



# **ANNUAL REPORT 2013**

## **FOREWORD**

This is the second 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). 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 competition law in Jersey and Guernsey. 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 Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department on matters of economic regulation and competition. In Jersey, during 2013 we began advising on aspects of the future regulation of the Ports of Jersey.

#### **Economic regulation**

In common with many jurisdictions in the European Union, and further afield, the Jersey and the Guernsey have decided to structure particular previously States-run businesses as separate companies – which are, with the exception of Sure in Guernsey, 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 as at 31 December 2013 CICRA had five staff and one secondee working across the two islands.

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



Last year I reported on the merger of the two competition and regulatory authorities in Jersey and Guernsey to form the Channel Islands Competition and Regulatory Authorities (CICRA). This was a merger in fact but not in law. The two bodies, the Jersey Competition Regulatory Authority and the Guernsey Competition and Regulatory Authority, each retain their separate legal status but operate with a single board and executive team. The merger made sense for a number of reasons particularly in respect of economies of scale and also given that the islands face very similar issues. Internally, the arrangement has worked well, although having two offices separated by 27 miles of water does present its challenges.

The two authorities had worked closely together for a number of years before the merger; they seek to address similar issues affecting the islands and recognise the benefits of taking a pan-Channel Island approach on telecoms. In the past 18 months the islands have begun to diverge in a number of respects, notably the allocation of the 4G spectrum, the merits of particular forms of regulation for utilities, the extent of resources they provide to support competition issues and the approach to wider telecommunications issues. CICRA has coped with these differences but these divergences have meant that the economies of scale have significantly reduced and the benefits of pan-Channel Island working have accordingly diminished. The present situation is sustainable but is far from ideal. The consumers in both islands would be better served by a common policy approach to what are common issues.

Telecommunications is now by far the largest area of CICRA's work. Jersey and Guernsey consumers are poorly served in respect of telecoms, paying more and receiving a poorer service than their counterparts in other jurisdictions. The two islands have different starting points. The incumbent (JT) in Jersey is government-owned while the incumbent in Guernsey (Sure) is a private company. The introduction of the 4G spectrum was delayed by a year due to a decision of the Guernsey Commerce and Employment Board to explore the auctioning of the spectrum. Only at the end of 2013 were we able to recommence a consultation which will ultimately result in allocating available spectrum.

Neither island benefits from competition in the provision of fixed line services, which contributes to the cost of broadband being well above that in the UK and other jurisdictions. The problem is greater in Jersey; one of the factors being CICRA's inability to require the implementation of wholesale line rental. In some jurisdictions the incumbent has done this voluntarily, but in Jersey CICRA has had to resort to a legal process seeking to impose a licence condition on JT. JT challenged CICRA in the courts with the Royal Court finding in favour of JT on a procedural point and a timing issue. This has delayed the introduction of competition for at least another year. CICRA has reviewed its processes to avoid another such legal challenge, but would far prefer to deal with such issues by agreement. It makes little sense for a States of Jersey-owned entity to take a States of Jersey established regulator to court on what should be a matter of public policy. We will be exploring ways of achieving a more satisfactory policy framework during 2014.

Channel Islands businesses are poorly served in respect of both on-island and off-island connectivity - prices being a multiple of those that apply elsewhere. CICRA has little ability to act in respect of off-island connectivity; here the governments of the two islands must take the lead. However, on on-island connectivity, CICRA initiated a study in 2013 and will be seeking to identify how the current unsatisfactory position can be improved in 2014.

Even five years ago postal services were regarded as an essential public utility. Much of the focus of the two island regulators therefore was on securing competition in the postal market and generally seeking to ensure that the consumer was well served. Now, use of the internet has dramatically changed the position and "urgent mail" scarcely exists. Price controls have become largely irrelevant as the wider communications market constrains the ability of postal operators to raise their prices. CICRA has reacted accordingly by substantially scaling back regulation of Channel Islands postal services. This is reflected in a sharp reduction in the fees levied on Jersey Post and Guernsey Post; the fees reduced from £332,000 and £160,000, respectively, in 2010 to £35,000 and £30,000, respectively, in 2013.

