



Mr. Bernard Hill,
Telecommunications Commissioner
Telecommunications Commission Solomon Islands
PO Box 2180
HONIARA
SOLOMON ISLANDS

Your Ref.:

Our Ref.: 1013-MCAM- 2015

Date: 10 August 2016

Dear Commissioner,

**Independent Auditor's Report of the Telecommunications Commission Solomon Islands
For the Year Ended 31 December 2015**

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 2015 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,

Peter Lokay
Auditor-General

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



INDEPENDENT AUDITOR'S REPORT

To the Telecommunications Commissioner of Solomon Islands

Report on the Financial Statements

I have audited the accompanying financial statements of the Telecommunications Commission of Solomon Islands, which comprise the statement of cash receipts and payments (by category of expenditure), the statement of cash receipts and payments (by component), the statement of comparison of budget and actual amounts, the statement of special account reconciliations, notes for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Responsibility for the Statement of Cash Receipts and Payments

The Telecommunications Commission of Solomon Islands is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards: Financial Reporting under the Cash Basis of Accounting (Cash Basis IPSAS) and the Grant Agreements between Solomon Islands, the International Development Association, AusAID and RAMSI and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been conducted in accordance with International Standards on Auditing. Those standards require that the audit 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 judgment, 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.

This opinion is being given to satisfy the requirements of the Grant Agreements between Solomon Islands, the International Development Association, AusAID and RAMSI. In giving this opinion, I do not accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in hands it may come save where expressly agreed by my prior consent in writing.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the receipts and payments of the Telecommunications Commission of Solomon Islands for the year ended 31 December 2015 in accordance with Cash Basis IPSAS.

Report on Other Requirements

As required by my terms of reference, I also report that, in my opinion, in all material respects:

- (a) The cash receipts reported on the statement of cash receipts and payments were used for the purposes of the Project and not for other purposes.
- (b) The receipts and payments reported on the statement of cash receipts and payments were in accordance with the Grant Agreements between Solomon Islands, the International Development Association, AusAID and RAMSI.
- (c) Adequate supporting documentation has been maintained to support the payments reported on the statements of cash receipts and payments.



Peter Lokay
Auditor-General

Office of the Auditor-General
Solomon Islands

10 August 2016



Telecommunications Commission Solomon Islands

FINANCIAL ACCOUNTS

For the Year Ended 31 December 2015

Prepared in accordance with the Cash-basis methodology of the International Public Sector Accounting Standards (IPSAS)

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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 according to section 22 of the Telecommunications Act 2009 and International Public Sector Accounting Standards Cash Basis methodology under my supervision, and presents a true and fair view of the cash receipts and payments of the Telecommunications Commission for the year ended 31st December 2015.

Dated at Honiara this 10th day of March 2016



Mr. Bernard Hill
Telecommunications Commissioner
Telecommunications Commission Solomon Islands

STATEMENT OF CASH RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURE)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 (SBD)	2014 (SBD)
FINANCING			
IDA & PRIF grants	4	1,547,831	9,355,495
Other Receipts			
Service licence fees	5	7,303,675	7,159,082
Radio spectrum application fees		106,400	65,600
Numbering fees		292,105	
Interest income		2,086	4,220
Miscellaneous income	6	1,739,832	136,982
TOTAL FINANCING		10,991,928	16,721,379
EXPENDITURE:			
Operational expenses			
Commission remuneration	7	7,135,447	4,603,083
ICT Policy consultant		-	-
Legal advice		-	-
Fixed line audit		94,539	149,787
International memberships and subscriptions	8	87,774	56,487
Office rent		640,080	640,080
Telecommunications		569,213	393,972
Utilities-electricity,gas & water costs	12	340,654	86,911
Stationery, printing and publications		167,485	136,456
Vehicles & vessel maintenance & operation		315,464	222,764
Bank & tax charges		13,468	22,001
General repair & maintenance		6,836	25,134
Insurance		116,291	91,561
Professional training & development		153,156	294,894
Workshops & participation		734,944	815,339
Services contracts		38,800	
Office supplies		130,239	-
Miscellaneous	9	79,490	960,285
		10,623,879.96	8,498,753
Capital Expenses			
Office accessories		-	-
ICT equipment		111,147	54,673
ICT maintenance		2,500	-
Office equipment		75,077	329,880
Furniture & fittings		46,516	84,226
Motor vehicle		-	645,472
Motor vessel		-	-
Office improvement		-	593,688
Spectrum Equipment & Software		78,570	
		313,810.82	1,707,939
Other Expenses			
Tax on interest income		-	-
Our Telekom compensation	11	2,057,259	7,156,192
Bmobile performance bond		-	6,582,289
Non-grant fund		-	159,226
		2,057,259	13,997,707
TOTAL EXPENDITURES		12,994,950	24,204,398
Net increase/(decrease) in cash and cash equivalent		(2,003,022)	(7,483,020)
Cash at beginning of the period		4,144,240	11,629,811
Unrealised exchange rate difference on foreign currency conversions		26,697	2,551
Cash at end of the period	10	2,167,915	4,144,240

