addressing Consumer Protection Issues

The objective of this study was to benchmark with international regulators on how best to address consumer protection issues. The findings were that regulators have well capacitated consumer protection offices that deal with consumer protection issues.

The following regulators' Consumer Affairs programmes were sampled for the study: the Federal Communications Commission (FCC), Office of Communications (OFCOM), Australian Communications and Media Authority (ACMA), Telecommunications Regulatory Authority of India (TRAI), Information and Communications Technologies Authority (ICTA), Botswana Telecommunications Authority (BTA), Lesotho Telecommunications Authority (LTA), Tanzania Communications Regulatory Authority (TCRA), the Nigerian Communications Commission (NCC) and the Uganda Communications Commission (UCC).

The findings were that regulators such as TRAI, the ACCC, the FCC, OFCOM, TCRA and the NCC have well-capacitated consumer protection offices that deal with consumer protection issues.

The recommendations from the study are:

- Disability Rights department to addresses disability-related matters.
- Policy and Strategy department to develop and publish consumer protection policies.
- Monitoring department to monitor and enforce compliance with consumer protection regulations.
- Consumer Education and Awareness department to educate and make consumers aware about their rights to access quality service.
- Complaints department that will provide redress on consumer complaints and disputes.

Benchmark Study on Centralisation of Complaints

The objective of the study was to benchmark on how ICT regulators manage the complaints and disputes that are lodged with them. The findings of the study were that regulators approach the handling of complaints differently. Some regulators have centralised points of entry for all types of complaints be it postal, broadcasting telecommunications services, while others have decentralised points that handle complaints according to their nature.

The recommendation is that there should be a centralised point where all complaints are received and managed efficiently and effectively. This can be done through the establishment of a call centre, wherein the call centre agents will receive complaints and then channel them to the relevant offices for redress.

Unsolicited Services

The Authority has been regularly receiving complaints from consumers where they complain that service providers allegedly send them text messages which are then billed to their accounts. The complainants alleged that they did not agree with the service providers nor authorised them to bill them.

A qualitative research study was conducted with the objective of:

- assessing consumers' experiences on the loss of airtime for content services that are neither subscribed to nor requested; and
- soliciting network operator's views on the parties involved in the promotion, operation and delivery of mobile content services to the consumers.

Data was collected from major mobile operators in South Africa in which the regulatory staff members completed the questionnaire designed by the Authority.

The findings of the research study were that there is no consistent manner in which the three mobile network operators relate with the Wireless Application Service Providers (WASPs). In some relationships, the WASPs are required to be affiliated to the Wireless Application Service Providers Association (WASPA). In other relationships, WASPs have a direct relationship with the network operator, without having to be affiliated to WASPA.

Consideration has been taken that WASP services fall outside the jurisdiction of ICASA and therefore cannot be regulated. The following is therefore recommended:

- ICASA must develop regulations on billing, which would deal specifically and in detail with how consumers should be billed by network operators and develop strict regulations.

7.4.2 Consumer Research (continued)

- Since the Authority has no legal jurisdiction over WASPA, the complaints against WASPA should be escalated to the National Consumer Commission where they would be effectively addressed.

The desktop studies present an insight into the trends on consumer complaints and provide an indication of where the challenges lie within the communications value chain.

The Authority will develop action plans to address these concerns in the next financial period.

Framework on Consumer Satisfaction Index (CSI)

The Authority developed a framework to measure Consumer Satisfaction Index (CSI) with the services in the ICT industry. The objective of the Framework was to identify and define the parameters for Quality of Service (QoS) that are used by international regulators.

Information about monitoring the QoS by regulators was assembled and analysed to guide the development of the Framework. The developed Framework contains the measurement tools that will guide the survey on consumer experiences and perceptions.

The CSI is a foundation that will enable the Authority to undertake a survey to:

- assess and test the performance and quality of service (QoS) by the mobile networks; and
- assess and analyse consumer satisfaction with service quality provided by mobile telecommunication service providers.

7.4.3 Application for Exemption from the Consumer Protection Act

The Authority established a committee for analysing the Consumer Protection Act (CPA) and the Electronic Communications Act (ECA) in order to make recommendations to Council on Application for Exemption. Furthermore, the committee had to analyse all consumer regulations and identify their strengths and weaknesses.

The Authority sampled Eastern Cape, Mpumalanga, Limpopo and KwaZulu-Natal for public consultation with licensees, where access to communications services was a challenge.

The purpose was to solicit views on how regulations protect consumers of communication services and the challenges regarding network coverage, billing issues as well as affordability of services.

The outcome of the consultation process was that the Authority needs to focus strongly on price, quality of service and billing.

The Authority analysed the data gathered and then compiled an Application for Exemption that was forwarded to the Minister of Trade and Industry to exempt the Authority of communications matters whereby it does not have jurisdiction. The response from the Minister was still forthcoming at the time of writing this report.

7.4.4 Public Education and Awareness

During the year under review, Consumer Affairs used various approaches to reach out to communities and raise their awareness using both print and electronic media, community radio talk-shows and public presentations in all nine provinces.

The key stakeholders in public education and awareness were the districts and local municipalities, provincial regulatory authorities as well as other consumer bodies.

The messages disseminated through national campaigns, media interviews and the distribution of publicity material were meant to inform communities about accessibility, availability and affordability of communications as fundamental rights.

7.4.5 Consumer Outreach

During the year under review, a total number of one hundred and nineteen (119) outreach programmes were conducted. These programmes were done through public presentations, campaigns and radio interviews.

World Consumer Rights Day Campaigns

In celebration of World Consumer Rights Day (WCRD) on 15 March, the Authority embarked on a National Campaign for consumer awareness on the mandate of ICASA and the consumers' right to universal service and access. The Authority hosted the campaigns in all nine provinces of South Africa from 15 to 28 March 2012, namely Botshabelo (Free State), Nkonkobe (Eastern Cape), Bongolethu (Western Cape), Mefefe (Limpopo), Bushbuckridge (Mpumalanga) Maboloka (North West), Mzumbe (KwaZulu-Natal), Carletonville (Gauteng) and Kuruman (Northern Cape).

The theme of the campaign was "Advance the Building of a Digital Society, Reach out and Bridge the Digital Divide".

The objectives of the campaign were:

- to provide a platform for licensees to update communities about their vision on universal service and access to communications services;
- to provide a platform for the Authority to update communities on the regulation of the ICT sector; and
- to provide an opportunity for consumers to lodge their complaints with the Authority at the campaign.

ICASA arranged and coordinated all nine campaigns in collaboration with the district municipalities as well as local municipalities.

The licensees invited to participate in the campaigns were Sentech, SABC, USAASA, Telkom, South African Post Office (SAPO), Vodacom, MTN, Neotel, Cell C, NEMISA, eTV, National Consumer Commission (NCC), Multichoice, Nashua, Premier's Offices in all nine provinces as well as the Portfolio Committee on Communications (PCC).

Communities in these areas raised their concerns with both ICASA and the licensees, and these included dissatisfaction with mobile service providers, lack of access to postal services and fixed lines, misleading advertising, far-flung post office outlets, need for community radio stations, lack of public television signals and mobile telephony network. The licensees were offered the opportunity to respond to the challenges raised by the communities.

The Parliamentary Portfolio Committee on Communications (PPCC) visited Bushbuckridge, Mpumalange province. The PPCC Chairperson addressed the community and outlined its role in helping to fast-tracking service delivery in ICT services.

About 4 000 people attended the face-to-face interactive campaigns with ICASA. In terms of the media, 12,3 million people were reached through radio interviews, 26,6 million people were reached through radio advertisement and 2,8 million people were reached through print media.

Publicity Material

The authority developed and distributed pamphlets:

- Consumer Guide – 30 000 copies.
- Postal Customer Care Standards – 30 000 copies.
- Reprint of the Code on People with Disabilities in Braille – 3 000 copies.
- Consumer Alerts on roaming charges, data charges, wrongful billing, fraudulent billing and subscription of mobile competition were published in national papers.
- Consumer Alerts were published in national newspapers on roaming charges, data charges and billing.

7.5 Legal and Complaints and Compliance Committee

The following litigation matters were pending as at March 2011:

ICASA vs SENTECH LIMITED (licence fees)

SENTECH failed to pay its signal distribution licence fees to ICASA for the last 15 years. DMR Attorneys were instructed to issue summons against Sentech Limited. Parties will meet in order to try and settle the matter amicably in a future date to be announced.

Progress to date: The summons was served on 12 July 2011 in the amount of R84 million. The matter was put in abeyance pending the outcome of the round table meeting which was held on 24 February 2012 between ICASA and Sentech with a view to settle the matter out of court if possible. Sentech offered a full and final settlement of R1 million rand, which ICASA rejected. Sentech has filed its Special Plea of Prescription and ICASA filed the necessary pleading for the legal process to continue in court.

7.5.1 Finalised and Closed Litigation matters

Deukom vs ICASA

Commencement date – January 2008

Applicant instituted review proceedings against ICASA's decision to refuse it a subscription broadcasting service licence. The matter has been pending due to the fact that Deukom has not filed replying affidavit despite ICASA attorneys having engaged them on numerous occasions.

Progress to date: The matter was heard before the North Gauteng High Court on 4 October 2011, and judgment was in favour of Deukom, with costs.

Islamic Unity Convention vs ICASA

Commencement date – March 2006

IUC is applying at court for an order seeking to set aside a decision by the Broadcasting Monitoring Complaints Committee (BMCC) and subsequently ICASA, and to interdict ICASA and Complaints and Compliance (CCC) from investigating and adjudicating South African Jewish Board of Deputies (SAJBOD) complaint against them.

- June 1998 – Jewish Board of Deputies (SAJBOD) lodged a complaint against IUC broadcasting as Radio 786, several applications followed which ended up ultimately at the Constitutional Court, which held that the BMCC must adjudicate the matter.
- 13 to 17 March 2006 – scheduled hearings by BMCC.
- 6 March 2006 – urgent application by IUC heard by the Witwatersrand Local Division of the High Court for an interdict to have the hearings scheduled for 13 to 17 March postponed (this application was dismissed with costs on 9 March 2006); Subsequently IUC filed an application for leave to appeal to the Constitutional Court.
- The BMCC hearing proceeded as scheduled and IUC walked out of the hearing. The BMCC then on 12 May 2006 made known its decision that it found IUC guilty of the allegations against them by SAJBOD.
- IUC launched an application against the decision of the BMCC in the Cape of Good Hope Division of the High Court on 14 January 2007.
- This matter was set down for trial on 9 and 10 May 2011.

Progress to date: Set down for hearing on 9 and 10 May 2011 in Cape Town High Court. IUC withdrew the interdict part of its application just before the date of the court proceedings and offered to contribute R100 000 to ICASA's wasted costs and already paid two instalments of R25 000 each. Litigation was finalised and closed, and the matter will be transferred to the CCC.

NAFCOC vs ICASA

Commencement date – August 2009

NAFCOC instituted review proceedings against ICASA following the promulgation of the DTT Regulations. The matter has been pending for some time because NAFCOC has not filed its Supplementary Affidavit as required by the Court rules.

Progress to date: The matter was settled out of court and NAFCOC withdrew its application.

Telkom vs ICASA

Commencement date – October 2009

This is a review application in terms whereof Telkom seeks to review and set aside the publication of the licence fees regulations in Government Gazette 32084 of 1 April 2009. Telkom has not filed its Replying Affidavit despite ICASA attorneys having engaged them on numerous occasions.

Progress to date: The matter has been settled out of court. Telkom withdrew its application.

7.5.2 Pending Non-regulatory Litigation as at 1 January 2012 to 31 March 2012

Nothnagel vs Road Accident Fund and ICASA (third party claim referred to ICASA insurers)

The spouse of a late ICASA employee who died on duty in a motor vehicle accident joined ICASA by way of a third party notice in an action against the RAF for damages for loss of support. The merits were settled and only the quantum remained to be determined by the court. ICASA is insured for claims of this nature to a maximum of R2 million. The matter was set down for hearing in October 2011 by the Bloemfontein High Court and finalised.

Progress to date: The court ruled in favour of the claimant for loss of support to be shared between the two defendants being RAF and ICASA. ICASA insurance attorneys are handling the payment issue and will revert back with confirmation of payment so that the file can be formally closed.

ICASA vs Alpha Power (Pty) Ltd

Alpha power was awarded a contract to supply and install a generator. They were paid in full upfront by the Authority. The generator was delivered but not properly commissioned and could not be started. Alpha Power failed to rectify the situation after numerous requests and discussions between them and ICASA. VR Engineering was then contracted to do the necessary repairs on the generator. ICASA instructed its attorneys to institute action on behalf of ICASA. Alpha Power signed an Acknowledgment of Debt in terms whereof they will pay the outstanding amount in monthly instalments of R10 000.

Progress to date: Alpha Power has been making regular monthly payments to ICASA through ICASA attorneys until November 2011. ICASA attorneys were instructed to obtain judgment against Alpha Power for failure to adhere to the Acknowledgement of Debt. Judgment was confirmed on 14 March 2012. ICASA to execute on the judgment in the event that Alpha does not bring its payments up to date within a specific timeframe given to them.

ICASA vs ex-employee (debt collection)

An ex-employee who worked at HR did not return his laptop when leaving ICASA's employment. The replacement value of the laptop is R10 264,85. An Acknowledgement of Debt letter (AOD) for payment over 12 months was forwarded to him for his signature, which he did. He also confirmed that he found new employment as from 1 March 2011 and would start making payments as soon as possible. The matter was followed up and feedback was received that he was out of town, but that he would send the proof of payment of the first two instalments. Neither further correspondence nor proof of payment was ever received. Trans-Union was requested to trace the employee after which the attorneys were instructed to obtain judgment based on the signed AOD only.

Progress to date: Confirmation was received that the summons was served on the employee personally and that a default judgment was obtained against him for failure to defend. The sheriff's Return of Service is awaited. A warrant is to be issued at the employee's new address since he had moved twice from the old addresses and changed employment. Attorneys will advise ICASA on further developments in due course.

7.5 Legal and Complaints and Compliance Committee (continued)

7.5.3 Complaints and Compliance Committee Report

Pending CCC adjudication matters

The following matters were pending by the end of the financial year:

Parties in dispute	Nature of dispute	CCC action
1. Phuthuma Networks vs Telkom	Phuthuma Networks (Pty) Ltd filed a complaint and alleged that Network Telex is not in possession of either an ECS or an ECNS licence to provide the Maritime services, telegram services, supply of Customer Premises Equipment on behalf of Telkom SA.	The matter was heard on 28 and 29 March 2011 and was postponed *sine die* pending the finalisation of the interlocutory ruling by the CCC Chairperson, which was done. CCC is awaiting the parties to confirm the proposed hearing dates that are suitable to them in due course.
2. Platitel vs Dira Ka Thata	On 25 August 2010 Platitel (Pty) Ltd lodged a complaint to the effect that Dira Ka Thata Computers (Pty) Ltd (DKT) traffic terminated on DKT from Platitel was artificially generated traffic.	The matter was heard by CCC on 7 December 2010. The CCC ordered that ICASA appoints inspectors to carry out an investigation whether indeed the traffic from DKT was artificially generated, and a report was submitted. Postponed sine die. An interim judgment was handed down on 26 October 2011 and a new date is awaited from the Chairperson to hear the matter in 2012.
3. Mogafe vs Vodacom	The matter was brought before the CCC for failure on the part of the licensee to submit audited financial statements as requested by ICASA.	The matter was again heard on 28 and 29 September 2011 in order for the Committee to decide whether or not settlement was reached between the parties as claimed by Vodacom. The parties were furnished with alternative dates in April 2012, but not all were available on those dates. A new date will be confirmed in due course.
4. FXI vs SABC	On 24 January 2011 the South Gauteng High Court ruled that the CCC reconsider the complaint lodged by FXI against the SABC for allegedly blacklisting of certain journalists.	A pre-conference hearing was held with the parties. The exchange of pleadings is still under way and a hearing date will be decided and confirmed in due course.
5. ICASA vs ADT	Various allegations against ADT for contravening sections 31; 32; 35 of the ECA.	The matter has been set down for 23 April 2012.

Parties in dispute	Nature of dispute	CCC action
6. Jewish Board of Deputies vs IUC	IUC has applied at court for an order setting aside a decision by the BMCC and subsequently ICASA and to interdict ICASA and CCC from investigating and adjudicating SAJBOD's complaint against them.	The process of exchanging pleadings between the parties has been finalised. IUC requested more time as they have appointed new attorneys to deal with this matter. Both parties agreed that the matter should be heard on 11 to 14 December 2012, which date has been accepted by CCC.
	* June 1998 – Jewish Board of Deputies (SAJBOD) lodged a complaint against IUC broadcasting as Radio 786. Several applications followed which ended up ultimately at the Constitutional Court, which held that the BMCC must adjudicate the matter.	
	* 6 March 2006 – urgent application by IUC heard by the Witwatersrand Local Division of the High Court for an interdict to have the hearings scheduled for 13 to 17 March postponed (this application was dismissed with costs on 9 March 2006). Subsequently IUC filed an application for leave to appeal to the Constitutional Court.	
	* The BMCC hearing proceeded as scheduled (13 to 17 March 2006) and IUC walked out of the hearings. The BMCC then on 12 May 2006 made known their decision that they found IUC guilty of the allegations against them by SAJBOD.	
	* IUC launched an application against the decision of the BMCC in the Cape of Good Hope Division of the High Court on 14 January 2007.	
	* This matter was set down for 9 and 10 May 2011. IUC withdrew the interdict part of their application just before the date of the court proceedings and offered to contribute R100 000 to ICASA's wasted costs. The matter was referred back to CCC to adjudicate on this complaint.	