Over the last few years competition policy in Jersey has increasingly concentrated on those areas of expenditure most relevant to consumers including petrol, fuel oil and school uniforms. In those three areas CICRA can claim some modest successes. Sadly, this has not been the case on taxis where it is disappointing that the government department responsible for regulating taxis - Transport and Technical Services (TTS) - has made little progress in addressing the need for change. Jersey's key income generating sectors, tourism and finance business, will all continue to be adversely affected, as is public safety, until TTS acts decisively to implement change.

In the area of competition law there was a major Guernsey success in 2013 with the substantial fall in conveyancing fees. In response to the introduction of the Competition Law, the Guernsey Bar voluntarily removed its fixed scale. It is worth noting that the level of competition law funding in Guernsey is considerably lower than in Jersey. As far as possible, given the funding constraints, CICRA will continue to conduct pan-Channel Island market studies. The main exercise in 2013 was a study of the groceries market. The report was published in January 2014 and does much to explain the extent of, and reasons for, differences in price between the islands and the UK. Such studies are not always able to achieve dramatic reductions in prices. For example, in many cases, there is no "magic bullet". However, they can be invaluable in improving the quality of public debate on issues the consumers of both islands have a keen interest in by examining and explaining how these markets work.

2013 has been a challenging year for CICRA. A disproportionate amount of time has been spent on political and management issues largely arising from having a combined regulator. However, a high quality and quantity of work has been maintained and CICRA has continued to make a contribution to the well-being and prosperity of the people of Jersey and Guernsey. I am grateful to my board colleagues and to the executive team for their hard and very professional work and for being ever-willing to work above and beyond the call of duty. During the year Dick Povey retired as a non-executive director after nine years' service. He had been a very valuable board member both because of his telecoms and more general business experience and also his knowledge of seemingly everything in Jersey. He has been succeeded by Regina Finn who brings to the board huge experience as a regulator in the UK. Peter Neville also announced his resignation in November. We are grateful for Peter's input during his time as a non-executive director.

**Mark Boleat**  
**Chairman**

## CHIEF EXECUTIVE'S REPORT



The past year saw CICRA tackling a wide range of challenges.

**Telecoms** regulation continues to form the largest part of CICRA's work which, in our view, is appropriate given the value of this sector and its importance to the islands' economies. We have begun the process of addressing a number of long-standing issues in Channel Islands telecoms; in particular the high cost of business connectivity. Both governments are keen to develop their respective islands' ICT sectors. To facilitate this development, key products, such as data connectivity both on-island and off-island, need to be available and competitively-priced while recognising the economies of scale in the Channel Islands not experienced in bigger markets. In support of the strategic concerns of the islands' governments we have given a high priority to completion of our business connectivity market review and addressing concerns regarding off-island connectivity as well as to projects relating to broadband provision.

The poor quality of residential telecoms services has been an issue that has gained more prominence over the year in light of service problems on the part of certain operators. We are seeking to address the issue of quality of service in a more systematic way and expect to be able to implement clear quality of service guarantees to consumers in 2014. In Guernsey, given the importance of Sure to the provision of telecoms, we carried out a detailed review of its change of control from Cable & Wireless Communications to Batelco. The new licence conditions imposed on Sure provide safeguards that it will retain appropriate resources within the local business and secure the availability of information to meet its regulatory and statutory requirements. Following approval from the States of Guernsey and States of Jersey we also re-launched our consultation into the allocation of new radio frequency spectrum to support 4G mobile services and expect to finalise our recommendation to Ofcom in the middle of 2014 with new high-speed services to follow for Channel Islands' consumers shortly thereafter.

