



# **ANNUAL REPORT 2012**

## **FOREWORD**

This is the first annual report of the Channel Islands Competition and Regulatory Authorities (CICRA). It consists of a report on CICRA's activities together with separate sets of financial statements for the two authorities that comprise CICRA.

This report is presented to Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department pursuant to provisions set out in the Competition Regulatory Authority (Jersey) Law 2001 and The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. It also fulfils the requirements of the obligations on CICRA as set out in the Islands' competition laws and sector specific legislation.

### **What is CICRA?**

The Channel Islands Competition and Regulatory Authorities is the name given to the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA) (formerly the Office of Utility Regulation). The JCRA was established under the Competition Regulatory Authority (Jersey) Law, 2001, and the GCRA was established under the Guernsey Competition and Regulatory Authority Ordinance, 2012.

By working together, sharing resources and expertise between the islands, CICRA's aim is to ensure that consumers receive the best value, choice and access to high quality services, in addition to promoting competition and consumers' interests.

### **CICRA's functions**

#### **Competition**

CICRA is responsible for administering and enforcing the Competition (Jersey) Law 2005 and The Competition (Guernsey) Ordinance, 2012. The aim of this legislation is to prevent consumers being harmed by anti-competitive or exploitative behaviour in the market (such as price-fixing or abuse of market power).

#### **Advisory**

CICRA can be called on to advise the Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department on matters of economic regulation and competition.

#### **Economic regulation**

In common with many jurisdictions in the European Union, and further afield, the States of Jersey and the States of Guernsey have decided to structure particular previously States-run businesses as separate companies - albeit wholly-owned by the States. In Jersey's case this decision was taken in respect of the telecommunications and postal businesses now run by JT and Jersey Post respectively. In Guernsey's case this decision was taken in respect of the telecommunications, postal and electricity businesses now run by Cable and Wireless, Guernsey Post and Guernsey Electricity.

### **Who we are**

CICRA is led by a joint board. The board consists of a Chairman, three non-executive directors and three executive directors. In addition CICRA has eight staff spread between Jersey and Guernsey.

The Chairman is jointly appointed by the States of Jersey and States of Guernsey on the recommendation of Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department. In consultation with the Chairman, the Economic Development Minister and the Commerce and Employment Department are also responsible for the appointment of at least two non-executive directors and the appointment of executive directors to the Board.

### **How to find out more**

More information on CICRA and its activities can be found on the website [www.cicra.je](http://www.cicra.je) or [www.cicra.gg](http://www.cicra.gg).

## CHAIRMAN'S STATEMENT



In June 2012 the effective merger of the competition and regulatory authorities in Jersey and Guernsey was completed. Both bodies now operate under the aegis of the Channel Islands Competition and Regulatory Authorities (CICRA). Legislation in Guernsey transformed the previous Office of Utility Regulation (OUR) into the Guernsey Competition and Regulatory Authority (GCRA) governed by a board rather than as previously by a Director General. The members of the Jersey Competition Regulatory Authority board (JCRA) were appointed as members of the GCRA board. In anticipation of this move, Peter Neville had been appointed to the JCRA board. Peter was previously Director General of the Guernsey Financial Services Commission and brings valuable experience of regulation and of the business and political environment in Guernsey. Peter succeeded Robert Foster who retired from the JCRA board after eight years during which time his experience of regulation and competition in the UK was invaluable.

John Curran, as Director General of the OUR, played a major role in the integration of the two authorities when he was also appointed Chief Executive of the JCRA in September 2011. John had indicated that after seven years running the OUR he would not be seeking a further term when his contract expired in September 2012. After an open selection process Andrew Riseley, previously Deputy Chief Executive of the JCRA, was appointed as the new Chief Executive. Andrew joined the JCRA in July 2011 but has rapidly demonstrated his abilities across the range of the JCRA's work.

Even a small organisation such as CICRA needs a strong management team. Michael Byrne, previously Deputy Director General of the OUR, and Louise Read, previously Head of Finance and Operations at the JCRA, both played a major part in the creation of CICRA as well as effectively performing their normal responsibilities. In recognition of the roles they played, and continue to play, they were appointed as Executive Directors with effect from 1 August 2012.

The end result of what might seem a complicated process is that CICRA operates as a single body but formally takes decisions as GCRA or JCRA under the respective laws of the islands, which, while not identical, are sufficiently aligned so as not to cause significant problems in practice.

There is always a danger that corporate reorganisations result in the eye being taken off the ball. With so much going on we could not, and did not, allow that to happen. We have had to handle a rapid change in the nature of the postal services market affecting both islands and, while the telecoms market continues to grow in importance, the telecommunications market in the islands prove to be a challenge to operators and regulators alike. Here there is a real difference between Jersey and Guernsey; the dominant fixed line operator in Jersey being the States-owned Jersey Telecom while in Guernsey it is the international group Cable and Wireless. Fortunately, the two companies operate in both islands so have to reconcile their interests as both incumbent and entrant.

In Jersey the switch of emphasis in competition regulation towards local markets was completed and good progress that directly benefits the public has been made on petrol, fuel oil and school uniforms. It is disappointing that taxi regulation continues to operate in the interests of the providers of the service rather than the public, notwithstanding the compelling case for deregulation that the JCRA has made. In Guernsey, the legislation that created the GCRA also introduced a competition law for the first time, albeit with very limited funding that will restrict the amount of work that can be done. However, an early success has been the ending of the scale of fixed fees for conveyancing which will provide an immediate and direct benefit to house buyers.

The creation of CICRA has been a success, although operating in two islands with real differences in structures and approaches is a challenge, particularly when the governments have their own agendas. There is much talk of further integration between the islands. CICRA shows what can be done, and is frequently mentioned in the wider debate, but, as Europe has discovered, merged functions require a degree of political integration for which the politicians may not be ready. CICRA will be happy to share its experiences with others as the prize, in terms of greater efficiency and effectiveness, from combined working is substantial.

CICRA has an effective board and an excellent executive team. I am grateful to all my colleagues for the contribution they have made during the year. Combining a major structural change and operating in two different jurisdictions, while maintaining appropriate regulation in ever changing markets, is a real challenge and one that the organisation has more than met.

**Mark Boleat**  
**Chairman**

### **CHIEF EXECUTIVE'S REPORT**



It was a great honour to be appointed as Chief Executive of the Channel Islands Competition and Regulatory Authorities (CICRA) from 13 June 2012. As regulator of competition and utilities, CICRA has a vital role to play in protecting the interests of consumers in the Channel Islands, while also encouraging innovation and growth in local economies, and high-quality and efficient infrastructure. My appointment coincided with the launch of the Guernsey Competition and Regulatory Authority (GCRA) which shares a board with the Jersey Competition Regulatory Authority (JCRA). The board structure provides useful scrutiny and challenge for CICRA's decisions and contributes different perspectives on our regulatory objectives as well as being a helpful source of counsel and support for CICRA's executive.

In a short time, my predecessor, John Curran, made great strides in integrating the Guernsey and Jersey CICRA offices and in sharing the best aspects of both organisations. The creation of the joint CICRA board has been an important step to formalising those arrangements. Continuing that process of integration, particularly in the context of an overall reduction in employee numbers, remains an important task for the CICRA executive.

#### **Competition Law**

The past year saw the introduction of competition law in Guernsey, with The Competition (Guernsey) Ordinance, 2012 coming into effect on 1 August. Much of our initial work on competition law has involved educating businesses and their advisors, individual consumers and States departments about the requirements of the new law; for example, we published new pan-CI guidelines on various aspects of competition law and its administration and enforcement.

We have also instigated a number of competition law investigations during the course of the year in both islands. After completing market studies in Jersey on heating oil and electricity, we look forward to conducting our first pan-Channel Islands market study in relation to grocery retailing in 2013. We have also moved closer to obtaining amendments to the merger notification thresholds in Jersey to mirror those applied in Guernsey. The new thresholds, based on the merging businesses' local turnover, will be more objective than the 'share of supply' tests they replace and will also assist in concentrating CICRA's resources on reviewing material transactions with a significant link to the Channel Islands.

## **Telecommunications**

The largest area of CICRA's work continues to be telecommunications. Work on the allocation of new spectrum, for use by 4G applications, will restart in 2013 and should benefit from the results of a joint strategic review of spectrum policy by the States of Guernsey and Jersey. We procured an independent audit of emissions of electromagnetic radiation from every mobile mast in the bailiwicks during 2012 and were pleased to report that all masts in the Channel Islands are well within the limits given by international standards. We took the first steps in 2012 to encouraging further competition in the provision of landline services across the Channel Islands and expect to see the introduction of new wholesale telecoms products (such as wholesale line rental) during the course of 2013. Work has also begun on harmonising our approach to telecoms regulation in Guernsey and Jersey on matters such as separated accounts, interconnection rates and on-island leased lines. Our intention in 2013 is to increase our focus on consumers' interests in areas such as quality of service, 'bill shock' and variations to fixed-term contracts.