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF CASH RECEIPTS AND PAYMENTS (BY COMPONENT)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 (SBD)	2014 (SBD)
FINANCING			
IDA & PRIF grants	13	1,547,831	9,355,495
Other Receipts			
Service licence fees		7,303,675	7,159,082
Radio spectrum application fees		106,400	65,600
Numbering fees		292,105	
Interest income		2,086	4,220
Miscellaneous income		1,739,832	136,982
TOTAL FINANCING		10,991,928	16,721,379
EXPENDITURE: (by Component)			
Component 1 - Support to Ministry on Telecom Policy & ICT		-	-
Component 2 - Commission Operations		10,937,691	10,206,691
Component 3 - Universal Access			
Component 4 - Project Management Unit			
		10,937,691	10,206,691
Other Outgoings			
Tax on interest income		-	-
Our Telekom compensation		2,057,259	7,156,192
Bmobile performance bond		-	6,682,289
Non-grant fund		-	159,226
		2,057,259	13,997,707
TOTAL EXPENDITURES		12,994,950.04	24,204,398
Net increase/(decrease) in cash and cash equivalent		(2,003,022)	(7,483,020)
Cash at beginning of the period		4,144,240	11,629,811
Unrealised exchange rate difference on foreign currency conversion		26,697	(2,551)
Cash at end of the period		2,167,916	4,144,240

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Budget (SBD)	2015 Actual (SBD)	Variance (SBD)
FINANCING				
IDA & PRIF grants		7,515,337	1,547,831	(5,967,506)
Other Receipts				
Service licence fees		8,435,583	7,303,675	(1,131,908)
Radio spectrum application fees		306,748	106,400	(200,348)
Numbering fees		-	292,105	
Other income		20,706	1,741,917	1,721,211
TOTAL FINANCING		16,278,374	10,991,928	(5,578,551)
EXPENDITURE:				
Operational expenses				
Commission remuneration	7	4,812,117	7,135,447	(2,323,330)
Technical consultants		1,265,337	-	1,265,337
Legal advice		421,779	-	421,779
Fixed line audit		195,552	94,539	101,013
International memberships and subscription		207,247	87,774	119,473
Office rent		663,344	640,080	23,264
Telecommunications		274,540	569,213	(294,673)
Electricity, water, gas & utilities		152,761	340,654	(187,893)
Stationery, printing and publications		128,834	167,485	(38,651)
Vehicle & vessel maintenance & operation		36,733	315,464	(278,731)
Bank services		61,350	13,468	47,882
Insurance		35,828	116,291	(80,463)
Professional training & development		184,050	153,156	30,894
Workshop & participation		153,374	734,944	(581,570)
Incidental & general maintenance		59,586	255,366	(195,780)
		8,652,432	10,623,880	(1,971,448)
Capital Expenses				
Office accessories				
ICT equipment & software		46,012	111,147	(65,135)
ICT maintenance		15,337	2,500	12,837
Office equipment			75,077	(75,077)
Furniture & fittings		15,337	46,516	(31,179)
Motor vehicles		383,436	-	383,436
Motor vessel			-	-
Office improvement			-	-
Spectrum equipment & software			78,570	(78,570)
		460,122	313,811	146,311
Other Expenses				
Tax on interest income		-	-	-
Our Telekom compensation		8,435,583	2,057,259	6,378,324
Bmobile performance bond			-	-
Non-grant fund		-	-	-
		8,435,583	2,057,259	6,378,324
TOTAL EXPENDITURES		17,548,137	12,994,950	4,553,187
Surplus/(Deficit) for the period		(1,269,763)	(2,003,022)	(10,131,738)
Unrealised exchange rate difference on foreign currency conversion		-	26,697	(26,697)

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF SPECIAL ACCOUNT RECONCILIATIONS
FOR THE YEAR ENDED 31 DECEMBER 2015