7.5 Legal and Complaints and Compliance Committee (continued)

7.5.3 Complaints and Compliance Committee Report (continued)

The following matters were finalised by the end of the financial year:

Parties in dispute	Nature of dispute	Decision
7. ICASA vs Screamer Telecoms	ICASA brought the matter before the CCC for allegations of contravening section 31(1)(a)(b) of the Electronic Communications Act (ECA) No 36 of 2005.	Documents are being exchanged between parties. The date for a hearing will be advised in due course.
8. Neotel vs Telkom	ICASA has referred its dispute in respect of facilities leasing to the CCC.	Exchange of pleadings has been finalised and the matter will be heard on 16 to 18 May 2012.
9. ICASA vs Telkom	Allegations of non-compliance against Telkom in respect of the End-User and Subscriber Service Charter Regulations were investigated to decide whether the CCC will have to adjudicate the matter.	Pleadings are closed and the matter has been set down for 3 to 4 May 2012.
ICASA vs Nkqubela Community Radio	The ICASA Council sanctioned Nkqubela Community Radio in January 2010 to pay R12 000 by July 2010. Compliance Unit has filed a charge sheet with CCC to adjudicate the matter on the basis that to date the licensee has failed to pay the fine as sanctioned by the Authority.	Awaiting allocation of a date.
ICASA vs Vertel Investments (Pty) Ltd	Various allegations against Vertel Investments for contravening sections 31; 32; 35 of the ECA.	The matter was heard on 10 August and finalised. Judgment was delivered and communicated to both parties. The matter has been officially closed.
ICASA vs Yodata (Pty) Ltd	Unlabelled electronic communications equipment was provided by Yodata Electronics (Pty) Ltd to Massmart from where it was seized by ICASA inspectors in December 2008.	The matter was heard on 13 and 29 June 2011 and finalised. Judgment was delivered and communicated to both parties. The matter has been officially closed.
ICASA vs Radio Trunk	Various allegations against Radio Trunk for contravening sections 31; 32; 35 of the ECA.	The matter was heard on 12 August 2011 and finalised. Judgment was delivered and communicated to both parties. The matter is closed.

Parties in dispute	Nature of dispute	Decision
ICASA vs Imbokodo Community Radio	The ICASA Council sanctioned Imbokodo in January 2010 to pay R42 000 by July 2010. The licensee has failed to comply with the sanction and new charges have been levelled against them for failure to pay the fine.	The matter was heard on 7 June 2011 and finalised. Judgment was delivered and communicated to both parties. The matter is closed.
ICASA vs Electro Instruments Mining	Various allegations against Electro Instruments Mining (Pty) Ltd for contravening section 7 of the ECA and other applicable regulations.	The matter was heard on 6 June 2011 and finalised. Judgment was delivered and communicated to both parties. The matter is closed.
ICASA vs Mosupatsela Community Radio	The Licensing and Compliance Division of ICASA has filed charges against Mosupatsela Community Radio for failure to hold an AGM as stipulated in the licensee's terms and conditions.	The matter was heard on 10 June 2011 and finalised. Judgment was delivered and communicated to both parties. The matter is closed.
ICASA vs Brians Electrical Contractors	Various allegations against Brians Electrical for contravening sections 31; 32; 35 of the ECA.	The matter was heard on 14 September and finalised. Judgment was delivered and communicated to both parties. The matter is closed.
ICASA vs Ilizwi Telecommunications	Markets and Competition of ICASA filed a charge sheet with the CCC complaining that Ilizwi Telecommunications contravened provision 16(3) of the numbering Plan Regulations.	The matter was heard on 15 September 2011 and finalised. Judgment was delivered and communicated to both parties. The matter is closed.

7.6 Human Resources

The Authority values its employees, and considers them to be an important investment.

To this end, the Authority has developed a Human Resources strategy that aims to support the Authority's business plan by providing staff with the skills and knowledge they require in order to function to the best of their ability, and to provide appropriate rewards for above-average performance. The Human Resources division is the custodian of all people management initiatives with the responsibility to ensure that the Authority is able to achieve its vision, mission and strategic goals through optimum utilisation of its human resources.

The Human Resources division delivered the following projects during the reporting period:

7.6.1 Performance Management

The division began a process of designing a robust performance management policy that will meet the regulatory mandate of the Authority. Consultations were conducted with all stakeholders, and the new policy will beome effective in the new financial year.

The new Performance Management policy is anchored on the following:

- Support the Authority's vision, mission statement, values and strategic objectives.
- Create and nurture a culture of performance excellence and accountability.
- Instil and sustain a performance culture, supported by continuous improvement.
- Enable the development of competencies that reflect the values and skills-set requisite for ICASA's sustainability.
- Develop employees through regular constructive performance feedback based on coaching, mentoring and development.
- Build sound relationship through regular honest performance conversations.

7.6.2 Remuneration

During the financial year, the Authority introduced and implemented a cost-to company remuneration system company-wide. This remuneration system is intended to ensure that employees have a variety of flexibility in managing their salary packages, taking into account their individual tax legislative obligations.

This would enable employees to benchmark their salary packages with their peers in the electronic communications industry.

During the year, the Authority settled with organised labour at an 8% salary increase across the board for all employees in the bargaining unit.

7.6.3 Employee Relations and Wellness

The Authority respects and recognises the rights of employees to organise and bargain collectively. A Recognition Agreement with the Communication Workers Union is in place, and there is continuous consultation with the union when the Authority develops human resources policies and other substantive matters.

The Authority further encourages a healthy lifestyle for all its employees. To this end the Authority has retained the services of ICAS that provides all employees and their immediate families with twenty-four hours of psychological and trauma counselling support.

7.6.4 Employee Demographics

The staff profile for the 2011/2012 financial year is provided in the table below:

ICASA demographics per level March 2012							
	Female	**Male**	**African**	**Coloured**	**Indian**	**White**	**Total**
Council (F)	3	6	6	1		2	9
Executive management (E)	2	5	5	1		1	7
Senior managers (D4)	8	12	17	2	1	–	20
Managers (D1)	11	25	32	1	1	2	36
Total management	24	48	60	5	2	5	72
Staff	150	128	205	17	12	44	278
Total employees	174	176	265	22	14	49	350
% per gender and race	49,71%	50,29%	75,71%	6,29%	4,00%	14,00%	

The table below provides staff profile per division during the 2011/ 2012 financial year.

ICASA demographics per division March 2012							
	Female	**Male**	**African**	**Coloured**	**Indian**	**White**	**Total**
Administration	17	12	27	2			29
CEO's office	3	1	3		1		4
Communications & International Relations	4	3	7				7
Compliance & Risk	4	1	2	3			5
Consumer Affairs	11	10	21				21
Council & Support	16	6	17	2	1	2	22
Engineering & Technology	18	44	37	3	3	19	62
Finance	24	11	30	1	1	3	35
Human Resources	7	4	8	1	1	1	11
Information Technology	3	9	4	1	3	4	12
Internal Audit	5	3	8				8
Legal	5	3	8				8
Licensing	17	18	33	1		1	35
Markets & Competition	19	10	28			1	29
Regions	21	41	32	8	4	18	62
Total employees	174	176	265	22	14	49	350
% per gender	49,71%	50,29%					
% per race			75,71%	6,29%	4,00%	14,00%	

7.7 Communications and International Relations (CIR)

Communications and International Relations (CIR) is responsible for the corporate communications and international relations activities of the Authority.

7.7.1 Communications

Media briefings were conducted on a quarterly basis to provide a detailed outline of the regulatory projects under way and achievements to date, as well as to provide for interaction between the Authority's executive, the media and affected stakeholders.

Media briefings provide a valuable platform for explaining the Authority's position and approach to regulatory projects. Routine media liaison activities included media statements, arrangement of interviews and response to media enquiries.

The ICASA website continues to play an important role as the gateway for external stakeholders for accessing unfolding regulatory and corporate publications and information.

CIR also drafted and placed advertorials about the Authority's activities and programmes in leading business and general publications and newspapers.

The Authority partnered the Department of Communications and other portfolio organisations in observing important industry days such as the World Telecoms Day and the World Post Day. In addition, ICASA has also embarked on provincial roadshows to showcase its regulatory activities to grassroots communities through exhibitions and the distribution of information material.

For the reporting period the Authority visited and exhibited its activities during the International Consumer Day and the Review of Broadcasting Regulations campaigns.

Internal Communications is also an important key performance area for addressing the needs of internal stakeholders/employees located in the head and regional offices of the Authority. The emphasis was on improving the flow of information within the organisation to obtain buy-in from internal stakeholders and to involve them in decision-making processes.

The issuance of Council communiqués to internal stakeholders is becoming a regular feature to ensure that all parties are informed and involved in decision processes.

7.7.2 International Relations

CIR coordinates the Authority's participation in sub-continental, continental and international forums in the postal and electronic communications sector for purposes of regulatory harmonisation and compliance with international convention.

The Authority participates in the following organisations:

- The International Telecommunications Union.
- The Universal Postal Union.
- International Institute of Communications.
- Pan African Postal Union.
- Communications Regulators' Association of Southern Africa.
- Commonwealth Telecommunications Organisation.

The Authority's international profile was promoted in the activities of the Communications Regulators' Association of Southern Africa (CRASA). After hosting merger meetings between the postal and the electronic communications associations, ICASA was nominated as Chairperson of the merged association, CRASA.

Some of the high-profile CRASA projects include the development of the Southern African development Community's Frequency Band Plan, and the Home and Away Roaming project to develop a common roaming tariff structure for mobile telephony in the SADC region.

The Authority's profile was also raised by hosting the 42nd Annual Conference of the International Institute of Communications (IIC). It was for the second time that ICASA hosted an IIC Annual Conference, the first being in 2002.

At the bilateral level, ICASA continues to interact with other regulators on the continent and across the world for purposes of benchmarking best practice. The highlight for the reporting period was the study visit by the Brazilian communications regulator, ANATEL, to benchmark the role of the Authority during the FIFA 2010 World Cup in preparation of their country hosting the 2014 FIFA tournament.

The Authority has benefited from its membership of the Commonwealth Telecommunications Organisation (CTO) by sending its employees for specialist course/classes on economic regulation and competition that the CTO arranges throughout the year for electronic communications regulators in various Commonwealth regions such as the SADC.

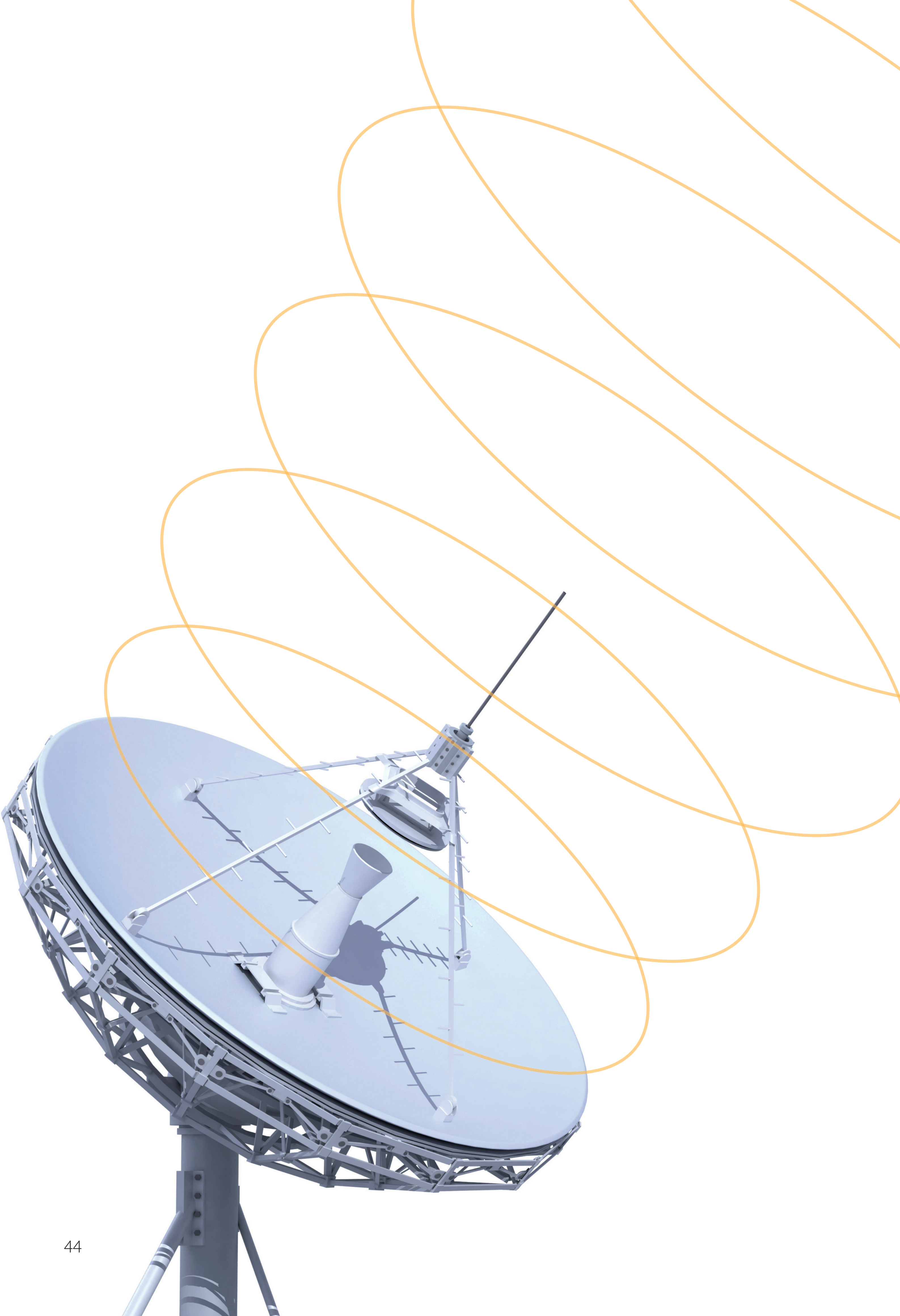
The Authority conducted benchmarking studies on the regulation of postal services at the Tanzania Communications Regulatory Agency. An ICASA delegation consisting of councillors and senior management went on a study tour to the United States Telecommunications Training Institute (USTTI), National Telecommunications and Information Administration (NTIA) and the Federal Communications Commission of the USA to enquire about the radio frequency spectrum.

The study tour covered a wide range of regulatory areas including the management of the radio frequency spectrum, broadband policy and its effects on socio-economic development, foreign ownership and control limitations, LTE and the Deployment of Broadband Networks, licensing entry barriers and facilities access restrictions, Network Disaster Recovery and IP Network Security, licensee compliance and enforcement issues as well as Satellite Regulatory Policy.

7.8 Information Technology and Services Sub-programme

Information Technology and Services Sub-programme provides application, hardware and software support to all of the Authority's divisions and regional offices to enable them to execute their day-to-day duties. During the reporting period, the following projects have been achieved:

- An electronic records and document management system has been implemented. This first phase pilot has been rolled out to all support divisions within ICASA. ICASA's file plan has been approved and the training on the new system has been conducted. Phase two, incorporating the core programmes, will be done in the next financial year.
- A new internet-based system has been developed for the application and processing of numbering applications. This system allows anyone to see if a number is available. All input has been automated with built-in workflow. Similar modules have been developed to process interconnect agreements and facilities leasing. Final parallel testing is in progress and the system will be available for public use in the new financial year.
- A Public Register for spectrum has been developed and is now available to the public via the ICASA website. This is in compliance with the ICASA Act.
- The Authority has improved internal processes which has led to an improvement in the response time to address and close calls to the IT service desk. Over the year, 86% of calls were closed within a day. During the same time, the uptime on the network and servers were above 99%.



8. PERFORMANCE TABLES

8. Performance tables

Strategic Objective SO1: Ensure effective participation by HDIs in the industry						
SO No	**Outputs**	**Performance indicators**	**Baseline 2010/2011**	**Annual plan 2011/2012**	**Key Performance Indicator (KPI) Output**	**KPI Achievement and progress during the financial year**
SO1.1.1	Report on ownership trends and structures for 50% of all the licensees in the sector.	Monitor ownership trends and audit ownership structures in the sector.	Held public enquiry and drafted recommendations for the Minister.	Publish final findings document on ownership trends and structures for 50% of all the licensees in the sector.	Publish final findings document on ownership trends and structures for 50% of all the licensees in the sector. Compliance Audit Report on HDI Equity Ownership for 127 licensees who were assigned spectrum and allocated numbers.	Not Achieved. The report on ownership structure of licensees who hold spectrum assignments will be published in the next financial period. Three gazette notices were published for the 2011/2012 financial period. Changes made to the scope of the audit to only include licensees who were assigned spectrum and allocated numbers.
SO1.1.2			None.	Compliance Audit Report on HDI Equity Ownership for 50% of ICASA licensees.	Develop comprehensive Compliance Report on HDI.	Not Achieved. HDI Equity Compliance Audit Report to be finalised in the next financial year.
SO1.1.3			None.	Draft recommendations to Minister on proposed changes to the ECA as required.	Draft recommendations to Minister on proposed changes to the ECA as required. Publish findings document.	Not Achieved. Recommendations submitted to the Minister of Communications. No further work took place owing to the withdrawal of the ECA Amendment Bill.
SO1.2	Monitor impact of ownership structure on diversity of Broadcasting Services (BS) content.	Ensure licensing improves sector's HDI profile in the BS sector.	Published final findings document.	Conduct study on impact of ownership in the BS sector on diversity of views.	Ensure licensing improves sector's HDI profile in the BS sector.	Not Achieved. The final report to be finalised in the next financial year.
SO1.3	Review the current regulations on ownership and control of commercial services and limitations on BS.	Recommendations to the Minister of Communications.	None.	Recommendations to the Minister of Communications on Ownership and Control for BS.	Recommendations to the Minister of Communications on Ownership and Control for BS.	Achieved. Recommendation report to the Minister of Communications on Ownership and Control for BS.

