



TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

Telecommunications Commission Solomon Islands

FINANCIAL ACCOUNTS

For the Year Ended 31 December 2014

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 2014.

Dated at Honiara this 31st day of March 2015



Mr. Bernard Hill
Telecommunications Commissioner
Telecommunications Commission Solomon Islands

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF CASH RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURE)
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 (SBD)	2013 (SBD)
FINANCING			
IDA & PRIF grants	4	9,355,495	8,528,137
IDA grants direct payment		-	-
Other Receipts			
Service licence fees	5	7,159,082	7,262,088
Radio spectrum application fees		65,600	49,200
Interest income		4,220	9,908
Miscellaneous income	6	136,982	672,853
TOTAL FINANCING		16,721,379	16,522,186
EXPENDITURE:			
Operational expenses			
Commission remuneration	7	4,603,083	4,299,335
ICT Policy consultant	12	-	109,489
Legal advice		-	-
Fixed line audit		149,787	55,241
International memberships and subscriptions	8	56,487	56,546
Office rent		640,080	420,500
Telecommunications		393,972	315,813
Utilities-electricity,gas & water costs	16	86,911	272,178
Stationery, printing and publications		136,456	54,294
Vehicles & vessel maintenance & operation		222,764	180,110
Bank & tax charges		22,001	9,265
General repair & maintenance		25,134	-
Insurance		91,561	37,846
Professional training & development		294,894	291,719
Workshops & participation		815,339	571,720
Miscellaneous	9	960,285	51,447
		8,498,753	6,725,503
Capital Expenses			
Office accessories		-	-
ICT equipment		54,673	254,936
ICT maintenance		-	4,474
Office equipment		329,880	58,481
Furniture & fittings		84,226	100,371
Motor vehicle		645,472	388,098
Motor vessel		-	1,029,696
Capital & office fit-out		593,688	558,164
	15	1,707,939	2,394,220
Other Expenses			
Tax on interest income		-	52
Our Telekom compensation	13	7,156,192	8,413,264
Bmobile performance bond	14	6,682,289	-
Non-grant fund	10	159,226	291,760
		13,997,707	8,705,076
TOTAL EXPENDITURES		24,204,398	17,824,799
Net increase/(decrease) in cash and cash equivalent		(7,483,020)	(1,302,612)
Cash at beginning of the period		11,629,811	12,930,197
Unrealised exchange rate difference on foreign currency conversions		(2,551)	2,227
Cash at end of the period	11	4,144,240	11,629,811

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS
STATEMENT OF CASH RECEIPTS AND PAYMENTS (BY COMPONENT)
FOR THE YEAR ENDED 31 DECEMBER 2014

	<u>2014</u> (SBD)	<u>2013</u> (SBD)
FINANCING		
IDA & PRIF grants	9,355,495	8,528,137
Other Receipts		
Service licence fees	7,159,082	7,262,088
Radio spectrum application fees	65,600	49,200
Interest income	4,220	9,908
Miscellaneous income	136,982	672,853
TOTAL FINANCING	16,721,379	16,522,186
EXPENDITURE: (by Component)		
Component 1 - Support to Ministry on Telecom Policy & ICT	-	109,489
Component 2 - Commission Operations	10,206,691	8,840,234
Component 3 - Universal Access		
Component 4 - Project Management Unit		
	10,206,691	8,949,723
Other Outgoings		
Tax on interest income	-	52
Our Telekom compensation	7,156,192	8,413,264
Bmobile performance bond	6,682,289	-
Non-grant fund	159,226	461,760
	13,997,707	8,875,076
TOTAL EXPENDITURES	24,204,398	17,824,799
Net increase/(decrease) in cash and cash equivalent	(7,483,020)	(1,302,612)
Cash at beginning of the period	11,629,811	12,930,197
Unrealised exchange rate difference on foreign currency conversion	(2,551)	2,227
Cash at end of the period	4,144,240	11,629,811

