

Presented pursuant to Section 400 (6), Chapter, Part 6 of the Communications Act 2003

---

# Office of Communications Licence Fees and Penalties Accounts 2006-2007

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 9 JULY 2007

The National Audit Office  
scrutinises public spending  
on behalf of Parliament.

The Comptroller and Auditor General,  
Sir John Bourn, is an Officer of the  
House of Commons. He is the head of the  
National Audit Office, which employs some  
850 staff. He, and the National Audit Office,  
are totally independent of Government.

He certifies the accounts of all Government  
departments and a wide range of other public  
sector bodies; and he has statutory authority  
to report to Parliament on the  
economy, efficiency and effectiveness  
with which departments and other bodies  
have used their resources.

Our work saves the taxpayer millions of  
pounds every year. At least £8 for every  
£1 spent running the Office.

This account can be found on the National Audit Office web site at  
[www.nao.org.uk](http://www.nao.org.uk)

# Contents

	Page
Section 400 Accounts: Review of 2006-2007	2
Statement of Ofcom's responsibilities with respect to the Financial Statements	4
Statement on Internal Control	5
The Certificate and Report of the Comptroller and Auditor General	9
Receipts and Payments Accounts	11
Statement of Cash Balances	12
Notes to the Accounts	13

## Section 400 Accounts: Review of 2006-2007

### Background

Under Section 400 of the Communications Act 2003, Ofcom is required to collect fees and payments. The revenue collected is from three sources

- Wireless Telegraphy Act licence fees;
- Additional Payments from television and radio licensees; and
- Financial penalties.

These monies are passed to the UK Exchequer and to the Treasuries of the Isle of Man, the Bailiwick of Jersey, and the Bailiwick of Guernsey under Statutory Instrument 1991, Numbers 998, 1710 and 1709 respectively, either directly or via the Department of Trade and Industry.

There are no sums included in these accounts under Section 400 (1b) of the Act, relating to bids for the allocation of telephone numbers, because no amounts were received in the year.

In total Ofcom passed £229.9m (2006: £228.4m) to the public purse.

### Wireless Telegraphy Act licence fees

On 31 March 2007 there were 53,498 (2006: 54,220) Wireless Telegraphy Act (WT Act) licences under issue, divided into a number of categories. WT Act licenses are held by a wide variety of different users, from taxi companies to mobile phone operators and television and radio broadcasters.

In 2007 Ofcom passed £170.4m (2006: £165.5m) collected from WT Act licensees and the interest earned on cash balances held to the DTI.

### Additional payments

The Broadcasting Act 1990 required that certain kinds of television and radio licences should be awarded after a process of competitive tender. The applicable licences for the 2006-2007 accounts are the television programmes services for Channel 3, Channel 5 and Public Teletext; commercial additional services licences and the national radio and additional services licences.

Holders of these licences are required to make additional payments to Ofcom. These payments are made up of two components: a pre-determined annual fixed payment (known as cash bids) which is increased annually in line with RPI; and a fee based on a percentage of the broadcasters' advertising and sponsorship revenue (qualifying revenue).

In 2007 Ofcom received £63.4m (2006: £122.1m) in additional payments from broadcasters. The cash bid element totalled £8.9m (2006: £29.2m) and payments generated from the percentage of qualifying revenue were £54.5m (2006: £92.9m).

The overall reduction is predominantly due to the impact of the financial reviews of the television programme services licences that took place during 2005-2006. The new reduced terms were accepted by the licensees in August 2005. 2006-2007 is the first year with the full year impact of these reductions and also includes the financial review accepted in May 2006. This latter review resulted in a refund of £2.1m that is included in these accounts.

## Financial penalties

Under the Communications Act and the Broadcasting Act, Ofcom has the power to fine licensees for breaches of a code or licence terms. During 2006-07 Ofcom collected fines totalling £0.4m (2006: £0.2m).

Section 400 Licence Fees and penalties do not form part of Ofcom's reported revenue, and all receipts on the face of these accounts were excluded from revenue in Ofcom's Annual Accounts.

All monies were passed to the UK Exchequer and, where appropriate, to the Treasuries of Northern Ireland, the Isle of Man, Jersey and Guernsey.