## **The Postal Sectors**

Postal sectors in almost all jurisdictions have experienced considerable challenges in recent years with steep reductions in the volume of letters carried offset, somewhat, by sizeable increases in carriage of parcels and packets as a result of the move to online shopping. The changes for the sector in the Channel Islands have been even more dramatic after a sharp decline in bulk mail due to the abolition of Low Value Consignment Relief (LVCR) for postal items shipped to the United Kingdom in April 2012. Despite the effect of the abolition of LVCR the two incumbent postal operators in the Channel Islands are both profitable and their medium-term future looks sustainable, in part, due to the cost reductions produced by regulatory pressure in prior years. In addition, other postal licensees have adapted their business models in the past year and continue to provide options and choice for larger postal customers. CICRA has recognised the evolution of the postal sector and is in the process of consulting on a new, reduced form of postal regulation. The proposed approach would monitor quality of service and provision of the Universal Service Obligation, while allowing market forces (and the ever-growing threat of substitution by electronic communication) to constrain the prices of postage.

## **Electricity**

The development of our regulation of the electricity sector in Guernsey awaits the results of a further review by government. CICRA recognises that Guernsey Electricity Limited (GEL) and its shareholder, the States of Guernsey, face major decisions in relation to future capital expenditure, and the method by which that expenditure is financed, as well as in considering security of supply in the long-term. CICRA remains convinced that there is a role for independent regulation in representing the interests of consumers and in ensuring that GEL maximises its efficiency. However, we recognise that the scope of any such role in the future needs to focus on where economic regulation can best support broader policy goals.

Finally, I would like to pay tribute to the staff of CICRA particularly Deputy Chief Executive, Michael Byrne, and Director of Finance and Operations, Louise Read, and to thank them for supporting me and their hard work for local consumers. Many businesses and organisations in the Channel Islands are familiar with the challenges of being relatively small in scale. CICRA must also be innovative and pragmatic in order to cover effectively the range of functions undertaken by much larger counterparts in other jurisdictions. Our success to date in doing so is in no small part due to the resourcefulness and diligence of all of my colleagues.

**Andrew Riseley**  
**Chief Executive**

## THE BOARD



**Mark Boleat**  
**Chairman**

Appointed chairman of the joint board on 1 June 2012, having previously been appointed JCRA chairman in April 2010, Mark has extensive experience in regulatory policy and practice and the handling of complex public policy issues. He holds, or has held, numerous board level appointments in commercial, public and charitable organisations including Chairman of the States of Jersey Development Company and Chairman of the City of London Policy and Resources Committee. He has strong ties to Jersey having been born and educated in the island. He has written extensively on Jersey and has undertaken three significant reviews for the States of Jersey including one on consumer policy.



**Richard Povey**  
**Non-Executive Director**

Appointed non-executive director of the joint board on 1 June 2012, having been appointed a JCRA non-executive director in May 2005 Richard has extensive industrial experience particularly in the petrochemical, mechanical and electrical engineering, and telecommunications sectors. He held a number of senior management positions in Swire Pacific Ltd in Hong Kong and Taiwan between 1979 and 1996. Since 1996, he has held non-executive positions for various fund management and industrial companies. He is currently a Non-Executive Director of Henderson Far East Income Ltd.



**Philip Marsden**  
**Non-Executive Director**

Appointed non-executive director of the joint board on 1 June 2012, having been appointed a JCRA non-executive director in September 2010, Philip is a competition lawyer with a particular interest in abuse of dominance, consumer welfare, innovation incentives and international competition issues. His current portfolio includes being the director of the Competition Law Forum, Senior Research Fellow at the British Institute of International and Comparative Law, Non-Executive Director of the UK Office of Fair Trading and a visiting professor at the College of Europe, Bruges.



**Peter Neville**  
**Non-Executive Director**

Appointed non-executive director of the joint board on 1 June 2012, having been appointed a JCRA non-executive director in April 2012, Peter is the former director general of the Guernsey Financial Services Commission having headed the financial watchdog for over eight years. He is currently chairman of Kleinwort Benson in Guernsey.

After reading law at Oxford, Peter qualified as an accountant and then worked as a banker and merchant banker in the City and the Far East. He worked for City watchdog IMRO, which is now part of the Financial Services Authority, and for the Lloyd's of London insurance market. He also advised the Maltese authorities on regulating financial services business.

## THE BOARD (CONTINUED)



**Andrew Riseley**  
**Chief Executive**

Andrew was appointed Chief Executive on 13 June 2012 having joined the JCRA as Deputy Chief Executive in July 2011.

Andrew is a competition and regulatory lawyer, who has worked at large law firms in both the UK and Australia, at one of the UK's competition regulators, and in-house at a major UK utility. He has extensive experience in utility regulation, competition law and public procurement.

Andrew is admitted to practise as a solicitor in England and Wales and Victoria, Australia. He holds post-graduate qualifications in competition law and economics from the London School of Economics and Political Science and degrees with first-class honours in economics and law from Monash University in Australia.



**Michael Byrne**  
**Deputy Chief Executive**

Michael was appointed Deputy Chief Executive on 1 August 2012 having joined the GCRA in May 2005 before being appointed Deputy Director General in December 2007.

Michael has extensive experience applying regulation and competition law in the UK energy, media and telecoms sectors.

Michael holds a diploma in Company Direction from the IoD, an MBA, a post graduate qualification in European Competition Law, and a Bachelor of Science Honours degree in Mathematical Statistics.



**Louise Read**  
**Director of Finance and Operations**

Louise was appointed Director of Finance and Operations on 1 August 2012 having joined the JCRA as Finance and Operations Manager in June 2009.

Louise is a chartered accountant, with extensive experience of managing finance, personnel and operational aspects of business. She played a lead role in the integration of the JCRA and GCRA to form CICRA. She is the board and audit and risk committee secretary.

Louise was previously the Group Financial Accountant at Jersey Post, and has worked with many of Jersey's businesses during her time at PwC.

Louise holds a diploma in Company Direction from the Institute of Directors, is a fellow of the Institute of Chartered Accountants in England and Wales and a BSc in Accounting and Management Sciences from the University of Southampton.



## FINANCIAL STATEMENTS 2012

Consistent with prior years, the Jersey Competition Regulatory Authority (JCRA) made an accounting surplus of £1 in 2012, effectively breaking even. The laws under which the JCRA operates require that it accounts for income only in order to meet its actual costs during the year. It must also ensure that it receives enough income during the year in each of the three areas it covers – competition, telecoms regulation and postal regulation – to fund them separately, given that cross-subsidisation is not permitted. A working balance is maintained at all times but, for the purposes of the financial statements, deferred income adjustments are made to match income with costs.

Overall costs in 2012 decreased by £360k compared with 2011. Year on year consultancy fees were £144k (2011: £262k) reflecting, in part, the benefits of pan-Channel Island working which has given the organisation the ability to complete more projects in house and at a lower cost. Legal fees were £8k (2011: £213k). The level in 2011 was particularly high, reflecting the cost of defending an appeal against a telecoms decision.

The JCRA maintains strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate corporate governance best practice, helps to ensure that it is run as an effective and efficient organisation. An audit of policies and procedures is undertaken each year by independent internal auditors to ensure that high standards are maintained.

In line with the service level agreement between the JCRA and the Economic Development Department (EDD), grant funding for work under the Competition (Jersey) Law 2005 continued to be received quarterly in advance. There was deferred grant income carried forward at the year end of £94,335 (2011: £148,758).

Income of £63k (2011: £84k) was received in the form of mergers and acquisitions fees. There was £12k (2011: £5k) of deferred income relating to applications for approval of mergers and acquisitions that were on-going at the year end.

There was one fine issued and paid during the year relating to an infringement of Article 8(1) of the Competition (Jersey) Law 2005. Although this fine was paid to the JCRA, as required by Article 39(7) of the Competition (Jersey) Law 2005, this was then paid on to the Treasurer of the States and was therefore not accounted for within the income and expenditure account as the JCRA merely acted as a collection agent.

At the year end there was deferred telecommunications licence fee income of £147k (2011: £132k). Based on budgeted costs, the Class III and Class II licence fees for 2012 were once again set at 0.75% of regulated turnover.

