



Telecommunications Commission Solomon Islands

FINANCIAL STATEMENT

For the Year Ended 31 December 2017

Prepared in accordance with the International Public Sector Accounting Standard:
Financial Reporting under Cash Basis of Accounting

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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 in accordance with section 22 of the Telecommunications Act 2009 and the International Public Sector Accounting Standard: Financial Reporting under Cash Basis of Accounting Part 1, and presents a true and fair view of the cash receipts and payments of the Telecommunications Commission for the year ended 31st December 2017.

Dated at Honiara this 1st day of March 2018



Mr. Bernard Hill
Telecommunications Commissioner
Telecommunications Commission Solomon Islands

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 (SBD)	2016 (SBD)
RECEIPTS			
Services licence fees	3	7,224,773	7,519,455
Radio spectrum application fees		104,500	98,800
Other income	4	401,653	251,550
Total receipts		7,730,926	7,869,805
PAYMENTS			
<u>Operational expenses</u>			
Commission remuneration	5	4,784,355	5,246,335
International membership subscriptions	6	344,753	62,351
Office premises rent		693,480	586,740
Telecommunications		400,902	522,298
Utilities-electricity, gas & water costs		271,303	396,871
Stationery, printing and publications		194,198	102,353
Transport maintenance & operation		219,525	230,969
Bank & tax charges		3,791	6,414
General repair & maintenance			7,444
Insurance		79,465	79,465
Regulatory functions & training	7	329,230	178,720
Workshops & participation	8	361,078	483,073
Services contracts	9	181,935	216,060
Accounting Services	10	568,600	139,400
Office supplies		39,657	99,204
Miscellaneous	11	55,766	91,352
		8,528,037	8,449,052
<u>Capital Expenses</u>			
ICT equipment			66,671
ICT maintenance		15,805	8,495
Office equipment		4,227	43,358
Furniture & fittings			
Spectrum Equipment & Software			
		20,032	118,524
Total payments		8,548,069	8,567,576
Net increase/(decrease) in cash and cash equivalent		(817,143)	(697,771)
Cash at beginning of the period		1,470,144	2,167,915
Unrealised exchange rate difference on foreign currency conversions		-	-
Cash at end of the period	12	653,001	1,470,144

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes 13	2017 Actual (SBD)	2017 Budget (SBD)	Variance (SBD)
CASH INFLOWS				
Services licence fees		7,224,773	7,375,000	150,227
Radio spectrum application fees		104,500	88,500	(16,000)
Other income		401,653	127,500	(274,153)
Total cash inflows		7,730,926	7,082,095	(139,926)
CASH OUTFLOWS				
<u>Operational</u>				
Commission remuneration		4,784,355	4,583,615	200,740
International membership subscriptions		344,753	543,000	(198,247)
Office premises rent		693,480	640,080	53,400
Telecommunications		400,902	134,660	266,242
Utilities-electricity,gas & water costs		271,303	308,080	(36,777)
Stationery, printing and publications		194,198	76,470	117,728
Transport maintenance & operation		219,525	60,700	158,825
Bank & tax charges		3,791	1,360	2,431
General repair & maintenance			16,900	(16,900)
Insurance		79,465	80,000	(535)
Regulatory functions & training		329,230	173,470	155,760
Workshops & participation		361,078	395,117	(34,039)
Services contracts		181,935	150,000	31,935
Accounting Services		568,600	556,000	12,600
Office supplies		39,657	18,000	21,657
Miscellaneous		55,766	27,930	27,836
		8,528,037	7,765,382	762,655
<u>Capital</u>				
ICT equipment		-	24,100	(24,100)
ICT maintenance		15,805	7,795	8,010
Office equipment		4,227	46,356	(42,129)
Furniture & fittings		-	38,591	(38,591)
Spectrum Equipment & Software		-	60,000	(60,000)
		20,032	176,842	(156,810)
Total cash outflows		8,548,069	7,942,224	605,845
Surplus/(Deficit) for the period		(817,143)	(860,129)	(745,771)

Note: Budgeted amounts of \$200,000 and \$100,000 were reallocated to regulatory functions & training and workshops & participation respectively.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 was, "*the administration of the Telecommunications Act 2009*"

2 Significant accounting policies

2.1 Basis of preparation

- (a) The Commission's financial statements have been prepared in accordance with the International Public Sector Accounting Standard (IPSAS): Financial Reporting under the Cash Basis of Accounting, Part 1. The cash basis of accounting recognises transactions and events at the point when cash (including cash equivalents) is received or paid by the entity. The financial statements also record information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is the balances of cash and changes thereto. Notes to the financial statements provide additional details about the receipts and payments in the period. Details from fixed asset registers are provided under Note 15.
- (b) The statements observe the going concern principle as the Commission continues to receive statutory licensing revenues from telecommunications operators and meets its ongoing financial obligations. In respect of materiality, all financial transaction in the reporting periods are free from material errors and misstatements that might influence the financial statement. The accounting policies have been applied consistently throughout the reporting period. The statements and the notes to them compare with year 2016.
- (c) Based on the understanding and consistency principle under the IPSAS financial reporting; changes in headings and subheadings in the cash receipts and payments statements and in the budget and actuals statement have been made for the financial statement of 2017, to provide more refined classifications of cash inflows and outflows.

2.2 Reporting Entity

The Statement of Cash Receipts and Payments in respect of the Telecommunications Commission Solomon Islands, which is an industry specific economic and technical regulatory authority.