Strategic Objective SO2: Ensure the provision of broadband services

SO No	Outputs	Performance indicators	Baseline 2010/2011	Annual plan 2011/2012	Key Performance Indicator (KPI) Output	KPI Achievement and progress during the financial year
SO2.1	By September 2011: Broadband colloquium with stakeholders.	Regulatory strategy for broadband.	None.	Develop supply-side plan for broadband access and consult stakeholders through colloquium.	Supply-side plan: Network audit to identify availability of broadband services geographically.	Not achieved. Project delayed after identifying need to address concerns around data integrity and storage. Project will continue into the next financial year.
SO2.2	Establish an ICASA, industry sector and nationwide broadband committee.	Functional joint working committee for broadband.	None.	Set up the nationwide committee jointly or independently with DoC.	A white paper on identified bands discussing motivation and scenarios.	Not achieved. No progress on white paper on identified bands discussing motivation and scenarios.
SO2.3	Finalise and publish Local Loop Unbundling (LLU) framework by November 2011.	Published LLU framework.	None.	Release of guideline under the Electronic Communications Facilities Leasing (ECFL) regulations to facilitate leasing of the local loop, by 30 November 2011.	Practice note on implementation of LLU.	Achieved. Public consultation led to a 30% reduction in the wholesale input product used by ISP's to provide ADSL services (IPConnect) and the development of a framework for addressing the Access Line Deficit and the implementation of a Bitstream service by November 2012, as published on 6 December 2011 in GG 34823. Conclusion of inquiry resulting IPConnect price reduction; Media statement on framework for LLU next steps in new financial year outlining the Authority's determination regarding resolution of the Access Line Deficit and the introduction of Bitstream by November 2012.
SO2.4	By March 2012: Identify possible bands for additional 500 MHz spectrum for broadband wireless access.	Report on Spectrum for Broadband.	None.	Publish findings document and hold an industry colloquium on additional spectrum for broadband wireless access.	A white paper on identified bands discussing motivation and scenarios.	Not achieved. White paper on identified bands discussing motivation and scenarios not finalised. The paper will be completed in conjunction with the finalisation of the frequency migration strategy to consider the WRC-12 Final Acts during the next financial year.
SO2.5	Promote the sharing of infrastructure for the provision of BS.	Framework for Infrastructure Sharing (IS) between licensees.	None.	Recommendations to enhance IS.	Recommendations to enhance IS.	Not achieved. Draft internal report on recommendations to enhance IS. Report to be released in next financial year.
SO2.6	Identify hindrances to broadband penetration and propose corrective measures.	Reduced barriers for broadband penetration.	None.	Report on recommendations to remove barriers to network investment as well as incentives to facilitate investment in electronic communications infrastructure.	Internal report on bottlenecks to the deployment of electronic communications networks.	Not achieved. On engagement with the industry, the need was identified to develop the Rapid Deployment Guidelines (RDG) as per Section 21 of the ECA rather than develop a report on bottlenecks to network deployment. Draft RDG document was produced through engagement with industry and submitted to the DoC for policy formulation.

8. Performance tables (continued)

Strategic Objective SO3: Optimise the use of the radio frequency spectrum to support the widest variety of services						
SO No	Outputs	Performance indicators	Baseline 2010/2011	Annual plan 2011/2012	Key Performance Indicator (KPI) Output	Overall progress during financial year
SO3.1	Approval of the radio frequency migration strategy.	Reviewed radio frequency plan and completed radio frequency migration strategy and plan by 31 March 2012.	The radio frequency plan was published without the frequency migration plan.	Publication of final frequency migration plan.	Frequency migration strategy and plan.	Not achieved. Service provider appointed. The project will be finalised during the next financial year to consider the WRC – 12 Final Acts.
SO3.2.1	Published replanning of the broadcasting bands to optimise Digital Terrestrial Television (DTT). Formation of the Joint Spectrum Advisory Committee in terms of DTT regulations. Public enquiry for reallocation of digital dividends.	Managed implementation of the broadcasting frequency plan from analogue to digital migration.	DTT regulations, calling for the establishment of Joint Spectrum Advisory Group (JSAG) were published in 2010.	Formation of the JSAG and three meetings to be held.	JSAG formed and functioning in terms of the DTT regulations.	Achieved. JSAG formed and action plan developed and acted upon by all members. Three JSAG meeting held.
SO3.2.2			The broadcasting frequency plan was published in November 2009.	Replanning of the UHF and VHF broadcasting bands and a discussion document on requirements and planning philosophy.	Revised broadcasting frequency plan and implementation plan.	Not achieved. Service provider appointed and report on phase one of the project delivered. Revised broadcasting plan to be published in next financial year.
SO3.3.1	Licensing of all wireless broadband spectrum.	All available spectrum for wireless broadband is assigned and utilised as a catalyst to country's broadband objectives.	Regulations on licensing of high-demand bands published.	Licensing of the following bands: 790-862MHz, 1880-1920MHz, 2010-2025MHz and 2500-2600MHz. Re-arranging the GSM900 band.	Proposal submitted to Council.	Not achieved. Spectrum plan for combined licensing of 2.6GHz and 800MHz bands developed and published with the ITA for comment. Comments received from the public. Licensing process postponed pending the finalisation of the Ministerial Policy Directive.
SO3.3.2					Consensus and decision made on re-arrangement of the band.	Not achieved. Stakeholder engagement with the affected operators resulted in stakeholders having not reached consensus on re-arrangement of the GSM900 band. Further engagements to be undertaken during the next financial year.

Strategic Objective SO3: Optimise the use of the radio frequency spectrum to support the widest variety of services (continued)						
SO No	**Outputs**	**Performance indicators**	**Baseline 2010/2011**	**Annual plan 2011/2012**	**Key Performance Indicator (KPI) Output**	**Overall progress during financial year**
SO3.4	Development of a ten (10) year roadmap for Spectrum.	Colloquium on the future use of Spectrum.	None.	Assessment and discussion document on current and future usage of wireless broadband spectrum. Colloquium on future Spectrum use.	10-year roadmap on Spectrum.	Not achieved. Framework for the colloquium developed. The R10 million per year roadmap on spectrum was not finalised. The project will be finalised upon completion of the frequency migration strategy.
SO3.5	Report on comprehensive usage of Spectrum.	Completed Spectrum Audit.	Five (5) bands were audited: 161-167MHz, 167-173MHz, 2.3GHz, 2.5GHz and 3.6GHz.	Report on usage of broadband wireless spectrum.	Spectrum Audit reports.	Achieved. All Audit report targets for the financial year were completed but not published.
SO3.6	Development of Spectrum Assignment Dashboard.	Ability to view Spectrum assignment data.	Evaluation process of end-to-end Spectrum management software completed.	Implementation of an end-to-end automated Spectrum management system.	Basic modules procured.	Not achieved. Service provider awarded tender and contract negotiation commenced. Procurement of basic modules of the software remain outstanding till the next financial year.

8. Performance tables (continued)

SO No	Outputs	Performance indicators	Baseline 2010/2011	Annual plan 2011/2012	Key Performance Indicator (KPI) Output	Overall progress during financial year
Strategic Objective SO4: Promote the protection of consumers and accessibility for persons with disabilities						
SO4.1	Report on consumer satisfaction.	Consumer satisfaction index.	None.	Develop framework to measure consumer satisfaction.	Developed framework to measure consumer satisfaction.	Achieved. Framework to measure consumer satisfaction was completed.
SO4.2	Consumer programmes.	Consumer advocacy.	80 consumer outreach interventions.	100 consumer Outreach interventions. Report on Consumer Education and Information Outreach.	Consumer awareness interventions	Achieved. A strategic framework for public education and awareness was developed. 19 Consumer outreach interventions were achieved.
SO4.3	Increase accessibility initiatives for persons with disabilities.	Report on success of accessibility initiatives.		Activity to commence in 2012/2013.	Activity to commence in 2012/2013.	
SO4.4.1	Improved consumer complaints redress.	Consumer complaints redressed within 30 days.	None.	Alternative Dispute Resolution committee established.	Improved consumer complaints redress.	Achieved. The redress of consumer complaints improved during the financial year.
SO4.4.2			Resolved 68% of consumer complaints.	55% of complaints redressed within 30 days.	Complaints redressed within 30 days.	Achieved. 62% of complaints were addressed within 30 days.
SO4.5	Monitor and report accessibility and QoS by licensees to consumers.	Monitor accessibility and the quality of service provided by licensees to consumers.		Activity to commence in 2012/2013.	Activity to commence in 2012/2013.	
SO4.6	Engage the National Consumer Commission (NCC) on consumer protection matters.	Conduct discussions with NCC.	None.	Report on discussions with the NCC.	Report on engagement with the NCC.	Achieved. The NCC held consultative meetings with the Authority in compliance with section 100 of the Consumer Protection Act. The Authority submitted to the Minister of Trade and Industry the Application for Exemption on certain areas in the CPA and the meeting was held with the Ministry to discuss the Exemption.
4.7.1	Ensure compliance with consumer protection regulations, including increasing accessibility initiatives for persons with disabilities.	Prescribe Consumer Protection Regulations.	None.	Review of the End-User and Subscriber Services Charter.	Compliance with consumer protection regulations including increasing accessibility initiatives for persons with disabilities.	Not achieved. Review of the end-user subscriber Charter postponed to the next financial year.
4.7.2			None.	Review of the Code of Conduct for ECS and ECNS licensees.		Not achieved. Analysis of Code of Conduct for ECS & ECNS licensees indicated the necessity for a review to be undertaken in the next financial year.
4.7.3			None.	Review of the Code of Conduct on persons with disabilities.	Reviewed Code of Conduct on persons with disabilities.	Not achieved. Review of Code of Conduct for persons with disabilities carried over to next financial year.
4.7.4			None.	Application and publication of Exemption in response to Consumer Protection Act.	Application and publication of Exemption in response to Consumer Protection Act.	Achieved. Application and publication of Exemption in response to Consumer Protection Act.

Strategic Objective SO5: Promote the development of public, community and commercial broadcasting

SO No	Outputs	Performance indicators	Baseline 2010/2011	Annual plan 2011/2012	Key Performance Indicator (KPI) Output	Overall progress during financial year
SO5.1	Review of the existing regulatory frameworks/regime for Broadcasting Services (BS) and related policies to reflect the new evolving digital environment.	Framework for broadcasting in the digital era taking into account the three licence groups: public broadcasting; commercial broadcasting; and community broadcasting.	Internal findings document and final regulatory review paper.	Review of the existing regulatory frameworks/ regime for BS and related policies to reflect the new evolving digital environment.	Review of the existing regulatory frameworks for BS to support the introduction of digital broadcasting.	Achieved. Issued Paper on the review of the existing analogue-based regulations gazetted on the 8th of December 2011, GG No: 34828 and extensive public consultation on the necessity for the review of existing regulations took place between January and March 2012.
SO5.2	Review of Digital Dividend for allocation to identified services.	Implementation of Digital Terrestrial Television (DTT) and Digital Dividend Review.	Draft regulations.	Review Digital Migration regulations.	Revised regulations on DTT Broadcasting Migration.	Achieved. Gazetted revised draft DTT regulations and conducting of public hearings on the topic in March 2012. It was not possible to finalise the regulations in the financial year due to requirement to amend regulations based on the Ministerial Policy Directive as issued in February 2012.
SO5.3	Promote diversity of broadcasting services.	Licensing of additional TV services.	None.	Activity to commence in 2012/2013.		
SO5.4	Improvement in diversity and quality of local content.	Report on status of local content.	None.			

8. Performance tables (continued)

Strategic Objective SO6: Ensure compliance with legislation and regulation						
SO No	**Outputs**	**Performance indicators**	**Baseline 2010/2011**	**Annual plan 2011/2012**	**Key Performance Indicator (KPI) Output**	**Overall progress during financial year**
SO6.1.1	Compliance Procedure Manual by September 2011.	Publish a compliance framework for all licensees.	Draft Compliance Procedure Manual regulations.	Publish the Compliance Procedure Manual regulations.	Publication of Compliance Procedure Manual regulations.	Achieved. Compliance Procedure Manual regulations were published on 15 December 2011.
SO6.1.2			None.	Implement the Regulations and produce Annual Compliance reports (See SO6.5 below).		
SO6.2	Improve monitoring and compliance in the postal sector.	Development of regulations on standard terms and conditions for unreserved postal services.	None.	Activity to commence in 2012/2013.		
SO6.3	Improve monitoring and compliance in the communications sector.	Review of regulations on standard terms and conditions, and processes and procedures regulations for class and individual licences, broadcasting services.	None.	Activity to commence in 2012/2013. .		
SO6.4	Publish Universal Service Access Obligations (USAO) framework document.	Reviewed USAO framework.	None.	Finalise findings document. Access Gap study to be conducted in collaboration with USAASA and DoC prior to publication of Section 8(4) regulations.	USAO framework published in the Government Gazette.	Not achieved. Workshops conducted in five provinces to determine which services are "needed". The Findings Document on USAO Review is to be published in the next financial year.
SO6.5	Universal Service Access (USA) regulations.	Gazetted definition and list of under-serviced areas.	None.	Publish the Universal Service Access (USA) regulations.	Publication of regulations on USAs.	Not achieved. Published draft USA Definition for comment on 6 October 2011. Closing date for comments was 28 October 2011. Public hearings were held on 9 February 2012. Final Regulations to be released in the next financial year.
SO6.6.1	Develop and publish annual compliance reports by March 2012.	Published report on compliance with legislation and regulations. Publish annual compliance reports.	Compliance reports ECNS/ECS: 8 Postal: 1 Broadcasting: 20.	75% compliance by licensees through active and passive monitoring for ECS, ECNS, Broadcasting and Postal Services.	Develop and publish annual compliance reports by March 2012.	Not achieved. Compliance reports produced in the financial year: POSTAL: 1 SAPO Compliance Report; ECN/S: 15 Compliance Reports; BROADCASTING: 40 Compliance Reports; NOTIFICATIONS: 44; and EXTENSIONS: 8. Publication of two postal service regulations: The Customer Care Standards; and The Code of Practice for the postal industry.

Strategic Objective SO6: Ensure compliance with legislation and regulation (continued)

SO No	Outputs	Performance indicators	Baseline 2010/2011	Annual plan 2011/2012	Key Performance Indicator (KPI) Output	Overall progress during financial year
SO6.6.2	Develop and publish annual compliance reports by March 2012.	Effective compliance reporting using efficient monitoring equipment.	None.	Commence additional funding request to procure Broadcasting Monitoring Equipment.	Commence additional funding request to procure Broadcasting and Postal Monitoring Equipment.	Achieved. Allocated funding in respect of the Broadcasting and Postal Monitoring Equipment: Broadcasting – R10 million (2012/2013); R10 million (2013/2014); and Postal – R15 million (2012/2013); R15 million (2013/2014).
SO6.7	Monitor and produce Compliance Report on coverage of Local Government Elections.	Compliance report on coverage of party political broadcasts during Local/Provincial 2011 and National Government elections of 2014.	None.	Produce Compliance report on coverage of Local Government Elections.	Produce Compliance report on coverage of Local Government Elections.	Achieved. Compliance report on coverage of Local Government Elections was approved.
SO6.8	Enforcement of pro-competitive measures in line with regulatory/legislative requirements.	Annual analysis report on Regulated Financial Reporting for specified services.	None.	Activity to commence in 2012/2013.		
SO6.9	Ensure compliance with numbering plan regulations to ensure that licensees utilise numbers efficiently and effectively.	Annual audit report on number utilisation and implementation of corrective measures.	None.	Annual number audit.	Conduct number audit as per Numbering Plan regulations.	Achieved. Preliminary audit report on five major operators. Full number audit to be conducted in the next financial year.
SO6.10	Monitor implementation of Inter-Connection (IC) and Facilities Leasing (FL) regulations.	Review of IC and FL agreements processed within timeframes. Report on status of interoperability of ECS/ECNS licensees, including interconnection and the leasing of electronic communications facilities.	None.	Development and introduction of database for online submission and data storage.	Monitor implementation of IC and FL regulations.	Not achieved. Finalisation of database for external stakeholder usage to take place in next financial year.
			Quarterly reports.	Ninety percent (90%) of agreements processed within required timeframes.		The Authority received 49 IC agreements, 14 FL agreements and 10 disputes. The Authority aims to improve turn-around times in the next financial year.
			None.	Annual report on inter-operability.		Annual report on interoperability to be drafted in the next financial year.

8. Performance tables (continued)

Strategic Objective SO7: Strengthen and modernise ICASA						
SO No	**Outputs**	**Performance indicators**	**Baseline 2010/2011**	**Annual plan 2011/2012**	**Key Performance Indicator (KPI) Output**	**KPI Achievement and progress during the financial year**
SO7.1	Complete the proposed funding model and engage stakeholders (National Treasury, DoC).	Established self-funding model for ICASA.	Activity-based funding model finalised.	New funding model finalised based on activity based costing model, DoC directive and engagement with stakeholders.	Develop the funding model.	Not achieved. Project delayed to the next financial year.
SO7.2	Automated regulatory and business processes.	eCommerce management system for ICASA	None.	Activity to commence in 2012/2013.		
SO7.3.1	Integrated management systems.	Integrated management system for ICASA.	None.	New Spectrum system implemented over the next two financial years.	New Spectrum system infrastructure implemented.	Not achieved. The new Spectrum system was approved. Contract negotiations are being finalised and the project will start in the next financial year.
SO7.3.2			None.	Blueprint of Customer Relation Management (CRM) and Human Resource Information System (HRIS) systems showing full integration with existing systems.	Blueprint for new CRM and HRIS systems.	Not achieved.Awarded contract to assist with the compilation of the terms of reference and the software selection for the new CRM system.
SO7.4.1	Complete review and implementation of new organisational structure.	Reviewed organisational structure to align with strategy.	Phase 2 of review completed, structure defined.	50% implementation of the organisation review study.	Completed review and implementation of new organisational structure.	Not achieved. Consultation sessions took place during the year, which resulted in the establishment of various streams intended to deliver on the objectives of the organisational re-alignment.
SO7.4.2				Change management process.		Not achieved. No change management framework was developed and approved.
SO7.4.3				New organisational structure.		Not achieved. No new organisational structural framework was reviewed or approved.
SO7.4.4				Organisational readiness for transformation imperatives.		Not achieved. Organisational readiness for transformation imperatives will be included in the change management framework output.

