



Telecommunications Commission Solomon Islands

FINANCIAL STATEMENT

For the Year Ended 31 December 2019

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 2019.

Dated at Honiara this 30th day of October 2020



Mr. Bernard Hill
Interim Telecommunications Commissioner
Telecommunications Commission Solomon Islands



**Independent Auditor's Report to the Members of Telecommunications Commission
Solomon Islands**

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Telecommunications Commission Solomon Islands ("the Commission") which comprise the Statement of Cash Receipts and Payments, Statement of Comparison of Budget and Actual Amount and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements, in all material respects give a true and fair view of the Commission's receipts and payments for the year ended 31 December 2019, in accordance with International Public Sector Accounting Standard (IPSAS) Cash Basis.

Basis of opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 with International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, and 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the executive's statement or equivalent, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Management are responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS Cash Basis, and for such internal control as the 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 are 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 intend to liquidate the Commission or to cease operations, or has no realistic alternative 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 International Standards of Supreme Audit Institutions (ISSAIs) 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 of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment 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 my 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 the 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 auditors' 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.

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 control that I identified during my audit.

Report on Other Legal and regulatory requirements

I have obtained all the information and explanations which, to the best of my knowledge and belief, are necessary for the purposes of my audit.

In my opinion:

- i) proper books of account have been kept by the Commission, sufficient to enable financial statements to be prepared, so far as it appears from my examination of those books;
- ii) to the best of my knowledge and according to the information and explanations given to us, the financial statements have been prepared in accordance with the requirements of the Telecommunication Act 2009; and
- iii) The Commission has not complied with the requirements of the Public Finance and Audit Act (Cap 120) and the State Owned Enterprises Act 2007, which require the financial statements to be submitted to the Office of the Auditor General not later than three months of the following year to which the financial statements relate. The signed statements were presented to me on 30th October 2020.



Peter Lokay

Auditor-General

5th November 2020

Office of the Auditor-General

Honiara, Solomon Islands

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 (SBD)	2018 (SBD)
RECEIPTS			
Services licence fees	3	8,616,022	7,680,007
Supplementary fees	4	894,087	798,260
Radio spectrum application fees		121,044	110,500
Other income	5	261,599	402,499
Total receipts		9,892,753	8,991,266
PAYMENTS			
<u>Operational expenses</u>			
Commission remuneration	6	6,658,524	4,747,296
International membership subscriptions	7	215,370	223,077
Office premises rent		640,080	640,080
Telecommunications		380,140	340,071
Utilities-electricity,gas & water costs		182,649	333,080
Stationery, printing and publications		123,012	110,922
Transport maintenance & operation		159,678	208,554
Bank & tax charges		56,119	5,680
General repair & maintenance		5,600	9,038
Insurance		63,975	63,975
Regulatory functions & training	8	497,009	249,773
Workshops & participation	9	560,743	489,151
Services contracts	10	81,562	8,800
Accounting Services	11	583,800	581,980
Legal Fees		22,812	368,112
Office supplies		51,508	73,914
Miscellaneous	12	86,737	76,925
		10,369,316	8,530,428
<u>Capital Expenses</u>			
ICT equipment		-	
ICT maintenance		1,600	3,675
Office equipment		9,500	107,124
Furniture & fittings		-	3,877
Spectrum Equipment & Software			
		11,100	114,676
Total payments		10,380,416	8,645,105
Net increase/(decrease) in cash and cash equivalent		(487,664)	346,162
Cash at beginning of the period		999,162	653,001
Unrealised exchange rate difference on foreign currency conversions		-	-
Cash at end of the period	13	511,499	999,162

