

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 2012.

Dated at Honiara this 31st day of July 2013



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 2012**

	Notes	2012 (SBD)	2011 (SBD)
FINANCING			
IDA & PRIF grants	4	7,481,207	6,784,987
IDA grants direct payment		-	2,957,892
<u>Other Receipts</u>			
Performance bond draw downs		-	7,898,874
Service licence fees	5	6,322,057	4,161,702
Radio spectrum application fees		59,835	40,400
Interest income	6	35,899	120,572
Miscellaneous income		-	395
TOTAL FINANCING		13,898,998	21,964,822
EXPENDITURE:			
<u>Operational expenses</u>			
Commission remuneration	7	4,555,157	4,498,188
External consultants		-	3,465,024
Legal counsel		66,196	580,196
Fixed line audit		99,185	123,094
International membership and subscription fees	8	87,820	517,417
Office rent		342,000	285,000
Telecommunications charges		394,838	249,124
Utilities-Electricity, Gas & Water bills		116,387	24,706
Stationery, printing and publications		60,838	89,132
Vehicle maintenance & running costs		84,806	30,991
Bank fees & charges		9,124	8,921
Insurance		29,028	25,265
Training & participation fees		87,135	105,275
Workshop expenses		219,533	57,326
Miscellaneous	9	133,566	122,353
		6,285,613	10,182,010
<u>Capital Expenses</u>			
ICT software		-	17,571
Office accessories		2,341	-
Computer equipment		-	5,340
ICT equipment		71,688	102,123
Office equipment		3,000	-
Furniture & fittings		36,512	4,611
Motor vehicle		209,000	122,000
Motor Vessel		56,657	-
Spectrum monitoring equipment		-	672,011
	12	379,197	923,656
<u>Other Expenses</u>			
Interest Income Tax		696	-
Compensations Licence fees		4,879,320	-
Non Grant Expenses	10	253,390	-
Performance bond draw downs & liberalisation compensation payments		-	12,008,968
		5,133,406	12,008,968
TOTAL EXPENDITURES		11,798,216	23,114,634
Net increase/(decrease) in cash and cash equivalent		2,100,782	(1,149,812)
Cash at beginning of the period		10,919,143	12,237,211
Unrealised exchange rate difference on foreign currency conversion		(89,728)	(168,257)
Cash at end of the period	11	12,930,197	10,919,143

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

**STATEMENT OF CASH RECEIPTS AND PAYMENTS (BY COMPONENT)
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<u>2012</u> (SBD)	<u>2011</u> (SBD)
FINANCING		
IDA & PRIF grants	7,481,207	6,784,987
IDA grants direct payment	-	2,957,892
<u>Other Receipts</u>		
Performance bond draw downs	-	7,898,874
Service licence fees	6,322,057	4,161,702
Radio spectrum application fees	59,835	40,400
Interest income	35,899	120,572
Miscellaneous income	-	395
TOTAL FINANCING	<u>13,898,998</u>	<u>21,964,822</u>
EXPENDITURE:		
<u>(by Component)</u>		
Component 1 - Support to Ministry on Telecom Policy & ICT	-	-
Component 2 - Commission Operations	6,664,810	10,052,653
Component 3 - Universal Access	-	-
Component 4 - Project Management Unit	-	1,053,012
	<u>6,664,810</u>	<u>11,105,666</u>
<u>Other Outgoings</u>		
Other Non grant Expenses	5,133,406	-
Performance bond draw downs & liberalisation compensation payments	-	12,008,968
	<u>5,133,406</u>	<u>12,008,968</u>
TOTAL EXPENDITURES	11,798,215	23,114,633
Net increase/(decrease) in cash and cash equivalent	2,100,782	(1,149,811)
Cash at beginning of the period	10,919,143	12,237,211
Unrealised exchange rate difference on foreign currency conversion	(89,728)	(168,257)
Cash at end of the period	<u><u>12,930,197</u></u>	<u><u>10,919,143</u></u>

