



Telecommunications Commission of Solomon Islands

FINANCIAL ACCOUNTS

For the Year Ended 31 December 2013

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

Contents

Page

Statement by the Commissioner	2
Statement of cash receipts and payments (by category)	3
Statement of cash receipts and payments (by component)	4
Statement of budgeted and actual expenditures	5
Statement of special account activities	6
Notes to the Financial Statements:	7-10

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 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 2013.

Dated at Honiara this 31st day of March 2014



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 31 DECEMBER 2013**

	Notes	2013 <hr/> (SBD)
FINANCING		
IDA & PRIF grants	4	8,528,137
IDA grants direct payment		-
<u>Other Receipts</u>		
Service licence fees	5	7,262,088
Radio spectrum application fees		49,200
Interest income		9,908
Miscellaneous income	6	672,853
TOTAL FINANCING		<hr/> 16,522,186
EXPENDITURE:		
<u>Operational expenses</u>		
Commission remuneration	7	4,299,335
ICT Policy consultant		109,489
Legal Advice		-
Fixed line audit		55,241
International memberships and subscriptions	8	56,546
Office rent		420,500
Telecommunications		315,813
Utilities-Electricity, Gas & Water costs		272,178
Stationery, printing and publications		54,294
Vehicles & Vessel maintenance & operation		180,110
Bank services		9,265
Insurance		37,846
Professional Training & development		291,719
Workshop & Participation		571,720
Miscellaneous	9	51,447
		<hr/> 6,725,503
<u>Capital Expenses</u>		
Office accessories		-
ICT equipment		254,936
ICT maintenance		4,474
Office equipment		58,481
Furniture & fittings		100,371
Motor vehicle		388,098
Motor Vessel		1,029,696
Office fit-out		558,164
	12	<hr/> 2,394,220
<u>Other Expenses</u>		
Tax on Interest Income		52
STL Compensation		8,413,264
Non-Grant Fund	10	291,759.50
		<hr/> 8,705,076
TOTAL EXPENDITURES		17,824,799
Net increase/(decrease) in cash and cash equivalent	-	1,302,612
Cash at beginning of the period		12,930,197
Unrealised exchange rate difference on foreign currency conversions		2,227
Cash at end of the period	11	<hr/> <hr/> 11,629,811

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

**STATEMENT OF CASH RECEIPTS AND PAYMENTS (BY COMPONENT)
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<u>2013</u> (SBD) :BD)
FINANCING	
IDA & PRIF grants	8,528,137
<u>Other Receipts</u>	
Service licence fees	7,262,088
Radio spectrum application fees	49,200
Interest income	9,908
Miscellaneous income	672,853
TOTAL FINANCING	<u>16,522,186</u>
EXPENDITURE:	
<u>(by Component)</u>	
Component 1 - Support to Ministry on Telecom Policy & ICT	109,489.05
Component 2 - Commission Operations	8,840,234
Component 3 - Universal Access	
Component 4 - Project Management Unit	<u>8,949,723</u>
<u>Other Outgoings</u>	
Tax on Interest income	52
STL Compensation	8,413,264
Non-Grant Fund	461,760
	<u>8,875,076</u>
TOTAL EXPENDITURES	17,824,799
Net increase/(decrease) in cash and cash equivalent	- 1,302,612
Cash at beginning of the period	12,930,197
Unrealised exchange rate difference on foreign currency conversion	2,227
Cash at end of the period	<u><u>11,629,811</u></u>