Following extensive industry discussions, Sure volunteered to offer wholesale access to its network in Guernsey but JT refused to offer the same in Jersey. CICRA chairman, Mark Boleat, has detailed the subsequent Royal Court case in his address in this report.

Effective competition in telecoms is only likely to result once other licensees are able to access the fixed-line telecoms networks in Jersey and Guernsey. Giving consumers in the Channel Islands a choice of fixed line telecoms supplier therefore remains a priority for CICRA in the coming year.

Market studies have become an increasingly important part of our **competition law** work. These studies are undertaken by CICRA where there are concerns that particular markets may not be delivering good outcomes for consumers. The aim is to provide consumers with greater transparency regarding the prices they pay and, where possible, to identify ways of increasing competition, for example, making it easier for new companies to enter the market or for consumers to compare prices or switch suppliers. The Chairman has reported on our first pan-Channel Islands market study (our largest study to date) into the retail supply of groceries.

At the request of Jersey's Minister for Economic Development we also completed a market study into tobacco products. That study, which was published in April 2014, suggested that the inability of Channel Islands' retailers to import cigarettes directly from other markets led to pre-tax prices for cigarettes in the duty-paid market in Jersey being substantially higher than in the UK. We outlined a number of possible solutions that the States of Jersey could pursue in order to facilitate the importation of tobacco products from other, more competitive, markets.

We continue to scrutinise a number mergers and acquisitions while ensuring that our processes do not impede legitimate commercial transactions. Our desire for a pragmatic merger regime is exemplified by our new short-form merger review process in Guernsey; where transactions are extremely unlikely to raise competition concerns a brief application is lodged and a two-week clearance period is given. While we did not issue any competition law infringement decisions during 2013 a number of enforcement investigations are underway. Moreover, the launch of a revised leniency policy and new financial penalties guidelines signalled our determination to detect and eliminate cartels; this will continue to be an area of focus in 2014.

To elaborate on the Chairman's mention of CICRA's competition law work, CICRA will continue to monitor developments following the voluntary lifting of the fixed price arrangement on conveyancing fees. Indications are that a significant reduction in conveyance fees has taken place in Guernsey since the fixed price arrangement was removed. The substantial benefits that flowed to consumers in Guernsey is a powerful reminder of the potential benefits of implementation of competition law can have even in small economies.

Our work with respect to **electricity** in Guernsey has essentially been on hold for 2013 pending the outcome of the ongoing review of utility regulation by the States of Guernsey which began in July 2012. We remain of the view that there is a role for independent regulation of the electricity sector in Guernsey to represent the interests of consumers and, in conjunction with shareholder representatives, to challenge the management of Guernsey Electricity Limited to maximise efficiency and minimise costs. We are concerned about the uncertainty created by the review and the impact on all stakeholders, given the length of time this has taken, and the frequency of such reviews. To assist the review, and in response to the States decision in 2011, CICRA has proposed to the Commerce & Employment Department a new and less burdensome regulatory framework for overseeing this key sector of the economy.

We expect to continue our 'lighter touch' approach to postal regulation. However, CICRA remains the postal regulator and we are well-placed to provide government with advice on future challenges facing postal systems all over the world such as delivery of Universal Service Obligations.

During 2014, CICRA will be preparing for a possible role as the regulator of the incorporated **Ports** of Jersey. In 2013, we provided support to the drafting of the incorporation legislation and outlined for stakeholders how economic regulation of harbours and airports could be constructed.

The eight-person CICRA team has had to demonstrate flexibility and perseverance in dealing with the challenges that we have faced during 2013. I remain very grateful to all my colleagues for their efforts over the past year.

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

## THE BOARD



**Mark Boleat**  
**Chairman**

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.



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

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 member of the Legal Services Consumer Panel, and a visiting professor at the College of Europe, Bruges.



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

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 became 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.

On 23 November 2013 Peter submitted his resignation from the board which became effective on 23 February 2014.