At the year end there was deferred postal licence fee income of £154k (2011: £5k). The high level of deferred income reflects the impact of the JCRA's policy of rolling back regulation where it is appropriate to do so.

## **JERSEY COMPETITION REGULATORY AUTHORITY**

(Incorporated in Jersey, Channel Islands)

### **NON EXECUTIVE MEMBERS**

Mark Boleat	Chairman	
Richard Povey		
Philip Marsden		
Peter Neville		appointed 1 June 2012
Robert Foster		term ended 1 August 2012

### **EXECUTIVE MEMBERS**

Andrew Riseley	Chief Executive	appointed 13 June 2012
Michael Byrne	Deputy Chief Executive	appointed 1 August 2012
Louise Read	Directors of Finance and Operations	appointed 1 August 2012
John Curran	Chief Executive	resigned 13 June 2012

### **SECRETARY**

Louise Read

### **INDEPENDENT AUDITORS**

Grant Thornton Limited  
Kensington Chambers  
46/50 Kensington Place  
St Helier  
Jersey  
JE1 1ET

### **BANKERS**

HSBC Bank plc  
PO Box 14  
St Helier  
Jersey  
JE4 8NJ

### **REGISTERED OFFICE**

2<sup>nd</sup> Floor Salisbury House  
1-9 Union Street  
St Helier  
Jersey  
JE2 3RF

## **JERSEY COMPETITION REGULATORY AUTHORITY MEMBERS' REPORT**

The Members of the Jersey Competition Regulatory Authority (JCRA) present their report and financial statements for the year ended 31 December 2012.

### **ACTIVITIES**

The principal activities of the JCRA during the year were the regulation of the telecommunications and postal industries and the administration and enforcement of the Competition (Jersey) Law 2005.

### **RESULTS**

There was a surplus for the year of £1 (2011: surplus £1).

### **MEMBERS**

The Members in office when these financial statements were approved are shown on page 8.

### **INDEPENDENT AUDITORS**

The auditors, Grant Thornton Ltd, who were appointed in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law 2001, have indicated their willingness to continue in office.

By order of the Members

**Louise Read**  
Secretary  
8 March 2013

**JERSEY COMPETITION REGULATORY AUTHORITY  
STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL  
STATEMENTS**

The Competition Regulatory Authority (Jersey) Law 2001 requires the members to prepare financial statements in accordance with generally accepted accounting principles which show a true and fair view of the surplus or deficit of the JCRA for the year and of the state of the JCRA's affairs at the end of the year.

In preparing financial statements the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the JCRA will continue in operation; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The members are responsible for keeping accounting records which are sufficient to show and explain the JCRA's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the JCRA and to enable them to ensure that the financial statements comply with the Competition Regulatory Authority (Jersey) Law 2001. They are also responsible for safeguarding the assets of the JCRA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members confirm that these financial statements comply with these requirements.

The Law also requires the JCRA's accounts to be audited annually by auditors appointed by the Minister for Treasury and Resources and the accounts to be submitted, together with the auditor's report to the Economic Development Department. The Economic Development Department, in turn, must submit the accounts and auditors report thereon to the States of Jersey.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JERSEY COMPETITION REGULATORY AUTHORITY**

We have audited the financial statements of Jersey Competition Regulatory Authority for the year ended 31 December 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Authority's members, as a body, in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law 2001. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Members' Responsibilities on page 10 the Authority's members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2012 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Competition Regulatory Authority (Jersey) Law 2001.

**For and on behalf of  
Grant Thornton Limited  
Chartered Accountants  
St Helier, Jersey, Channel Islands**

**JERSEY COMPETITION REGULATORY AUTHORITY  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>Note</i>	<i>2012</i>	<i>2011</i>
		£	£
<b>INCOME</b>			
Licence fees		711,488	886,371
Economic Development Department grant		279,424	443,496
Mergers and acquisitions fees		63,333	84,220
Bank interest		727	940
Sundry income		10	20
		<u>1,054,982</u>	<u>1,415,047</u>
<b>EXPENDITURE</b>			
Salaries and staff costs		679,111	688,582
Consultancy fees		143,601	261,967
Operating lease rentals		64,953	64,450
Travel and entertainment		18,867	15,975
Conference and course fees		18,019	15,963
Depreciation		7,453	9,597
Administration expenses		18,626	14,404
Legal and professional fees		8,457	213,474
General expenses		23,399	32,188
Audit and accountancy fee		12,000	11,500
Advertising and publicity		17,604	15,812
Repairs and maintenance		20,930	33,385
Heat, light and water		3,017	3,971
Recruitment		18,944	33,778
		<u>1,054,981</u>	<u>1,415,046</u>
<b>SURPLUS FOR THE YEAR</b>	<b>5</b>	<u>1</u>	<u>1</u>

**Recognised gains and losses**

There are no recognised gains and losses other than the surplus of the JCRA of £1 in the years ended 31 December 2012 and 31 December 2011.

**Historical cost equivalent**

There is no difference between the net surplus for the year stated above and its historical cost equivalent.

**Continuing Operations**

All the items dealt with in arriving at the net surplus in the income and expenditure account relate to continuing operations.

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY  
BALANCE SHEET  
AS AT 31 DECEMBER 2012**

	<i>Notes</i>	<i>2012</i> £	<i>2011</i> £
<b>FIXED ASSETS</b>			
Tangible assets	2	22,285	28,134
<b>CURRENT ASSETS</b>			
Debtors and prepayments	3	153,401	234,950
Cash at bank		466,525	233,177
		<u>619,925</u>	<u>468,127</u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	4	516,760	370,811
<b>NET CURRENT ASSETS</b>		<u>103,165</u>	<u>97,316</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>125,451</u>	<u>125,450</u>
<b>RETAINED SURPLUS</b>		<u>125,451</u>	<u>125,450</u>

The financial statements on pages 12 to 19 were approved by the members and signed on their behalf by:

**Mark Boleat**  
**Chairman**  
**8 March 2013**

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>Note</i>	<i>2012</i> £	<i>2011</i> £
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	6	234,225	(344,897)
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest received		727	940
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(1,604)	(6,321)
		_____	_____
<b>INCREASE / (DECREASE) IN CASH</b>		233,348	(350,278)
		=====	=====

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<i>2012</i> £	<i>2011</i> £
Increase / (Decrease) in cash in year	233,348	(350,278)
Cash used to increase liquid resources	-	-
	_____	_____
Change in net funds	233,348	(350,278)
Net funds at 1 January	233,177	583,455
	_____	_____
Net funds at 31 December	466,525	233,177
	=====	=====

**ANALYSIS OF NET FUNDS**

	<i>1 Jan 2012</i> £	<i>Cash flows</i> £	<i>31 Dec 2012</i> £
Cash at bank	233,177	(66,652)	166,525
Current asset investments	-	300,000	300,000
	_____	_____	_____
Total	233,177	233,348	466,525
	=====	=====	=====

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**1. ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention and in accordance with accounting principles generally accepted in Jersey, incorporating United Kingdom accounting standards.

A summary of the more important accounting policies is set out below

**a) Interest receivable**

Interest on bank deposits is accrued on a daily basis.

**b) Fixed assets**

Fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful lives. The depreciation rates used are as follows:

Leasehold improvements	– shorter of remaining length of lease or expected useful life
Computer equipment	– 33% per annum
Website	– 33% per annum
Fixtures and fittings	– 10% per annum
Other equipment	– 20% per annum

**c) Leasing commitments**

All leases are operating leases. Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the lease term.

**d) Pensions**

The JCRA provides a defined contribution pension scheme. Contributions are charged in the income and expenditure account as they become payable in accordance with the rules of the scheme.

**e) Grants**

Grants received from the Economic Development Minister are accounted for in the period to which they relate. Any unused funds at the financial year end are either deferred or repaid to the Minister. Deferred grant income as at 31 December 2012 amounted to £94,334 (2011: £148,758).

**f) Telecoms licence fees**

Licence fees are set on the basis of cost recovery under Article 17 of the Telecommunications (Jersey) Law 2002. The JCRA's costs are determined on an annual basis and these are recovered by applying a percentage to the licensed revenues of the Operators on the basis of relevant pro-rata turnover, or if appropriate an annual fee. The percentage for 2012 was 0.75% (2011: 0.75%).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is treated as deferred revenue. Deferred licence fee income as at 31 December 2012 amounted to £146,603 (2011: £132,245).

