



Telecommunications Commission of Solomon Islands

FINANCIAL ACCOUNTS

For the Year Ended December 31, 2011

Prepared in accordance with the Cash-basis 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 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 2011.

Dated at Honiara this 30th day of March 2012



Mr. Bernard Hill
Telecommunications Commissioner
Telecommunications Commission of Solomon Islands

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

STATEMENT OF CASH RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURE)
FOR THE YEAR ENDED DECEMBER 31, 2011

	Notes	2011 (SBD)	2010 (SBD)	Cummulative to Date (SBD)
FINANCING				
IDA & PRIF grants		6,784,987	2,140,046	8,925,033
IDA grants direct payment	4	2,957,892	-	2,957,892
AUSAID grant		-	1,978,750	1,978,750
RAMSI grant		-	2,041,320	2,041,320
Other Receipts				
Performance bond draw downs	5	7,898,874	11,029,392	18,928,266
Service licence fees	6	4,161,702	-	4,161,702
Radio spectrum application fees		40,400	200	40,600
Interest income	7	120,572	65,167	185,739
Sale of assets		-	78,500	78,500
Miscellaneous income		395	892	1,287
TOTAL FINANCING		21,964,822.00	17,334,267	39,299,089
EXPENDITURE:				
Operational expenses				
Commission remuneration	9	4,498,188	2,922,054	7,420,242
External consultants	10	3,465,024	427,660	3,892,704
Legal counsel		580,196	26,950	607,146
Fixed line audit		123,094	-	123,094
International organisation fees		517,417	-	517,417
Office rent		285,000	404,700	689,700
Telecommunications charges		249,124	101,134	350,258
Electricity		24,706	73,731	98,437
Stationery, printing and publications		89,132	75,970	165,102
Vehicle maintenance & running costs		30,991	10,279	41,271
Bank fees & charges		8,921	2,293	11,214
Insurance		25,265	9,700	34,965
Training & participation fees		105,275	67,782	173,056
Workshop expenses		57,326	-	57,326
Miscellaneous		122,353	53,183	175,536
		10,182,010	4,175,456	14,357,467
Capital Expenses				
ICT software		17,571.39	8,000	25,571
Computer equipment		5,340.00	195,192	200,532
Office accessories		-	213,243	213,243
Furniture & fittings		4,611.20	176,158	180,769
Motor vehicle		122,000.00	304,040	426,040
ICT equipment		102,122.50	24,283	126,406
Spectrum monitoring equipment		672,010.59	-	672,011
		923,655.68	920,915	1,844,571
Other Outgoings				
Performance bond draw downs & liberalisation compensation payments		12,008,968	-	12,008,968
		12,008,968	-	12,008,968
TOTAL EXPENDITURES		23,114,634	5,096,372	28,211,005
Net increase/(decrease) in cash and cash equivalent		(1,149,812)	12,237,895	11,088,084
Cash at beginning of the period		12,237,211	-	-
Exchange rate changes on cash in foreign currencies		(168,257)	-	(168,257)
Cash at end of the period	8	10,919,143	12,237,895	10,919,827

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

STATEMENT OF CASH RECEIPTS AND PAYMENTS (BY COMPONENT)
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010	Cummulative to Date
	(SBD)	(SBD)	(SBD)
FINANCING			
IDA & PRIF grants	6,784,987	2,140,046	8,925,033
IDA grants direct payment	2,957,892	-	2,957,892
AUSAID grant	-	1,978,750	1,978,750
RAMSI grant	-	2,041,320	2,041,320
<u>Other Receipts</u>			
Performance bond draw downs	7,898,874	11,029,392	18,928,266
Service licence fees	4,161,702	-	4,161,702
Radio spectrum application fees	40,400	200	40,600
Interest income	120,572	65,167	185,739
Sale of assets	-	78,500	78,500
Miscellaneous income	395	892	1,287
TOTAL FINANCING	21,964,822.00	17,334,267	39,299,089
EXPENDITURE:			
<u>(by Component)</u>			
Component 1 - Support to Ministry on Telecom Policy & ICT	-	-	-
Component 2 - Commission Operations	10,052,654	5,061,372	15,114,025
Component 3 - Universal Access	-	-	-
Component 4 - Project Managemnt Unit	1,053,012	35,000	1,088,012
	11,105,666	5,096,372	16,202,038
<u>Other Outgoings</u>			
Performance bond draw downs & liberalisation compensation payments	12,008,968	-	12,008,968
	12,008,968	-	12,008,968
TOTAL EXPENDITURES	23,114,634	5,096,372	28,211,005
Net increase/(decrease) in cash and cash equivalent	(1,149,812)	12,237,895	11,088,084
Cash at beginning of the period	12,237,211	-	-
Exchange rate changes on cash in foreign currencies	(168,257)	-	(168,257)
Cash at end of the period	<u>10,919,143</u>	<u>12,237,895</u>	<u>10,919,827</u>