**Regina Finn**  
**Non-Executive Director**

Appointed non-executive director of the joint board on 1 June 2013, Regina has extensive experience in regulation and competition regimes, including as Chief Executive of Ofwat. She regulated telecommunications and postal sectors in Ireland and electricity and gas markets as Commissioner for Energy Regulation from 2005 to 2006. She set up and ran the Channel Islands' first economic regulator, the Office of Utility Regulation in Guernsey, from 2001 to 2005, which has since merged with the JCRA to form CICRA.

Regina is also a non-executive Director of Mutual Energy Holdings Ltd, a Belfast based energy company and a Director of Lucerna Partners, a consultancy specialising in regulation and public policy.

## THE BOARD (CONTINUED)



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

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.

Post year end Andrew submitted his resignation from the board which will become effective on 5 June 2014.



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

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 BSc Honours degree in Mathematical Statistics.



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

Louise is a chartered accountant, with extensive experience of managing finance, personnel and operational aspects of business. 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 IoD, is a fellow of the Institute of Chartered Accountants in England and Wales and holds a BSc in Accounting and Management Sciences from the University of Southampton.



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

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.

Richard's term of office ended on 8 May 2013.

## MEETINGS OF THE AUTHORITIES, MEMBER FEES AND EXPENSES

Since 1 August 2012, CICRA has been led by a joint board. The Chairman is appointed concurrently as Chair of the GCRA by the States of Deliberation in Guernsey and Chair of the JCRA by the States of Jersey. Members are appointed concurrently to the boards of the GCRA and JCRA by the Commerce and Employment Board and the Minister for Economic Development Department respectively.

### Meetings

During 2013, attendance at meeting of the Boards and its Committees was as follows:

Member	GCRA		JCRA	
	Board	Audit and Risk	Board	Audit and Risk
Mark Boleat	8/8	4/4	8/8	4/4
Philip Marsden	8/8	4/4	8/8	4/4
Peter Neville	8/8	4/4	8/8	4/4
Regina Finn	5/5	1/1	5/5	1/1
Richard Povey	3/3	3/3	3/3	3/3
Andrew Riseley	8/8	4/4	8/8	4/4
Michael Byrne	8/8	4/4	8/8	4/4
Louise Read	8/8	4/4	8/8	4/4

### Member fees and expenses

In recognition of the additional responsibilities, on the formation of the joint board in August 2012, the Chairman's and member's fees were increased by 25% from £42,000 and £19,000 to £53,000 and £24,000 a year respectively. Each member's fees are split equally between the GCRA and JCRA. There has been no subsequent increase in fees. The following table shows the actual fees paid to each member by the two Authorities (the figures for Peter Neville for 2012, and for Regina Finn and Richard Povey for 2013, are for part years only).

Member	GCRA		JCRA		Shared expenses	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Mark Boleat	26,406	15,404	26,406	33,007	2,901	2,332
Philip Marsden	12,000	7,000	12,000	14,850	1,507	3,225
Peter Neville	12,000	7,000	12,000	9,923	2,842	303
Regina Finn	7,000	0	7,000	0	1,846	0
Richard Povey	4,277	7,000	4,277	15,007	211	1,165

Andrew Riseley, Michael Byrne and Louise Read are executive directors, i.e. members of each authority and employees of each authority. During 2013 they were paid no fees as members of the authorities but received remuneration, as follows:

	2013 £	2012 £	Notes
Andrew Riseley	135,000*	116,500*	Appointed June 2012
Michael Byrne	138,045	120,274	Appointed member of each authority August 2012
Louise Read	97,985*	77,285*	Appointed member of each authority August 2013, 2013 includes £7,500 bonus

\* Excludes employer's pension contribution of 13.6%



## FINANCIAL STATEMENTS 2013

The Guernsey Competition and Regulatory Authority (GCRA) made an accounting surplus of £1 in 2013 (2012: deficit £23k). The GCRA 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 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.