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes 13	2019 Actual (SBD)	2019 Budget (SBD)	Variance (SBD)
CASH INFLOWS				
Services licence fees		8,616,022	7,865,500	(750,522)
Supplementary Fees		894,087	888,888	(5,199)
Radio spectrum application fees		121,044	169,500	48,456
Other income		261,599	240,600	(20,999)
Total cash inflows		9,892,753	9,164,488	(728,265)
CASH OUTFLOWS				
<u>Operational</u>				
Commission remuneration		6,658,524	6,992,479	(333,955)
International membership subscriptions		215,370	210,000	5,370
Office premises rent		640,080	640,080	-
Telecommunications		380,140	369,600	10,540
Utilities-electricity,gas & water costs		182,649	272,674	(90,025)
Stationery, printing and publications		123,012	105,500	17,512
Transport maintenance & operation		159,678	71,000	88,678
Bank & tax charges		56,119	1,808	54,311
General repair & maintenance		5,600	6,100	(500)
Insurance		63,975	63,975	-
Regulatory functions & training		497,009	31,780	465,229
Workshops & participation		560,743	262,080	298,663
Services contracts		81,562	75,000	6,562
Accounting Services		583,800	556,000	27,800
Legal Fees		22,812	793,652	(770,840)
Office supplies		51,508	33,092	18,416
Miscellaneous		86,737	39,672	47,065
		10,369,316	10,524,492	(155,176)
<u>Capital</u>				
Office accessories		-	10,250	(10,250)
ICT equipment		-	145,000	(145,000)
ICT maintenance		1,600	14,000	(12,400)
Office equipment		9,500	-	9,500
Office improvement		-	15,000	(15,000)
		11,100	184,250	(162,900)
Total cash outflows		10,380,416	10,708,742	-
Surplus/(Deficit) for the period		(487,664)	(1,544,254)	(410,189)

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

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

STATEMENT OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 Actual (SBD)	2019 Budget (SBD)	Variance (SBD)
CASH INFLOWS			
Service licence	8,616,022	7,865,500	(750,522)
Supplementary fees	894,087	888,888	(5,199)
Other income	382,644	410,100	27,456
Total cash inflows	9,892,753	9,164,488	(728,265)
CASH OUTFLOWS			
<i>Operational</i>			
Commission remuneration	6,658,524	6,992,479	(333,955)
International memberships and subscriptions	215,370	210,000	5,370
Office rent	640,080	640,080	-
Telecommunications	380,140	369,600	10,540
Utilities-electricity, gas & water costs	182,649	272,674	(90,025)
Stationery, printing and publications	123,012	105,500	17,512
Vehicles & vessel maintenance & operation	159,678	71,000	88,678
Bank & tax charges	56,119	1,808	54,311
General repair & maintenance	5,600	6,100	(500)
Insurance	63,975	63,975	-
Regulatory operations & training	497,009	31,780	465,229
Workshops & participation	560,743	262,080	298,663
Services contracts	81,562	75,000	6,562
Accounting Services	583,800	556,000	27,800
Legal Fees	22,812	793,652	(770,840)
Office supplies	51,508	33,092	18,416
Miscellaneous	86,737	39,672	47,065
	10,369,316	10,524,492	(155,176)
<i>Capital</i>			
Office accessories	-	10,250	
ICT equipment	-	145,000	(145,000)
ICT maintenance	1,600	14,000	(12,400)
Office equipment	9,500	-	9,500
Office improvement	-	15,000	
	11,100	184,250	(147,900)
Total cash outflows	10,380,416	10,708,742	-
Surplus/(Deficit) for the period	(487,664)	(1,544,254)	(425,189)

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2018.
- (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 2019, 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 2019

3. Services Licence Fees

Services licence fees for 2019 included in the statement, comprise of the following amounts;

	2019 (SBD)	2018 (SBD)
Our Telekom	7,748,417	6,592,923
Bmobile	799,422	1,060,504
Satsol	68,183	26,580
Total services licence fees	8,616,022	7,680,007

4. Supplementary Licence Fees

Supplementary Licence fees for 2019 included in the statement, comprise of the following amounts;

Our Telekom	700,700	700,700
Bmobile	181,256	90,628
Satsol	12,131	6,932
Total supplementary fees	894,087	798,260

5. Other Income

Other income included in the statement comprises the following sources:

Satellite filing & other fees	104,529	153,285
Term deposit Interest	161	306
Premises sub-Lease	154,800	95,992
Miscellaneous	2,110	152,917
	261,599	402,499