Strategic Objective SO7: Strengthen and modernise ICASA (continued)						
SO No	**Outputs**	**Performance indicators**	**Baseline 2010/2011**	**Annual plan 2011/2012**	**Key Performance Indicator (KPI) Output**	**KPI Achievement and progress during the financial year**
SO7.5.1	Complete organisation-wide skills audit and training programme.	Reviewed skills pool aligned with strategy.	None.	Report on competence gaps for core Divisions.	Complete organisation-wide skills audit and training programme.	Not achieved. Complete organisation-wide skills audit and training program will be included in the next financial year's commitments.
SO7.5.2			None.	Dual career pathing model implemented in core divisions.		Not achieved. The dual career pathing model framework has been developed but cannot be implemented due to dependency on the organisational realignment.
SO7.5.3			None.	Enhanced leadership competence and transformed organisational culture.		Not achieved. Dependent on the availability of funds the enhanced leadership competence and transformed organisational culture projects will be carried into the next financial year's commitments.
SO7.5.4			Enhancement of the Talent Management (TM) strategy and implementation plans.	Approval of TM and development strategy. Internships and learnerships in core areas.	Approval of TM and development strategy. Internships and learnerships in core areas.	Not achieved. Approval of TM and development strategy will be included in the next financial year's commitments.
SO7.6	Publish Regulatory Impact Assessment (RIA) reports.	RIA frameworks.	RIA training.	Formulate RIA framework.	Publish RIA reports.	Not achieved. RIA framework and reports carried over to next financial year.
SO7.7.1	Maximise value derived from resources and assets.	Quarterly report of the management of resources and assets.	Security systems in all offices were upgraded and improved.	50% reduction in asset losses.	Maximise value derived from security resources and assets.	Achieved. Improvements and security audits were conducted, maintenance and repairs scheduled, service level agreements and terms of reference developed for security services.
SO7.7.2			Reviewed Performance Management System (PMS) framework.	Integrated PMS framework for ICASA.	Maximise value derived from resources.	Not achieved. Integrated PMS framework to be finalised in next financial year.
SO7.7.3			IT Master Systems Plan approved.	Refresh IT technologies and provide for growth to the business.	Maximise value derived from resources and assets.	Achieved. Maximised value derived from IT resources and assets.
SO7.8	Stakeholder satisfaction index.	Improve stakeholder relations.	None.	Activity to commence in 2012/2013.		

8. Performance tables (continued)

Strategic Objective SO7: Strengthen and modernise ICASA (continued)

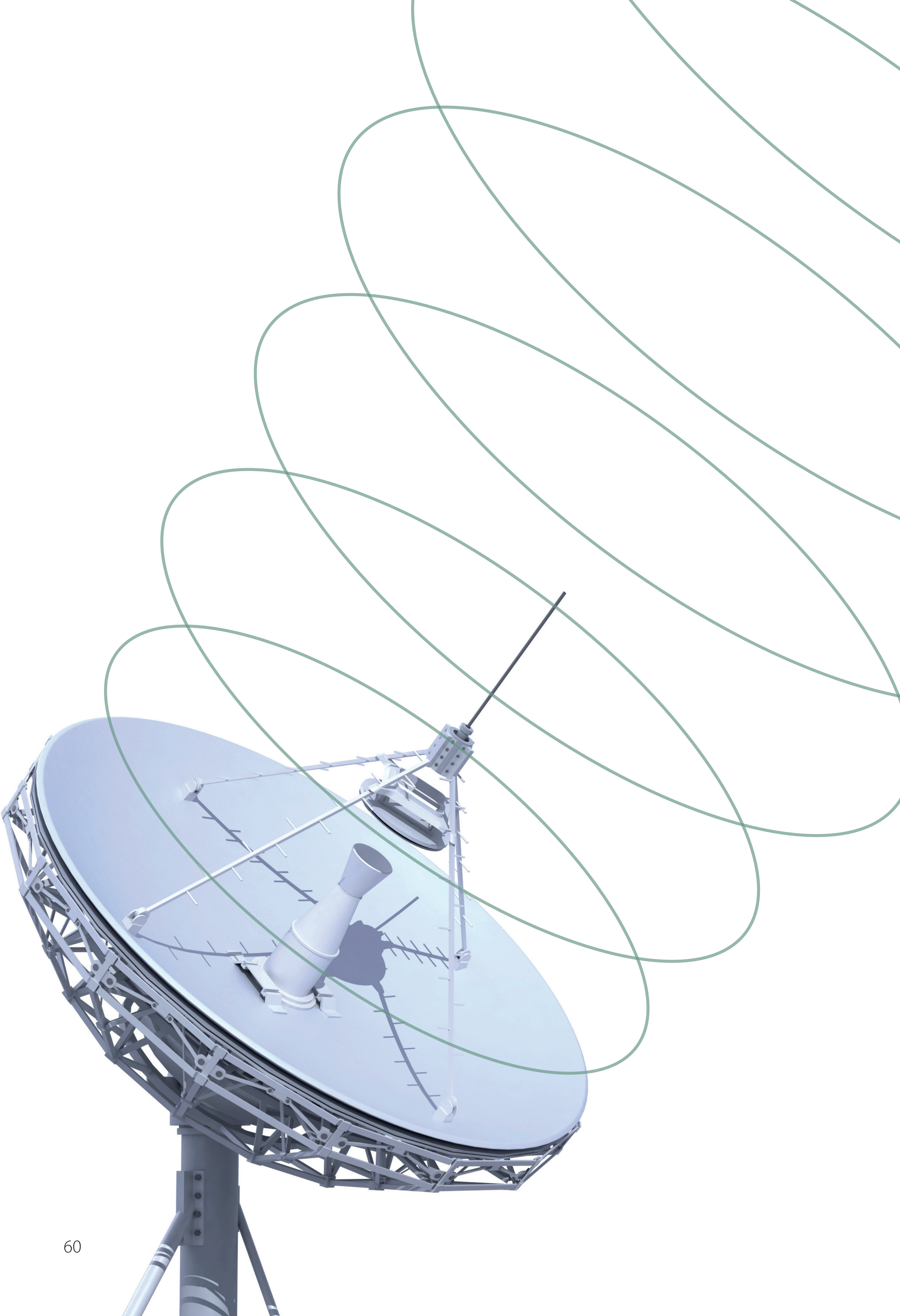
SO No.	Outputs	Performance indicators	Baseline 2010/2011	Annual plan 2011/2012	Key Performance Indicator (KPI) Output	KPI Achievement and progress during the financial year
SO7.9	Economic rental location identified and occupied.	Relocation of ICASA offices.	Existing Head Office lease extended until 31 October 2011.	Extension of current Head Office lease. Engage stakeholders, Departments of Public Works (DPW) and Communications (DoC) and National Treasury (NT) on funding requirements to procure alternative accommodation.	Head Office relocated.	Not achieved. A meeting between DPW, DoC and ICASA will determine the way forward in respect of the relocation project.
SO7.10.1	Reviewed and strengthened financial and other internal controls.	Improved governance systems.	None.	Management dashboard.	Management dashboard, enhance Financial Management Performance Indicators (FMPI) and non-financial performance indicators.	Not achieved. Management dashboard, Enhance FMPI and non-financial performance indicators not yet operational. Implementation carried over to next financial year.
SO7.10.2			Records Management programme implemented.	Compliance with ICASA's approved Records Management programme.	Reviewed and strengthened financial and other internal controls.	Achieved. Compliance with ICASA's approved Records Management programme.
SO7.10.3			None.	Coherent Risk Management strategy developed and implemented.	Implementation of Risk Management Policy and Plan.	Not achieved. A coherent Risk Management strategy was developed and approved, implementation commenced during the fourth quarter. This included a Risk Management Framework, Fraud and Corruption Policy and Whistle-blowing Policy. A new Ethics line was introduced during the year.
SO7.11.1	Contribute to industry knowledge management.	Improved stakeholder engagement and International relations.	None.	Develop and implement an engagement strategy with regulators and agencies.	Develop and implement an engagement strategy with other regulators and agencies (International).	Not Achieved. Roll-out of the engagement strategy with other regulators and agencies (International) will begin in the next financial year.
SO7.11.2			None.	Develop and implement an engagement strategy for improved access to information about ICASA's regulatory activities for external stakeholders.	Approve and implement engagement strategy for improved access to information about ICASA's regulatory activities for external stakeholders.	Achieved. Reviewed website design and content, hosted media briefings on a quarterly basis.
SO7.11.3			None.	Develop and implement an engagement strategy for an improved flow of information within the organisation.	Approve and implement engagement strategy for an improved flow of information within the organisation.	Not achieved. Internal communications improving through regular staff meetings and linking with regional offices. Regular iNews intenal communications.

Strategic Objective SO7: Strengthen and modernise ICASA (continued)						
SO No	**Outputs**	**Performance indicators**	**Baseline 2010/2011**	**Annual plan 2011/2012**	**Key Performance Indicator (KPI) Output**	**KPI Achievement and progress during the financial year**
SO7.12	Regulations finalised and gazetted.	All projects are aligned with project plans and timelines.	None.	Develop and implement project management framework.	Develop and implement project management framework.	Not achieved. Project management framework carried over to next financial year.
SO7.13	Effective participation of Councillors in Corporate Council committees.	Ensuring governance.	None.	Report on Committee work.	Report on Committee work.	Achieved. Reports on committee work produced.
SO7.14	Timeous amendments and transfers of ECNS, ECS and BS licences.	Licence amendment and transfer applications considered within 120 days of receipt.	None.	All received licence amendment and transfer applications considered within 120 days of receipt.	Conclude applications for licence amendments and/or transfer within 120 days.	Achieved. Service Level Agreements met 120 days period except when due to outstanding application information.
SO7.15	Timeous registration of Class Broadcasting, ECS and ECNS licences and courier services.	Class licence registrations considered within 60 days of receipt.	None.	All Class ECS, ECNS, community sound BS and courier services licences, considered within 60 working days of receipt.	Conclude applications for registrations within 60 days.	Achieved. Applications concluded for registrations within 60 days unless due to outstanding application information.
SO7.16	Centralised complaints management.	Completed framework for centralising complaints handling to ensure the efficient and timeous resolution of all complaints received, implement the framework and monitor and evaluate the effectiveness of the process thereafter.	None.	Develop framework for complaints handling.	Framework for complaints management.	Achieved. Framework for centralisation of complaints document completed.

8. Performance tables (continued)

Strategic Objective SO8: Promote competition						
SO No	Outputs	Performance indicators	Baseline 2010/2011	Annual plan 2011/2012	Key Performance Indicator (KPI) Output	KPI Achievement and progress during the financial year
SO8.1.1	Determine the competitiveness of the Postal Broadcasting Services (BS) and ECNS or any other market.	Reports on the competitiveness of markets.	Draft internal document.	Consultation on regulations governing the broadcasting signal distribution market.	Findings document and draft regulations on the market for the provision of broadcasting signal distribution services.	Achieved. Administered average price reduction for community FM radio broadcasters of 65% and 33% price reduction of community TV broadcasters. Draft findings document on the market for the provision of broadcasting signal distribution services.
SO8.1.2			Internal research conducted.	Research report to inform regulatory strategy towards premium content, including subscription broadcasting services.	Internal discussion document to inform regulatory strategy towards premium content.	Achieved. Internal discussion document on regulatory strategy for premium content.
SO8.1.3			Annual report.	Annual review of retail prices of electronic communications services.	Presentation of quarterly analysis report to Council and publication of the summary of the analysis report on ICASA's website.	Achieved. Quarterly monitoring reports produced on retail tariff trends.
SO8.2	Targets set for new players having access to Spectrum.	Ensure a fair Spectrum distribution.	None.	Spectrum availability plans and targets for new players having access to broadband wireless spectrum.	Targets set for new players having access to Spectrum.	Not achieved. No progress on targets set for new players having access to Spectrum. Project awaits Ministerial Policy Directive on High Demand Spectrum.
SO8.3	Develop annual reports on aspects of the communications infrastructure.	Increase network roll-out and provide Government, industry and consumers with a clear indication of the state of health of the communications infrastructure.	None.	Report on existing networks and colloquium on networks.	Annual reports on aspects of the communications infrastructure.	Not achieved. Annual reports on aspects of the communications infrastructure will be continued in next financial year, in line with on-going network mapping exercise (SO2.1).
SO8.4.1	Promote diversity and choice of BS.	Licensing of additional subscription television BS licences.	None.	Invitation to Apply (ITA) for BS Pay TV published.	One ITA for subscription BS licences published in the Government Gazette.	Achieved. The ITA has been drafted, approved and published in the Government Gazette.
SO8.4.2		Licensing of individual ECNS licences for self-provisioning.	None.	ITA for I-ECNS for self-provisioning published.	One ITA for I-ECNS licences for self-provisioning published in the Government Gazette.	Not achieved. The ITA has been drafted and is awaiting publication of the Policy Directive by the Minister of Communications. Publishing of the ITA postponed to the next financial year.
SO8.5		Licensing of Commercial Sound BS licence in secondary markets (Northern Cape, Free State and Eastern Cape).	None.	Issue ITA for Commercial Sound BS.	One ITA for Commercial Sound BS licences published in the Government Gazette.	Achieved. The ITA has been published in the Government Gazette.

Strategic Objective SO8: Promote competition (continued)						
SO No	Outputs	Performance indicators	Baseline 2010/2011	Annual plan 2011/2012	Key Performance Indicator (KPI) Output	KPI Achievement and progress during the financial year
SO8.6.1	Efficient use of the numbering spectrum.	Introduction of new Numbering Plan regulations and review of existing regulations affecting number allocation to foster competition.	Draft regulations.	Finalisation of the Numbering Plan under the ECA by October 2011.	Efficient use of the numbering spectrum. Revised Numbering Plan regulations in terms of the ECA.	Not achieved. Publication of revised Numbering Plan regulations for further public consultation (GG 35115 of 2012), therefore postponing completion of the project to next financial year.
SO8.6.2			Carrier Preselect (CPS) regulations.	Facilitate full implementation of CPS regulations.	Efficient use of the numbering spectrum – CPS implementation framework.	Achieved. Code of Conduct for CPS implementation developed and to be published in next financial year.
SO8.7	Promote and foster infrastructure sharing in the provision of postal services.	Introduction of licensing framework for Extra Territorial Offices of Exchange (ETOEs) and a regulatory framework to facilitate infrastructure sharing.	Internal research conducted.	Findings document on E-Post services and infrastructure sharing, including ETOEs. Regulatory framework for infrastructure sharing including ETOEs for efficient sharing of existing infrastructure.	Licensing framework for ETOEs and a regulatory framework to facilitate infrastructure sharing.	Achieved. Recommendations report on regulatory approach to ETOEs.
SO8.8	Sector intelligence reports, identifying changing trends in the ICT sector (broadcasting, postal and electronic communications).	Bi-annual reports on trends in the ICT sector.	None.	Annual report.	Development of ICT data trends collection tool.	Not achieved. Draft questionnaire of ICT sector indicators. Project to continue into next financial year.
SO8.9	Development of new pro-competitive remedies.	Introduction of pro-competitive remedies to promote competition, e.g. regulation of wholesale rates.	Call Termination Regulations released.	Remedies in line with market reviews. Regulated financial reporting framework for Call Termination.	Draft Accounting Separation Regulations for wholesale voice Call Termination.	Achieved. Inception report on various pricing methodologies for Call Termination. Development of regulations to continue into next financial year.



9. ANNUAL FINANCIAL STATEMENTS

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STATEMENT OF RESPONSIBILITY

for the year ended 31 March 2012

The Council is responsible for the oversight role on the financial statements and the Chief Executive Officer, in his capacity as Accounting Officer, is responsible for the preparation and integrity of the financial statements and related information included in this report. In order for the Accounting Officer to discharge his responsibilities, management has developed and continues to maintain a system of internal controls. The system of internal controls of the Authority is monitored primarily through Internal Audit and Compliance and Risk Management and is reviewed by the Audit and Risk Committee.

The internal controls include a risk-based system of internal controls and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the entity's policies and procedures. Trained, skilled personnel with an appropriate segregation of duties implement these controls. They are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework. To review the system of internal controls, an internal audit function has been established that conducts operational, financial and specific audits and coordinates audit coverage with the Auditor-General. The Auditor-General is responsible for reporting on the financial statements.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. Council believes that the entity will be a going concern in the year ahead. For this reason they continue to adopt the going-concern basis in preparing the financial statements.

The financial statements for the year ended 31 March 2012 as set out on pages 62 to 115, have been approved by Council and are signed on its behalf by:

Dr Stephen Mncube
Chairman

31 August 2012

Themba Dlamini
Chief Executive Officer

31 August 2012

REPORT OF THE AUDIT AND RISK COMMITTEE
for the year ended 31 March 2012

We herewith present our report for the financial year ended 31 March 2012, as required by Treasury Regulations and the Public Finance Management Act 1 of 1999 (PFMA), as amended.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Committee comprised the members listed hereunder and should meet at least four times annually, as per the approved terms of reference. During the year ended 31 March 2012 twelve meetings were held.

Member	Date of appointment	Date of termination of membership	Number of meetings due to attend	Number of meetings attended
S Swana	01/01/2010**	29/11/2011#	9	6
RA Kenosi	01/01/2010**	30/11/2011*	9	7
TZ Gcabashe	01/05/2010**	24/02/2012+	12	10
T Sihlaba	01/07/2010		12	10
TT Ratsheko	01/02/2010	13/12/2011#	9	7
RN Theunissen	01/01/2012		2	2
CG de Kock	01/01/2012		2	2
D Pillay	01/01/2012		2	2

\# *Resigned.*
* *Retired.*
** *Reappointed.*
\+ *Deceased.*

The Committee expresses its gratitude to the late Mr Tsediso Gcabashe for his dedication in serving on the committee and to the previous members of the committee who served during most of the year.

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 further reports that it 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. The external audit function, performed by the Auditor-General of SA, is independent of the entity.

INTERNAL AUDIT AND THE EFFECTIVENESS OF INTERNAL CONTROLS

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 and 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 Audit and Risk Committee and Management with assurance that the internal controls are appropriate and effective. This is to be achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to controls and processes. The Committee is not satisfied with the effectiveness of the Internal Audit function and with management's commitment to address all associated shortcomings.

From the audit report on the Annual Financial Statements and the management report of the Auditor-General it was noted that certain matters were reported indicating deficiencies in the system of internal control and deviations therefrom. In certain instances the matters reported in prior years have not been fully and satisfactorily addressed.