## Auditors

These financial statements are audited by the Comptroller and Auditor General. In so far as the Accountable Officer is aware, there is no relevant audit information of which the National Audit Office is unaware, and the Accountable Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

*Ed Richards*  
Chief Executive  
Office of Communications

2 July 2007

## Statement of Ofcom's responsibilities with respect to the financial statements

Under Section 400(4) of the Communications Act 2003 Ofcom is required to prepare a statement of accounts for each financial year in respect of the Licence Fees & Penalties listed in Section 400(1), and the payment of such receipts to the Consolidated Funds of the United Kingdom and Northern Ireland respectively. The accounts also show payments to the Treasury of the Bailiwick of Jersey, the Treasury of the Bailiwick of Guernsey, and the Treasury of the Isle of Man.

The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year, and the cash balances held at the beginning and end of the year.

As the senior full time official of the Office of Communications, the Chief Executive is the Accountable Officer for these accounts. His relevant responsibilities as Accountable Officer include responsibility for the propriety and regularity of the public finances for which he is responsible and for the keeping of proper records. The Chief Executive has specific responsibilities for ensuring that the terms of the Financial Memorandum issued by the Secretaries of State for Culture, Media and Sport and Trade and Industry are complied with.

# Statement on Internal Control

## Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Ofcom's policies, aims and objectives, including those specified by Section 400 of the Communications Act 2003, while safeguarding the public funds and Ofcom's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting and in the Ofcom Financial Memorandum issued to me by the Secretaries of State for Trade and Industry and for Culture, Media and Sport.

I am required to advise the Board if any action would infringe upon the requirements of propriety or regularity or upon my wider responsibilities for value for money.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

Ofcom's system of internal control is based on an ongoing process designed to

- identify and prioritise risks to the achievement of Ofcom's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and their impact should they be realised;
- manage those risks efficiently, effectively and economically; and
- integrate risk management into Ofcom's wider set of management processes.

The system of internal control based on the above objectives has been in place in Ofcom for the year ended 31 March 2007 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

## Capacity to handle risk

Ofcom has developed an effective risk management strategy around four key principles

- clear ownership of roles and responsibilities;
- establishment of corporate systems to identify, report and evaluate risks and their potential impact;
- ensuring colleagues have the appropriate skills to identify and assess the potential for risks to arise in the delivery of Ofcom's remit; and
- the creation of a culture which supports well-managed risk-taking where to do so is likely to lead to sustainable improvements in service delivery.

Ofcom recognises, however, that organisational risk tolerance will vary dependent on the circumstances. Ofcom remains highly risk averse in certain areas of its core operational activities but will tolerate, or even encourage, greater risk-taking in other, more policy-focused areas in order to achieve beneficial changes for citizens and consumers. This acceptance of a higher level of risk does not, of course, override the need for a full evaluation of such risk before such activities are undertaken, nor override the need to take appropriate actions to manage risk effectively within the tolerances adopted.

Ofcom has therefore developed appropriate processes for the systematic identification, evaluation and control of risk and has further enhanced these in 2006-2007.

## The risk and control framework

### Executive Committee role

Under Ofcom's risk management arrangements the Executive Committee has a key role in managing Ofcom's risk profile and considering the main risks which might prevent achievement of its policies, aims and objectives. The Committee meets weekly and is the most senior internal management committee of Ofcom.

All members of the Executive Committee are committed to undertake regular reviews of the major areas of risk for which they are responsible and to work with their teams to ensure that all Ofcom colleagues are able to identify and highlight risks attached to their areas of activity and to take appropriate action to manage such identified risks.

This identification process is intended to establish the priority policy and operational risks which could affect Ofcom's ability to deliver its Annual Plan objectives. Actions to address priority risks are reviewed by the Executive Committee on a monthly basis and, on a quarterly basis, the list of priority risks is reviewed to assess its continuing relevance with risks added or removed as appropriate.

In addition, individual risk registers have been maintained, in an appropriate form, for each functional area within the organisation. Members of the Executive Committee are responsible for managing the risks in their areas. They must do so in a manner in keeping with Ofcom's overall tolerance of risk.

As part of the annual planning process carried out in relation to 2007-2008, all projects have been assigned a risk ranking to help prioritise Ofcom's forthcoming work. All project managers are required to identify risks attached to their projects and to put in place measures to manage such identified risks, and a section within decision papers is designed to make key risks and their management visible to decision makers.

The Directorate of Planning and Development, is responsible for the overall co-ordination of the risk identification and assessment process and works with the Executive Committee and the project teams on risk identification and management.

Ofcom's profile of prioritised risks is reviewed annually following the business planning cycle.