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011 Budget</u> (SBD)	<u>2011 Actual</u> (SBD)	<u>Variance</u> (SBD)
FINANCING			
IDA & PRIF grants	13,221,675	6,784,987	6,436,688
IDA grants direct payment	-	2,957,892	(2,957,892)
AUSAID grant	-	-	-
RAMSI grant	-	-	-
<u>Other Receipts</u>			
Performance bond draw downs	-	7,898,874	(7,898,874)
Service licence fees	-	4,161,702	(4,161,702)
Radio spectrum application fees	14,007	40,400	(26,393)
Interest income	-	120,572	(120,572)
Sale of assets	-	-	-
Miscellaneous income	-	395	(395)
TOTAL FINANCING	13,235,681	21,964,822	(8,729,141)
EXPENDITURE:			
<u>Operational expenses</u>			
Commission remuneration	3,923,635	4,498,188	(574,553)
External consultants	6,424,466	3,465,024	2,959,443
Legal counsel	-	580,196	(580,196)
Fixed line audit	-	123,094	(123,094)
International organisation fees	246,305	517,417	(271,111)
Office rent	342,069	285,000	57,069
Telecommunications charges	123,153	249,124	(125,971)
Electricity	162,562	24,706	137,856
Stationery, printing and publications	29,557	89,132	(59,575)
Vehicle maintenance & running costs	88,998	30,991	58,007
Bank fees & charges	19,704	8,921	10,783
Insurance	24,631	25,265	(634)
Training & participation fees	213,465	105,275	108,190
Workshop expense	41,051	57,326	(16,275)
Miscellaneous	111,658	122,353	(10,694)
	<u>11,751,254</u>	<u>10,182,010</u>	<u>1,569,244</u>
<u>Capital Expenses</u>			
ICT software	16,420	17,571	(1,151)
Computer equipment	-	5,340	(5,340)
Office accessories	-	-	-
Furniture & fittings	-	4,611	(4,611)
Motor vehicle	213,465	122,000	91,465
ICT equipment	-	102,123	(102,123)
Spectrum monitoring equipment	985,222	672,011	313,211
	<u>1,215,107</u>	<u>923,656</u>	<u>291,451</u>
<u>Other Outgoings</u>			
Performance bond draw downs & liberalisation compensation payments	-	12,008,968	(12,008,968)
	<u>-</u>	<u>12,008,968</u>	<u>(12,008,968)</u>
TOTAL EXPENDITURES	12,966,361	23,114,634	(10,148,273)
Surplus/(Deficit) for the period	269,321	(1,149,812)	1,419,132

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 purposes. However, in meeting the standards for IPSAS Cash basis, these items must be reflected in the Statement.

Under the scheme for the liberalisation of the telecommunications markets, the service licence fees received by the Commission up to 2015 are transferred to Solomon Telekom by way of compensation for the Company's surrender of its exclusive telecommunications licence in 2009.