**JERSEY COMPETITION REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1. ACCOUNTING POLICIES – CONTINUED**

*g) Postal licence fees*

Licence fees are set on the basis of cost recovery under Article 18 of the Postal Services (Jersey) Law 2004. The JCRA's costs are determined on an annual basis and these are recovered by applying a percentage to the licensed revenues of the Operators on the basis of relevant pro-rata turnover, or if appropriate an annual fee.

The fees for 2012 were set at £250,000 (2011: £250,000) for Jersey Post Limited equating to 0.9% of licensable revenue and £1,000 (2011: £1,000) for Class I Operators.

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is treated as deferred revenue. Deferred licence fee income as at 31 December 2012 amounted to £153,754 (2011: £4,806).

*h) Taxation*

Article 16 of the Competition Regulatory Authority (Jersey) Law 2001 provides that the income of the JCRA shall not be liable to income tax under the Income Tax (Jersey) Law 1961.

*i) Expenditure*

Expenditure is accounted for on an accruals basis.

**2. TANGIBLE FIXED ASSETS**

	<i>Leasehold improvements</i>	<i>Computer equipment</i>	<i>Website</i>	<i>Fixtures and fittings</i>	<i>Other equipment</i>	<i>Total</i>
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2012	35,093	75,984	-	21,415	3,936	136,428
Transfers	-	(4,125)	4,125	-	-	-
Additions	1,296	-	-	308	-	1,604
Disposals	(445)	(4,230)	-	-	-	(4,675)
	-	-	-	-	-	-
At 31 December 2012	<u>35,944</u>	<u>67,629</u>	<u>4,125</u>	<u>21,723</u>	<u>3,936</u>	<u>133,357</u>
<b>Depreciation</b>						
At 1 January 2012	17,192	71,326	-	16,062	3,714	108,294
Transfers	-	(454)	454	-	-	-
Charge in the year	4,283	502	1,361	1,249	58	7,453
Disposals	(445)	(4,230)	-	-	-	(4,675)
	-	-	-	-	-	-
At 31 December 2012	<u>21,030</u>	<u>67,144</u>	<u>1,815</u>	<u>17,311</u>	<u>3,772</u>	<u>111,072</u>
<b>Net book value:</b>						
At 31 December 2012	<u>14,914</u>	<u>485</u>	<u>2,310</u>	<u>4,412</u>	<u>164</u>	<u>22,285</u>
At 31 December 2011	<u>17,901</u>	<u>4,658</u>	=	<u>5,353</u>	<u>222</u>	<u>28,134</u>

**JERSEY COMPETITION REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**3. DEBTORS AND PREPAYMENTS**

	<i>2012</i>	<i>2011</i>
	£	£
Prepayments	40,913	37,323
Trade debtors	111,332	194,188
Sundry debtors	1,156	3,439
	<u>153,401</u>	<u>234,950</u>
	<u><u>153,401</u></u>	<u><u>234,950</u></u>

**4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<i>2012</i>	<i>2011</i>
	£	£
Accruals	23,190	52,389
Deferred grant income	94,335	148,758
Deferred licence fee income	300,357	137,051
Other deferred income	11,667	5,000
Trade creditors	77,080	20,876
Social security	10,131	6,737
	<u>516,760</u>	<u>370,811</u>
	<u><u>516,760</u></u>	<u><u>370,811</u></u>

**5. MOVEMENT ON RETAINED SURPLUS**

	<i>2012</i>	<i>2011</i>
	£	£
Income and Expenditure Account		
At 1 January	125,450	125,449
Surplus for the year	1	1
	<u>125,451</u>	<u>125,450</u>
At 31 December	<u><u>125,451</u></u>	<u><u>125,450</u></u>

**6. NOTE TO THE CASH FLOW STATEMENT**

Reconciliation of surplus for the year to net cash inflow / (outflow) from operating activities:

	<i>2012</i>	<i>2011</i>
	£	£
Operating surplus	1	1
Depreciation	7,453	9,597
Interest on current asset investments	(727)	(940)
Decrease in debtors	81,549	96,335
Increase / (Decrease) in creditors	145,949	(449,890)
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<u><u>234,225</u></u>	<u><u>(344,897)</u></u>

**JERSEY COMPETITION REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. RELATED PARTIES**

**a) The transacting parties are:**

- The Economic Development Minister
- Jersey Competition Regulatory Authority (JCRA)

**Relationship**

The JCRA acts independently of the States, but is accountable to the Economic Development Minister in respect of its funding for the administration and enforcement of the Competition (Jersey) Law 2005 which is also covered by a Service Level Agreement. The Minister acts as a conduit for requests from other Ministers who may request the JCRA to carry out projects. The JCRA reports formally to the Minister on an annual basis.

**Transactions**

In 2012, the Economic Development Minister provided funds to the JCRA to finance the administration and enforcement of the Competition (Jersey) Law 2005.

**Amounts involved**

- £148,758 brought forward as deferred grant income, as agreed from 2011
- £300,000 received during the year under the provisions of the Competition Regulatory Authority (Jersey) Law 2001

**Amounts due to the Economic Development Department at the balance sheet date**

	<i>2012</i>	<i>2011</i>
	£	£
Deferred grant income (included in creditors)	94,335	148,758
	<u>          </u>	<u>          </u>

**b) The transacting parties are:**

- Guernsey Competition and Regulatory Authority (GCRA)
- Jersey Competition Regulatory Authority (JCRA)

**Relationship**

The JCRA and the GCRA work together under the aegis of the Channel Islands Competition and Regulatory Authorities (CICRA) sharing a board, resources and expertise between the islands whilst retaining their own separate legal identities.

**Transactions**

The JCRA and GCRA share resources and expertise and recharge each other for expenses (including staff costs) on a no gain no loss basis.

**Amounts involved**

- £232,282 invoiced during 2012 by the GCRA to the JCRA
- £78,376 invoiced during 2012 by the JCRA to the GCRA

**Amounts due to and from the Guernsey Competition and Regulatory Authority at the balance sheet date**

	<i>2012</i>	<i>2011</i>
	£	£
Amounts due to the JCRA from the GCRA	11,788	1,789
	<u>          </u>	<u>          </u>
Amounts due by the JCRA to the GCRA	41,741	264
	<u>          </u>	<u>          </u>

**JERSEY COMPETITION REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**8. FINANCIAL COMMITMENTS**

At 31 December 2012 the JCRA had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2012</i>	<i>2011</i>
	£	£
Operating leases which expire:		
Not later than one year	-	-
In more than one year but less than five years	53,886	53,886
Later than five years	-	-
	<u>53,886</u>	<u>53,886</u>
	<u><u>53,886</u></u>	<u><u>53,886</u></u>

**9. PENSION COMMITMENTS**

The JCRA provides a defined contribution pension scheme (the Public Employees Contributory Retirement Scheme) for its employees. The assets of the scheme are held separately from those of the JCRA in an independently administered fund. Contributions of £62,268 (2011: £67,509) were charged in the year. There were no unpaid contributions at the year end.

# **JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES**

## **The JCRA and the Economic Development Minister (the Minister)**

The JCRA is an autonomous body and entirely independent in its decision taking from the States of Jersey. But under powers of the Competition Regulatory Authority (Jersey) Law 2001 (the CRA Law), Article 10(1) the Minister, “may give to the Authority written guidance, or general written directions, on matters relating to corporate governance, that is relating to the systems and arrangements by and under which the Authority is directed and controlled”. The following are the Corporate Governance Guidelines as agreed between the Minister and the JCRA.

## **What is Corporate Governance?**

“Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.” – OECD April 1999

## **Constitution of the JCRA**

The JCRA is a statutory body corporate established under Article 2 of the CRA Law. The governing body is a Board of Members which directs regulatory, licensing, financial operational and strategic policies of the JCRA.

## **Functions of the JCRA**

The functions of the JCRA are set out in Article 6 of the CRA Law which states:-

- a) The JCRA shall have such functions as are conferred on it by or under this or any other Law or any other enactment.
- b) The JCRA may recognise or establish, or assist or encourage the establishment of, bodies that have expertise in, or represent persons having interests in, any matter concerning competition, monopolies, utilities or any matter connected with the provision of goods and services to which the JCRA’s functions relate.
- c) The functions of those bodies shall include one or more of the following –
  - i. the provision to the JCRA of advice, information and proposals in relation to any one or more of those matters;
  - ii. the representation of the views of any one or more of those persons.
- d) The JCRA may, on request by the Minister, provide the Minister with reports, advice, assistance and information in relation to any matter referred to in paragraph (b).
- e) The JCRA shall have power to do anything that is calculated to facilitate, or is incidental or conducive to, the performance of any of its functions.