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 Budget (SBD)	2014 Actual (SBD)	Variance (SBD)
FINANCING			
IDA & PRIF grants	7,343,319	9,355,495	2,012,176
Other Receipts			
Service licence fees	6,607,930	7,159,082	551,152
Radio spectrum application fees	24,230	65,600	41,370
Other income	16,887	141,202	124,315
TOTAL FINANCING	13,992,366	16,721,379	2,729,013
EXPENDITURE:			
Operational expenses			
Commission remuneration	4,607,195	4,603,083	4,112
Technical consultants	3,046,990	-	3,046,990
Legal advice	367,107	-	367,107
Fixed line audit	216,373	149,787	66,586
International memberships and subscription	190,610	56,487	134,123
Office rent	635,095	640,080	(4,985)
Telecommunications	300,661	393,972	(93,311)
Electricity, water, gas & utilities	141,703	86,911	54,792
Stationery, printing and publications	82,335	136,456	(54,121)
Vehicle & vessel maintenance & operation	29,178	222,764	(193,586)
Bank services	56,894	22,001	34,893
Insurance	23,407	91,561	(68,154)
Professional training & development	101,483	294,894	(193,411)
Workshop & participation	90,500	815,339	(724,839)
Incidental & general maintenance	55,103	985,419	(930,316)
	9,944,634	8,498,753	1,445,881
Capital Expenses			
Office accessories			
ICT equipment & software	81,527	54,673	26,854
ICT maintenance	44,053	-	44,053
Office equipment		329,880	(329,880)
Furniture & fittings	77,093	84,226	(7,133)
Motor vehicles		645,472	(645,472)
Motor vessel		-	-
Office fit-out		593,688	(593,688)
Spectrum equipment & software		-	-
	202,673	1,707,939	(1,505,266)
Other Expenses			
Tax on interest income	-	-	-
Our Telekom compensation	6,607,930	7,156,192	(548,262)
Bmobile performance bond		6,682,289	(6,682,289)
Non-grant fund	-	159,226	(159,226)
	6,607,930	13,997,707	(7,389,777)
TOTAL EXPENDITURES	16,755,237	24,204,398	(7,449,161)
Surplus/(Deficit) for the period	(2,762,871)	(7,483,020)	10,178,174
Unrealised exchange rate difference on foreign currency conversion	-	(2,551)	2,551

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.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF SPECIAL ACCOUNT RECONCILIATIONS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

		USD (Denominated)	SBD (Denominated)
Opening Cash Balance (01.01.2014)		110,179	808,042
<i>Add:</i>			
IDA Replenishments:			
<i>Date Issued</i>	<i>Date Received</i>	<i>Description</i>	
24.01.2014	27.01.2014	H5550 Withdrawal 26	104,631
20.02.2014	20.02.2014	TF97221 Withdrawal 15	49,656
05.03.2014	06.03.2014	H5550 Withdrawal 28	165,000
30.04.2014	05.05.2014	TF97221 Withdrawal 16	71,496
15.05.2014	16.05.2014	TF97221 Withdrawal 17	92,229
19.06.2014	20.06.2014	H5550 Withdrawal 29	51,520
15.07.2014	17.07.2014	TF97221 Withdrawal 18	82,341
14.08.2014	15.07.2014	TF97221 Withdrawal 19	97,040
28.08.2014	29.08.2014	H5550 Withdrawal 30	120,383
03.10.2014	09.10.2014	TF97221 Withdrawal 20	96,472
10.10.2014	16.10.2014	TF97221 Withdrawal 21	90,339
28.11.2014	02.12.2014	TF97221 Withdrawal 23	85,755
12.12.2014	19.12.2014	TF97221 Withdrawal 24	80,648
18.12.2014	30.12.2014	TF97221 Withdrawal 25	89,756
		1,277,265	
Other income (refund)		1,277,265	9,355,495
Bank interest		650.00	4,794
Total		1,388,094	10,168,330
<i>Deduct:</i>			
Remuneration - Commissioner		284,957	2,081,511
Transfers to operating account (SBD)		860,000	6,277,487
Workshops & training expenses		26,281	192,517
International memberships		7,750	56,487
Electronic devices		10,244	75,548
Motor vessel maintenance		6,503	47,505
Website hosting		359	2,604
Bank services		719	5,481
		1,196,813	8,739,141
Unrealised exchange rate difference on foreign currency conversion		-	2,551
Closing balance as at 31/12/2014 (as per bank statement)		191,281	1,431,740

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 General Information

The Telecommunications Commission is an independent statutory authority, established by the Telecommunication Act 2009.