Account: USD A/C 4731107
 Bank: ANZ Bank
 Address: ANZ Central, Hyundai Mall, Honiara

			<u>USD</u> <u>(Denominated)</u>	<u>SBD</u> <u>(Denominated)</u>
Opening Cash Balance (01.01.2015)			191,281	1,466,875
<i>Add:</i>				
IDA Replenishments:				
<i>Date Issued</i>	<i>Date Received</i>	<i>Description</i>		
27.01.2015	29.01.2015	TF97221 Withdrawal 26	60,203	459,218
11.02.2015	24.02.2015	TF97221 Withdrawal 27	52,295	400,422
12.02.2015	24.02.2015	H5550 Withdrawal 31	3,265	24,997
25.02.2015	27.02.2015	TF97221 Withdrawal 28	39,845	305,095
28.02.2015	25.03.2015	TF97221 Withdrawal 29	32,825	250,572
26.03.2015	08.04.2015	TF97221 Withdrawal 31	13,946	107,527
			<hr/>	<hr/>
		202,380	202,380	1,547,831
Other income				-
Bank interest			<hr/>	<hr/>
Total			393,660	3,014,706
<i>Deduct:</i>				
Remuneration - Commissioner			73,000	592,265.77
Transfers to operating account (SBD)			313,000	2,389,996
Workshops & training expenses			7,087	54,639
Bank services			402	3,096
			<hr/>	<hr/>
			393,488	3,039,997
Unrealised exchange rate difference on foreign currency conversion			-	26,697
			<hr/>	<hr/>
Closing balance as at 31/12/2015 (as per bank statement)			172	1,407

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 were:

- (i) the administration of the Telecommunications Act 2009;
- (ii) the administration of the Solomon Islands Telecommunications & ICT Development Project (P113148);
- (iii) the administration of the settlement arrangement between the SIG and Solomon Telekom Company Ltd.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Cash-Basis IPSAS standard - Financial Reporting under the Cash Basis of Accounting. The notes to the financial statements form an integral part of the statements and must be read in conjunction with the primary statements. The consolidated Statement of Cash Receipts and Payments is presented in the form of a Cash Flow Statement (IPSAS 2.2.1).

Comparative information is disclosed in respect of the previous period (2014).

The accounting policies have been applied consistently throughout the reporting period.

The principal accounting policies are set out below.

2.2 Reporting Entity

The statement of cash receipts and Payments is for the Telecommunications Commission Solomon Islands which is an industry specific economic and technical regulatory authority.

The Financing Agreement between the Solomon Islands Government (SIG) and the International Development Association (IDA) and the Project Agreement between the Commission, and IDA and the Subsidiary Agreement between the Commission and Solomon Islands Government concluded on 31 March 2015.

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 Direct Payments by Third Parties

The Commission benefited from goods and services paid for directly by third parties (the World Bank group) during the period by way of grants. The payments made by the third party are disclosed as notes to the statement.

2.6 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 of Solomon Islands and in cash registers.

3 Budget

The budget is developed on the same accounting basis (cash basis), same classification and for the same period as the financial statements. Material variances are explained as notes to the financial statements. The Commission's rolling budget is prepared on the basis that service licence fees, and performance bond funds are not part of the Commission's revenue, because they may not be used by the Commission for its purpose. However, in meeting the standards for the IPSAS Cash basis, these items must be reflected in the Statement.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4. Grant Income

		<u>2015 (SBD)</u>	<u>2014 (SBD)</u>
IDA and PRIF grant funds received during 2015			
IDA	H5550-SB	24,997	3,210,571
PRIF	TF97221-SB	1,522,834	6,144,924
		<u>1,547,831</u>	<u>9,355,495</u>

5. Service License Fees

Service license fees for 2015 included in the statement, comprise the following amounts;

Our Telekom	6,348,790	6,308,478
Emobile	895,778	847,714
Point Cruz Communication	-	2,342
Satsol	59,107	548
Total service license fees	<u>7,303,675</u>	<u>7,159,082</u>

6. Miscellaneous Income

Miscellaneous income included in the statement comprises the following amounts:

Insurance Refund	7,159.81	-
Performance bond fee	1,562,480.00	-
Sub-Lease	165,000	91,000
Direct bank credit	5,192	46,082
	<u>1,739,832</u>	<u>137,082</u>

7. Commission Remuneration

Commissioner	2,431,892	2,081,511
Permanent staff	4,621,385	2,521,572
	<u>7,053,277</u>	<u>4,603,083</u>