## **Constitution of the Board**

Article 3 of the CRA Law requires the Board to consist of a Chairman and at least two other members.

The appointment of Board Members is undertaken by the Minister. Vacancies which arise on the Board are filled through the use of an open and transparent process. The Minister follows the procedures recommended by the Jersey Appointments Commission – a body set up by the States of Jersey to overview all public sector appointments. A vacancy is usually advertised and once a suitable candidate is identified, a recommendation is made to the Minister.

## **JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

Under the provisions of the CRA Law, the appointment of the Chairman is a matter reserved for decision by the States of Jersey on the recommendation of the Minister. The other Board Members are appointed by the Minister after it has consulted with the Chairman. The Minister must notify the States of the appointments.

On appointment, a Member will receive an induction to the work of the Board and the JCRA. This includes an opportunity to meet all members of staff.

Under the provisions of the CRA Law, Members are appointed for terms not exceeding five years and upon expiry of such period are eligible for reappointment.

### **Operations of the Board**

The Board sets strategic policy and the implementation of these policies is undertaken by the Executive.

The Board usually meets at least monthly or bi-monthly and holds additional meetings when circumstances require it. In advance of each meeting, Members are provided with comprehensive briefing papers on the items under consideration. The Board is supported by the Board Secretary who attends and minutes all meetings of the Board. During 2012 the Board met ten times.

The quorate number of Members to hold a Board meeting is three, two of which must be Non-Executives, with one acting as Chair.

Article 9 of the CRA Law empowers the Board to delegate any of its powers to the Chairman, one or more Members, or an officer or employee of the JCRA or a committee whose member or members are drawn only from the Members, officers and employees of the JCRA. However, the Board is not authorised to delegate the power of delegation or the function of reviewing any of its decisions.

The Board maintains a strategic plan and annual budget which is prepared in the last quarter of each year and incorporates, amongst other things, any strategic issues raised by the Board at its annual away day, and comments received during public consultation. This is considered by the Board prior to the start of the financial year.

The Board monitors the performance of the JCRA against the strategic plan and annual budget through reports at its regular Board meetings. Performance against budget is monitored by the presentation of quarterly management accounts to the Board and ad-hoc financial presentations as and when appropriate.

The JCRA has agreed a policy on travel with the Economic Development Department.

The Chief Executive makes recommendations to the Minister in respect of fees paid to the Non- Executive Board members.

### **Committees of the Board**

Article 7(1) of the CRA Law enables the JCRA to establish committees.

During 2012 the Board had established one committee; an Audit and Risk Committee. The members of this committee are selected from the Non-Executive Directors and are appointed by the Board.

## **JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

The key duties of the Audit and Risk Committee are:-

- To review annually the JCRA's application of corporate governance best practice;
- To review the mechanisms for ensuring the effectiveness of the JCRA's internal controls;
- To review and agree the internal auditor's annual work plan, monitor and review the effectiveness of any internal audit work carried out and review all reports from the internal auditors, monitoring the Executive's responsiveness to the findings and recommendations.
- To meet with the internal auditors at least once a year, without the presence of the Executive.
- To consider certain matters relating to the external audit of the JCRA's annual financial statements (including reviewing those financial statements prior to their consideration by the Board).

Whilst the Audit and Risk Committee's Charter includes the consideration of the annual appointment of the external auditor, the actual appointment of the auditor is a matter reserved to the Treasury and Resources Minister under Article 17 of the CRA Law.

The members of the Audit and Risk Committee at 31 December 2012 were Peter Neville (Chairman), Richard Povey and Philip Marsden. The Chief Executive is expected to attend the meetings of the Audit and Risk Committee in an advisory capacity.

### **Openness, Integrity and Accountability**

The JCRA abides by the principles of openness, integrity and accountability – and those standards which are widely recognised as being applicable to public service, and to the conduct of all involved in public life. In the discharge of its duties, the JCRA will ensure:

- That subject to the appropriate level of confidentiality, it maintains an openness in its public affairs, in order that the public can have confidence in the decision-making processes and actions of public service bodies, in the management of the JCRA's activities, and in the Board Members and staff of the JCRA itself;
- That it maintains at all times an appropriate degree of integrity in the conduct of its affairs. Integrity comprises both straightforward dealing and completeness. The JCRA bases its integrity upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of its funds and management of its affairs;
- That it is fully accountable in the application of the public funds and that these are properly safeguarded, and are used economically, efficiently and effectively.

The three fundamental principles, defined above in terms of public sector bodies, have been refined to include the findings and recommendations of the Nolan Committee on Standards in Public Life. The JCRA will make its best efforts to abide by Nolan's seven general principles that underpin public life, namely: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

### **Audit and Accounts**

While the JCRA is an independent body, it is accountable for its overall performance to the States of Jersey through the Minister.

Article 17 of the CRA Law requires that the JCRA shall keep proper accounts and proper records in relation to the accounts and prepares a report and financial statements in respect of each financial year and provide these to the Minister no later than four months after the year end. The Minister must lay a copy of the financial statements provided before the States as soon as practicable after he receives the report.

It is also a requirement of the CRA Law that the financial statements are audited by auditors appointed by the Treasury and Resources Minister and that they are prepared in accordance with generally accepted accounting principles.

**JERSEY COMPETITION REGULATORY AUTHORITY  
CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

**Other Matters**

Under powers granted by Article 10 of the CRA Law, the Minister may, after first consulting with the JCRA and where it considers that it is necessary in the public interest to do so, give the JCRA written guidance, or general written directions, on matters relating to corporate governance which may include matters relating to accountability, efficiency and economy of operation of the JCRA.



## FINANCIAL STATEMENTS 2012

The Guernsey Competition and Regulatory Authority (GCRA) made an accounting deficit of £23k in 2012 (2011: £1 restated). With effect from 2012, the GCRA accounts for income to meet its actual costs during the year. It must also ensure that enough income is received from each of the four areas that it covers – competition law administration and enforcement, and regulation of the telecoms, postal and electricity sectors, to fund them separately, given that cross-subsidisation is not permitted. A working balance and an appropriate level of reserves are maintained at all times, but for the purpose of the financial statements, deferred income adjustments are made to match income with costs. A prior year adjustment has been made to the financial statements in this respect.

Overall costs in 2012 increased by £24k to £671k compared with 2011. The main increases were in staff and salary costs reflecting the cost of operating under a board structure. Expenditure continues to be closely controlled by the GCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with corporate governance in line with best practice, helps to ensure that it is run as an effective and efficient organisation. An audit of policies and procedures was undertaken during 2012, by independent internal auditors, to ensure that appropriate standards, processes and procedures were in place. It is the intention of the Board that this internal audit should be undertaken annually hereafter.

In line with the service level agreement between the GCRA and the Commerce and Employment Department (C&E), grant funding for work under The Competition (Guernsey) Ordinance, 2012 was received quarterly in advance. During 2012 a grant of £135k was received. The cost of work undertaken in respect of Guernsey's competition law exceeded the grant by £23k. The GCRA has notified C&E of the overspend in accordance with section 7.1 of the Service Level Agreement in place between the GCRA and C&E.

Income of £10k was received in the form of mergers and acquisitions fees.

At the year end telecoms licence fees exceeded costs by £62k and this balance was therefore accounted for as deferred telecommunications licence fee income, to be returned to the operators during 2013. Based on budgeted costs, the licence fees for 2012 were once again set at 0.75% of licensable turnover.

Postal licence fees from Guernsey Post continued to be received on a monthly basis. During 2012 £180k of licence fees were received (2011: £180k) and at the year end there was deferred postal licence fee income of £101k, which will be returned to Guernsey Post in 2013.

Electricity licence fees from Guernsey Electricity continued to be received on a monthly basis. During 2012 £180k of licence fees were received (2011: £180k) and at the year end there was deferred electricity licence fee income of £85k, which will be returned to Guernsey Electricity in 2013.