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 (2013).

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 SIG were officially signed on 22 June 2010.

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.

2.3 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 constitute 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.

3.0 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 have been explained as notes to the financial statements.

3.1. Subsequent Events

The Telecommunications and ICT World Bank funded project will be closing at the end of 31 March 2015. The project's financial activities for the first quarter of 2015 will be disclosed in the 2015 Financial statements of accounts.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

4. Grant Income

		2014 (SBD)	2013 (SBD)
IDA and PRIF grant funds received during 2014			
IDA	H5550-SB	3,210,571	5,877,271
PRIF	TF97221-SB	6,144,924	2,650,867
		<u>9,355,495</u>	<u>8,528,137</u>

5. Service License Fees

Service license fees for 2014 included in the statement, comprise the following amounts;

Our Telekom	6,308,478	6,032,814
Bmobile	847,714	1,228,219
Point Cruz Communication	2,342	1,055
Satsol	548	-
Total service license fees	<u>7,159,082</u>	<u>7,262,088</u>

6. Miscellaneous Income

Miscellaneous income included in the statement comprises the following amounts:

IDA Refund-Non-Grant Fund: Spectrum equip	-	669,154
Sale of assets	-	3,100
Sub-tenancy rent	91,000	-
Direct bank credit	46,082	600
	<u>137,082</u>	<u>672,853</u>

7. Commission Remuneration

Commissioner	2,081,511	1,978,591
Permanent staff	2,521,572	2,320,743
	<u>4,603,083</u>	<u>4,299,335</u>

8. International membership and subscription

ITU	-	-
APT	-	-
PTC	1,822	2,706
Wireless Intelligence	54,665	53,841
	<u>56,487</u>	<u>56,546</u>

9. Miscellaneous Expenses

Repairs & maintenance	-	-
Duty & taxes	-	-
Safety equipment	-	5,525
Belama club membership	-	7,990
Office relocation labour	-	9,800
IT & electrical items	-	3,548
PO Box rental	-	1,000
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	78,092	23,584
	<u>960,285</u>	<u>51,447</u>

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

10. Non-Grant Expenses	2014 (SBD)	2013 (SBD)
Workshops	-	-
Training	-	-
Rural fixed line audit	-	-
Annual leave passage	-	-
Annual staff function	10,145	10,500
ITU costs	-	183,022
Stakeholders function	1,108	-
Staffing costs	-	24,310
Facility hire	80,000	60,000
Office fit-out	-	170,000
Belama club fee	-	7,337
Flood relief donations	75,000	5,000
Office decoration	-	1,200
Bank fees	-	391
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	166,253	461,760

11. CASH

Cash included in the Statement comprise the following amounts:

Telecommunications Special Fund - 4666890	90,339	248,345
TCSI USD Account - 4731107	1,431,740	803,056
Non Grant Fund Account - 4829670	281,363	763,744
TCSI Term Deposit 1 - 4729686	1,827,137	1,825,316
TCSI Term Deposit 2 - 4759156	507,660	7,983,351
Cash on hand – petty cash	6,000	6,000
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	4,144,240	11,629,811

12. ICT Policy Consultant

In 2014, the National ICT Policy Consultant was paid USD\$75,000 upon the completion of the draft National ICT Policy through the World Bank direct payment process. This financial transaction was therefore not captured in the Commission's books of accounts.

13. Our Telekom Compensation

Under the 2009 scheme for the liberalisation of the telecommunications markets, the service licence fees received by the Commission up to 2015 are transferred to the Ministry of Finance & Treasury which on pays the amounts to Our Telekom as compensation for the companys' surrender of its exclusive telecommunications licence in 2009.

14. Bmobile Performance Bond

The amount drawn down by the Commission from Bmobile's demand gurantee for its failure to comply with its licence conditions and performance bond with SIG. The sum received was paid to the SIG.

