



Telecommunications Commission Solomon Islands

FINANCIAL STATEMENT

For the Year Ended 31 December 2016

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STATEMENT BY THE COMMISSIONER

I certify that the attached statement of cash receipts and payments together with adjacent notes has been prepared under my supervision in accordance with section 22 of the Telecommunications Act 2009 and the International Public Sector Accounting Standard: Financial Reporting under Cash Basis of Accounting Part 1, and presents a true and fair view of the cash receipts and payments of the Telecommunications Commission for the year ended 31st December 2016.

Dated at Honiara this 22nd day of February 2016



Mr. Bernard Hill
Telecommunications Commissioner
Telecommunications Commission Solomon Islands

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 (SBD)	2015 (SBD)
FINANCING			
IDA & PRIF grants	4	-	1,547,831
Other Receipts			
Service licence fees	5	7,519,455	7,303,675
Radio spectrum application fees		98,800	106,400
Numbering fees		-	292,105
Interest income		1,199	2,086
Miscellaneous income	6	250,351	1,739,832
TOTAL FINANCING		7,869,805	10,991,928
EXPENDITURE:			
Operational expenses			
Commission remuneration	7	5,297,326	7,135,447
Fixed line & Outreach audit		16,200	94,539
International memberships and subscriptions	8	62,351	87,774
Office rent		586,740	640,080
Telecommunications		522,298	569,213
Utilities-electricity,gas & water costs		396,871	340,654
Stationery, printing and publications		102,353	167,485
Vehicles & vessel maintenance & operation		230,969	315,464
Bank & tax charges		6,414	13,468
General repair & maintenance		7,444	6,836
Insurance		79,465	116,291
Professional training & development		111,530	153,156
Workshops & participation		483,073	734,944
Services contracts	9	216,060	38,800
Accounting Services	10	138,400	
Office supplies		99,204	130,239
Miscellaneous	11	91,352	79,490
		8,449,052	10,623,880
Capital Expenses			
ICT equipment		66,671	111,147
ICT maintenance		8,495	2,500
Office equipment		43,358	75,077
Furniture & fittings			46,516
Spectrum Equipment & Software			78,570
		118,524	313,811
Other Expenses			
Our Telekom compensation	12		2,057,259
		-	2,057,259
TOTAL EXPENDITURES		8,567,576	12,994,950
Net increase/(decrease) in cash and cash equivalent		(697,771)	(2,003,022)
Cash at beginning of the period		2,167,915	4,144,240
Unrealised exchange rate difference on foreign currency conversions		-	26,697
Cash at end of the period	13	1,470,144	2,167,915

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 Actual (SBD)	2016 Budget (SBD)	Variance (SBD)
FINANCING				
IDA & PRIF grants		-	-	-
Other Receipts				
Service licence fees		7,519,455	6,607,930	(911,525)
Radio spectrum application fees		98,800	361,105	262,305
Other income		251,550	113,060	(138,490)
TOTAL FINANCING		7,869,805	7,082,095	(787,710)
EXPENDITURE:				
Operational expenses				
Commission remuneration		5,297,326	4,607,195	690,131
Fixed line & Outreach audit		16,200	35,100	(18,900)
International memberships and subscriptions		62,351	205,000	(142,649)
Office rent		586,740	635,095	(48,355)
Telecommunications		522,298	490,017	32,281
Utilities-electricity, gas & water costs		396,871	258,268	138,603
Stationery, printing and publications		102,353	55,600	46,753
Vehicles & vessel maintenance & operation		230,969	35,210	195,759
Bank & tax charges		6,414	1,700	4,714
General repair & maintenance		7,444	7,444	-
Insurance		79,465	67,695	11,770
Professional training & development		111,530	154,200	(42,670)
Workshops & participation		483,073	98,500	384,573
Services contracts		216,060	300,000	(83,940)
Accounting Services		139,400	-	139,400
Office supplies		99,204	-	99,204
Miscellaneous		91,352	57,956	33,396
		8,449,052	7,008,980	1,440,072
Capital Expenses				
ICT equipment		66,671	103,520	(36,849)
ICT maintenance		8,495	54,200	(45,705)
Office equipment		43,358	50,960	(7,602)
Furniture & fittings		-	32,460	(32,460)
Spectrum Equipment & Software		-	-	-
		118,524	241,140	(122,616)
Other Expenses				
Our Telekom compensation		-	-	-
		-	-	-
TOTAL EXPENDITURES	14	8,567,576	7,250,120	1,317,456
Surplus/(Deficit) for the period		(697,771)	(168,025)	(2,105,166)