### Risk management reporting and reviews

Actions identified, implemented and embedded into Ofcom include

- a weekly report by the Communications Director and Director of the Chief Executive's office of current concerns in terms of stakeholder relations;
- a monthly Management Information report circulated to all members of the Executive Committee which incorporates
  - the register of priority risks updated by the Executive Committee risk owners. Each month this is reviewed by the Executive Committee to help monitor risks at a corporate level and an individual priority risk is highlighted to give committee members an opportunity to further consider the adequacy of the risk management actions being taken; and
  - exception-based reporting of other high and medium level risk status projects across the organisation, litigation risks, financial and other operational risks.
- a review at each meeting of the Audit Committee of Ofcom's litigation risks and security risks. The Committee annually reviews Ofcom's financial statements and committee members regularly receive Ofcom's monthly management information pack;
- an annual risk review to analyse the adequacy of the risk identification and monitoring process, based on the Government's Risk Management Assessment Framework;
- an annual review and discussion of internal controls by the Board with the Chairman of the Audit Committee;
- the carrying out of impact assessments (as required by the Communications Act 2003) designed to identify, *inter alia*, the risks attached to proposed policies to be introduced by Ofcom.

## **Integrated approach to risk management**

Risk management processes, set out in a risk management policy document incorporating risk assessment criteria, are integrated into the project management system for policy projects. Other aspects of the integrated approach are set out below

- colleagues capacity to handle risk is reinforced by face to face risk management briefings for management teams in policy groups and by the continuing focus of management review boards on what could prevent delivery of planned outputs or achievement of policy or operational outcomes;
- application of treasury management policy and procedures aligned with the risk management policy;
- appropriate controls on the delegated authorities from the Board to colleagues both to agree policy decisions and to commit to expenditure;
- an internal audit plan agreed annually between the Audit Committee and the internal auditors with regular reviews by the internal auditors of the appropriateness of Ofcom's system of internal controls together with recommendations for improvement;
- the maintenance of a 'whistle-blowing' or 'protected disclosure' policy to enable Ofcom colleagues to communicate concerns to an independent member of the Executive Committee;
- the operation of a security policy dealing with all aspects of security including personal, document and IT; and
- a Health and Safety Policy including required practices for risk assessment and management.

## **Review of effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

My review of the effectiveness of the system of internal control is informed by the executive managers within Ofcom who have responsibility for the development and maintenance of the internal control framework, the work of the internal auditors and comments made by the external auditors in their management letter and other reports.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control is as follows

### *The Board*

The Board has overall responsibility for monitoring the effectiveness of Ofcom's system of internal controls and receives regular reports from the Audit Committee.

### *The Audit Committee*

The Audit Committee plays an important role in managing risk within Ofcom. It is constituted in line with Treasury guidance with Non-Executive Members of the Ofcom Board on the Committee and an independent Non-Executive in the Chair with direct access to the Chairman of Ofcom. The Audit Committee reviews the effectiveness of the risk management process. It meets not less than three times each year.

I am not a member of the Committee but attend most of its meetings, as do our internal auditors and our external auditors, the National Audit Office. The Committee's terms of reference incorporate a right of access to the Chair for both the internal and external auditors.

### *Internal audit*

The internal audit function was outsourced to KPMG in November 2003 and re-tendered and won by KPMG in 2006. It carries out its work in accordance with the Internal Audit plan that is approved by the Audit Committee and which is designed to allow internal audit to make a statement on the adequacy and effectiveness of Ofcom's risk management, governance and control processes for the year.

The Audit Committee receives regular reports from internal audit; these reports concluded in the year under review that, based on the work undertaken, Ofcom has a satisfactory system of risk management, governance and control.

#### *Annual risk review*

A number of recommendations arising from the risk review carried out in the first half of 2006-2007 were addressed during the year, enhancing Ofcom's risk profile and processes. These enhancements included:

- greater contingency planning across a range of areas;
- development of a three year strategic framework to guide our policy work;
- through the 2007-2008 annual planning process, prioritisation of competing areas of work, to match Ofcom's year on year reduction in its budget; and
- greater focus on trends in consumer complaints as an indicator of risks of consumer detriment. As a result more action has been taken to address underlying policy causes.

#### *Other assurance mechanisms*

A number of financial control processes have been maintained. The Finance department produces monthly management accounts which are reviewed by budget holders, the Executive Committee and Board on a monthly basis to identify departures from the original budget.