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 Budget (SBD)	2012 Actual (SBD)	Variance (SBD)
FINANCING			
IDA & PRIF grants	13,470,681	7,481,207	5,989,474
<u>Other Receipts</u>			
Service licence fees	6,339,144	6,322,057	17,087
Radio spectrum application fees	316,957	59,835	257,122
Interest income	-	35,899	(35,899)
TOTAL FINANCING	20,126,783	13,898,998	6,227,785
EXPENDITURE:			
<u>Operational expenses</u>			
Commission remuneration	4,706,815	4,555,157	151,658
External consultants	5,301,109	-	5,301,109
Legal counsel	-	66,196	(66,196)
Fixed line audit	229,794	99,185	130,609
International membership and subscription fees	281,498	87,820	193,677
Office rent	356,363	342,000	14,363
Telecommunications charges	251,981	394,838	(142,857)
Electricity, Water, Gas & Utilities	204,564	116,387	88,177
Stationery, printing and publications	133,122	60,838	72,284
Vehicle maintenance & running costs	14,184	84,806	(70,622)
Bank fees & charges	63,391	9,124	54,267
Insurance	37,021	29,028	7,993
Training & participation fees	190,174	87,135	103,040
Workshop expense	158,479	219,533	(61,054)
Miscellaneous	-	133,566	(133,566)
	11,928,494	6,285,613	5,642,882
<u>Capital Expenses</u>			
ICT software	79,239	-	79,239
Office accessories	-	2,341	(2,341)
ICT equipment	63,391	71,688	(8,296)
Office equipment	-	3,000	(3,000)
Furniture & fittings	-	36,512	(36,512)
Motor vehicle	-	209,000	(209,000)
Motor vessel	-	56,657	(56,657)
Spectrum monitoring equipment	768,621	-	768,621
	911,252	379,197	532,055
<u>Other Expenses</u>			
Interest Income Tax	-	696	(696)
Compensations Licence fees	6,339,144	4,879,320	1,459,825
General Fund Expenses	-	253,390	(253,390)
	6,339,144	5,133,406	1,205,738
TOTAL EXPENDITURES	19,178,891	11,798,215	7,380,675
Surplus/(Deficit) for the period	947,892	2,100,782	(1,152,890)
Unrealised exchange rate difference on foreign currency conversion	-	89,728	(89,728)

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 2012**

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

			USD (Denominated)	SBD (Denominated)
Opening Cash Balance (01.01.2012)			88,421	700,638
<u>Add:</u>				
IDA Replenishments:				
<u>Date Issued</u>	<u>Date Received</u>	<u>Description</u>		
25.01.2012	31.01.2012	H5550 withd replenishmnt 12	88,672	646,294
03.03.2012	08.03.2012	H5550 withd replenishmnt 13	74,405	547,500
01.03.2012	12.03.2012	TF97221 Withdrawal 1	100,000	735,835
02.05.2012	07.05.2012	H5550 withd replenishmnt 14	44,657	325,486
02.05.2012	07.05.2012	H5550 withd replenishmnt 15	60,247	439,121
16.06.2012	12.07.2012	TF97221 withd replenishmnt 2	71,880	528,918
04.07.2012	09.07.2012	H5550 withd replenishmnt 16	113,194	832,923
28.08.2012	30.08.2012	H5550 withd replenishmnt 17	78,025	574,132
28.08.2012	26.09.2012	TF97221 withd replenishmnt 3	97,132	714,730
30.10.2012	01.11.2012	H5550 withd replenishmnt 18	53,456	389,057
30.10.2012	08.11.2012	TF97221 withd replenishmnt 4	70,575	514,397
12.12.2012	14.12.2012	H5550 withd replenishmnt 19	82,221	601,468
13.12.2012	21.12.2012	TF97221 withd replenishmnt 5	86,431	631,345
			1,020,895	
IDA direct payment			-	-
Bank Interest			-	-
Total			1,020,895	7,481,207
<u>Deduct:</u>				
Salary and Travel Allowance - Commissioner			334,834	2,441,743
Transfers to operating account (SBD)			530,000	3,863,243
Workshop expenses			26,010	189,573
Legal Council			3,001	21,867
International organisation fees			12,049	87,821
Telecommunications charges			602	4,404
Stationery, printing and publications			97	706
Motor Vessel			7,773	56,657
Bank fees			640	4,669
			915,006	6,670,683
Unrealised exchange rate difference on foreign currency conversion			-	89,728
Closing Balance as at 31/12/2012 (as per bank statement)			194,310	1,421,434

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 (2011).