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1 **General information**

The Telecommunications Commission is an independent statutory authority, established by the Telecommunications Act 2009. The principal activities of the Commission in the reporting period was, "*the administration of the Telecommunications Act 2009*"

2 **Significant accounting policies**

2.1 **Basis of preparation**

- (a) The Commission's financial statements have been prepared in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, Part 1. The cash basis of accounting recognises transactions and events at the point when cash (including cash equivalents) is received or paid by the entity. The financial statements also record information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is the balances of cash and changes thereto. Notes to the financial statements provide additional details about the receipts and payments in the period. Details from fixed asset registers are provided under Note 15.
- (b) The statements observe the going concern principle as the Commission continues to receive statutory licensing revenues from telecommunications operators and meets its ongoing financial obligations. In respect of materiality, all financial transactions in the reporting periods are free from material errors and misstatements that might influence the financial statement. The accounting policies have been applied consistently throughout the reporting period. The statements and the notes to them compare with year 2015.
- (c) Significant changes to the consistency of presentation of the financial statement arise from the omission of reporting and special account reconciliation in respect of the World Bank Telecommunications & ICT Project respectively. The grant funding period was closed on 31 March 2015 although comparative actuals still remain for year 2016.

2.2 **Reporting Entity**

The Statement of Cash Receipts and Payments in respect of the Telecommunications Commission Solomon Islands, which is an industry specific economic and technical regulatory authority.

2.3 **Reporting Currency**

The annual accounts are presented in the currency of Solomon Islands, Solomon Islands dollar (SBD).

2.4 **Foreign Currency Transaction**

Transactions in foreign currencies are recorded at the exchange rate applying on the date of the transaction.

2.5 **Cash and cash equivalents**

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents consist of balances with banks and investments in short-term deposits instruments. Cash is mainly kept in the ANZ Bank Solomon Islands, and in cash registers.

2.6 **Budget**

The budget prepared in accordance with Section 15 of the Telecommunication Act 2009, is systematically developed and adjusted on three-year rolling basis without much amendment during the reporting year. Contingencies arising during the year are disclosed as actual against zero budget in the budget comparative statement.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. IDA and PRIF Grants

Up to 31 March 2015 the Commission's operations were funded from grants provided under the Telecommunications & ICT Development Project: World Bank (P113148). During a five year transitional period (year 2010 - 2015), the Commission's licensing revenue was used to pay Our Telekom under the Settlement Agreement between the company and the government.

Following the expiry of the World Bank grants, the Commission gave formal notice to the Government under section 133(4) of the Telecommunications Act 2009 that the Commission faced a funding deficit in period up to the expiry of the transitional funding period on 16 October 2015. The effect of that notice was to permit the Commission to retain the licence fee revenue it received after 31 March 2015, for the Commission's own purposes.

5. Service License Fees

Service license fees for 2016 included in the statement, comprise of the following amounts;

	<u>2016 (SBD)</u>	<u>2015 (SBD)</u>
Our Telekom	5,974,087	6,348,790
Bmobile	1,545,368	895,778
Satsol	-	59,107
Total service license fees	<u>7,519,455</u>	<u>7,303,675</u>

6. Miscellaneous Income

Miscellaneous income included in the statement comprises the following amounts:

Insurance Refund	-	7,160
Performance bond fee	-	1,562,480
Sub-Lease	250,351	165,000
Direct bank credit	-	5,192
	<u>250,351</u>	<u>1,739,832</u>

7. Commission Remuneration

Commissioner	2,384,361	2,431,892
Permanent staff	<u>2,912,964</u>	<u>4,621,385</u>
	5,297,326	7,053,277

8. International membership and subscription

International Telecommunication Union	-	25,274
Pacific Telecommunication Council	2,062	2,475
Wireless Intelligence	60,289	60,025
	<u>62,351</u>	<u>87,774</u>

9. Service Contracts

Market coverage & Survey, Geo-database	124,080	7,340
Legal advice	1,980	-
Security services	<u>90,000</u>	<u>45,150</u>
	216,060	52,490

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

10. Accounting Services	<u>2016 (SBD)</u>	<u>2015 (SBD)</u>
The Commission has engaged external accounting services since October 2016.	139,400	-

11. Miscellaneous Expenses

Belama club membership	15,550	7,340
Employees OHS	45,000	27,000
Stakeholder consultation	4,243	-
Office consumables	26,559	45,150
	<u>91,352</u>	<u>79,490</u>

12. Our Telekom Compensation

Under the 2009 scheme for the liberalisation of the telecommunications markets, the service licence fees received by the Commission in respect of the period up to 31 December 2015 were transferred to the Ministry of Finance & Treasury. The Ministry paid the amounts to Our Telekom as compensation for that company's surrender of its exclusive telecommunications licence in 2009.