Overall costs in 2013 were £674k consistent with 2012 (£671k). 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 is undertaken each year, by independent internal auditors, to ensure that high standards are maintained and that appropriate processes and procedures are in place.

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 2013 a grant of £140k was received. In 2012, the cost of work undertaken in respect of Guernsey's competition law exceeded the grant by £23k and the GCRA agreed with C&E that the deficit would be 'made good' from future grant funding. The deficit was reduced by £9k during 2013, with further reductions anticipated in 2014.

Income of £26k (2012: £10k) was received in the form of mergers and acquisitions fees.

At the year end telecoms licence fees exceeded costs by £46k and this balance was therefore accounted for as deferred telecommunications licence fee income. Based on budgeted costs and with the aim of reducing the level of deferred telecommunication licence fee income held, the licence fees for 2013 were set at 0.5% (2012:0.75%) of licensable turnover.

Postal licence fees from Guernsey Post continued to be received on a monthly basis. During 2013 £90k of licence fees were received (2012: £180k) and at the year end postal licence fees exceeded costs by £60k. This balance was therefore accounted for as deferred postal licence fee income which will be returned to Guernsey Post in 2014. During 2013 £144k of deferred licence fee income was refunded to Guernsey Post.

Electricity licence fees from Guernsey Electricity continued to be received on a monthly basis. During 2013 £110k of licence fees were received (2012: £180k) and at the year end electricity licence fees exceeded costs by £58k. This balance was therefore accounted for as deferred electricity licence fee income which will be returned to Guernsey Electricity in 2014. During 2013 £133k of deferred licence fee income was refunded to Guernsey Electricity.

## **GUERNSEY COMPETITION AND REGULATORY AUTHORITY**

(Incorporated in Guernsey, Channel Islands)

### **NON EXECUTIVE MEMBERS**

Mark Boleat	Chairman
Philip Marsden	
Regina Finn	appointed 1 June 2013
Richard Povey	term ended 8 May 2013
Peter Neville	resigned effective 23 February 2014

### **EXECUTIVE MEMBERS**

Andrew Riseley	Chief Executive	resigned effective 5 June 2014
Michael Byrne	Deputy Chief Executive	
Louise Read	Director of Finance and Operations	

### **SECRETARY**

Louise Read

### **INDEPENDENT AUDITORS**

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

### **BANKERS**

Barclays Private Clients International  
Jersey International Banking Centre  
PO Box 8  
St Helier  
Jersey  
JE4 8NE

### **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 2013.

### **ACTIVITIES**

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

### **RESULTS**

There was a surplus for the year of £1 (2012: deficit £22,816).

### **MEMBERS**

The Members in office during the year and when these financial statements were approved are shown on page 11.

### **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

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

The Guernsey Competition and Regulatory Authority Ordinance, 2012, (the "Ordinance") 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 at that time 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 financial statements to be audited annually by auditors appointed by the States of Guernsey on the recommendation of the Public Accounts Committee and the financial statements 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 financial statements and the auditor's report thereon to the States of Guernsey.

## **INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY**

We have audited the financial statements of the Guernsey Competition and Regulatory Authority for the year ended 31 December 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes 1 to 9. 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 Section 13 of The Guernsey Competition and Regulatory Authority Ordinance, 2012. 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 13, 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 Financial Reporting Council's (FRC'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 2013 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 properly prepared in accordance with the requirements of The Guernsey Competition and Regulatory Authority Ordinance, 2012.