## **GUERNSEY COMPETITION AND REGULATORY AUTHORITY**

(Incorporated in Guernsey, Channel Islands)

### **MEMBERS**

Mark Boleat (Non-Executive Chairman) – appointed 1 June 2012  
Richard Povey (Non-Executive Director) – appointed 1 June 2012  
Philip Marsden (Non-Executive Director) – appointed 1 June 2012  
Peter Neville (Non-Executive Director) – appointed 1 June 2012  
Robert Foster (Non-Executive Director) – appointed 1 June 2012, resigned 1 August 2012

Andrew Riseley (Chief Executive) – appointed 13 June 2012  
Michael Byrne (Deputy Chief Executive) – appointed 1 August 2012  
Louise Read (Finance and Operations Director) – appointed 1 August 2012  
John Curran (Chief Executive) – resigned 13 June 2012

### **SECRETARY**

Louise Read

### **INDEPENDENT AUDITORS**

BDO Limited,  
P O Box 180  
Place Du Pre  
Rue Du Pre  
St Peter Port  
Guernsey  
GY1 3LL

### **BANKERS**

Lloyds Bank Offshore Limited  
Sarnia House  
Le Truchot  
Guernsey  
GY1 4EF

HSBC Bank plc  
PO Box 14  
St Helier  
Jersey  
JE4 8NJ

### **REGISTERED OFFICE**

Suites B1 & B2  
Hirzel Court  
St Peter Port  
Guernsey  
GY1 2NH

## **GUERNSEY COMPETITION AND REGULATORY AUTHORITY MEMBERS' REPORT**

The Members of the Guernsey Competition and Regulatory Authority (GCRA) present their report and financial statements for the year ended 31 December 2012.

### **ACTIVITIES**

The principal activities of the GCRA during the year were the regulation of the telecommunications, electricity and postal industries and the administration and enforcement of The Competition (Guernsey) Ordinance, 2012.

### **RESULTS**

There was a deficit for the year of £22,816 (2011: surplus £1 restated).

### **MEMBERS**

The Members in office during the year and when these financial statements were approved are shown on page 25.

### **INDEPENDENT AUDITORS**

The auditors, BDO Limited, who were appointed in accordance with Section 13(4)(a) of The Guernsey Competition and Regulatory Authority Ordinance, 2012, have indicated their willingness to continue in office.

By order of the Members

**Louise Read**  
Secretary  
8 March 2013

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL  
STATEMENTS**

The Guernsey Competition and Regulatory Authority Ordinance, 2012, requires Members to prepare financial statements in accordance with generally accepted accounting principles which show a true and fair view of the surplus or deficit of the GCRA for the year and of the state of the GCRA's affairs at the end of the year.

In preparing the financial statements the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the GCRA will continue in operation; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The members are responsible for keeping accounting records which are sufficient to show and explain the GCRA's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the GCRA and to enable them to ensure that the financial statements comply with The Guernsey Competition and Regulatory Authority Ordinance, 2012. They are also responsible for safeguarding the assets of the GCRA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members confirm that these financial statements comply with these requirements.

The Ordinance also requires the GCRA's accounts to be audited annually by auditors appointed by the States of Guernsey on the recommendation of the Public Accounts Committee and the accounts to be submitted, together with the auditor's report to the Commerce and Employment Department. The Commerce and Employment Department, in turn, must submit the accounts and the auditors report thereon to the States of Guernsey.

**INDEPENDENT AUDITORS REPORT  
TO THE MEMBERS OF THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
(formerly Office of Utility Regulation)**

We have audited the financial statements of the Guernsey Competition and Regulatory Authority for the year ended 31 December 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

This report is made solely to the Authority's members, as a body. Our audit work is undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the members and auditor**

As explained more fully in the Statement of Members' Responsibilities on page 27, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2012 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Competition and Regulatory Authority Ordinance, 2012.

**CHARTERED ACCOUNTANTS**

Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

8 March 2013

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>Note</i>	<i>2012</i>	<i>2011</i> <i>(as restated)</i>
		£	£
<b>INCOME</b>			
Licence fees		496,487	641,963
Commerce and Employment Board grant		135,000	-
Mergers and acquisitions fees		10,000	-
Bank interest received		4,473	5,146
Application fees		2,500	-
		<u>648,460</u>	<u>647,109</u>
<b>EXPENDITURE</b>			
Salaries and staff costs		482,623	456,967
Consultancy fees		51,903	51,744
Operating lease rentals		37,029	42,685
Travel and entertainment		20,186	18,607
Conference and course fees		9,987	14,202
Depreciation		2,784	5,567
Administration expenses		10,458	7,029
Legal and professional fees		(610)	3,640
General expenses		7,011	3,126
Audit and accountancy fee		10,478	7,638
Advertising and publicity		12,549	300
Repairs and maintenance		23,687	33,849
Heat, light and water		1,992	1,754
Recruitment		1,197	-
		<u>671,274</u>	<u>647,108</u>
<b>(DEFICIT) / SURPLUS FOR THE YEAR</b>	<b>5</b>	<u>(22,816)</u>	<u>1</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

		<i>2012</i>	<i>2011</i> <i>(as restated)</i>
		£	£
(Deficit) / Surplus for the year		(22,816)	1
Prior period adjustment	10	(184,649)	-
<b>Total gains and losses recognised since last annual report</b>		<u>(207,465)</u>	<u>1</u>

**Historical cost equivalent**

There is no difference between the net deficit for the year stated above and its historical cost equivalent.

**Continuing Operations**

All the items dealt with in arriving at the (deficit) / surplus in the income and expenditure account relate to continuing operations.

The notes on pages 32 - 36 form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
BALANCE SHEET  
AS AT 31 DECEMBER 2012**

	<i>Notes</i>	<i>2012</i> £	<i>2011</i> <i>(as restated)</i> £
<b>FIXED ASSETS</b>			
Tangible fixed assets	2	5,931	8,425
<b>CURRENT ASSETS</b>			
Debtors and prepayments	3	62,853	41,959
Cash at bank		715,206	449,547
		<u>778,059</u>	<u>491,506</u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	4	518,643	211,768
<b>NET CURRENT ASSETS</b>		<u>259,416</u>	<u>279,738</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>265,347</u>	<u>288,163</u>
<b>RETAINED SURPLUS</b>	5	<u>265,347</u>	<u>288,163</u>

The financial statements on pages 29 to 36 were approved and authorised for issue by the members and signed on their behalf by:

**Mark Boleat**  
**8 March 2013**

The notes on pages 32 - 36 form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>Note</i>	<i>2012</i> £	<i>2011</i> £
<b>Net cash inflow from operating activities</b>	6	261,476	69,179
<b>Returns on investment and servicing of finance</b>			
Interest received		4,473	5,146
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(290)	(7,251)
		<u>          </u>	<u>          </u>
<b>Increase in Cash</b>		<u>265,659</u>	<u>67,074</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<i>2012</i> £	<i>2011</i> £
Increase in cash in year	265,659	67,074
Net funds at 1 January	<u>449,547</u>	<u>382,473</u>
Net funds at 31 December	<u>715,206</u>	<u>449,547</u>

The notes on pages 32 – 36 form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2012**

**1. ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention and in accordance with accounting principles generally accepted in the Bailiwick of Guernsey, incorporating United Kingdom accounting standards.

A summary of the accounting policies that the members have applied is set out below

**a) Interest received**

Interest on bank deposits is accounted for on a cash received basis.

**b) Fixed assets**

Fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful economic lives. The depreciation rates used are as follows:

Office equipment	- 20% per annum
Fixtures and fittings	- 20% per annum
Website	- 33% per annum
Computer equipment	- 20% per annum

**c) Leasing commitments**

All leases are operating leases. Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the lease term.

**d) Grants**

Grants received from the Commerce and Employment Department are accounted for in the period to which they relate. Any unused funds at the financial year end are either deferred or repaid to the Department. Any deficits are funded from future grants. Deferred grant income as at 31 December 2012 amounted to (£22,816) effectively a funding deficit which will be funded from 2013 grant income.

The grant received for 2012 was £135,000 (2011:£nil)

**e) Telecoms licence fees**

Licence fees are set on the basis of cost recovery in accordance with section 6 of The Telecommunications (Bailiwick of Guernsey) Law, 2001. The GCRA's costs are determined on an annual basis. A percentage is applied to the licensed revenues of the Operators on the basis of forecast relevant turnover, or if appropriate an annual fee. The percentage for 2012 was 0.75% (2011: 0.75%).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is transferred to deferred income.

**j) Postal licence fees**

Licence fees are set on the basis of cost recovery in accordance with section 6 of The Post Office (Bailiwick of Guernsey) Law, 2001. The GCRA's costs are determined on an annual basis and these are recovered through charging an annual fee.

The fee for 2012 was set at £180,000 (2011: £180,000).

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2012**

**ACCOUNTING POLICIES (CONTINUED)**

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is transferred to deferred income.

***k) Electricity licence fees***

Licence fees are set on the basis of cost recovery in accordance with section 6 of The Electricity (Guernsey) Law, 2001. The GCRA's costs are determined on an annual basis, and these are recovered through charging an annual fee.

The fee for 2012 was set at £180,000 (2011: £180,000).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is transferred to deferred income.