13. CASH

Cash included in the Statement comprise the following amounts:

Telecommunications Special Fund - 4686890	6,472	154,804
TCSI USD Account - 4731107	-	1,407
Non Grant Fund Account - 4829670	521,880	144,195
TCSI Term Deposit 1 - 4729686	830,158	1,828,960
Cash on hand – petty cash	6,000	6,000
Undeposited Funds	105,633	32,549
	<u>1,470,144</u>	<u>2,167,915</u>

14. Budget (Actual vs Budget)

As provided for under the Telecommunications Act, the Commission budget is prepared on a rolling basis. The current period's spending differentials were in:

- (a) Commission staff remuneration in particular new employment contracts for local staff following the completion of the World Bank project.
- (b) A market coverage and survey geodatabase.
- (c) A new arrangement for outsourcing accountancy services.
- (d) Out of office duties overseas attending meetings and workshops & capacity building.
- (e) Rising costs in electricity and vehicle repairs due to increasing tariffs, usage and wear and tear.

However, on a year by year basis actual spending was less in the current period.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

15. Fixed Asset (For financial audit disclosure purpose only)

	Qty	Furniture & Fittings	Office equipment	Operational Equipment	Computer hardware & Software	New Office fit-out	Motor Vehicle	Motor vessel
Opening Balance		420,564	486,027	741,844	421,254	1,151,852	1,546,610	1,086,353
Prior Year Adjustment								
Additions 2016								
Sony TV	1		19,584					
HP Desktop	1				17,900			
UPS	1		2,480					
Ice Cooler	1		3,300					
Electric Saw	1		2,880					
Electric Hammer	1		12,510					
Binding Machine	1		800					
Vaccum Cleaner	1		1,872					
Power Plane	1		2,412					
Mobile Huawei P8	1			2,999				
Samsung S7	4			33,460				
Samsung S7 Edge	1			9,832				
Total assets value paid in 2016		-	45,838	46,291	17,900	-	-	-
Disposals 2016								
Assets not functioning:								
White chairs	5	1,045						
Toshiba Laptop	1		12,769					
External Drives	2		4,740					
UPS	5		3,250					
UPS	2		2,480					
UPS	2		2,400					
UPS	1		1,200					
Soniq TV	1		10,500					
2 Seater	1	4,624						
Total Assets disposed in 2015		5,669	37,339	-	-	-	-	-
Closing Balance		414,895	494,526	788,135	439,154	1,151,852	1,546,610	1,086,353

Note that assets are stated at cost even if partially paid.



Mr. Bernard Hill,
Telecommunications Commissioner
Telecommunications Commission Solomon Islands
PO Box 2180
Honiara
Solomon Islands

Your Ref.:

Our Ref.: 1013-MCAM- 2016

Date: 6 September 2017

Dear Commissioner,

**Independent Auditor's Report of the Telecommunications Commission Solomon Islands
For the Year Ended 31 December 2016**

I am pleased to advise you that I have today submitted to your Minister a copy of my Independent Auditors Report on the financial statements of the Telecommunications Commission Solomon Islands for the year ended 31 December 2016 pursuant to section 47(3) of the Public Finance and Audit Act [Cap. 120], for the purposes stipulated in subsection 4.

A Management Letter detailing the issues identified during the audit is also enclosed for your information.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Peter Lokay'.

Peter Lokay
Auditor-General

Cc: Director Economics Reform Unit, MoFT.
Cc: Finance Director, TCSI



INDEPENDENT AUDITOR'S REPORT

To the Telecommunications Commission Solomon Islands.

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the Telecommunications Commission Solomon Islands ("the Commission"), which comprise the statement of cash receipts and payments as at 31 December 2016, the statement of comparison of budget and actual amounts, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statement presents fairly, in all material respects, the statement of cash receipts and payments of the Commission for the year ended December 31, 2016 in accordance with International Public Sector Accounting Standard (IPSAS) Cash Basis.

Basis for Opinion

I have conducted the audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of my report. I am independent of the Commission in accordance to the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternatives but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions or users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanation which, to the best of my knowledge and belief, were necessary for the purpose of my audit.

In my opinion:

- i) Proper books of accounts have been kept by the commission, sufficient to enable statement of cash receipts and payments to be prepared, and
- ii) To the best of my knowledge and according to the information and explanations given to me the statement of cash receipts and payments give the information required by the Telecommunications Act 2009, in the manner so required.



Peter Lokay
Auditor-General

Office of the Auditor-General
Solomon Islands

Date: 6 September 2017