BDO Limited  
Chartered Accountant  
Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

14 March 2014

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
		£	£
<b>INCOME</b>			
Telecoms licence fees		427,998	322,655
Electricity licence fees		52,200	94,586
Postal licence fees		29,644	79,246
Competition law grant		131,355	135,000
Mergers and acquisitions fees		25,750	10,000
Bank interest received		7,297	4,473
Application fees		-	2,500
		<u>674,244</u>	<u>648,460</u>
<b>EXPENDITURE</b>			
Salaries and staff costs		485,889	482,623
Consultancy fees		49,510	51,903
Operating lease rentals		36,206	37,029
Travel and entertainment		15,265	20,186
Conference and course fees		7,544	9,987
Depreciation		3,591	2,784
Administration expenses		13,235	10,458
Legal and professional fees		-	(610)
Audit and accountancy fee		9,923	10,478
Advertising and publicity		12,987	12,549
Repairs and maintenance		23,650	23,687
Heat, light and water		3,303	1,992
Recruitment		4,493	1,197
General expenses		8,647	7,011
		<u>674,243</u>	<u>671,274</u>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>5</b>	<u>1</u>	<u>(22,816)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<i>2013</i>	<i>2012</i>
	£	£
Surplus / (Deficit) for the year	1	(22,816)
Repayment from the Public Utilities Regulation Fund (PURF)	(90,451)	-
Release from PURF to finance current year activities	(159,549)	-
Amounts previously provided for in the PURF	184,649	-
Prior period adjustment	-	(184,649)
<b>Total gains and losses recognised since last annual report 6</b>	<u>(65,350)</u>	<u>(207,465)</u>

**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 surplus / (deficit) in the income and expenditure account relate to continuing operations.

The notes form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
BALANCE SHEET  
AS AT 31 DECEMBER 2013**

	<i>Notes</i>	<i>2013</i> £	<i>2012</i> £
<b>FIXED ASSETS</b>			
Tangible fixed assets	2	4,136	5,931
<b>CURRENT ASSETS</b>			
Debtors and prepayments	3	16,915	62,853
Cash at bank		408,921	715,206
		<u>425,836</u>	<u>778,059</u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	4	229,975	518,643
<b>NET CURRENT ASSETS</b>		<u>195,861</u>	<u>259,416</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>199,997</u>	<u>265,347</u>
<b>RETAINED SURPLUS</b>	5	<u>199,997</u>	<u>265,347</u>

The financial statements on pages 15 to 22 were approved and authorised for issue by the members and signed on their behalf by:

**Mark Boleat**

The notes form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<i>Note</i>	<i>2013</i> £	<i>2012</i> £
<b>Net Cash (Outflow) / Inflow from Operating Activities</b>	7	(311,786)	261,476
<b>Returns on Investment and Servicing of Finance</b>			
Interest received		7,297	4,473
<b>Capital Expenditure and Financial Investment</b>			
Payments to acquire tangible fixed assets		(1,796)	(290)
<b>Management of Liquid Resources</b>			
One month fixed term deposit account		(250,000)	-
		<u>          </u>	<u>          </u>
<b>(Decrease) / Increase in Cash</b>		<u>(556,285)</u>	<u>265,659</u>

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

	<i>2013</i> £	<i>2012</i> £
(Decrease) / Increase in cash in year	(556,285)	265,659
Increase in liquid resources	250,000	-
	<u>          </u>	<u>          </u>
Change in net funds	(306,285)	265,659
Net funds at 1 January	715,206	449,547
	<u>          </u>	<u>          </u>
Net funds at 31 December	<u>408,921</u>	<u>715,206</u>

**ANALYSIS OF NET FUNDS**

	<i>1 Jan 2013</i> £	<i>Cash flows</i> £	<i>31 Dec 2013</i> £
Cash at bank	715,206	(556,285)	158,921
Fixed term deposit account	-	250,000	250,000
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>715,206</u>	<u>(306,285)</u>	<u>408,921</u>

The notes form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES**

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

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

**a) Interest received**

Interest on deposits held with Guernsey's Treasury and Resources Department was accounted for on a cash received basis. Interest on other 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 economic lives. The depreciation rates used are as follows:

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

**c) Leasing commitments**

All leases entered into by the GCRA 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 2013 amounted to (£14,171) (2012: (£22,816)) effectively a funding deficit which will be funded from 2014 grant income.