Governance of risk

The Committee is responsible for the oversight of the risk management process.

The Committee considered the risk register.

REPORT OF THE AUDIT AND RISK COMMITTEE continued

for the year ended 31 March 2012

THE QUALITY OF MANAGEMENT AND QUARTERLY REPORTS SUBMITTED IN TERMS OF THE PFMA

The Committee is satisfied with the content and quality of management and quarterly reports prepared and issued by the Accounting Officer of the Authority during the year under review.

THE QUALITY OF BUDGETS SUBMITTED IN TERMS OF THE PFMA

The Committee reports that budgets were not carefully and diligently considered by management in order to avoid large variances between actual and budgeted capital expenditure during the financial year.

EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Committee, at its meeting held on 21 May 2012, reviewed the annual financial statements. The Committee 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;
- Calculation and levels of general and specific provisions;
- Write-offs and reserve transfers; and
- The basis for the going concern assumption.

After the financial year-end the Committee was furnished with a plan by management to address the audit qualification, in order to avert such qualification in subsequent years.

AUDITOR GENERAL'S REPORT

The Committee concurs with and accepts the conclusions and the qualified 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 Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues

RN Theunissen
Chairman

15 August 2012

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the financial statements of the Independent Communications Authority of South Africa (ICASA) set out on pages 72 to 115, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and cash flow statement 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

The accounting officer is responsible for the preparation and fair presentation 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

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

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

Basis for qualified opinion

National Revenue Fund receivable and National Revenue Fund payable

ICASA collects licence fees as contemplated by the Electronic Communications Act (ECA). In terms of section 15(3) of the Independent Communications Authority of South Africa Act, 2000 (Act No. 13 of 2000), the authority is required to pay all fees received and held on their behalf to the National Revenue Fund (NRF) within 30 days after receipt of such revenue.

I was unable to obtain sufficient, appropriate audit evidence to confirm the National Revenue Fund receivable and resulting payable balance amounting to R792 969 029 (2011: R898 483 250) and R801 163 475 (2011: R905 416 558), respectively, as disclosed in notes 15 and 21 to the annual financial statements. Due to the lack of controls over the invoicing and collection of licence fee revenue, the entity's records did not permit the application of alternative audit procedures and, consequently, I was unable to determine whether any adjustments to the National Revenue Fund Receivable and resulting payable figures were necessary.

Furthermore, as a result of the above, I was also unable to confirm whether the financial instrument disclosure note as disclosed in note 29 to the annual financial statements required any adjustments.

Qualified opinion

In my opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the ICASA as at 31 March 2012 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

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

As disclosed in note 2 to the financial statements, the corresponding figures for the year ended 31 March 2011 have been restated as a result of errors discovered during the year ended 31 March 2012 in the financial statements of ICASA at, and for the year ended, 31 March 2011.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

I performed procedures to obtain evidence about the usefulness and reliability of the information in the performance information report as set out on pages 46 to 59 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

The material findings are as follows:

Usefulness of information

Presentation

Reasons for major variances not explained

All major variances between planned and actual achievements were not explained in the annual performance report for the year under review as per the National Treasury annual report preparation guide. This was due to documented and approved internal policies and procedures being inadequate to address reporting processes and events pertaining to performance management and reporting.

Measurability

Performance targets not specific

The National Treasury Framework for managing programme performance information (FMPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 31% of the targets relevant to selected objectives were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the FMPPI but chose not to apply the principles contained in the FMPPI.

Performance targets not measurable

The National Treasury Framework for managing programme performance information (FMPPI) requires that performance targets be measurable. The required performance could not be measured for a total of 31% of the targets relevant to selected objectives. This was due to the fact that management was aware of the requirements of the FMPPI but chose not to apply the principles contained in the FMPPI.

Additional matter

I draw attention to the matter below. This matter does not impact on the findings reported above.

Achievement of planned targets

Of the total number of planned targets, only 32 targets were achieved during the year under review. As a result 56% of total planned targets were not achieved during the year under review.

This was due to underspending of the budget relevant to the following divisions which were then reprioritised:

- Markets and Competition
- Engineering and Technology
- Consumer Affairs

COMPLIANCE WITH LAWS AND REGULATIONS

I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Strategic planning and performance management

The accounting officer did not establish adequate procedures for quarterly reporting of performance to the executive authority to facilitate effective performance monitoring, evaluation and correction as required by TR 3.2 and PFMA section 38(1)(a)(i).

Annual financial statements

The financial statements submitted for auditing did not comply with section 40(1)(a) and (b) of the Public Finance Management Act. Material misstatements of current assets, liabilities, revenue and expenditure disclosure items identified in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

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

Internal control

I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

The accounting officer did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

The institution did not adequately establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities on predetermined objectives.

The accounting officer did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

The accounting officer did not establish an adequate IT governance framework that supports and enables the business, delivers value and improves performance.

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

Financial and performance management

The institution did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

The institution did not implement controls over daily and monthly processing and reconciling of transactions.

The institution did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately review and monitor compliance with applicable laws and regulations.

The institution did not design and implement adequate formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

Auditor - General

Pretoria
31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT BY THE ACCOUNTING OFFICER

for the year ended 31 March 2012

I have pleasure in presenting to Parliament the Independent Communications Authority of South Africa's (ICASA) report for the year ended 31 March 2012. The report covers the period 1 April 2011 to 31 March 2012. As required by section 16(1)(b)(i) of the ICASA Act, No 13 of 2000 (ICASA Act). ICASA has prepared a detailed annual report for the activities during the financial period under review.

BACKGROUND

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

ICASA's key functions are to:

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

APPLICABLE LEGISLATION

ICASA derives its mandate from the following statutes: ICASA Act of 2000, Postal Services Act of 1998, Electronic Communications Act of 2005 and the Broadcasting Act of 1999.

GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

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

We continue to strive to improve the financial management of ICASA, and financial policies have been developed and monitored to give effect to this.

The budget allocation for the 2011/12 financial year was not exceeded, and the Authority realised a surplus of R6 481 821 during the financial year under review. This was mainly due to lower spending on IT costs, office rentals and regulatory projects.

In the 2005/06 financial year, National Treasury issued a circular whereby ICASA was granted permission to retain interest received on favourable bank account balances. ICASA recognised interest received of R5 million in the 2011/12 financial year (2010/11: R6 million).

COUNCIL AND EXECUTIVE MANAGEMENT'S REMUNERATION

Details of Council and Executive Management's remuneration are set out in note 7 to the financial statements.

EVENTS AFTER THE REPORTING DATE

There were no significant events that took place between the reporting date and the date on which the financial statements were authorised for issue.

BUSINESS ADDRESS

Physical address:
Blocks A, B, C and D
Pinmill Farm
164 Katherine Street
Sandton
2128

Postal address:
Private Bag X10002
Sandton
2146

Themba Dlamini
Chief Executive Officer

31 August 2012

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2012

	Note	**31 March 2012 R Actual**	31 March 2011 R Restated
Revenue from non-exchange transactions	3	**315 434 608**	291 171 453
Revenue from exchange transactions	4	**4 914 108**	5 653 589
Total revenue		**320 348 716**	296 825 042
Administrative expenses	5	**(32 623 339)**	(32 149 834)
Staff costs	6	**(186 210 004)**	(170 958 691)
Audit fees	7	**(3 209 444)**	(2 937 234)
Other operating expenses	9	**(82 585 428)**	(86 485 587)
Finance costs	10	**(230 856)**	(6 261)
Depreciation	12	**(7 510 829)**	(12 200 881)
Amortisation	13	**(1 496 995)**	(1 193 135)
Total expenses		**(313 866 895)**	(305 931 623)
Surplus/(deficit) for the period		**6 481 821**	(9 106 581)

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

	Note	**31 March 2012 R Actual**	31 March 2011 R Restated
ASSETS			
Non-current assets		**99 410 074**	100 374 277
Property, plant and equipment	12	**87 102 867**	89 717 651
Intangible assets	13	**12 307 207**	10 656 626
Current assets		**847 068 546**	947 196 633
Trade and other receivables from exchange transactions	14	**2 549 344**	2 311 761
Current portion of operating lease assets	22	**–**	42 251
National Revenue Fund – Administered assets	15	**792 969 029**	898 483 250
Prepayments	16	**5 998 893**	5 249 432
Cash and cash equivalents	17	**45 551 280**	41 109 939
Total assets		**946 478 620**	1 047 570 910
LIABILITIES			
Current liabilities		**826 384 968**	934 767 912
Trade and other payables from exchange transactions	18	**15 336 981**	22 718 691
Trade and other payables from non-exchange transactions	19	**20 937**	22 663
Provisions	20	**9 154 027**	6 610 000
National Revenue Fund payables	21	**801 163 475**	905 416 558
Current portion of operating lease liability	22	**166 198**	–
Current portion of finance lease liability	23	**543 350**	–
Non-current liabilities		**996 650**	248 966
Non-current portion of operating lease liability	22	**128 258**	248 966
Non-current portion of finance lease liability	23	**868 392**	–
Total liabilities		**827 381 618**	935 016 878
Accumulated reserves			
Accumulated surplus		**119 097 002**	112 554 032
Total funds and liabilities		**946 478 620**	1 047 570 910

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2012

	Note	Accumulated surplus R
Restated balance as at 31 March 2010		121 660 613
Deficit for the period as previously disclosed		(10 972 630)
Effect of a prior period error	2 (a)	1 866 049
Balance at 31 March 2011		112 554 032
Surplus for the period		6 481 821
Changes in fair values of assets		61 149
Balance at 31 March 2012		**119 097 002**

CASH FLOW STATEMENT

for the year ended 31 March 2012

	Note	31 March 2012 R Actual	31 March 2011 R Actual
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash received from Department of Communication	3	**313 378 000**	290 923 000
Cash received by Administered Revenue		**986 842 320**	771 571 464
Finance income	4	**4 475 697**	5 580 968
Payments			
Cash paid by Administered Revenue		**(985 581 181)**	(790 323 084)
Cash paid to suppliers		**(121 872 478)**	(126 171 662)
Cash paid to employees		**(146 717 879)**	(137 157 073)
Employees tax paid		**(36 349 610)**	(33 716 330)
Finance costs	10	**(230 856)**	(6 261)
Net cash flows from operating activities	25	**13 944 013**	(19 298 978)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	12	**(6 592 894)**	(15 378 185)
Purchase of intangible assets	13	**(2 909 778)**	(5 475 670)
Proceeds from sale of plant and equipment		**–**	118 420
Net cash flows from investing activities		**(9 502 672)**	(20 735 435)
Net increase/(decrease) in cash and cash equivalents		**4 441 341**	(40 034 413)
Cash and cash equivalents at the beginning of the year		**41 109 939**	81 144 352
Cash and cash equivalents at the end of the year	17	**45 551 280**	41 109 939

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2012

	31 March 2012 R Budget Approved	31 March 2012 R Budget Final	31 March 2012 R Actual	Difference between final budget and actual R
REVENUE				
Revenue from non-exchange transactions	**313 378 000**	313 378 000	315 434 608	(2 056 608)
Other income from exchange transactions	**6 012 000**	4 012 000	4 914 108	(902 108)
Total revenue	**319 390 000**	317 390 000	320 348 716	(2 958 716)
Administrative expenses	**(29 040 405)**	(33 374 539)	(32 623 339)	(751 200)
Staff costs	**(175 349 976)**	(184 687 546)	(186 210 004)	1 522 458
Audit fees	**(2 400 000)**	(3 400 000)	(3 209 444)	(190 556)
Other operating expenses	**(102 390 529)**	(100 506 675)	(82 585 428)	(17 921 247)
Depreciation	**(8 641 118)**	(15 667 565)	(7 510 829)	(8 156 736)
Amortisation	**(875 032)**	(1 878 811)	(1 496 995)	(381 816)
Finance costs	**–**	–	(230 856)	230 856
Total expenses	**(318 697 060)**	(339 515 136)	(313 866 895)	(25 648 241)
Surplus/(deficit)	**692 940**	(22 125 136)	6 481 821	(28 606 957)
Add back: Depreciation and amortisation	**9 516 150**	17 546 376	9 007 824	8 538 552
Surplus/(deficit) before depreciation and amortisation	**10 209 090**	(4 578 760)	15 489 645	(20 068 405)

Reconciliation of budget surplus with the deficit in the statement of financial performance for the year ended 31 March 2012

The budget is prepared on an accrual basis over three financial years and is approved by the Parliamentary Portfolio Committee on Communications after going through an internal approval process.

Revenue

The allocated grants and finance income were used in ensuring that the Authority delivers on its mandate as reflected in the annual report. The Authority received all its allocation as approved by Parliament.

Administrative expenditure

The budget for administrative expenses was increased from R29 040 405 to R33 374 539 in order to accommodate increased printing costs, publication costs and travel costs. The biggest increase was on training costs. The training costs increased from R2 228 819 to R3 731 091 based on the identified training needs. The training interventions introduced in the 2011/12 financial year included, among other things, the emotional intelligence training as well as performance management training.

Staff costs

The original budget of R175 349 976 was increased to R184 687 546 due to higher than budgeted salary increases as well as the fact that expected savings on staff costs did not materialise. The Authority exceeded the final budget by R1 522 458 and this was mainly driven by higher overall staff costs.

Audit fees

The budget for audit fees was revised from a figure of R2 400 000 to R3 400 000, which was done in order to ensure there would be sufficient budget to meet these commitments.

Other operating expenses

The budget for other operating expenses was reduced from the initial amount of R102 390 529 to a figure of R100 506 675.

Depreciation and amortisation

The final budget was higher than the initial budget and this was mainly due to the fact that the exercise on the assets' residual values and useful lives had not been completed at the time the budget was approved.

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) as determined by Directive 5 (Determining the GRAP Reporting Framework) issued by the Accounting Standards Board (ASB) in accordance with sections 55 and 89 of the Public Finance Management Act, Act No 1 of 1999 (as amended by Act, No 29 of 1999).

Directive 5 details the GRAP Reporting Framework comprising the effective standards of GRAP, interpretations (IGRAPs) of such standards issued by the ASB, ASB guidelines, ASB directives, standards and pronouncements of other standard setters, as identified by the ASB on an annual basis.

Accounting policies for material transactions, events or conditions not covered by the GRAP Reporting Framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The following statements were approved and effective at the reporting date:

- GRAP 1 – Presentation of Financial Statements
- GRAP 2 – Cash Flow Statements
- GRAP 3 – Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 – The Effects of Changes in Foreign Exchange Rates
- GRAP 5 – Borrowing Costs
- GRAP 6 – Consolidated and Separate Financial Statements
- GRAP 7 – Investments in Associates
- GRAP 8 – Interests in Joint Ventures
- GRAP 9 – Revenue from Exchange Transactions
- GRAP 10 – Financial Reporting in Hyperinflationary Economies
- GRAP 11 – Construction Contracts
- GRAP 12 – Inventories
- GRAP 13 – Leases
- GRAP 14 – Events After the Reporting Date
- GRAP 16 – Investment Property
- GRAP 17 – Property, Plant and Equipment
- GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
- GRAP 101 – Agriculture
- GRAP 102 – Intangible Assets

Directives and guidelines

Directives and guidelines issued by the Accounting Standards Board (ASB) form part of the GRAP Reporting Framework.

Effective IFRSs and IFRICs

Effective IFRSs and IFRICs that are applied considering the provisions in paragraphs 20 to 26 of Directive 5:

- IFRS 3 (AC 140) – Business Combinations
- IFRS 4 (AC 141) – Insurance Contracts
- IFRS 6 (AC 143) – Exploration for and Evaluation of Mineral Resources
- IAS 12 (AC 102) – Income Taxes
- SIC 21 (AC 421) – Income Taxes – Recovery of Revalued Non-depreciable Asset
- SIC 25 (AC 425) – Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
- SIC 29 (AC 429) – Service Concession Arrangements – Disclosures
- IFRIC 4 (AC 437) – Determining whether an Arrangement contains a Lease
- IFRIC 12 (AC 445) – Service Concession Arrangements
- IFRIC 13 (AC 446) – Customer Loyalty Programmes
- IFRIC 15 (AC 448) – Agreements for the Construction of Real Estate
- IFRIC 17 (AC 450) – Distributions of Non-cash Assets to Owners
- IFRIC 18 AC (451) – Transfer of Assets from Customers

The following statements of GRAP were issued but were not yet effective at the reporting date. However, the entity does have the option to formulate its accounting policies for the 2011/12 financial year using these standards. The statements did not have an impact on the reporting.

- GRAP 21 – Impairment of Non-cash-generating Assets
- GRAP 23 – Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 – Presentation of Budget Information in the Financial Statements
- GRAP 25 – Employee Benefits
- GRAP 26 – Impairment of Cash-generating Assets
- GRAP 103 – Heritage Assets
- GRAP 104 – Financial Instruments
- GRAP 105 – Transfer of Functions Between Entities Under Common Control
- GRAP 106 – Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 – Mergers

1. Summary of significant accounting policies (continued)

Standards and amendments to be applied for the 2011/12 reporting period

Topic	Reference	Application
IFRS 3	Business Combinations	All entities must apply IFRS 3 as issued in 2008 for the 2011/12 reporting period.
IFRS 4	Insurance Contracts	Entities should apply IFRS 4 as issued in March 2004 and apply all subsequent amendments made to IFRS 4 except those revisions arising from: • The revision of IAS 1: Presentation of Financial Statements (September 2007). • The revision of IAS 27: Consolidated and Separate Financial Statements (January 2008). • Issue of IFRS 9: Financial Instruments.
IFRS 6	Exploration for and Evaluation of Mineral Resources	Entities apply IFRS 6 as issued in December 2004 and apply all subsequent amendments made to IFRS 6 except those revisions arising from: • The issue of IFRS 1: First Time Adoption of IFRSs. • The issue of IFRS 8: Operating Segments. • The revision of IAS 1: Presentation of Financial Statements (September 2007). • Improvements to IFRSs (issued May 2010).
IFRS 7	Financial Instruments: Disclosures	Entities apply IFRS 7 as issued in August 2005 and apply all subsequent amendments made to IFRS 7 except those revisions arising from: • The revision of IAS 1: Presentation of Financial Statements (September 2007). • Disclosures – Transfers of Assets (issued October 2009). • Improvements to IFRSs (issued May 2010). • Issue of IFRS 9: Financial Instruments.
IAS 12	Income Taxes	Entities apply IAS 12 as issued in October 1996 and apply all subsequent amendments made to IAS 12 except those revisions arising from: • The revision of IAS 1: Presentation of Financial Statements (September 2007). • Issue of IFRS 9: Financial Instruments.
IAS 19	Employee Benefits	Entities apply IAS 19 as issued in February 1998 and apply all subsequent amendments made to IAS 19 except those revisions arising from: • The issue of IFRS 8: Operating Segments. • The revision of IAS 1: Presentation of Financial Statements (September 2007). • The revision of IAS 24: Related Party Disclosures (issued November 2009). • Issue of IFRS 9: Financial Instruments.