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 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 Solomon Islands, and in cash registers.

2.6 Budget

The budget prepared in accordance with Section 15 of the Telecommunication Act 2009 is adjusted on a three-year rolling basis without substantive amendment during the reporting year. Contingencies arising during the year are disclosed as actual against zero budget in the budget comparative statement. The budget is approved by the statutory Evaluation Committee on the IPSAS cash basis.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Services Licence Fees

Services licence fees for 2017 included in the statement, comprise of the following amounts;

	2017 (SBD)	2016 (SBD)
Our Telekom	5,669,035	5,974,087
Bmobile	1,449,419	1,545,368
Satsol	106,319	-
Total services licence fees	7,224,773	7,519,455

4. Other Income

Other income included in the statement comprises the following sources:

Numbering	230,928	-
TD Interests	725	-
Premises sub-Lease	45,000	250,351
Sale of vehicle	125,000	-
	401,653	250,351

5. Commission Remuneration

Commissioner	2,470,578	2,384,361
Permanent staff	2,313,777	2,861,974
	4,784,355	5,246,335

6. International membership subscriptions

International Telecommunication Union	339,013	-
Pacific Telecommunication Council	5,740	2,062
Wireless Intelligence	-	60,289
	344,753	62,351

7. Regulatory functions & training costs

General operations & incidental training	104,367	-
International Telecommunication Union	91,002	-
Asia Pacific Telecommunity	118,094	-
P.I. Regulatory Resource Centre	15,767	-
	329,230	-

8. Workshops & Conferences

Pacific Telecommunication Council	165,770	-
Pacific Islands Telecommunications Association & other sector events	195,307	-
	361,078	-

(Previous years financial statements have not included separate notes for industry & sector events).

9. Service Contracts

Market coverage & Survey, Geo-database	-	124,080.00
Legal and associated professional services	67,159.93	1,980.00
Security services	22,500.00	90,000.00
Website Design	92,274.81	-
	181,934.74	216,060.00

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

10. Accounting Services	2017 (SBD)	2016 (SBD)
Engagement of external accounting services	568,600	139,400

11. Miscellaneous Expenses

Airline membership subscription	-	15,550
Employees OHS	15,300	45,000
Stakeholder consultation costs	1,550	4,243
Office consumables	37,416	26,559
Sitting Allowance-Evaluation Committee	3,000	-
	<u>57,266</u>	<u>91,352</u>

12. CASH

Cash included in the Statement comprises the following sources:

Telecommunications Special Fund - 4686890	6,542	6,472
Non Grant Fund Account - 4829670	182,840	521,880
TCSI Term Deposit 1 - 4729686	500,884	830,158
Cash on hand – petty cash	6,000	6,000
Undeposited Funds	-	105,633
Unpresented cheques (net)	<u>(43,265)</u>	<u>-</u>
	653,001	1,470,144

13. Budget (Actual vs Budget)

As provided for under the Telecommunications Act, the Commission budget is prepared on a three year rolling basis. The current period's spending variances arise from:

- Commission remuneration changes due to staff contract amendments in late 2016;
- Increased communications costs;
- Printing of the national ict policy, and TCSI information pamphlets;
- Vehicle maintenance and repairs;
- Attendances and costs for management of the Legislative regime and routine regulatory operations & training.

On a year on year basis actual spending was lower in the reporting period.

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. Taxation

The Telecommunications Commission is exempt from all taxes on its income

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		414,895	494,526	788,135	439,154	1,151,852	1,546,610	1,086,353
Prior Year Adjustment								
<u>Additions 2017</u>								
Vacuum Cleaner			4,227					
<u>2017 Disposals 2017</u>		-	4,227	-	-	-	-	-
Motor Vehicle Santa Fe	1						209,000	
Mobile Samsung S5	1			6,248				
Mobile Samsung S5	1			6,248				
Mobile Samsung S5	1			6,248				
Mobile Samsung S5	1			6,248				
HTC Mini mobile	1			3,699				
HTC Mini mobile	1			3,699				
Visitor/Meeting Chair	1		2,181					
Visitor/Meeting Chair	1		2,181					
Press Cleaner	1		11,886					
Vacuum Cleaner	1		2,610					
IG 2600 H Genset Invertor	1		9,000					
<u>2017 Closing Balance</u>		-	27,858	32,390	-	-	209,000	-
		414,895	470,895	755,745	439,154	1,151,852	1,337,610	1,086,353



INDEPENDENT AUDITOR'S REPORT

To the Telecommunications Commission Solomon Islands.

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the Telecommunications Commission Solomon Islands ("the Commission"), which comprise the statement of cash receipts and payments as at 31 December 2017, the statement of comparison of budget and actual amounts, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statement presents fairly, in all material respects, the statement of cash receipts and payments of the Commission for the year ended December 31, 2017 in accordance with International Public Sector Accounting Standard (IPSAS) Cash Basis.

Basis for Opinion

I have conducted the audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of my report. I am independent of the Commission in accordance to the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternatives but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions or users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanation which, to the best of my knowledge and belief, were necessary for the purpose of my audit.

In my opinion:

- i) Proper books of accounts have been kept by the commission, sufficient to enable statement of cash receipts and payments to be prepared, and
- ii) To the best of my knowledge and according to the information and explanations given to me the statement of cash receipts and payments give the information required by the Telecommunications Act 2009, in the manner so required.



Peter Lokay
Auditor-General

Office of the Auditor-General
Solomon Islands

Date: 24 / 9 / 2018