16. Electricity Expenses

The amount for electricity is for the entire supply to the premises leased by the Commission, including the portion which the Commission sub-lets. A dispute has arisen between the tenants and the Landlord about the wiring and metering arrangements, usage by the Landlord during the initial office fit-out, and which party should bear the cost of remedial works. Pending determination of the amount the sub-tenant is lawfully obliged to contribute, the Commission is continuing to pay the total bill to ensure that the premises have power.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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		316,789	68,718	739,745	537,998	558,164	1,023,138	1,086,353
Prior Year Adjustment								
Additions 2014								
Glass display units	2	4,160						
Drawer plastic trolley white	4	4,806						
Plastic table	6	4,959						
Plastic chairs white	5	1,045						
Plastic chairs white	10	1,980						
Plastic chairs grey	6	1,852						
Steel chairs	20	8,000						
stationery cupboard	2	15,998						
trinity table	2	3,395						
Parasol umbrella	2	2,806						
Aluminium chairs	2	1,044						
4-drawers plastic	2	2,403						
Printer shelf	1	3,040						
Std cabinet shoff	1	4,480						
Reception shelf unit	1	6,570						
Reception shelf	1	2,305						
Std shelf	1	1,995						
Mail cabinet	1	1,368						
Bookcase		11,990						
Computer printer 1	1		63,500					
Computer printer 2	1		62,800					
Printer revalue			39,500					
Fax system unit	1		8,800					
TV LCD Sharp 50"	1		10,806					
TV LCD Sharp 50"	1		10,791					
Split aircon LG	2		48,690					
Iron safe box	1		6,000					
Camera Canon	1		20,572					
IG 2500 H genset inverter	1		9,000					
Karcher pressure cleaner	1		2,860					
Parking blocks	3		7,000					
Samsung S4 phones	4			27,816				
Nokia 206	1			575				
HTC mobiles	3			10,727				
Nokia Lumia 625	1			2,429				
External HD	2				4,740			
HP Ultrabook 13.3"	2				33,965			
HP Notebook 11"	2				15,968			
Office glazing work						170,174		
Office renovation final pmt						355,794		
Kitchen setup						11,095		
Office electrical out-fit						56,625		
Sante Fa vehicle	1						269,000	
Toyota Hilux D/Cab	1						376,472	
Total assets value paid in 2014		64,226	288,333	41,547	54,673	593,688	645,472	-
Disposals 2014								
Assets not functioning:								
Toyota RAV 4	1						122,000	
Lenovo LCD screen	5				8,140			
Desktop Dell comp & monitor	1				10,900			
HDDrive Sata	1				680			
WAP200 wireless	1				2,800			
Verbatim external HDD	1				1,380			
Toshiba laptop	1				16,367			
UPS 650AV	2				3,400			
LCD Acer screen	1				3,000			
Toshiba HD external	1				1,400			
Laser keyboard	1				140			
Dell Vostro laptop	1				11,300			
Sharp Mx copier	1				97,000			
Toshiba laptop	1				14,910			
Bowfront desk charcoal	2	9,466						
Cherry/charcoal returns	2	3,024						
40 metre hose	1		3,480					
Nokia doogles	5			2,575				
Digital camera	1			5,584				
Sanisung S3	5			27,070				
Samsung S4	1			7,490				
Nokia E5	1			2,179				
Total Assets disposed in 2014		12,490	3,480	44,878	171,417	-	122,000	-
Closing Balance		388,505	353,571	736,414	421,254	1,151,852	1,546,610	1,086,353

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



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 2014, 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 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 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 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 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 2014 in accordance with Cash Basis IPSAS.

Report on Other Requirements

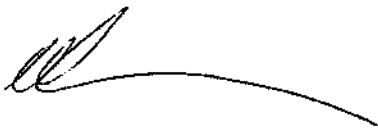
As required by my terms of reference, I also report that, in my opinion, in all material respects:

- (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.

Report on Other Legal and Regulatory Requirements

Lack of compliance with State Owned Enterprises Act 2007 and Telecommunications Act 2009

The Commission has not complied with the requirements of the *State Owned Enterprises Act 2007* which requires the audited financial statements to be placed before the Minister responsible before 31 March of the following year to which the financial statements relate; or the *Telecommunications Act 2009* which requires the Commission to submit the financial statements to the Auditor General for audit within three months of the end of the financial year.



Robert Cohen
Auditor-General (A/g)

Office of the Auditor General
Honiara, Solomon Islands

14 December 2015