Ofcom re-forecasts its expenditure and outputs (primarily planned consultation documents and policy statements) on a quarterly basis to take into account changes in the work required to meet its strategic objectives and ensure that it operates within the financial targets of the Annual Plan.

The Annual Plan is prepared following consultation with stakeholders and a rigorous internal approach involving project managers, the Executive Committee and final approval by the Board.

Capital expenditure projects are approved on an individual basis through presentation of a business justification, risk assessment and discounted cash flow forecast to the Operations Board, and where they exceed certain expenditure thresholds, the Executive Committee and the Board.

The first half of Ofcom's major IS renewal programme was completed in 2006-2007, and is subject to review at a number of levels, including an independent assurance check provided by an external consultant with regards to the scoping, governance and implementation of the programme. Risks identified by this review are being managed through the project management office and steering committee.

Executive Committee members provide to the Accountable Officer a signed annual assurance statement in relation to their operation of internal controls for the major areas of risk they are responsible for.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. It is my belief that there are satisfactory processes in place for identifying, evaluating and managing the significant risks faced by Ofcom in connection with the requirements under section 400 (4) of the Communications Act 2003.

Ed Richards  
Chief Executive

2 July 2007

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Office of Communications Section 400 Licence Fees and Penalties for the year ended 31 March 2007 under Section 400(6) of the Communications Act 2003. These comprise the Receipts and Payments Account, Statement of Cash Balances and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Office of Communications, Chief Executive and Auditor

The Office of Communications and Chief Executive as accountable officer are responsible for preparing the Review of 2006-07 and the financial statements in accordance with Section 400 (4) of the Communications Act 2003 and the Secretaries of State for Trade and Industry and Culture, Media and Sport, and directions made thereunder for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Office of Communications' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments and are properly prepared in accordance with Section 400 (4) of the Communications Act 2003 and the Secretaries of State for Trade and Industry and Culture, Media and Sport directions made thereunder. I report to you whether, in my opinion, certain information given in the Review of 2006-2007 is consistent with the financial statements. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

In addition, I report to you if the Office of Communications has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on Internal Control reflects the Office of Communication's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Office of Communications' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Review of 2006-2007 and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of Audit Opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Office of Communication's and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office of Communication's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respect, the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

### **Audit opinion**

In my opinion

- the financial statements properly present in accordance with Section 400 (4) of the Communications Act 2003 and directions made thereunder by the Secretaries of State for Trade and Industry and Culture, Media and Sport, the receipts and payments of the Office of Communications Section 400 Licence Fees and Penalties for the year ended 31 March 2007, and the cash balances held at that date;
- the financial statements have been properly prepared in accordance with Section 400 (4) of the Communications Act 2003 and Secretaries of State for Trade and Industry and Culture, Media and Sport directions made thereunder; and
- information given within the Review of 2006-2007 is consistent with the financial statements.

### **Audit opinion on regularity**

In my opinion, in all material respects, the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

3 July 2007

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Receipts and payments accounts for the year ended 31 March 2007

		<b>Year ended 31 March 2007 £'000</b>	Year ended 31 March 2006 £'000
	Notes		
Additional payments by licensees	2	<b>63,405</b>	122,119
Refunds	3	<b>(4,300)</b>	(58,347)
Interest paid on overpayments	3	<b>(29)</b>	(975)
<b>Net additional payments by licensees</b>		<b>59,076</b>	62,797
Payments under the Wireless Telegraphy Act 1998 (c.6)	4	<b>119,536</b>	109,851
Fees received from Government Departments	5	<b>49,907</b>	56,112
Interest received		<b>193</b>	0
<b>Total spectrum fee payments received</b>		<b>169,636</b>	165,963
Financial penalties	7	<b>422</b>	160
<b>Total receipts for the year</b>		<b>229,134</b>	228,920
Payments to the Department of Trade and Industry	4	<b>(170,443)</b>	(165,492)
Payments to the United Kingdom Consolidated Fund		<b>(58,117)</b>	(114,161)
Transfer from the United Kingdom Consolidated Fund		<b>0</b>	52,860
Payments to the Northern Ireland Consolidated Fund		<b>(1,351)</b>	(1,612)
Payments to the Treasury of the Isle of Man		<b>(16)</b>	(15)
Payments to the Treasury of the Bailiwick of Jersey		<b>(5)</b>	(17)
Payments to the Treasury of the Bailiwick of Guernsey		<b>(3)</b>	(11)
<b>Net payments to consolidated funds and treasuries</b>		<b>(59,492)</b>	(62,956)
<b>Total payments for the year</b>		<b>(229,935)</b>	(228,448)
<b>(Deficit)/excess of receipts over payments for the year</b>		<b>(801)</b>	472