Topic	Reference	Application
IAS 32	Financial Instruments: Presentation	Entities apply IAS 32 as issued in December 2003 and apply all subsequent amendments made to IAS 32 except those revisions arising from: • The issue of IFRS 8: Operating Segments. • The revision of IAS 1: Presentation of Financial Statements (September 2007). • The revision of IAS 27: Consolidated and Separate Financial Statements (January 2008). • Improvements to IFRSs (issued May 2010). • Issue of IFRS 9: Financial Instruments.
IAS 39	Financial Instruments: Recognition and Measurement	Entities apply IAS 39 as issued in December 2003 and apply all subsequent amendments made to IAS 32 except those revisions arising from: • The issue of IFRS 8: Operating Segments. • The revision of IAS 1: Presentation of Financial Statements (September 2007). • The revision of IAS 27: Consolidated and Separate Financial Statements (January 2008). • Improvements to IFRSs (issued May 2010). • Issue of IFRS 9: Financial Instruments.

Directives and guidelines

The following interpretations (IGRAPs) of the standards of GRAP are also effective from 1 April 2011 and should be applied for the 2011/12 financial year:

- IGRAP 2 – Changes in Existing Decomissioning; Restoration and Similar Liabilities
- IGRAP 3 – Determining Whether an Arrangement Contains a Lease
- IGRAP 4 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 – Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP 6 – Loyalty Programmes
- IGRAP 8 – Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 – Distributions of Non-cash Assets to Owners
- IGRAP 10 – Assets Received from Customers
- IGRAP 13 – Operating Leases – Incentives
- IGRAP 14 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 – Revenue – Barter Transactions Involving Advertising Services

The following standard of GRAP may be used to interpret the requirements of other standards of GRAP:

- GRAP 24 – Presentation of Budget Information in Financial Statements

The following standard of GRAP has been approved but the entities are not required to apply it:

- GRAP 18 – Segment Reporting

1. Summary of significant accounting policies (continued)

1.2 Functional and presentation currency

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at amortised cost or fair value through surplus or deficit. The financial statements have been presented in the South African Rand (ZAR), as this is the currency in which the majority of the transactions are denominated.

1.3 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. Use of available information and the application of judgement are inherent in the formation of estimates. The fair values of financial instruments with standard terms and conditions and traded in active, liquid and organised financial markets are determined with reference to the applicable quoted market prices. For other financial instruments methods such as the discounted cash flow analysis are used to determine the fair values of other financial instruments. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

1.3.1 Annual evaluation of property, plant and equipment and intangible assets

The Authority reviews its property, plant and equipment and intangible assets for possible impairment, changes in useful lives and changes in residual values at the end of each financial year.

Management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as its intangible assets. 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 financial resources to fund expected future spending on capital assets.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

1.4 Provision for impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of trade receivables. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, where the time value of money has a material impact, discounted at the effective interest rate computed at initial recognition. Any impairment is recognised immediately in the statement of financial performance.

1.5 Government grants

The Authority is financed from money appropriated by Parliament. All inflows of resources from a non-exchange transaction recognised as an asset are recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

All transactions that satisfy a present obligation are recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, and it reduces the carrying amount of the liability recognised and revenue equal to the deduction is recognised. Revenue from non-exchange transactions is measured at the amount of the increase in net assets. A present obligation arising from a non-exchange transaction that meets the definition of a liability is recognised as a liability when it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The liability amount recognised is the best estimate of the amount required to settle the present obligation at the reporting date. Non-exchange revenue from taxes is only recognised when the taxable event occurs and the asset recognition criteria are met.

1.6 Property, plant and equipment

Property, plant and equipment (owned and leased) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes all directly attributable expenditure incurred in the acquisition, establishment and installation of such assets so as to bring them to the location and condition necessary for it to be capable of operating in the manner intended by management. Interest costs are not capitalised. Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value at the date of acquisition.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over the estimated useful lives to the estimated residual values. Useful lives, residual values and depreciation are reviewed annually with the effect of any changes in estimates accounted for on the prospective basis. Residual values are measured as the estimated amount currently receivable for an asset if the asset were already of the age and condition expected at the end of its useful life. Each significant component included in an item of property, plant and equipment is separately recognised and depreciated.

Depreciation commences when the asset is ready for its intended use. Depreciation of an asset ceases at an earlier of the date the asset is classified as held-for-sale in accordance with GRAP 100 or the date the asset is derecognised.

Properties in the course of construction for production, rental or administrative purposes, or for any purposes not yet determined, are carried at cost, less any recognised impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease if there is no reasonable certainty that the Authority will obtain ownership at the end of the lease term.

Repairs and maintenance activities, which neither prolong nor materially add to the value of the assets, are recognised as expenses in the period incurred. Minor plant and equipment items are also recognised as an expense during the period in which they are incurred.

Surplus or deficit on the retirement or disposal of property, plant and equipment, being the difference between the actual proceeds and the carrying amounts of the assets, are recognised as a surplus or deficit in the period in which they occur. The disposal date is determined as the date on which the Authority has transferred all the significant risks and rewards of ownership, the Authority does not retain either continuing managerial involvement to the degree associated with ownership or effective control over the goods sold, proceeds on the sales can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Authority and the costs incurred or to be incurred in respect of the transaction can be reliably measured. The assets are derecognised when the significant risk and rewards of ownership are transferred to a third party.

Property, plant and equipment acquired in exchange for a non-monetary asset is measured at fair value unless the exchange transaction lacks commercial substance or 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, its cost is measured at the carrying amount of the asset given up.

Where a lease contains a restoration clause, or where historical experience indicates that restoration costs will be incurred, a liability for the restoration costs is recorded. The liability recorded is measured at the present value of the estimated future restoration costs to be incurred. The present value of the liability is capitalised to the underlying asset to which the restorations costs relate at the inception of the restoration obligation. These amounts are amortised over the estimated useful life of the related asset. The restoration liability is accredited to its future value over the lease period.

1. Summary of significant accounting policies (continued)

1.6 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit for the period as follows:

Item	Useful life
Office equipment	1 – 24 years
Computer equipment	1 – 21 years
Furniture and fittings	1 – 23 years
Motor vehicles	10 – 19 years
Test equipment	4 – 22 years
Leasehold improvements	Over the period of the lease

1.7 Intangible assets

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

Item	Useful life
Computer software	5 – 21 years

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

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Authority, and that will probably generate economic benefits or service potential exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Amortisation commences when the intangible asset is available for use. Computer software development costs recognised as assets are amortised over their estimated useful lives. Internally generated brands are not recognised as intangible assets.

Surplus or deficit on the retirement or disposal of intangible assets, being the difference between the actual proceeds and the carrying amounts of the assets, is recognised in the surplus or deficit in the period in which it occurs. The disposal date is determined as the date in which the Authority has transferred all the significant risks and rewards of ownership, the Authority does not retain either continuing managerial involvement to the degree associated with ownership or effective control over the goods sold, proceeds on the sales can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Authority and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

Amortisation commences when the intangible asset is ready for its intended use. Depreciation of an intangible asset ceases at an earlier of the day the asset is classified as held-for-sale in accordance with GRAP 100 or the date the asset is derecognised. All intangible assets that arise from development are recognised when the Authority can demonstrate that the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits or service potential, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method is changed to reflect the changed pattern.

The residual value of an intangible asset with a finite useful life is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life; or there is an active market for the asset and such residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life. An intangible asset is derecognised on disposal of such intangible asset or when no future economic benefits or service potential are expected from its use or disposal.

1.8 Impairment of non-financial assets

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

Non-cash-generating assets are impaired when the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. Such reduction of an asset to its recoverable amount is recognised as an impairment loss. All intangible assets with an indefinite useful life or intangible assets not yet available for use are tested for impairment annually by comparing their carrying amount with their recoverable service amount.

At each reporting date, an assessment is carried out whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognised in prior periods for an 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 then increased to its recoverable service amount.

1.9 Financial instruments

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

The Authority classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Available-for-sale financial assets
- Loans and receivables

The Authority classifies its financial liabilities in the following categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost.

The classification of financial instruments is determined at initial recognition and it is based on the nature and purpose of each financial instrument. Principal financial instruments carried at reporting date include cash and cash equivalents, loans and other receivables, finance lease liabilities, trade receivables and trade and other payables.

Financial assets are recognised and derecognised on the trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned. All financial assets are initially measured at fair value, including transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs. The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

1. Summary of significant accounting policies (continued)

1.9 Financial instruments (continued)

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment. Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the statement of financial performance in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of financial performance as gains and losses from investment securities.

However, interest calculated on available-for-sale financial assets using the effective interest method is recognised in the statement of financial performance as part of interest income.

The purchases and sales of financial instruments that require delivery within the timeframe established by regulation or market convention (ordinary purchases and sales) are recognised at settlement date, which is the date the asset is delivered or received. Otherwise such transactions are treated as derivatives until settlement. The fair values of financial assets quoted in active markets are based on current bid prices. The fair values of financial liabilities quoted in active markets are based on current ask/offer prices. Alternatively, it derives fair value from cash flow models or other appropriate valuation models where an active market does not exist. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

1.9.1 Financial instruments at fair value through profit or loss

This category has two subcategories: financial instruments held for trading, and those designated at fair value through profit or loss at inception.

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profittaking, or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

A financial instrument is classified designated at fair value through profit or loss if upon initial recognition it is designated by the entity as at fair value through profit or loss. The financial instruments are classified under this subcategory when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel; and
- or if a contract contains one or more embedded derivatives, the entire hybrid (combined) contract is designated as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

1.9.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. The Authority does not classify any financial assets as held-to-maturity if it has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value, occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments or are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less any impairment loss. Interest income is recognised in profit or loss by applying the effective interest rate.

1.9.3 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

The net gain or loss recognised in profit or loss incorporates any gains or losses on re-measurement transferred from equity to profit or loss, dividends and interest income on the financial asset. These investments are classified as non-current assets unless management intends to dispose of the investments within 12 months of the balance sheet date.

1.9.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the entity intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; those that the entity upon initial recognition designates as available for sale; or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale. Loans and receivable are included in current assets except for maturities of 12 months after the statement of financial position date in which case they would be classified as non-current assets.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less any impairment loss. Interest income is recognised in profit or loss by applying the effective interest rate, except for short-term trade receivables where the recognition of interest would be immaterial. Trade receivables are carried at original invoice amount less any impairment loss.

1.9.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position. Cash and cash equivalents in the cash flow statement and in the presentation of net debt are reflected net of overdrafts.

Cash on hand is initially recognised at fair value and subsequently measured at its face value. Deposits held on call are classified as loans and receivables by the Authority and carried at amortised cost. Due to the short-term nature of these, the amortised cost normally approximates its fair value.

1. Summary of significant accounting policies (continued)

1.9.6 Trade and other receivables

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

1.9.7 Trade and other payables

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

1.9.8 Derecognition of financial instruments

The financial assets are derecognised when the contractual rights to the asset expires; or where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or the Authority retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

If a transfer does not result in derecognition because the Authority has retained substantially all the risks and rewards of ownership of the transferred asset, the Authority continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Authority recognises any income on the transferred asset and any expense incurred on the financial liability. Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in profit or loss.

1.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease period. Minimum rentals that fall due after the end of the reporting period are reflected under commitments. When an operating lease is terminated before the lease period has expired, any penalty incurred as a result is recognised as an expense in the period in which termination occurs.

Assets held under finance leases are recognised as assets on inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element of the rental is charged against profit so as to produce a constant yearly rate of interest on the remaining balance of the liability, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the general policy on borrowing costs. The leased assets that qualify for recognition as assets are depreciated over their estimated useful lives in accordance with the Authority's policy on property, plant and equipment.

1.11 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 increase in assets in the future periods.

1.12 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events when it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Long-term provisions are discounted to net present value. The increase in the provision due to passage of time is recognised as interest expense.

1.13 Employee benefits

1.13.1 Retirement benefits

The Authority operates defined contribution plans, the assets of which are held in trustee-administered funds. Pension benefits are provided by membership of the Government Employees Pension Fund (GEPF) and SATRA Provident Fund. Contributions to the defined contribution plans in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of the cost of employment.

The Authority has no legal or constructive obligation to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

1.13.2 Termination benefits

Termination benefits are recognised as a liability in the balance sheet and as an expense in the statement of financial performance when the Authority has a present obligation relating to termination. The Authority has a present obligation when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan, without possibility of withdrawal or providing termination benefits as a result of an offer to encourage voluntary redundancy.

1.13.3 Short-term employee benefits

Short-term employee benefit obligations, including the guaranteed bonus and leave days accrued, are measured on an undiscounted basis and are expensed as and when the related service is provided by the employees. A liability is recognised for the amount expected to be paid under short-term employee benefit if the Authority has a present legal or constructive obligation as a result of past service provided by the employee and the obligation can be estimated reliably.

1.13.4 Long-term employee benefits

The Authority provides long-term service awards to all employees who have served the Authority for a period of 5, 10, 15, 20, 25, 30 and 35 years and above. The employees are entitled to a certificate and monetary award in respect of each long-term period served. The monetary award varies with the period the employee has served the Authority for.

1.14 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.

1.15 Finance income

In accordance with a National Treasury communication dated 12 July 2004, all finance income earned on surplus funds and funds collected on behalf of the National Revenue Fund during the year is recognised as revenue on a time proportion basis using the effective interest method.

1.16 Taxation

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

1. Summary of significant accounting policies (continued)

1.17 Borrowing costs

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Authority during the construction period.

1.18 Contingent liabilities, contingent assets and commitments

A contingent liability is 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 that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Items are classified as commitments where the Authority commits itself to future transactions, particularly in the acquisition of property, plant and equipment and intangible assets.

1.19 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Foreign currency translation differences on monetary items classified as available-for-sale are not reported as part of the fair value gain or loss in net assets, but are recognised as a translation gain or loss in the statement of financial performance when incurred.

Translation differences on non-monetary items classified as available-for-sale are included in the fair value reserve in net assets when incurred.

1.20 Irregular, fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Irregular expenditure means expenditure incurred in contravention of or not in accordance with a requirement of any applicable legislation including:

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

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

1.21 Related parties

The Authority discloses all related-party relationships, related-party transactions and the relationship underlying those transactions. Related parties include national and public entities in the national sphere of Government, key management, individual employees owning directly or indirectly an interest in the entity that has transaction or business-related interest in the Authority and close members of the family of any such individual who may be expected to influence, or be influenced by, that person in their dealing with the Authority.

Only transactions with related parties that are not conducted on an arm's length basis or not in the ordinary course of business are disclosed.

1.22 Revenue from non-exchange transactions

Revenue from non-exchange transactions relates to all revenue transactions where the Authority receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.23 Revenue from exchange transactions

Revenue from exchange transactions relates to all revenue transactions where the Authority receives value from another entity after directly giving approximately equal value in exchange.

Revenue from the sale of goods is recognised when 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 entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably. Revenue from rendering of services 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 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 entity; the stage of completion of the transaction at the reporting date can be measured reliably; the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is recognised using the effective interest method. Royalties are recognised as they are earned in accordance with the substance of the relevant agreement. Dividends or similar distributions are recognised when the Authority's right to receive payment is established.

1.24 Comparatives

Where necessary, the comparatives have been restated to conform to changes in the presentation in the current financial year.

1.25 Use of estimates and judgements

The General Licence Fee Regulations stipulate that the licensees must submit and pay their licence fees six months after the end of their financial year. When the payment is not due but the licensee has generated the revenue up to the reporting date of the Authority, the Authority will use the estimated amount supplied by the licensee or the amount which is based on the latest financial statements of the licensee.

The performance bonus is estimated based on the average of one month's salary and it is limited to the available funds as approved by the Accounting Authority.

Impairment of licence fees: If the licence fees are long outstanding and there is an indication that the licensee may not pay or there is history of continuous non-payment, the Authority creates a provision for impairment.

1.26 Budget information

The Authority prepares the budget that covers a three-year period and this budget is prepared on the accrual basis. The budget is presented to the Portfolio Committee annually. The budget reviews are performed regularly and reprioritisation of budgets, which normally take place after the interim results, are approved by Council. Shifting of budgets is approved in terms of the delegation of authority.

2. Prior period error

a) Assets with no depreciable amounts

31 March 2011

During the current financial year, certain fully depreciated assets that were still in use were identified. A correcting journal entry was put through in order to recognise the assets at a depreciable amount. The effect of the error was as follows:

Decrease in depreciation	(1 866 049)
Decrease in surplus for the period	1 866 049
	–
Increase in net carrying value of property, plant and equipment	1 866 049
Increase in accumulated surplus	(1 866 049)
	–

The prior period error had an effect of increasing both the net book value of property, plant and equipment and accumulated surplus by an amount of R1 866 049. This prior period error did not have an impact on the financial years prior to 31 March 2011.

b) Reversal of blanket interest raised on long-outstanding debtors and adjustments to prior period spectrum debtors balance

During the financial year, certain interest amounts relating to spectrum debtors that were outstanding at the end of March 2011 were reversed. These amounts of interest had been raised against all the spectrum accounts receivable balances that were past due at the end of March 2011. There were no complete records confirming that all invoices for the initial debt had been delivered to each debtor and as such the validity of each invoice raised for interest could not be confirmed. Furthermore, an error occurred where the fees were reallocated into the revenue account instead of a liability account. The effect of this prior period error was as follows:

Decrease in spectrum receivable	(1 423 096)
Decrease in NRF payable	1 423 096
Impact on accumulated surplus	–

This error did not affect the financial years ending prior to 31 March 2011.