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS
STATEMENT OF COMPARISON OF BUDGETED AND ACTUAL EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 Budget (SBD)	2013 Actual (SBD)	Variance (SBD)
FINANCING			
IDA & PRIF grants	10,836,529	8,528,137	(2,308,392)
<u>Other Receipts</u>			
Service licence fees	6,378,764	7,262,088	883,325
Radio spectrum application fees	316,957	49,200	(267,757)
Interest income	-	9,908	9,908
Others	-	672,853	672,853
TOTAL FINANCING	17,532,250	16,522,186	(1,010,064)
EXPENDITURE:			
<u>Operational expenses</u>			
Commission remuneration	4,706,815	4,299,335	407,480
Technical Consultants	2,916,006	109,489	2,806,517
Legal Advice	594,295	-	594,295
Fixed line audit	209,984	55,241	154,743
International memberships and subscription	400,357	65,883	334,474
Office rent	396,133	420,500	(24,367)
Telecommunications	233,756	315,813	(82,057)
Electricity, Water, Gas & Utilities	228,209	272,178	(43,969)
Stationery, printing and publications	114,897	54,294	60,603
Vehicle & Vessel maintenance & operation	14,263	180,110	(165,847)
Bank Services	75,277	9,265	66,013
Insurance	37,021	37,846	(825)
Professional Training & development	206,022	282,382	(76,360)
Workshop & participation	158,479	571,720	(413,242)
	10,342,961	6,725,503	3,617,458
<u>Capital Expenses</u>			
Office accessories	-	-	-
ICT Equipment & Software	46,593	254,936	(208,344)
ICT maintenance	23,772	4,474	19,298
Office equipment	-	58,481	(58,481)
Furniture & fittings	-	100,371	(100,371)
Motor vehicles	396,197	388,098	8,099
Motor Vessel	-	1,029,696	(1,029,696)
Office fit-out	57,052	388,164	(331,112)
Spectrum Equipment & Software	15,848	-	15,848
	539,461	2,224,220	(1,626,278)
<u>Other Expenses</u>			
Tax on Interest Income	-	52	(52)
STL Compensations	6,378,764	8,413,264	(2,034,500)
Non-Grant Fund	-	461,760	(461,760)
	6,378,764	8,875,076	(2,496,312)
TOTAL EXPENDITURES	17,261,186	17,824,799	(505,132)
Surplus/(Deficit) for the period	271,065	(1,302,612)	(504,932)
Unrealised exchange rate difference on foreign currency conversion	-	2,227	(2,227)

Note Disclosure

As required by law, the Commission maintains a three year rolling budget which is statutorily approved each year and published in the Commission's annual report to Parliament. All items in this statement of comparison appear in one of more iterations of the statutory rolling budget. Unless a specific explanatory note indicating otherwise appears in relation to a specific variance reported in this statement, the reason why no amount may appear in this year's Budget column, even though the item is reported in the Actual Column for the year, is that the item was initially budgeted for in an earlier year.

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 OF SOLOMON ISLANDS

**STATEMENT OF SPECIAL ACCOUNT RECONCILIATIONS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

				USD (Denominated)	SBD (Denominated)
Opening Cash Balance (01.01.2013)				194,310	1,421,434
<u>Add:</u>					
IDA Replenishments:					
<u>Date Issued</u>	<u>Date Received</u>	<u>Description</u>			
31.12.2012	19.03.2013	H5550 withd replenishmnt 20	104,423		755,050
08.03.2013	21.03.2013	TF97221 Withdrawal 6	55,548		401,650
14.05.2013	16.05.2013	H5550 withd replenishmnt 21	90,756		654,806
14.05.2013	17.05.2013	TF97221 Withdrawal 10	71,426		515,342
18.06.2013	19.06.2013	H5550 withd replenishmnt 22	62,752		452,757
19.06.2013	26.06.2013	TF97221 withd replenishmnt 11	81,097		585,116
16.07.2013	18.07.2013	H5550 withd replenishmnt 23	188,378		1,358,171
09.09.2013	11.09.2013	TF97221 withd replenishmnt 13	76,270		551,483
03.10.2013	08.10.2013	H5550 withd replenishmnt 24	79,448		578,551
29.10.2013	31.10.2013	TF97221 withd replenishmnt 14	81,946		597,277
13.11.2013	14.11.2013	H5550 withd replenishmnt 25	174,334		1,264,206
10.12.2013	12.12.2013	H5550 withd replenishmnt 26	112,633		813,731
			<u>1,179,013</u>	1,179,013	-
IDA direct payment				-	-
Bank Interest				-	-
Total				<u>1,179,013</u>	<u>8,528,137</u>
<u>Deduct:</u>					
Remuneration - Commissioner				273,667	1,978,591
Transfers to operating account (SBD)				820,000	5,936,946
Workshops & Training expenses				27,536	199,662
ICT Policy Consultant				15,000	109,489
International memberships				7,875	56,546
Electronic Devices				4,660.32	33,811
Motor Vessel				113,590.56	827,869
Website Hosting				186.04	1,356
Bank services				628	4,471
				<u>1,263,143</u>	<u>9,148,742</u>
Unrealised exchange rate difference on foreign currency conversion				-	2,227
Closing Balance as at 31/12/2013 (as per bank statement)				<u>110,179</u>	<u>803,056</u>

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 (2012).

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 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 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 have been explained as notes to the financial statements.

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

4. Grant Income

		<u>2013 (SBD)</u>	<u>2012 (SBD)</u>
IDA and PRIF grants received during 2013 financial year			
	IDA	5,877,271	4,355,983
	PRIF	2,650,867	3,125,224
		<u>8,528,137</u>	<u>7,481,207</u>

5. Service License Fees

Service license fees for 2013 included in the Statement, comprise the following amounts;

Solomon Telekom	6,032,814	5,600,064
Bemobile	1,228,219	719,697
Point Cruz Communication	1,055	2,296
Total Service License Fee	<u>7,262,088</u>	<u>6,322,057</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 Ministry of Finance which then transfers an amount back to Solomon Telekom by way of compensation for its surrender of its exclusive telecommunications licence in 2009.