The increase in permanent staff remuneration costs reflects the termination of staff employment contracts at the end of the World Bank Project, and the introduction of new employment terms and conditions

8. International membership and subscription

International Telecommunication Union	25,274	-
Asia Pacific Telecommunity	-	-
Pacific Telecommunication Council	2,475	1,822
Wireless Intelligence	60,025	54,665
	<u>87,774</u>	<u>56,487</u>

9. Miscellaneous Expenses

Belama club membership	7,340	-
Employees occupational health	27,000	-
Accessories items	-	27,556
Toiletries	-	19,672
Evaluation committee allowances	-	9,000
ICT policy stakeholder consultation	-	35,200
World Bank expenses refund	-	790,764
Incidental consumables	45,150	78,092
	<u>79,490</u>	<u>960,285</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 (SBD)	2014 (SBD)
10 CASH		
Cash included in the Statement comprise the following amounts:		
Telecommunications Special Fund - 4686890	154,804	90,339
TCSI USD Account - 4731107	1,407	1,431,740
Non Grant Fund Account - 4829670	144,195	281,363
TCSI Term Deposit 1 - 4729686	1,828,960	1,827,137
TCSI Term Deposit 2 - 4759156	-	507,660
Cash on hand – petty cash	6,000	6,000
Undeposited Funds	32,549	-
	2,167,915	4,144,240

11 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 2014, 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.

12 Electricity Expenses

Part of the Commission's costs in the reporting period will be recovered from its sub-tenant, which paid a *pro forma* contribution only, pending formal resolution of a dispute involving the tenants, the landlord and SIEA concerning the wiring, metering, and billing arrangements for the premises.

13 IDA and PRIF Grants

Subject to the Commission maintaining a cash sufficiency, for a five year transitional period, the Commission's licensing revenue has been used to pay Our Telekom, further to the Government's contractual obligation to compensate that company. Accordingly up to 31 March 2015 the Commission's operations were funded from grants provided under the Telecommunications & ICT Development Project: World Bank (P113148).

14 Notice of Funding Deficit

Following the expiry of the World Bank grants on 31 March 2015, 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.

15 Direct Payments**15.1 ITU Country Contribution Arrears**

During the reporting period, the Commission used its World Bank grant funding to pay off Solomon Islands annual country contribution arrears with the International Telecommunications Union (ITU). The ITU arrears, which were a Solomon Islands Government obligation totalling some USD 470,460.74, had been accumulating since 1990. The payment to the ITU was effected by the World Bank's direct payment method.

15.2 ICT Policy Consultant Fees

The ICT Policy Consultant was paid USD 150,000 through the direct payment process. That transaction was not captured in the Statement of Comparison.

15.3 APT Country Contributions

During the reporting period, the Commission used its World Bank grant funding to pay Solomon Island's annual country contributions to the Asia Pacific Telecommunity (APT). The payment to the APT of some USD 23,635.19 was effected by the World Bank's direct payment method.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

16. 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		388,505	353,571	736,414	421,254	1,151,852	1,546,610	1,086,353
Prior Year Adjustment								
Additions 2015								
Belt Sander	1			3,762				
Tyre pump	1			1,380				
TV Monitors	5		42,500					
Brush Cutter	1			7,742				
Orbital Sander	1			6,134				
Circular Saw	1			3,060				
TV Monitor	1		10,500					
Sofas	6	46,516	-					
Mobile Samsung S5	5			24,992				
Mobile network	2		78,570					
Laptop HP	1		14,460	-				
Mobile HTC	2			7,398				
UPS	1		41,600	-				
UPS	2		2,480					
UPS	2		2,400					
UPS	1		1,200					
UPS	2		3,250					
HD External	1		1,250					
Window Tablet	1		12,117					
Total assets value paid in 2015		46,516	210,328	54,467	-	-	-	-
Disposals 2015								
Assets not functioning:								
White chairs	6	1,882						
Parasal umbrellas	2	2,806						
White chairs	10	1,980						
Asus Laptop	1	-	12,610					
Asus Laptop	1	-	13,685					
UPS 10 KVA	1	-	29,576					
Dell Touch Computer	1	-	22,000					
Mobile Sumsang S4	5			35,308				
Mobile Nokia	2			3,004				
Mobile HTC	3			10,727				
1 Seater	1	3,166						
2 Seater	1	4,623						
Total Assets disposed in 2015		14,457	77,871	49,037	-	-	-	-
Closing Balance		420,564	486,027	741,844	421,254	1,151,852	1,546,610	1,086,353

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