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 31 DECEMBER 2012**

4. Grant Income

		<u>2012 (SBD)</u>	<u>2011 (SBD)</u>
IDA and PRIF grants received during 2012 financial year			
	IDA	4,355,983	6,784,987
	PRIF	3,125,224	-
		<u>7,481,207</u>	<u>-</u>

5. Service License Fees

Service license fees for 2012 included in the Statement, comprise the following amounts;

	Solomon Telekom	5,600,064	3,344,520
	Bemobile	719,697	817,182
	Point Cruz Communication	2,296	-
	Total Service License Fee	<u>6,322,057</u>	<u>4,161,702</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. Interest Income

Interest incomes from monthly-term deposit included in the Statement comprise the following amounts:

	Interest earned from Term deposit 1	7,810	66,198
	Interest earned from Term deposit 2	28,089	54,374
		<u>35,899</u>	<u>120,572</u>

7. Commission Remuneration

	Commssioner	2,441,743	3,146,317
	Permanent Staff	2,113,414	1,351,871
		<u>4,555,157</u>	<u>4,498,188</u>

8. International membership and subscription fees

	Wireless Intelligence	54,664	-
	APT	33,156	-
		<u>87,820</u>	<u>-</u>

9. Miscellaneous Expenses

	Repair & maintenance	114,670	-
	Duty & Taxes	2,603	-
	Incidental costs	16,293	-
		<u>133,566</u>	<u>-</u>

TELECOMMUNICATIONS COMMISSION OF SOLOMON ISLANDS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

10. Non Grant Expenses	2012 (SBD)	2011 (SBD)
Workshops	123,652	-
Training	41,200	-
Rural Fix line audit	10,064	-
Annual leave passage	8,567	-
Staff function	15,192	-
Travel, Accomodation	52,215	-
Stakeholders function	2,500	-
	<u>253,390</u>	<u>-</u>

11. CASH

Cash included in the Statement comprise the following amounts:

Telecommunications Special Fund - 4686890	49,254	42,392
TCSI USD Account - 4731107	1,421,434	700,638
Non Grant Fund Account - 4829670	1,654,698	406,504
TCSI Term Deposit 1 - 4729686	1,823,481	1,815,738
TCSI Term Deposit 2 - 4759156	7,975,330	7,947,871
Cash on hand – Petty cash	6,000	6,000
	<u>12,930,197</u>	<u>10,919,143</u>

12. Fixed Asset (For disclosure purpose only)

	Furniture & Fittings	Office equipment	Telecoms Equipment	Computer hardware & Software	Motor Vehicle	Motor vessel
Opening Balance	180,769	-	682,746	317,491	426,040	-
Prior Year Adjustment		24,283				
Additions 2012						
Hyundai Santa					209,000	
2 Executive chairs	11,038					
1 Stationary cupboard	3,047					
5 Accoustics screens	20,060					
IT accessories				2,340		
Acer LCD Screen				3,000		
ADSL router				1,700		
Aqua chiller machine		3,000				
Computer server, 100watt				66,988		
Office trolley	1067					
Office round table	1300					
Motor vessel						56,657
Total assets value paid in 2012	36,512	3,000	-	74,028	209,000	56,657
Disposals 2012						
Assets not working:						
Water Cooler		(1,680)				
3 Dell laptops				(33,900)		
5 Wireless mouse				(1,225)		
4 Laser USB keyboards				(560)		
5 LCD monitors				(6,500)		
Hyperctic USP power				(1,140)		
Closing Balance	217,281	25,603	682,746	348,193	635,040	56,657

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

Goods/Services	Procuremnt Method		Contract Type	Contract Value	Contract Period
Hyunda Santa	Shopping		Lump Sum	209,000	01.10.12 - 31.12.12
2 Executive chairs	Shopping		Lump Sum	11,038	01.11.12 - 30.11.12
1 Stationary Cupboard	Shopping		Lump Sum	3,047	01.11.12 - 30.11.12
Accoustics Screens	Shopping		Lump Sum	20,060	01.11.12 - 30.11.12
Acer LCD Screen	Shopping		Lump Sum	3,000	01.10.12 - 30.10.12
Aqua Chiller machine	Shopping		Lump Sum	3,000	01.09.12 - 30.09.12
ICT Policy Adviser	CQS		Lump Sum	2,377,179	01.11.12 - 31.05.14
Motor Vessel	Shopping		Lump Sum	730,000	30.10.12 - 30.10.13
Computer Server, 100watt	Shopping		Part payment	66,988	24.08.11 - 24.08.12



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 2012, 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 2012 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

Office of the Auditor General
Honiara, Solomon Islands

11 November 2013