	31 March 2012 R Actual	31 March 2011 R Actual
3. Revenue from non-exchange transactions		
Original allocation from Department of Communications (DoC)		
Budget vote	**313 378 000**	290 923 000
Donations received	**1 374 708**	–
Insurance claim settlements	**681 900**	248 453
	315 434 608	291 171 453
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.		
4. Revenue from exchange transactions		
Interest income	**4 475 697**	5 580 968
Legal settlement	**431 411**	–
Other	**7 000**	72 621
	4 914 108	5 653 589
Legal settlement relates to an out-of-court settlement reached with the supplier of a defective generator which was found to be defective subsequent to delivery.		
5. Administrative expenses		
General and administrative expenses	**1 407 011**	2 030 917
Travel and subsistence	**9 724 685**	7 443 435
Insurance	**588 644**	750 951
Printing and stationery	**2 210 783**	1 701 042
Publications	**1 559 727**	1 113 989
Publicity and advertising	**3 326 698**	3 882 526
Recruitment costs	**1 011 257**	1 229 786
Telephone, postage and fax	**5 702 293**	5 987 230
Training and conferences	**7 092 241**	8 009 958
	32 623 339	32 149 834

	Notes	31 March 2012 R Actual	31 March 2011 R Actual
6. Staff costs			
Council's, Corporate Secretary's, Executive Management's and committees' remuneration	7	**20 738 259**	20 403 025
Salaries and wages		**155 652 677**	140 429 551
– Salaries		**113 661 856**	106 741 618
– Performance awards		**8 670 811**	6 545 673
– Periodic payments		**7 800 868**	8 239 444
– Temporary staff		**3 932 665**	1 202 761
– Leave expenses		**2 816 308**	150 102
– Overtime pay		**1 680 157**	1 540 190
– Defined contribution plan expense		**17 090 012**	16 009 763
Social contributions (employer's contribution)		**9 404 068**	9 495 115
– Medical aid		**8 406 403**	8 504 784
– UIF		**597 730**	590 396
– Compensation for occupational injuries and diseases		**399 935**	399 935
– Long-service awards		**415 000**	631 000
		186 210 004	170 958 691

7. Council's, Corporate Secretary's, Executive Management's and committees' remuneration

Details of remuneration paid are as follows:

Council	Date of appointment	Date of resignation/ end of term	Remuneration 31 March 2012 R* Actual	31 March 2011 R* Actual
SS Mncube	01/07/2010	–	**1 339 518**	972 746
P Mashile	01/07/2005	30/06/2010	–	318 933
R Nkuna	18/10/2006	30/09/2010	–	488 159
BB Ntombela	01/11/2006	30/09/2010	–	488 159
JCW van Rooyen SC	01/01/2007	30/09/2010	–	488 159
MM Socikwa	01/04/2007	–	**1 036 666**	988 521
NA Batyi	04/08/2008	–	**1 036 666**	988 521
TLV Makhakhe	10/07/2008	–	**1 036 666**	988 521
FK Sibanda	01/10/2008	–	**1 036 666**	988 521
WF Stucke	30/11/2009	–	**1 036 666**	988 521
WH Currie	01/10/2010	–	**1 036 666**	500 363
N Ndhlovu	01/11/2010	–	**1 036 666**	419 003
JM Lebooa	01/10/2010	–	**1 036 666**	500 363
Totals			**9 632 846**	9 118 490

** Council remuneration is at cost to company and Council does not receive performance bonuses or any benefit beyond cost to company.*

7. Council's, Corporate Secretary's, Executive Management's and committees' remuneration (continued)

Permanent Executive Management

			31 March 2012 Actual			31 March 2011 Actual		
Executive Management	**Date appointed**	**Title**	**Salary R**	**Performance bonus R**	**Total R**	Salary R	Acting allowance R	Total R
TTC Dlamini	01/11/2010	CEO	1 738 072	-	1 738 072	702 499	-	702 499
BK Motlana*	03/09/2007	CEO	-	-	-	682 038	-	682 038
Total			1 738 072	-	1 738 072	1 384 537		1 384 537
T Mosia#	06/11/2006	CFO	618 034	-	618 034	893 942	-	893 942
M Mopeli**	08/01/2007	GM: HR	659 515	45 726	705 241	847 948	40 000	887 948
S Mamaregane@	01/04/1999	GM: Legal	219 838	34 295	254 133	847 948	-	847 948
S Tsotetsi	05/06/2006	GM: Licensing	889 246	34 295	923 541	847 948	-	847 948
P Mashangoane	01/07/2007	GM: Consumer Affairs	889 246	34 295	923 541	847 948	–	847 948
D Ngwenya$	01/08/2007	GM: Engineering and Technology	659 515	34 295	693 810	847 948	–	847 948
BL Ntuli	01/11/2008	GM: Administration	889 246	34 295	923 541	847 948	–	847 948
BG Jooste	01/11/2008	GM: Compliance, Risk and Audit	889 246	34 295	923 541	847 948	–	847 948
PB Grootes	01/10/2010	GM: Markets and Competition	889 246	–	889 246	811 000	–	811 000
M Mathabathe	18/01/2011	Corporate Secretary	940 463	–	940 463	190 764		190 764
Total			7 543 595	251 496	7 795 091	7 831 342	40 000	7 871 342
Grand total			9 281 667	251 496	9 533 163	**9 215 879**	40 000	9 255 879

* *Mr BK Motlana's contract ended on 31/08/2010.*

\# *Mr T Mosia's contract ended on 30/11/2011.*

** *Ms M Mopeli's contracts ended on 31/12/2011.*

@ *Mr S Mamaregane resigned with effect 30/06/2011.*

$ *Mr D Ngwenya resigned with effect 31/12/2011.*

Executive remuneration is at cost to company and Executive Management receives performance bonuses only in addition to the cost to company.

7. Council's, Corporate Secretary's, Executive Management's and Committees' remuneration (continued)

AUDIT AND RISK COMMITTEE	Appointment date	Resignation date	31 March 2012 R Actual	31 March 2011 R Restated
RA Kenosi**/*	2010/01/01	2011/11/30	**81 500**	107 374
RN Theunissen	2012/01/01	–	**31 500**	–
CG de Kock	2012/02/01	–	**18 000**	–
S Swana**/#	2010/01/01	2011/11/29	**59 000**	105 724
D Pillay	2012/01/01	–	**12 000**	–
TZ Gcabashe**/+	2010/05/01	2012/02/24	**113 250**	114 874
TT Ratsheko#	2010/02/01	2011/12/13	**57 000**	72 874
T Sihlaba	2010/07/01	–	**81 000**	64 500
			453 250	465 346

* *Retired.*
** *Re-appointed.*
# *Resigned.*
\+ *Deceased.*

COMPLAINTS AND COMPLIANCE COMMITTEE	Appointment date	Resignation date	31 March 2012 R Actual	31 March 2011 R Restated
SR van Jaarsveld – finalising Phuthuma/ Telkom matter	2011/04/01	–	**14 000**	–
JW Tutani	2011/09/01	–	**168 000**	–
K Moodaliyar	2011/12/01	–	**14 000**	–
KE Moloto-Stofile – resigned in 2008	2007/03/01	2008/03/27	**25 000**	–
N Ntanjana	2007/03/01	–	**98 000**	238 000
S Thakur – term expired (2010/07/31)	2007/03/01	–	**14 000**	105 000
MT Matshoba (nee: Ramuedzisi)	2008/04/01	–	**119 000**	133 000
IWB de Villiers – still finalising his matters	2009/06/01	–	**106 000**	270 500
JCW van Rooyen – still finalising his matters	2010/11/01	–	**191 000**	250 000
PA Delport – term expired (2011/06/30)	2008/07/01	–	**–**	82 500
EZ Ntukwana	2010/08/01	–	**126 000**	175 000
LJ Tlokana	2010/08/01	–	**154 000**	182 000
			1 029 000	1 436 000
HUMAN RESOURCES AND REMUNERATION COMMITTEE				
E Harris*	2010/01/01	2011/12/31	**–**	–
S Faku*	2010/01/01	2011/12/31	**10 000**	38 725
X Hloma*	2010/01/01	2011/12/31	**12 000**	49 215
JM Aucamp	2012/03/01	–	**6 000**	–
EM Moerane	2012/03/01	–	**5 000**	–
D Mathibedi	2012/03/01	–	**–**	–
C Phatudi	2012/03/01	–	**–**	–
			33 000	87 940
IT REVIEW COMMITTEE				
P Cronje*	2008/04/01	2012/01/31	**32 000**	19 685
C Pillay*	2008/04/01	2012/01/31	**25 000**	19 685
			57 000	39 370
Total remuneration for committees			**1 572 250**	2 028 656

* *Resigned.*

7. Council's, Corporate Secretary's, Executive Management's and committees' remuneration (continued)

Summary of Council's, Executive Management's and committees' remuneration	31 March 2012 R Actual	31 March 2011 R Actual
Council	9 632 846	9 118 490
Chief Executive Officer	1 738 072	1 384 537
Executive Management	7 795 091	7 871 342
Committees	1 572 250	2 028 656
	20 738 259	20 403 025

8. Audit fees

Internal audit – Outsourced	246 145	229 825
External audit	2 963 299	2 707 409
	3 209 444	2 937 234

9. Other operating expenses

Consultants, contractors and special services	6 941 806	13 500 824
Equipment items expensed	54 401	85 316
Legal fees	3 870 877	4 803 686
Maintenance, repairs and running costs		
– Property and buildings	113 868	77 154
– Machinery and equipment	1 536 367	2 240 613
– Motor vehicles	2 211 304	2 167 040
– Other maintenance and repairs	2 161 139	2 148 162
Information technology	6 384 597	5 345 656
Transaction costs charges	1 251 351	806 898
Rental in respect of operating leases and other related expenses		
– Rental of buildings	42 995 921	42 147 299
– Lights and water	2 256 090	1 726 597
– Rates and taxes	1 501 533	1 375 162
– Garden maintenance	26 508	49 072
– Office cleaning	1 379 303	1 098 899
– Security costs	1 798 448	2 371 498
– Equipment	709 200	992 187
Deficit on scrapping/disposal of property, plant and equipment	4 303 044	1 466 526
Regulatory associations and conferences	1 513 332	2 529 009
Other	1 576 339	1 553 989
	82 585 428	86 485 587

	31 March 2012 R Actual	31 March 2011 R Actual
10. Finance costs		
Interest on finance lease	**52 260**	–
Interest – other	**178 596**	6 261
	230 856	6 261
11. Fruitless, wasteful and irregular expenditure		
The reconciliation of the balance of fruitless and wasteful expenditure is as follows:		
Opening balance	**–**	44 552
Current year movements	**189 292**	707 413
Amounts condoned	**–**	(747 618)
Amounts transferred to accounts receivable	**–**	(4 347)
	189 292	–
The amounts incurred during the 2011/12 financial year had not yet been condoned at the end of the financial year.		
The reconciliation of the irregular expenditure balance at the end of the financial year is as follows:		
Opening balance	**–**	655 627
Current year movements	**538 433**	5 057 453
Amounts condoned	**–**	(5 713 080)
	538 433	–
Included in expenditure per the statement of financial performance is the following:		
Fruitless and wasteful expenditure		
Payment to a councillor not performing his judiciary duties	**–**	701 152
Interest costs	**3 665**	6 261
SARS interest	**174 931**	–
SARS penalty	**10 696**	–
	189 292	707 413
Irregular expenditure		
Computers	**417 326**	–
Security costs	**–**	997 747
Printing costs	**4 491**	–
Operating lease costs	**–**	1 150 852
Consultants	**19 836**	1 113 507
Training costs	**96 780**	1 795 347
	538 433	5 057 453

11. Fruitless, wasteful and irregular expenditure (continued)

All the matters listed below are currently in the process of being tabled before the Executive Committee meeting in which a decision on the appropriate corrective action will be taken.

31 March 2012

Interest costs

a) Interest charged on late payment of rentals of regional offices: R3 665

The rental payments were approved late and as a result thereof the Authority was charged interest on late payment.

b) SARS interest R174 931

Included in this amount is interest totalling R154 327 relating to the tax years 2005/02 to 2007/02. This interest relates to the periods to which the Authority had already settled with the South African Revenue Service on the disputes previously declared by SARS.

An additional amount of R20 373 relates to the interest that was incurred as a result of the assessment that arose as a result of the differences between the tax submission for the tax periods 2009/11 and 2010/02 due to the actual payments being lower than the submissions. The interest for each tax period was R13 and R20 360 respectively.

The remaining balance of the interest paid totalling R231 relates to the tax period 2011/01 and 2011/08 and the amounts concerned were R111 and R120 respectively. These amounts were due to the payment of tax to the incorrect account and the difference between actual tax paid and the amount declared on the the tax submission.

c) SARS penalty R10 696

A penalty totalling R10 696 was incurred as a result of the matters raised in (a) and (b) above.

Irregular expenditure

a) Procurement of computers before the approval of the Bid Adjudication Committee: R417 326

A request for a quotation was sent to 13 suppliers on the database and thereafter a successful supplier was appointed after the evaluation of the requests for quotations received. However, in terms of the delegation of authority, the appointment of the successful service provider should have been ratified by the Bid Adjudication Committee before the supplier was appointed.

b) Procurement of printing services: R4 491

Additional costs were incurred on the printing of the annual report before the proper approvals were obtained. The additional expenditure should have gone through the approval processes before the funds were committed.

c) Procurement of consultancy services: R19 836

Consultancy services for a facilitator for a dispute between labour and the Authority were procured without going through the centralised request for quotation process.

d) Procurement of training services: R24 615

A training course was sourced without going through the centralised request for quotation process and the service was rendered before the order was issued.

e) Procurement of training without going through centralised procurement: R67 365

Training services were procured without following the provisions of the Supply Chain Management Policy.

f) Procurement of training without going through centralised procurement: R4 800

The Bloemfontein Regional Office procured a consumer protection course without going through the centralised procurement process.

12. Property, plant and equipment

	Office and computer equipment R	Furniture and fittings	Motor vehicles R	Test equipment R	Office and computer equipment under finance lease R	Leasehold improvements R	Total R
31 March 2012 – Actual							
Cost							
Balance at 1 April 2011	**40 726 981**	**11 956 756**	**13 016 876**	**74 750 553**	**–**	**7 665 330**	**148 116 496**
Additions	1 387 284	–	–	6 567 175	1 359 482	13 143	9 327 084
Assets scrapped/disposals	(3 196 637)	(177 552)	(817 862)	(3 187 621)	–	–	(7 379 672)
Adjustments	161 106	24 536	(1 087 873)	1 281 991	–	–	379 760
Transfers between categories	(170 361)	(529 435)	–	(2 199 977)	–	921 857	(1 977 916)
Balance at 31 March 2012	**38 908 373**	**11 274 305**	**11 111 141**	**77 212 121**	**1 359 482**	**8 600 330**	**148 465 752**
Accumulated depreciation							
Balance at 1 April 2011	**21 199 036**	**4 028 347**	**3 999 027**	**26 726 864**	**–**	**2 445 572**	**58 398 845**
Depreciation	1 806 416	576 887	597 300	3 001 107	112 877	1 416 243	7 510 829
Transfers	(824 658)	(239 108)	–	(1 416 853)	–	491 455	(1 989 164)
Adjustments	1 211 112	(18 209)	(697 385)	700 530	–	1 982	1 198 030
Assets scrapped/disposals	(2 162 040)	(95 866)	(232 918)	(1 264 833)	–	–	(3 755 657)
Balance at 31 March 2012	**21 229 866**	**4 252 051**	**3 666 024**	**27 746 815**	**112 877**	**4 355 252**	**61 362 885**
Net carrying amount at 31 March 2012	**17 678 507**	**7 022 254**	**7 445 117**	**49 465 306**	**1 246 605**	**4 245 078**	**87 102 867**

12. Property, plant and equipment (continued)

	Office and computer equipment R	Furniture and fittings	Motor vehicles R	Test equipment R	Office and computer equipment under finance lease R	Leasehold improvements R	Total R
31 March 2011 – restated							
Cost							
Balance at 1 April 2010 – restated	**42 395 659**	**12 224 726**	**12 931 913**	**61 762 156**	**1 789 090**	**5 228 919**	**136 332 463**
Additions	781 419	35 793	361 779	13 345 571	–	2 436 411	16 960 973
Disposals	(353 354)	(486 931)	(276 816)	(378 240)	(1 789 090)	–	(3 284 431)
Transfers between categories	(2 096 743)	183 168	–	21 066	–	–	(1 892 509)
Balance at 31 March 2011	**40 726 981**	**11 956 756**	**13 016 876**	**74 750 553**	**–**	**7 665 330**	**148 116 496**
Accumulated depreciation							
Balance at 1 April 2010	**14 939 260**	**3 823 567**	**3 402 536**	**24 146 299**	**1 747 365**	**616 762**	**48 675 789**
Depreciation	7 148 668	514 155	706 828	2 835 252	(832 832)	1 828 810	12 200 881
Disposals	(175 443)	(335 873)	(144 194)	(230 325)	(914 533)	–	(1 800 368)
Transfers to intangible assets	(713 449)	26 498	33 857	(24 363)	–	–	(677 457)
Balance at 31 March 2011	**21 199 036**	**4 028 347**	**3 999 027**	**26 726 863**	**–**	**2 445 572**	**58 398 845**
Net carrying amount at 31 March 2011	**19 527 945**	**7 928 409**	**9 017 849**	**48 023 689**	**–**	**5 219 758**	**89 717 651**

13. Intangible assets

31 March 2012

Cost	Software	WIP	Total
Balance at 1 April	14 170 472	601 866	14 772 338
Additions	2 909 778	–	2 909 778
Transfers to/from WIP	(5 905 788)	5 905 788	–
Assets scrapped/disposals	(1 097 007)	–	(1 097 007)
Adjustments	(269 423)	–	(269 423)
Transfers	1 977 915	–	1 977 915
Balance at 31 March	**11 785 947**	**6 507 654**	**18 293 601**
Accumulated amortisation			
Balance at 1 April	4 115 712	–	4 115 712
Amortisation	1 496 995	–	1 496 995
Assets scrapped/disposals	(545 364)	–	(545 364)
Adjustments	(1 070 112)	–	(1 070 112)
Transfers between categories	1 989 163	–	1 989 163
Balance at 31 March	**5 986 394**	**–**	**5 986 394**
Net carrying amount	**5 799 553**	**6 507 654**	**12 307 207**
31 March 2011 – Actual			
Balance at 1 April	11 183 951	–	11 183 951
Additions	4 873 804	601 866	5 475 670
Assets scrapped/disposals	(3 779 789)	–	(3 779 789)
Transfers from property, plant and equipment	1 892 506	–	1 892 506
Balance at 31 March	14 170 472	601 866	14 772 338
Accumulated amortisation			
Balance at 1 April	5 924 029	–	5 924 029
Amortisation	1 193 135	–	1 193 135
Assets scrapped/disposals	(3 678 906)	–	(3 678 906)
Transfers between categories	677 454	–	677 454
Balance at 31 March	4 115 712	–	4 115 712
Net carrying amount	10 054 760	601 866	10 656 626

	31 March 2012 R Actual	31 March 2011 R Actual
14. Trade and other receivables from exchange transactions		
Staff receivables	**1 226 207**	1 414 381
Less: Impairment of staff receivables	**(2 586)**	(30 025)
Net staff receivables	**1 223 621**	1 384 356
Other receivables	**1 325 723**	927 405
	2 549 344	2 311 761
Impairment of receivables		
Opening balance	**30 025**	84 756
Impairments recognised in surplus and deficit	**(27 439)**	(54 731)
Closing balance	**2 586**	30 025
As at 31 March 2012, the carrying values of trade and other receivables were estimated to approximate their fair values.		
As of 31 March 2012, trade receivables of Rnil (2010: Rnil) were impaired and provided for. The amount of the provision was R2 586 as of 31 March 2012 (2011: R30 025). The aging of the provision for impairment at 31 March 2012 was as follows:		
Amounts in 91 days +	**2 586**	30 025
	2 586	30 025
As at 31 March 2012, accounts receivables totalling R1 165 210 (2011: R1 356 286) were past due but not impaired. These relate to a number of independent staff debtors for whom there is no recent history of default.		
The aging of these receivables is as follows:		
Amounts in 30 days	**117 523**	85 527
Amounts in 61 to 90 days	**163 536**	205 624
Amounts in 91 days +	**884 151**	1 065 135
	1 165 210	1 356 286

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 debtors 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. 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 advance 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.