***l) Taxation***

Under section 12 of The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 the GCRA is exempt from Guernsey Income Tax.

***m) Expenditure***

Expenditure is accounted for on an accruals basis.

**2. TANGIBLE FIXED ASSETS**

	<i>Office equipment</i>	<i>Fixtures and Fittings</i>	<i>Computer equipment</i>	<i>Website costs</i>	<i>Total</i>
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2012	31,108	3,265	20,981	4,125	59,479
Additions	-	290	-	-	290
Disposals	-	(1,190)	-	-	(1,190)
At 31 December 2012	<u>31,108</u>	<u>2,365</u>	<u>20,981</u>	<u>4,125</u>	<u>58,579</u>
<b>Depreciation</b>					
At 1 January 2012	30,255	3,265	17,076	458	51,054
Charge in the year	625	15	1,319	825	2,784
On disposals	-	(1,190)	-	-	(1,190)
At 31 December 2012	<u>30,880</u>	<u>2,090</u>	<u>18,395</u>	<u>1,283</u>	<u>52,648</u>
<b>Net book value:</b>					
At 31 December 2012	<u>228</u>	<u>275</u>	<u>2,586</u>	<u>2,842</u>	<u>5,931</u>
At 31 December 2011	<u>853</u>	<u>-</u>	<u>3,905</u>	<u>3,667</u>	<u>8,425</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 31 DECEMBER 2012**

**3. DEBTORS AND PREPAYMENTS**

	2012	2011
	£	£
Prepayments	20,612	16,377
Trade debtors	42,241	23,598
Accrued income	-	1,984
	<u>62,853</u>	<u>41,959</u>

**4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012	2011
	£	(as restated) £
Accruals	20,105	7,321
Deferred licence fee income	432,753	185,649
Trade creditors	65,785	18,798
	<u>518,643</u>	<u>211,768</u>

**5. MOVEMENT ON RETAINED SURPLUS**

	2012	2011
	£	(as restated) £
Income and Expenditure Account		
At 1 January*	288,163	288,162
(Deficit) / Surplus for the year	(22,816)	1
At 31 December	<u>265,347</u>	<u>288,163</u>

Originally £472,812 before deducting prior year adjustment of £184,649

**6. CASH FLOW STATEMENT**

Reconciliation of (deficit) / surplus for the year to net cash inflow from operating activities:

	2012	2011
	£	(as restated) £
Operating (deficit) / surplus	(22,816)	1
Depreciation	2,784	5,567
Bank interest	(4,473)	(5,146)
Decrease in debtors	(20,894)	(20,992)
Increase in creditors	306,875	89,749
	<u>261,476</u>	<u>69,179</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. RELATED PARTIES**

**a) The transacting parties are:**

- The Commerce and Employment Department
- Guernsey Competition and Regulatory Authority (GCRA)

**Relationship**

The GCRA acts independently of the States, but is accountable to the Commerce and Employment Department in respect of its funding for the Competition (Guernsey) Ordinance, 2012, which is also covered by a Service Level Agreement. The GCRA reports formally to the Commerce and Employment Board on an annual basis.

**Transactions**

In 2012, the Commerce and Employment Department provided funds to the GCRA to finance the administration and enforcement of the Competition (Guernsey) Ordinance, 2012.

**Amounts involved**

- £135,000 received during the year under the provisions of The Guernsey Competition and Regulatory Authority Ordinance, 2012.

There were no amounts due to the Commerce and Employment Department at the balance sheet date. The funding deficit for 2012, which has been notified to the Commerce and Employment Department as required under the service level agreement, amounted to £22,816.

**b) The transacting parties are:**

- Guernsey Competition and Regulatory Authority (GCRA)
- Jersey Competition Regulatory Authority (JCRA)

**Relationship**

The GCRA and the JCRA work together under the aegis of the Channel Islands Competition and Regulatory Authorities (CICRA) sharing a board, resources and expertise between the islands whilst retaining their own separate legal identities.

**Transactions**

The GCRA and JCRA share resources and expertise and recharge each other for expenses incurred (including staff costs) on a no gain no loss basis.

**Amounts involved**

- £232,282 invoiced during 2012 by the GCRA to the JCRA
- £78,376 invoiced during 2012 by the JCRA to the GCRA

**Amounts due to and from the Jersey Competition Regulatory Authority at the balance sheet date**

	<i>2012</i>	<i>2011</i>
	£	£
Amounts due to the JCRA from the GCRA (included within trade creditors)	11,788	1,789
	<u>          </u>	<u>          </u>
Amounts due by the JCRA to the GCRA (included within trade debtors)	41,741	23,334
	<u>          </u>	<u>          </u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**8. FINANCIAL COMMITMENTS**

At 31 December 2012 the GCRA had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2012</i>	<i>2011</i>
	£	£
Operating leases which expire:		
Not later than one year	-	-
In more than one year but less than five years	41,016	40,368
Later than five years	-	-
	<u>41,016</u>	<u>40,368</u>
	<u><u>41,016</u></u>	<u><u>40,368</u></u>

**9. TRANSFER FROM OFFICE OF UTILITY REGULATION (OUR) TO GUERNSEY COMPETITION AND REGULATORY AUTHORITY (GCRA)**

The Guernsey Competition and Regulatory Authority Ordinance, 2012 came into force on 1 June 2012. The effect of the Ordinance was to transfer the functions, rights and liabilities of the Director General of Utility Regulation and the Office arising thereof, known as the Office of Utility Regulation (OUR) to the Guernsey Competition and Regulatory Authority (GCRA).

**10. PRIOR YEAR ADJUSTMENT**

In accordance with FRS3 – Reporting Financial Performance, the GCRA has made a prior year adjustment to reflect the impact of a change in the accounting policy adopted in relation to revenue recognition. The effect of the change made is to recognise licence fees and grant income only to cover the costs incurred during the accounting period. Any excess of licence fees are transferred to creditors as deferred fee or grant income and any deficits, above the level of previously deferred income, are recognised in reserves. The GCRA considers that this more appropriately reflects the authority’s need to charge licence fees and receive grant income to cover the costs incurred in discharging its responsibilities set out in the laws it administers and enforces.

Had the change to accounting policy not been made the GCRA would have recorded a surplus in 2012 of £201,292 (2011: £184,650), and creditors of £311,177 (2011: £27,119).

## **GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES**

The GCRA is an autonomous body and independent in its decision making from the States of Guernsey. But under powers in section 3 of the Guernsey Competition and Regulatory Authority Ordinance, 2012 (the Ordinance), the Commerce and Employment Department (the Department) “may, if it considers it desirable in the public interest to do so, and after consulting the GCRA, give to the GCRA written guidance on matters relating to corporate governance, that is to say, matters relating to the system and arrangements by and under which the GCRA is directed and controlled”. The following are the Corporate Governance Guidelines as agreed between the Department and the GCRA.

### **What is Corporate Governance?**

“Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.” – OECD April 1999

### **Constitution of the GCRA**

The GCRA is a statutory body corporate established under Section 1 of the Ordinance. The governing body is a Board of Directors which directs regulatory, licensing, financial, operational and strategic policies of the GCRA.

### **Functions of the GCRA**

The functions of the GCRA are as set out in Section 4 of the Ordinance and may be summarised as follows:

1. To advise the Department generally in relation to the administration and enforcement of competition legislation and the related practice and procedures.
2. To advise the Department generally in relation to competition matters, and in particular:
  - a) The abuse of or suspected abuse of a dominant position by undertakings
  - b) Anti-competitive practices or suspected anti-competitive practices of undertakings
  - c) Mergers or Acquisitions of undertakings.
3. Subject to the provisions of the Competition (Guernsey) Ordinance, 2012, to investigate:
  - a) Any abuse or suspected abuse of a dominant position by an undertaking
  - b) Any anti-competitive practice or suspected anti-competitive practice of an undertaking
  - c) Any merger or acquisition of undertakings.
4. To administer its office and undertaking.
5. To determine the fees payable and costs and expenses recoverable in respect of the exercise of its functions, including interest and penalties payable in the event of default.
6. Any other functions assigned or transferred to the GCRA by legislation or Resolution of the States.

### **Constitution of the Board of Directors**

Paragraph 1(1) of Schedule 1 to the Ordinance requires that the GCRA shall consist of a minimum of 3 members, one of whom shall be the Chairman.

Members of the Board are appointed by the Department after consultation with the Chairman. Vacancies which arise on the Board are filled through the use of an open and transparent process. A vacancy is usually advertised and once a suitable candidate is identified, a recommendation is made to the Department.