6. Commission Remuneration

Commssioner	3,902,322	2,448,642
Permanent staff	2,756,202	2,298,655
	6,658,524	4,747,296

7. International membership subscriptions

International Telecommunication Union	172,749	178,882
Pacific Telecommunication Council	-	2,029
Asia Pacific Telecommunity	42,620	42,166
	215,370	223,077

8. Regulatory functions & training costs

General operations & incidental training	96,211	2,345
International Telecommunication Union	310,774	188,177.76
Asia Pacific Telecommunity	42,086	43,016.28
P.I. Regulatory Resource Centre	47,939	16,233.77
	497,009	249,773

9. Workshops & Conferences

Pacific Telecommunication Council	151,182	135,342.67
Pacific Islands Telecommunications Association & other sector events	409,561	353,808.43
	560,743	489,151

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

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Service Contracts	<u>2019 (SBD)</u>	<u>2018 (SBD)</u>
Data Upgrade	20,200	-
Website Design	61,362	8,800
	81,562	8,800
 11. Accounting Services		
Engagement of external financial management & accounting services	583,800	581,980
 12. Miscellaneous Expenses		
Employees OHS	15,300	15,300
Stakeholder consultation costs	-	31,127
Office consumables	42,274	30,498
Foreign Currency Exchange Loss	662	-
Sitting Allowance-Evaluation Committee	28,500	-
	86,737	76,925
 13. CASH		
<i>Cash included in the Statement comprises the following sources:</i>		
Telecommunications Special Fund - 4686890	5,734	6,178
Non Grant Fund Account - 4829670	448,714	735,895
TCSI Term Deposit 1 - 4729686	51,051	251,090
Cash on hand – petty cash	6,000	6,000
	511,499	999,162

14. 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:

- a) Commission remuneration changes due to staff rental contract amendments, staff long service payments, Commissioner gratuity and repatriation payments;
- b) Increased communications costs;
- c) Printing of the national ict policy, and TCSI information pamphlets;
- d) Vehicle maintenance and repairs;
- e) 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.

15. Subsequent Events

a) Commissioner's employment contract has ended on 31st December 2019, hence the Evaluation Committee has extended his contract for another 3 months ending 31 March 2020. The recruitment process for a new Commissioner has been delayed due to the current Corona Virus (COVID-19) pandemic.

b) It is anticipated that the Corona Virus (COVID-19) pandemic will have a negative impacts on the Commission's revenue collection from the Telecommunication companies licensee holder in 2020 fiscal year

TELECOMMUNICATIONS COMMISSION SOLOMON ISLANDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Taxation

The Telecommunications Commission is exempt from all taxes on its income

16. 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		382,517	427,395	773,301	422,171	1,151,852	1,337,610	1,086,353
Prior Year Adjustment		31,894	(24,615)	(6,952)	(327)			
Additions 2019								
Safe box	1		3,000					
Grass cutter	1		6,500					
Total assets value paid in 2019			9,500					
Disposals 2019								
Hova H/Back Executive chairs	5	22,235						
Coffee table	1	1,889						
Coffee table	1	1,709						
Meeting chairs	8	17,448						
Book shelve	1	2,000						
Book Cases	5	11,990						
Glass display units	2	4,160						
Reception Shelf Unit	1	6,570						
Cabinet Shelf	1	4,480						
Standard shelf	1	1,995						
Reception shelf	1	2,305						
Trinity table	2	3,395						
Aluminium chairs	2	1,044						
Dell Optiplex TM	1				29,900			
Notebooks	2				15,968			
External HD	1				1,250			
Tablet Window	1				12,117			
Makita Cordless drill	1		7,358					
Soniq TV	4		34,000					
Samsung 7	4		33,460					
Samsung 7 Edge	1		9,832					
Total Assets disposed in 2019		81,220	84,650	-	59,235			
Closing Balance		333,192	327,631	766,349	362,609	1,151,852	1,337,610	1,086,353

17. Staff Loan Facility

Description	2019
Opening loan balance	540,589
Loan forgiven in the year	-
New loans approved in the year	-
Repayments and interest paid in the year	65,638
Closing loan balance	474,951