6. Miscellaneous Income

Miscellaneous incomes included in the Statement comprise the following amounts:

IDA Refund-Non-Grant Fund: Spectrum Equip	669,154	-
Sale of Assets	3,100	-
Direct Bank Credit	600	-
	<u>672,853</u>	<u>-</u>

7. Commission Remuneration

Commssioner	1,978,591	2,441,743
Permanent Staff	2,320,743	2,113,414
	<u>4,299,335</u>	<u>4,555,157</u>

8. International membership and subscription

Wireless Intelligence	53,841	54,664
APT	-	33,156
PTC	2,706	-
	<u>56,546</u>	<u>87,820</u>

9. Miscellaneous Expenses

Repairs & maintenance		114,670
Duty & Taxes		2,603
Safety Equipment	5,525	
Belama Club Membership	7,990	
Office relocation labour	9,800	
IT & Electrical items	3,548	
PO Box Rental	1,000	
Incidental consumerable	23,584	16,293
	<u>51,447</u>	<u>133,566</u>

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

10. Non-Grant Expenses	2013 (SBD)	2012 (SBD)
Workshops		123,652
Training		41,200
Rural Fix line audit		10,064
Annual leave passage		8,567
Annual staff function	10,500	15,192
ITU costs	183,022	52,215
Stakeholders function		2,500
Staffing Costs	24,310	
Facility Hire	60,000	
Office fit-out	170,000	
Belama Club Fee	7,337	
Corporate Sponsorship	5,000	
Office decoration	1,200	
Bank Fees	391	
	<u>461,760</u>	<u>253,390</u>

11. CASH

Cash included in the Statement comprise the following amounts:

Telecommunications Special Fund - 4686890	248,345	49,254
TCSI USD Account - 4731107	803,056	1,421,434
Non Grant Fund Account - 4829670	763,744	1,654,698
TCSI Term Deposit 1 - 4729686	1,825,316	1,823,481
TCSI Term Deposit 2 - 4759156	7,983,351	7,975,330
Cash on hand – Petty cash	6,000	6,000
	<u>11,629,811</u>	<u>12,930,197</u>

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

12. Fixed Asset (For disclosure purpose only)

	Qty	Furniture & Fittings	Office equipment	Operational Equipment	Computer hardware & Software	New Office fit-out	Motor Vehicle	Motor vessel
Opening Balance		217,281	25,603	682,746	348,193	-	635,040	56,657
Prior Year Adjustment								
Additions 2013								
Motor vessel	1							1,029,696
Land Cruiser D/Cab	1						388,098	
Accoustics screens	6	28,590						
Table	1	2,380						
Chairs	1	2,152						
Meeting Rm Chairs	10	37,450						
Reception Counter	1	15,058						
Lockable Wall unit	2	10,492						
Rug	1	2,200						
Cushions	2	776						
Cushion green	1	391						
Powerboard 4 Switch	1	351						
Stand Fan	1	531						
Toshiba Laptop	1				12,769			
Asus Laptop	2				26,295			
UPS 10 KVA	1				29,576			
Standing Cabinet	1				17,203			
Toshiba External Hardrive	1				1,400			
23" Dell Desk Computers	4				88,000			
27" Dell Desk Computers	1				29,900			
Hose Reel	1		3,480	-				
Pressure Cleaner	1		11,886	-				
4 Burner Stove	1		10,760					
Coffee Machine	1		5,760					
Mircowave oven	1		2,115					
Vacum Cleaner	1		2,610					
Chiller	1		12,870					
Canopy Rangehood	1		2,790					
Freezer 150L	1		6,210					
Digital Camera	1			5,564				
Samsung S3 phone	5			27,070				
Nokia E5 phone	1			2,179				
Samsung S4 phone	2			14,980				
New Office fit-out						558,164		
Total assets value paid in 2013		100,371	58,481	49,793.12	205,143.14	558,164.00	388,098	1,029,696
Disposals 2012								
Assets not functioning:								
Dell laptops	2				22,600			
Toshiba Laptop	1				14,910			
APC UPS	2				3,400			
Nokia E5 Mobiles	5			8,160				
Total Assets disposed in 2013		-	-	8,160	40,910		-	-
Closing Balance		317,652	84,084	724,379	512,427	558,164	1,023,138	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 2013, 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 2013 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.



Robert Cohen
Auditor-General (A/g)

Office of the Auditor General
Honiara, Solomon Islands

29 October 2014