The grant received for 2013 was £140,000 (2012:£135,000). Only £131,155 is reflected in the income and expenditure account in order to match the expenditure on competition law matters during 2013. The 2013 surplus of competition law grant funding over expenditure of £8,645 therefore reduced the 2012 funding deficit of £22,816 to £14,171.

**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 and these are recovered by applying a percentage to the licensed revenues of the various licensed telecoms operators on the basis of relevant turnover, or if appropriate an annual fee. The percentage for 2013 was 0.5% (2012: 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. The balance transferred in respect of 2013 was £46,271 (2012: £60,726).

**f) 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 2013 was set at £90,000 (2012: £180,000).

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 31 DECEMBER 2013**

**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. The balance transferred in respect of 2013 was £60,356 (2012: £100,754).

**a) 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 2013 was set at £110,000 (2012: £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. The balance transferred in respect of 2013 was £57,804 (2012: £85,414).

**b) Taxation**

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

**c) Expenditure**

Expenditure is accounted for on an accruals basis.

**1. 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 2013	31,108	2,365	20,981	4,125	58,579
Additions	-	-	1,796	-	1,796
Disposals	-	-	(465)	-	(465)
At 31 December 2013	<u>31,108</u>	<u>2,365</u>	<u>22,312</u>	<u>4,125</u>	<u>59,910</u>
<b>Depreciation</b>					
At 1 January 2013	30,880	2,090	18,395	1,283	52,648
Charge in the year	204	58	1,418	1,911	3,591
On disposals	-	-	(465)	-	(465)
At 31 December 2013	<u>31,084</u>	<u>2,148</u>	<u>19,348</u>	<u>3,194</u>	<u>55,774</u>
<b>Net book value:</b>					
At 31 December 2013	<u>24</u>	<u>217</u>	<u>2,964</u>	<u>931</u>	<u>4,136</u>
At 31 December 2012	<u>228</u>	<u>275</u>	<u>2,586</u>	<u>2,842</u>	<u>5,931</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2013**

**2. DEBTORS AND PREPAYMENTS**

	<i>2013</i>	<i>2012</i>
	£	£
Prepayments	16,090	20,612
Trade debtors	825	42,241
	<u>16,915</u>	<u>62,853</u>

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

	<i>2013</i>	<i>2012</i>
	£	£
Accruals	44,084	20,105
Deferred licence fee income	173,326	432,753
Trade creditors	12,565	65,785
	<u>229,975</u>	<u>518,643</u>

**4. MOVEMENT ON RETAINED SURPLUS**

	<i>2013</i>	<i>2012</i>
	£	£
Income and Expenditure Account		
	£	£
At 1 January	265,347	288,163
Surplus / (Deficit) for the year	1	(22,816)
Other recognised gains and losses (note 6)	(65,351)	-
	<u>199,997</u>	<u>265,347</u>

**5. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

The amounts contained with the Statement of Total Recognised Gains and Losses reflect a decision taken during the year by the Members to reduce the surplus held within the GCRA by returning amounts to licensees. In the case of Guernsey Post and Guernsey Electricity a refund of licence fees was paid. In the case of telecoms licensees a reduced licence fee was charged during 2013 with the balance of costs incurred covered through a release from the Public Utilities Regulation Fund (effectively the GCRA's retained reserves).

**6. CASH FLOW STATEMENT**

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

	<i>2013</i>	<i>2012</i>
	£	£
Operating surplus / (deficit)	1	(22,816)
Depreciation	3,591	2,784
Bank interest	(7,297)	(4,473)
Decrease in debtors	(45,938)	(20,894)
(Decrease) / Increase in creditors	(288,668)	306,875
Release of amounts held in Public Utilities Regulation Fund	(65,351)	-
	<u>(311,786)</u>	<u>261,476</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**7. RELATED PARTIES**

**a) Transacting parties**

The transacting parties are the Commerce and Employment Department and the 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 administration and enforcement of the Competition (Guernsey) Ordinance, 2012, which is also covered by a Service Level Agreement. The Commerce and Employment Department acts as a conduit for requests from other States departments who may request the GCRA to carry out projects. The GCRA reports formally to the Commerce and Employment Board on an annual basis.