## Statement of Cash Balances as at 31 March 2007

	Notes	<b>31 March 2007 £'000</b>	31 March 2006 £'000
Balance at beginning of the year		<b>3,775</b>	3,303
(Deficit)/Excess of receipts over payments for the year		<b>(801)</b>	472
<b>Balance at end of year</b>		<b>2,974</b>	3,775
Spectrum auction deposits	9	<b>50</b>	400
<b>Total cash balance</b>		<b>3,024</b>	4,175
<b>Cash balance owed to</b>			
Department of Trade and Industry	8	<b>2,967</b>	3,775
Consolidated Funds and Treasuries		<b>7</b>	0
		<b>2,974</b>	3,775
Refundable to auction bidders		<b>50</b>	400
		<b>3,024</b>	4,175

*The notes on pages 13 to 15 form part of these accounts.*

Ed Richards  
Chief Executive  
Office of Communications

2 July 2007

# Notes to the Accounts

## 1 Basis of Accounting

These accounts are prepared on a receipts and payments basis in accordance with the provisions of Section 400(4) of the Communications Act 2003. They also show the amounts paid to the Treasury of the Isle of Man, the Treasury of the Bailiwick of Jersey, and the Treasury of the Bailiwick of Guernsey under Statutory Instrument 1991, Nos. 998, 1710, and 1709 respectively.

There were no receipts or payments to disclose in these accounts in accordance with the provision of Section 38(5) of the Broadcasting Act 1996 because the Secretary of State has, by Order, set the percentage of multiplex revenue on multiplex licences at zero for the first twelve years.

## 2 Additional payments

Additional payments less refunds to licensees are stated after the deduction of £155m (2006: £156m) from television licensees' payments as a result of the apportionment of qualifying revenue to digital multiplex revenue, cable and satellite television services. This included rebates totalling £0.8m (2006: £7m) (net of the licence review adjustment) relating to the previous financial year.

Following the decision to use RAJAR data to calculate a digital rebate for the national radio licensees, rebates totalling £0.8m (2006: £1.5m) were made during the year to the holders of the three independent national radio licences.

## 3 Refunds

In 2005-2006 £53.1m was refunded to broadcasters following the review of their financial terms. Due to the large sums involved £52.9m of this licence review refund was funded by a transfer from the UK Consolidated Fund. The remainder of the refund, together with related interest payable, was funded by withholding from onward transmission to the Consolidated Funds and Treasuries payments received from other licensees. In 2006-2007, £4.3m was refunded, of which £2.1m related to the licence review. This was funded from cash received from other licensees in the month but not transferred to the Consolidated Funds and Treasuries.

## 4 Payments under the Wireless Telegraphy Act 1998

Section 400(2) of the Communications Act requires that, subject to the refunds described in Note 2 and the retention of funds to cover costs as described in Note 6, all amounts from the list in Section 400(1) paid to Ofcom, including payments under the Wireless Telegraphy Act 1998 (c.6), should be passed to the appropriate Consolidated Fund. Currently, however, Wireless Telegraphy Act receipts are being paid to the Department of Trade and Industry (DTI), as directed by the Treasury in accordance with its powers under the Government Resources and Accounts Act 2000 and the annual Appropriation Act.

In the period of these accounts, £170.4m (2006: £165.5m) was paid to the DTI in respect of spectrum - fees received and interest earned on cash balances held.

## 5 Fees received from Government Departments

Under Section 163 of the Communications Act, Ofcom receives fees for spectrum use from certain Government departments. These are not Wireless Telegraphy Act payments, but are in all respects treated in the same manner as described in these notes for cash received from commercial licensees. They have therefore been included in these accounts, although this is not specifically required by Section 400 of the Communications Act.

## 6 Sums Retained from Wireless Telegraphy Act Payments

Under Section 401 of the Communications Act, Ofcom has the power, subject to Treasury approval, to make a statement of principles under which any or all of the amounts collected under the Wireless Telegraphy Act can be retained to offset the costs of carrying out the spectrum functions detailed in subsection 401 (4) of the Act.