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

STATEMENT OF SPECIAL ACCOUNT RECONCILIATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

			USD (Denominated)	SBD (Denominated)
Opening Cash Balance (01.01.2011)			118,174	936,404
<i>Add:</i>				
IDA Replenishments:				
<u>Date Issued</u>	<u>Date Received</u>	<u>Description</u>		
12.01.2011	12.01.2011	Reimbursement from Non Grant A/C	25,701.48	203,657
12.01.2011	12.01.2011	Reimbursement from Non Grant A/C	25,423.05	201,450
01.02.2011	04.02.2011	1st withdrawal replenishment	57,628	456,737
21.03.2011	04.04.2011	2nd withdrawal replenishment	108,466	859,575
14.06.2011	21.06.2011	3rd withdrawal replenishment	140,165	1,110,757
13.07.2011	21.07.2011	4th withdrawal replenishment	150,686	1,194,123
12.08.2011	29.08.2011	5th withdrawal replenishment	132,642	1,050,990
21.09.2011	22.09.2011	6th withdrawal replenishment	75,576	598,963
24.10.2011	26.10.2011	7th withdrawal replenishment	63,034	499,581
21.09.2011	29.11.2011	8th withdrawal replenishment	81,360	644,790
12.12.2011	20.12.2011	9th withdrawal replenishment	46,614	369,470
			856,171	
IDA direct payment			373,286.01	2,957,892
Bank Interest				
Total			1,280,582	10,147,986
<i>Deduct:</i>				
Salary - Nicholas Williams		121,368		
Salary - Kathleen O'Kane		43,166		
Salary - Bernard Hill		126,934		
Salary - Phuong Duong		89,724	381,192	3,020,538
Transfer to operating accounts (SBD)			349,189	2,766,950
IDA direct payment			373,286	2,957,892
Payments to international organisations			57,798	457,987
Payments to external consultants			122,201	968,316
Payments to overseas suppliers			4,766	37,765
Bank fees			763	6,046
			1,289,195	10,215,495
Exchange rate difference			21,140	168,257
Closing Balance as at 31/12/2011 (as per bank statement/GL)			88,421	700,638

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

1 General information

The Telecommunications Commission is the regulator of the telecommunications sector in Solomon Islands.

The principal activities of the Commission are:

- (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 (2010).

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 of Solomon Islands which is an industry specific statutory regulatory authority under the Telecommunication Act 2009.

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 SIG were officially signed on 22 June 2010.

2.3 Reporting Currency

The annual accounts are presented in the currency of the Solomon Islands, the 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.

2.3 Direct Payments by Third Parties

The Commission benefits from goods and services paid for directly by third parties (the World Bank) during the period by way of grant. The payments made by the third party constitutes cash receipts or payments by the Commission. They are disclosed as direct payments in the Statement of Cash Receipts and Payments.

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 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 (above 78.7%) have been explained as notes to the financial statements.

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

4. Direct Receipts/Payments

The following payments were paid directly to suppliers for services provided to the Commission by consultants during the reporting period;

	2011 (SBD)	2010 (SBD)
Consultancy fees for legal services (USD\$216,000@0.1262)	1,711,569	-
Consultancy fees for legal services (USD\$108,000@0.1262)	855,784	-
Consultancy fees for Market Intelligence (USD\$49,286@.1262)	390,539	-
	<u>2,957,892</u>	<u>-</u>

5. Performance Bond funds

Bemobile's Individual Telecommunications Licence is subject to a performance bond relating to network coverage. The Commission drew down funds from the bond for non-performance, in the reporting period, as follows:

Second threshold - USD1m	7,898,874	11,029,392
	<u>7,898,874</u>	<u>11,029,392</u>

6. Service License Fees

In 2010 there were no service license fees paid. Service license fees for 2011 included in the Statement, comprise the following amounts;

Licenses:

Solomon Telekom	3,344,520	-
Bemobile	817,182	-
Total Service License Fees	<u>4,161,702</u>	<u>-</u>

Under the scheme for the liberalisation of the telecommunications markets, the service licence fees received by the Commission up to 2015 are transferred to Solomon Telekom by way of compensation for its surrender of its exclusive telecommunication licence in 2009

7. Interest Income

Interest income included in the Statement comprise the following amounts:

Interest earned from Term deposit 1	66,198	65,167
Interest earned from Term deposit 2	54,374	-
	<u>120,572</u>	<u>65,167</u>