## **GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

Under the provisions of Paragraph 1(2) of Schedule 1 to the Ordinance, the appointment of the Chairman is a matter reserved for decision by the States of Guernsey on the recommendation of the Minister.

On appointment, a member will receive an induction to the work of the Board and the GCRA. This includes an opportunity to meet all members of staff.

Under the provisions of Paragraph 2(2) of Schedule 1 to the Ordinance, members are appointed for a period not exceeding five years and upon expiry of such a period are eligible for reappointment.

### **Operations of the Board of Directors**

The Board sets strategic policy and the implementation of these policies is undertaken by the Executive.

The Board usually meets at least eight times per year and will hold additional meetings when circumstances require it. Under the provisions of paragraph 6 of Schedule 1 to the Ordinance, the quorate number of members to hold a Board meeting is the nearest whole number above one half of the number of members. Currently, therefore, the quorate number is four. The Chairman, or person presiding over the meeting has no vote unless there is an equality of votes, in which case he has a casting vote.

In advance of each meeting, members are provided with comprehensive briefing papers on the items under consideration. The Board is supported by the Board Secretary who attends and minutes all meetings of the Board.

Paragraph 13 of Schedule 1 to the Ordinance empowers the Board to delegate by an instrument in writing any of its functions to any of its members, officers or employees named or described in the instrument, including to a committee of members, officers and/or employees. However, the Board is not authorised to delegate this power of delegation, nor the function of considering representations concerning a proposed decision against which there is a right of appeal, any obligation to submit a report to the Department, nor to determine the Chief Executive's minimum term of office.

The GCRA maintains a three year Strategic Plan, which incorporates an Annual Business Plan detailing a number of annual objectives plus annual budgets. These are prepared by the Chief Executive in the third quarter of each year and may incorporate, amongst other things, any strategic issues raised by the Board at its annual away day, and comments received during public consultation and through consultation with the Department. This is considered by the Board before the 1<sup>st</sup> of November each year.

The Board monitors the performance of the GCRA against the annual objectives and budget through reports at its regular Board meetings.

The Chairman makes recommendations to the Department in respect of fees paid to Board members.

### **Committees of the Board**

Paragraph 5 of Schedule 1 to the Ordinance enables the GCRA to establish committees.

The Board has established an Audit and Risk Committee. The members of this committee are selected from the Non-Executive Directors and are appointed by the Board.

## **GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

The key duties of the Audit and Risk Committee are:-

- To review annually the GCRA's application of corporate governance best practice;
- To review the mechanisms for ensuring the effectiveness of the GCRA's internal controls;
- To review and agree the internal auditor's annual work plan, monitor and review the effectiveness of any internal audit work carried out and review all reports from the internal auditors, monitoring the Executive's responsiveness to the findings and recommendations.
- To meet the internal auditors at least once a year, without the presence of the Executive.
- To consider certain matters relating to the external audit of the GCRA's annual financial statements (including reviewing those financial statements prior to their consideration by the Board).

The members of the Audit and Risk Committee at the balance sheet date were Peter Neville (Chairman), Philip Marsden and Richard (Dick) Povey. The Chief Executive is expected to attend the meetings of the Audit and Risk Committee in an advisory capacity.

### **Openness, Integrity and Accountability**

The GCRA abides by the principles of openness, integrity and accountability – and those standards which are widely recognised as being applicable to public service, and to the conduct of all involved in public life.

In the discharge of its duties, the GCRA will ensure:

- That subject to the appropriate level of confidentiality, it maintains an openness in its public affairs, in order that the public can have confidence in the decision-making processes and actions of public service bodies, in the management of the GCRA's activities, and in the Board Members and staff of the GCRA itself;
- That it maintains at all times an appropriate degree of integrity in the conduct of its affairs. Integrity comprises both straightforward dealing and completeness. The GCRA bases its integrity upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of its funds and management of its affairs;
- That it is fully accountable in the application of the public funds and that these are properly safeguarded, and are used economically, efficiently and effectively.

The three fundamental principles, defined above in terms of public sector bodies, have been refined to include the findings and recommendations of the Nolan Committee on Standards in Public Life. The GCRA will make its best efforts to abide by Nolan's seven general principles that underpin public life, namely: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

### **Audit and Accounts**

While the GCRA is an independent body, it is accountable for its overall performance to the States of Guernsey through the Department.

Section 13(3) of the Ordinance requires that the GCRA shall keep proper accounts and proper records in relation to those accounts and prepare in respect of each year, and submit to the Department, a statement of account giving a true and fair view of the state of affairs of the GCRA. These accounts shall be audited annually by auditors appointed by the States on the recommendation of the Public Accounts Committee and submitted, together with the auditors' report to the Department.

The Department will in turn submit the accounts to the States in the form of an Annual Report which also details the work that the GCRA has undertaken during the relevant year.

## **GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

### **General Conditions regarding States Grant Funding**

These general conditions apply to the external bodies in receipt of grant funding from the Department.

#### **A Guidance from Department to Authority**

Under powers granted by Section 3(1) of the Ordinance, the Department may, if it considers it desirable in the public interest to do so, and after consulting the GCRA, give the GCRA written guidance on matters relating to corporate governance, that is to say matters relating to the system and arrangements by and under which the GCRA is directed and controlled. Those matters include matters relating to the GCRA's accountability, efficiency, and economy of operation, but not matters relating directly to the performance of the GCRA's functions. The guidance may, without limitation, relate to conflicts of interest, the GCRA's accounts and the audit thereof, the borrowing of money by the GCRA and the investment of the GCRA's funds, and the GCRA shall have regard to any guidance given by the Department.

#### **B Conditions for spending the grant**

Once the grant allocation has been approved by the Department, the GCRA will have the authority to incur expenditure on the following conditions:

- Neither the Board nor its officers may authorise expenditure materially in excess of that set out in the budget, nor may act in such a way as to compromise the GCRA's capacity to operate within its budget.
- The GCRA must obtain approval to incur any known expenditure which has, or could have, a significant future cost implication. Where this pertains to seeking legal advice for the GCRA in pursuit of its activities on behalf of the Department, assurance should be sought from the Department that additional future funding is likely to be made available to allow the GCRA to meet the increased liabilities and thus discharge its responsibilities under the relevant Laws
- The GCRA will inform the Department if it becomes apparent at any time that an overspend of revenue or capital expenditure is likely to occur.

#### **C Expenditure**

- The GCRA has the responsibility to demonstrate value for money; procurement of goods and services should, therefore, be based on value for money and appropriate procedures should be in place to show that a reasonable assessment against this criterion has been made.
- Contracts should be placed on a competitive basis unless there are convincing reasons to do otherwise. Tenders should be accepted from suppliers which represent best value overall.

#### **D Timeliness in Paying Bills**

- The GCRA should make all reasonable endeavours to collect receipts and pay properly authorised invoices in accordance with the terms of contracts or within 30 days.

#### **E Combatting Fraud**

- The GCRA must have effective internal controls to prevent and detect fraud or theft.
- All cases of attempted, suspected or proven fraud, irrespective of the amount involved, must be reported in writing to the Department as soon as they are discovered.
- The GCRA will be responsible for undertaking a prompt and vigorous investigation of any suspected, or actual, fraud and will inform the police. Legal and/or disciplinary action should be taken in all cases where it can be justified. Appropriate action must be taken to recover public funds and to ensure that the risk of similar fraud is minimised.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

**F Staff**

- The GCRA will be a responsible employer with up-to-date policies which comply with best practice.
- The GCRA will ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them within the resources that could reasonably be available.
- Subject to that proviso, the GCRA shall determine the numbers and grades of staff within the budget allocation for staff approved in the annual Business Plan, up to the maximum agreed by the States.
- In fixing annual pay increases, the GCRA will have regard to the States' pay policy on which staff cost of living increases contained in the grant will be based. It will ensure that such increases are affordable without detriment to the GCRA's overall budget and service provision.

**G Banking**

- The GCRA's accounting officer is responsible for ensuring its banking arrangements safeguard the public funds and the self-generated income which it handles.
- The Board is responsible for ensuring that there is in place an appropriate delegation of authority to spend and to authorise payments to permit the effective operation of the GCRA.
- The Board is responsible for the periodic review of the GCRA's banking arrangements to ensure that they represent value for money for the GCRA.
- The Board will ensure that there is appropriate practical segmentation of grant funds from general revenue funds or funding from other sources, and that grant funds are applied only for the purpose specified. For the avoidance of doubt, this provision does not require the GCRA to maintain a separate bank account for grant funds.