As at 31 March 2012, Rnil (2011: Rnil) of trade and other receivables was denominated in foreign currencies.

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.

	31 March 2012 R Actual	31 March 2011 R Actual
14. Trade and other receivables from exchange transactions (continued)		
The rating of gross trade and other receivables was as follows:		
Medium risk	**2 549 345**	2 311 761
High risk	**2 586**	30 025
	2 551 931	2 341 786
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.		
15. National Revenue Fund – receivable		Restated
Accounts receivable due to National Revenue Fund:		
Broadcasting services	**160 919 996**	119 170 139
Spectrum receivables	**342 384 274**	206 351 390
ECS and ECNS services	**708 169 475**	654 082 035
Postal services	**20 182 473**	19 101 704
	1 231 656 218	998 705 268
Provision for impairment	**(438 687 189)**	(100 222 018)
	792 969 029	898 483 250

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 he licensee submits the expected financial results.

ECS and ECNS receivables relate to all the amounts that had been billed to but not settled by the Electronic Communications services and the Electronic Communications Network services licensees.

The broadcasting receivables relate to all the outstanding licence fees for broadcasting licences.

The aging of the gross trade receivables balances was as follows:		
Current	**813 449 101**	863 804 778
31 – 60 days	**18 213 151**	43 665 566
61 – 90 days	**4 783 059**	11 922 041
Greater than 90 days	**395 210 907**	79 312 883
	1 231 656 218	998 705 268

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 payments terms, the licensee is referred to the Complaints and Compliance Committee or has its equipment sealed.

	31 March 2012 R Actual	31 March 2011 R Actual
16. Prepayments		
Insurance	**–**	347 985
Office rental	**3 489 756**	3 447 373
Computer equipment, motor vehicles, furniture, software guarantees, software and others	**2 509 137**	1 454 074
	5 998 893	5 249 432
17. Cash and cash equivalents		
Cash on hand and balances with banks	**37 356 833**	34 176 631
Administered Revenue cash balance	**8 194 447**	6 933 308
	45 551 280	41 109 939

Cash and cash equivalents consist of cash on hand and balances with banks. The cash and cash equivalents balances as disclosed above did not include any restricted cash nor did the Authority have any borrowing facilities at the end of each reporting period. Included in the above balance at 31 March 2012 is an amount of **R8 194 447** (2011: R6 933 308) for the Administered Revenue Section. The funds received 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.

	31 March 2012 R Actual	31 March 2011 R Actual
18. Trade and other payables from exchange transactions		
Trade payables	**2 170 305**	2 508 980
Accrued expenses	**4 743 087**	10 013 396
Bonus accrued	**1 512 804**	2 069 299
Leave liability accrued	**6 275 951**	4 486 709
Interest payable	**–**	3 541 199
Structured bonus	**304 667**	–
Other	**330 167**	99 108
	15 336 981	22 718 691

The fair value of trade and other payables from exchange transactions was **R15 336 981** (2011: R22 718 691). The amounts included in trade and other payables are not secured. The fair values of trade and other payables approximate their carrying values. An amount of **R9 154 027** (2011: R6 610 000) was reclassified from trade and other payables from exchange transactions to provisions in order to achieve better presentation.

	31 March 2012 R Actual	31 March 2011 R Actual
19. Trade and other payables from non-exchange transactions		
Donations received	**20 937**	20 937
Other	**–**	1 726
	20 937	22 663

The fair value of trade and other payables from non-exchange transactions was **R20 937** (2011: R22 663). The amounts included in trade and other payables from non-exchange transactions are not secured. The fair values of trade and other payables approximate their carrying values.

	31 March 2012 R Actual	31 March 2011 R Actual
20. Provisions		
Opening balance	**6 610 000**	7 403 607
Payments	**(6 132 307)**	(7 347 983)
Provisions raised	**9 154 027**	6 610 000
Reversal of overprovision	**(477 693)**	(55 624)
	9 154 027	6 610 000

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 the approval by Council. The amounts currently disclosed as provisions amounting to **R9 154 027** (2011: R6 610 000) were reclassified from trade and other payables from exchange transactions in order to achieve better disclosure. 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.

	31 March 2012 R Actual	31 March 2011 R Actual
21. National Revenue Fund payables – restated		
Unidentifiable receipts and other payables	**81 495 658**	27 842 112
NRF payables	**719 667 817**	877 574 446
Trade and other payables payable to NRF	**801 163 475**	905 416 558
22. Operating lease liability		
Current portion of operating lease liability– included in (current assets)/ current liabilities	**166 198**	(42 251)
Non-current portion of operating lease liability – included in non-current liabilities	**128 258**	248 966
Net operating lease liability – to be released over the period of the leases	**294 456**	206 715

Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

	31 March 2012 R Actual	31 March 2011 R Actual
23. Finance lease liability		
Current portion	543 350	–
Non-current portion	868 392	–
	1 411 742	–

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 instalments are fixed and do not contain any escalation clauses. Interest is charged at an effective rate of 15,27%.

	31 March 2012 R Actual	31 March 2011 R Actual
Reconciliation of total future minimum lease payments to present value of minimum lease payments:		
Due within 1 year	710 873	–
Due within 2 to 5 years	995 222	–
Total minimum future lease payments	1 706 095	
Less: Future finance charges	(294 353)	–
Present value of minimum lease payments	1 411 742	–
Present value of minimum lease payments	1 411 742	
Due within 1 year	543 350	–
Due within 2 to 5 years	868 392	–

24. Operating lease arrangements (cash flow commitments)

At 31 March 2012, outstanding commitments existed under non-cancellable operating leases which fall due as follows:

	31 March 2012 R Actual	31 March 2011 R Actual
Up to 1 year	4 239 708	2 985 582
2 to 5 years	2 789 079	4 041 610
	7 028 787	7 027 192

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 May 2013 and January 2015. Escalation clauses range between 9% and 10% per annum depending on the lease agreements. At 31 March 2012, the Authority had no commitments under non-cancellable operating leases as lessor. The leases are for a fixed period of time and are only renewable when the lessor and the lessee agree on the renewal terms. The leases do not contain a purchase option.

	31 March 2012 R Actual	31 March 2011 R Restated
25. Reconciliation of net cash flows from operating activities to deficit		
Surplus/(deficit) for the period	**6 481 821**	(10 972 630)
Non-cash movements	**7 462 192**	(8 326 348)
– Depreciation	**7 510 829**	14 066 930
– Amortisation	**1 496 995**	1 193 135
– Deficit on disposal/scrapping of property, plant and equipment	**4 303 044**	1 466 526
– Donations received	**(1 374 708)**	–
– Increase in lease liabilities	**91 347**	184 062
– Increase in receivables and prepayments	**(959 606)**	(1 518 145)
– Decrease in provision for impairment	**(27 439)**	(54 731)
– Decrease/(increase) in National Revenue Fund receivable	**105 514 221**	(402 201 966)
– Decrease in payables	**(4 839 409)**	(3 329 716)
– Increase/(decrease) in National Revenue Fund payable	**(104 253 082)**	383 450 345
– Decrease/(increase) in plant and equipment delivered but not paid for	**–**	(1 582 788)
Net cash flows from operating activities	**13 944 013**	(19 298 978)
26. Contingent liabilities – actual		
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	**1 333 274**	3 947 494

Major litigation items that the Authority was faced with at the end of the financial year were as follows:

a) Robbertse (Dismissal) vs ICASA

The employee was found guilty internally and dismissed for misconduct. He referred the matter to the CCMA and received an award ordering the Authority to reinstate him immediately. The Authority took the matter on review to the Labour Court. Heads of Argument were filed by both parties. The matter was heard on 16 February 2012. The matter has been referred back to the CCMA for a fresh hearing.

b) Blackbeard Selahla vs ICASA

An application from the Labour Court was received on 3 June 2011 for unfair discrimination and instructions have been forwarded to our attorneys to defend the matter. Statement of Defence was filed at court on 7 July 2011. The matter had not been heard at the end of the financial year.

c) Lincoln Goliath vs ICASA

A notice from the Port Elizabeth CCMA for conciliation/arbitration was received by the Authority on 9 January 2012 at the instance of Mr Lincoln Goliath. The dispute is around Mr Goliath being dismissed by the Authority for misconduct. The matter was allocated an arbitration date of 15 February 2012. On 15 February 2012, Mr Goliath submitted an application for legal representation, which application was opposed. An answering affidavit was submitted to the Commission on 29 February 2012. The Commissioner will make a ruling on the issue of legal representation and the matter.

27. Related-party relationships and transactions

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 IPSAS 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 use 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 these entities:

- Government Printing Works
- Telkom
- South African Post Office
- Sentech
- Transnet
- State Information Technology Agency
- South African Broadcasting Corporation

Refer to note 7 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.

28. Financial risk management

Forward foreign exchange contracts

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

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.

	31 March 2012 R Actual	31 March 2011 R Actual
Trade and other receivables	**2 549 344**	2 311 761
Cash and cash equivalents	**45 551 280**	41 109 939
	48 100 624	43 421 700
The maximum exposure to credit risk for trades receivable by type of customer was as follows:		
Staff receivables	**1 223 621**	1 384 357
Other receivables	**1 325 723**	927 404
	2 549 344	2 311 761

Interest rate risk

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

Liquidity risk

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 following table provides detail of the entity's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The figures below include both estimated interest and principal cash flows of the instruments.

28. Financial risk management (continued)

Maturity analysis

31 March 2012	Total	0 – 1 year	1 – 2 years
Trade payables	2 170 305	2 170 305	–
31 March 2011			
Trade payables	2 508 980	2 475 028	33 952

Fair values

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

Risk management policies

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

Interest rate sensitivity analysis

The Authority did not have any significant financial instruments that expose it to interest rates at reporting date.

Foreign currency risk management

The Authority did not have any exposure to foreign currency since it did not have any financial instruments denominated in foreign currency.

29. 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, are 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.

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:

	31 March 2012 R Actual	31 March 2011 R Restated
Trade receivables	**1 231 656 218**	998 705 268
	1 231 656 218	998 705 268
The maximum exposure to credit risk for trade receivables by type of customer was as follows:		
Broadcasting services	**160 919 996**	119 170 139
Frequency spectrum services	**342 384 274**	206 351 390
ECS and ECNS services	**708 169 475**	654 082 035
Postal services	**20 182 473**	19 101 704
	1 231 656 218	998 705 268
At 31 March 2012, carrying amounts of trade receivables were estimated to approximate their fair values.		
The rating of trade receivables at the end of March was as follows:		
Low risk	**654 883 703**	865 566 419
Medium risk	**129 305 656**	12 668 266
High risk	**447 466 859**	120 470 583
	1 231 656 218	998 705 268
Impairment losses		
Impairment losses are recognised for all known bad debts and are provided on a specific basis. The movement in the provision for impairment of trade and other receivables was as follows:		
Impairment of receivables		
Opening balance	**100 222 018**	31 393 048
Impairments recognised in profit and loss	**340 866 113**	94 341 667
Amounts recovered during the financial year	**(2 400 942)**	(25 512 697)
Closing balance	**438 687 189**	100 220 018
The aging of the provision for impairment at the end of the financial year was as follows:		
Amounts in 0 – 60 days	**340 866 113**	94 341 668
Amount in greater than 120 days	**97 821 076**	5 880 350
	438 687 189	100 220 018

As of 31 March 2012, trade receivables of **R340 866 113** (2011: R94 341 667) were impaired and provided for. Additional spectrum receivables totalling **Rnil** (2011: Rnil) were written off during the financial year due to the fact that these amounts could not be traced. The amount of the provision was **R438 687 189** at 31 March 2012 (2011: R100 220 018). The individually impaired receivables mainly relate to frequency spectrum debtors, broadcasting service debtors, ECS and ECNS debtors and postal service debtors.

Exposure to credit risk

As at 31 March 2012, accounts receivables totalling **R320 386 041** (2011: R129 020 140) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default.

	31 March 2012 R Actual	31 March 2011 R Restated
29. Financial risk management for National Revenue Fund receivable (continued)		
The aging of these receivables is as follows:		
Trade receivables past due but not impaired		
Amount in 31 – 60 days	**18 213 151**	43 665 566
Amount in 61 – 90 days	**4 783 059**	11 922 041
Amounts in 91 days +	**297 389 831**	73 432 533
	320 386 041	129 020 140

Based on past experience, accounts receivable balances that are past due are not impaired unless they are known to be impaired.

The abovementioned receivables relate mainly to the amounts due by certain major ECS/ECNS customers due to spectrum legislative disputes as well as the interpretations and applicability of certain sections of the General Licence Fees Regulations. As at 31 March 2012, **Rnil** (2011: Rnil) of trade and other receivables were denominated in foreign currencies.

The creation and release of provisions for impaired receivables have been included in surplus or deficit for the period. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Forward foreign exchange contracts

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

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Administered Revenue will not be able to meet its financial obligations as they fall due. The Administered Revenue collects licence fees from the Telecommunications Services Licensees, Broadcasting Services Licensees and the Postal Services Licensees. All the fees collected are paid over to the National Treasury through the Department of Communications within 30 days of their collection.

Exposure to credit risk

All the operating costs of the Administered Revenue Section are financed by the Authority through grants it receives from the Department of Communications and interest earned on positive bank balances. These are the only sources of finance available to 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 finance. Furthermore, the Authority is prohibited from utilising the fees it collects to fund its operations.

Fair values

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

Risk management policies

The Authority has an exposure to foreign currency risk, interest rate risk, credit risk and liquidity risk because it is funded by National Treasury. The Authority does not enter into foreign exchange contracts; also, it did not have any receivables that exposed it to interest rate fluctuations. Furthermore, there were no individual customers that exposed it to liquidity risk.

30. Changes in estimates

Useful lives of property, plant and equipment and intangible assets

Management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as its intangible assets. 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 R	Furniture and fittings	Motor vehicles R	Test equipment R	Leasehold improve-ments R	Total R
Depreciation after changes in useful lives and residual values	1 806 416	576 887	597 299	3 001 107	1 416 243	7 397 952
Depreciation before changes in useful lives and residual values	(3 405 725)	(737 815)	(833 223)	(4 111 016)	(2 193 954)	(11 281 733)
Effect of changes in estimates	**(1 599 309)**	**(160 928)**	**(235 924)**	**(1 109 909)**	**(777 711)**	**(3 883 781)**
Residual values at 31 March 2012	1 646 859	563 213	1 665 679	4 979 765	–	8 855 516
Residual values at 31 March 2011	(1 840 021)	(426 845)	(1 890 767)	(5 913 019)	–	(10 070 652)
Effect of changes in estimates	**(193 162)**	**136 368**	**(225 088)**	**(933 254)**	**–**	**(1 215 136)**

Amortisation

The residual values and useful lives of intangible assets were reviewed during the current financial year in line with the provisions of GRAP 17. The review of useful lives and residual values had the effect of decreasing residual values by R48 660; furthermore, this review had an effect of decreasing amortisation by R410 593.

	31 March 2012 R Actual	31 March 2011 R Actual
31. Commitments		
Opening balance	**6 365 678**	6 163 452
Movement for the period	**15 983 311**	202 226
	22 348 989	6 365 678

These commitments relate to the contractual commitments that the Authority had entered into for the acquisition of items of property, plant and equipment as well as intangible assets.

32. Events after the reporting date

There were no significant events that took place between the reporting date and the date in which the financial statements were authorised for issue.

NOTES

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RP293/2012
ISBN: 978-0-621-41285-7

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