To date, no such statement has been made and no sums have been retained for this purpose. Instead, during the year covered by these accounts, grants totalling £71.2m (2006: £95.6m) were received from the Department of Trade & Industry, under the legislative powers referred to in Note 4, to cover the costs of spectrum management. Grants received included £23.8m (2006: £23.9m) paid in advance to cover costs in the first quarter of the following year.

During the year covered by these accounts, the actual costs, net of prior year unused grant, incurred by Ofcom were £71.9m (2006: £81.2m), leaving £0.5m (2006: -£0.1m) grant outstanding to be set against future costs. These grants and the related costs are accounted for in Ofcom's main accounts.

A statement of the net spectrum fees payable by the DTI to the Consolidated Fund is given below.

	<b>31 March 2007 £'000</b>	31 March 2006 £'000
<b>Spectrum fees transferred</b>		
Wireless Telegraphy Act cash transferred	<b>120,536</b>	109,380
Non-WTA spectrum fees transferred	<b>49,907</b>	56,112
<b>Total spectrum fees transferred by Ofcom to the DTI for surrender to the Consolidated Fund</b>	<b>170,443</b>	165,492
<b>Related costs</b>		
Grant in Aid paid to Ofcom for other spectrum funding (including spectrum auctions)	<b>(5,939)</b>	(10,579)
Spectrum management Grant in Aid paid to Ofcom	<b>(71,187)</b>	(95,565)
<b>Total spectrum costs</b>	<b>(77,126)</b>	(106,144)

## 7 Financial penalties

Penalties imposed and paid in the year were as follows:

	<b>31 March 2007 £'000</b>	31 March 2006 £'000
<b>Sector</b>		
Broadcasting	<b>210</b>	160
Networks and Services	<b>212</b>	0
	<b>422</b>	160

There were eight fines, one of which exceeded £0.1m. All details of the penalties can be found on the Ofcom website.

## 8 Balance at end of the Financial Year

The cash balance of £3.0m (2006: £4.2m) at the end of the year was deposited in a bank account controlled by Ofcom. It predominantly consisted of Wireless Telegraphy Act fees received into the bank account on the last day of the year and payable to the Department of Trade and Industry for onward transmission to the Consolidated Fund. This balance was included in the payment made to the Department of Trade and Industry in the following month.

## 9 Spectrum auctions

On the 21 March 2007, Ofcom received £0.05m (2006: £0.4m) initial deposits from companies taking part in the auction of a WT Act licence for use of the 1785-1805 MHz band in Northern Ireland (2006: 6.6MHz) of spectrum. Ofcom holds these funds in a separate bank account in respect of two deposits (2006: sixteen deposits). Except in certain circumstances specified in the relevant Regulations, these deposits are refundable to unsuccessful bidders. The licence was awarded on 10 May 2007 at a price of £0.4m. The deposits of the unsuccessful bidders were repaid in May 2007 and the deposits of the successful bidders were included in the receipts and payments accounts.

A single-round sealed bid auction took place on 20 April 2006 for the 1781.7-1785/1876.7-1880 MHz spectrum. Twelve licences were awarded. All winning bidders paid a total of £3.8m for their licence fee on or before 28 April 2006 and the licences were granted on 2 May 2006. The deposits of the four unsuccessful bidders were repaid in May 2006 and the deposits of the successful bidders were included in the receipts and payments accounts.

A further single round sealed bid auction took place on 5 October 2006 for the 412-414/422-424 MHz spectrum. Six initial deposits totalling £0.15m were received on 14 September 2006. Four spectrum lots were available and were all won by one bidder. The licence was granted on 6 October 2006 at a price of £1.5m. The deposits of the unsuccessful bidders were repaid in October 2006 and the deposits of the successful bidders were included in the receipts and payments accounts.

For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Tel: 020 7798 7400  
Email: [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk)

DG Ref: H76211 7541RC

Printed in the UK for The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office  
10/07

Published by TSO (The Stationery Office) and available from:

**Online**

**[www.tsoshop.co.uk](http://www.tsoshop.co.uk)**

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone 0870 240 3701

**TSO Shops**

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

**The Parliamentary Bookshop**

12 Bridge Street, Parliamentary Square,  
London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax Orders 020 7219 3866

Email [bookshop@Parliament.uk](mailto:bookshop@Parliament.uk)

Internet [bookshop.Parliament.uk](http://bookshop.Parliament.uk)

**TSO@Blackwell and other Accredited Agents**