8. Cash

Cash included in the Statement comprise the following amounts:

Telecommunications Special Fund - 4686890	42,392	203,228
TCSI USD Account - 4731107	700,638	936,404
General Fund Account - 4829670	406,504	-
TCSI Term Deposit 1 - 4729686	1,815,738	11,092,263
TCSI Term Deposit 2 - 4759156	7,947,871	-
Cash on hand - Petty cash	6,000	6,000
	<u>10,919,143</u>	<u>12,237,895</u>

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 (SBD)	2010 (SBD)
9. Commission remuneration		
Commissioner & Coordinator	3,146,317	2,189,893
Permanent Staff	1,351,871	732,160
	<u>4,498,188</u>	<u>2,922,054</u>
10. External Consultants		
JM Haydon	-	291,104
Webb Hendersoon	110,935	-
Macmillan & Keck	2,567,353	136,576
Market Intelligence	390,539	-
RPI International	396,197	-
	<u>3,465,024</u>	<u>427,680</u>

11. Other Donors

Under the Solomon Telekom Settlement Agreement to compensate for rural fixed line losses received a funding of SBD10,542,000 from World Bank grant from PRIF TF096582

12. Fixed Asset (For disclosure purpose only)

	Furniture & Fittings	Telecommunications Equipment	Computer & Software	Motor Vehicle
Opening Balance	176,158	-	203,192	304,040
Additions				
Printer table 10.02.2011	2,030			
Book shelves 06.07.2011	2,000			
Office ladder 21.11.2011	581			
GPS equipment 11.05.2011		2,857		
Nokia dongle 09.09.2011		695		
Spectrum monitoring equipment 04.10.2011		669,154		
Nokia E5 mobile 13.12.2011		1,632		
Nokia E5 mobile 13.12.2011		1,632		
Nokia E5 mobile 13.12.2011		1,632		
Nokia E5 mobile 13.12.2011		1,632		
Nokia E5 mobile 13.12.2011		1,632		
Nokia dongle 13.12.2011		470.00		
Nokia dongle 13.12.2011		470.00		
Nokia dongle 13.12.2011		470.00		
Nokia dongle 13.12.2011		470.00		
LCD flat screen 01.01.2011			5,340	
LCD flat screen 05.04.2011			2,800	
HP ML 110 G7 Serv 05.07.2011			70,278	
Toshiba laptop 23.09.2011			14,910	
APC UPS 650VA 15.12.2011			3,400	
Toyota RAV4 14.07.2011				122,000
ITU software 11.05.2011			15,771	
Window 7 7.10.2011			1,800	
Total assets value paid in 2011	4,611	682,746	114,299	122,000
Less Disposal	-	-	-	-
Closing Balance	180,769	682,746	317,491	426,040

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

13. Yearly Procurement

Goods/Services	Procurement	Contract Type	Contract Value	Contract Period
3rd Licence advice	QCBS	Lump Sum	2,852,615	01.01.11
General Authorisation	QCBS	Lump Sum	316,957	28.01.11
Market Intelligence	CQS	Lump Sum	390,539	25.02.11
Spectrum monitoring equipment	Shopping	Purchase Order	669,154	28.09.11



INDEPENDENT AUDITOR'S REPORT

Report on the Statement of Cash Receipts and Payments

I have audited the accompanying Statement of Cash Receipts and Payments of the Telecommunications Commission of Solomon Islands, which comprise the Statement of Cash Receipts and Payments for the year ended 31 December 2011, 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 are responsible for the preparation and fair presentation of the Statement of Cash Receipts and Payments 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 the Statement of Cash Receipts and Payments based on my audit. I conducted my audit in accordance with 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 Statement of Cash Receipts and Payments is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement of Cash Receipts and Payments. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, 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 Statement 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 Statement.

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 the 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 Statement of Cash Receipts and Payments presents fairly, in all material respects, the receipts and payments of the Telecommunications Commission of Solomon Islands for the year ended 31 December 2011 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 Statement of Cash Receipts and Payments.



Edward Ronia
Auditor-General

12th September 2012

Office of the Auditor General
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Honiara
Solomon Islands