**Transactions**

In 2013, the Commerce and Employment Department provided funds to the GCRA to finance the administration and enforcement of the Competition (Guernsey) Ordinance, 2012.

**Amounts involved**

- £140,000 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 accumulated funding deficit at 31 December 2013, which has been notified to the Commerce and Employment Department as required under the service level agreement, amounted to £14,171 (2012: deficit £22,816).

**b) Transacting parties are:**

The transacting parties are the Guernsey Competition and Regulatory Authority and the 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**

- £37,998 invoiced during 2013 by the GCRA to the JCRA
- £52,557 invoiced during 2013 by the JCRA to the GCRA

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

	<i>2013</i>	<i>2012</i>
	£	£
Amounts due to the JCRA from the GCRA (included within trade creditors)	8,435	11,788
	<u>          </u>	<u>          </u>
Amounts due by the JCRA to the GCRA (included within trade debtors)	825	41,741
	<u>          </u>	<u>          </u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**8. FINANCIAL COMMITMENTS**

At 31 December 2013 the GCRA had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2013</i>	<i>2012</i>
	£	£
Operating leases which expire:		
Not later than one year	-	-
In more than one year but less than five years	41,016	41,016
Later than five years	-	-
	<u>41,016</u>	<u>41,016</u>
	<u><u>41,016</u></u>	<u><u>41,016</u></u>

## **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 Commerce and Employment 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 Members 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:

- a) To advise the Department generally in relation to the administration and enforcement of competition legislation and the related practice and procedures.
- b) To advise the Department generally in relation to competition matters, and in particular:
  - The abuse of or suspected abuse of a dominant position by undertakings
  - Anti-competitive practices or suspected anti-competitive practices of undertakings
  - Mergers or Acquisitions of undertakings.
- c) Subject to the provisions of the Competition (Guernsey) Ordinance, 2012, to investigate:
  - Any abuse or suspected abuse of a dominant position by an undertaking
  - Any anti-competitive practice or suspected anti-competitive practice of an undertaking
  - Any merger or acquisition of undertakings.
- d) To administer its office and undertaking.
- e) 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.
- f) Any other functions assigned or transferred to the GCRA by legislation or Resolution of the States.

### **Constitution of the Board**

Paragraph 1(1) of Schedule 1 to the Ordinance requires that the GCRA shall consist of a minimum of three 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 Department.

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**

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

The Board has eight scheduled meetings a year and holds 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, and annual budget which incorporates an annual business plan detailing a number of annual objectives plus annual budgets. These are finalised in the last 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 prior to the start of the financial 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.

During 2013, the Board had established one committee, an Audit and Risk Committee. The members of this committee comprise 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 of 31 December 2013 were Peter Neville (Chairman), Regina Finn, Philip Marsden and Mark Boleat. The 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.

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

The GCRA complies with the general conditions set out by the Commerce and Employment department which apply to external bodies in receipt of grant funding.



## FINANCIAL STATEMENTS 2013

Consistent with prior years, the Jersey Competition Regulatory Authority (JCRA) made an accounting surplus of £1 in 2013, effectively breaking even. The JCRA 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 that it covers – competition law administration and enforcement, and the regulation of the telecoms and postal sectors – to fund them separately, given that cross-subsidisation is not permitted. A working balance is maintained at all times but, for the purpose of the financial statements, deferred income adjustments are made to match income with costs.

Overall costs in 2013 increased by £149k to £1,204k compared with 2012, principally as a result of costs incurred as the result of an appeal against a telecoms decision.

Expenditure continues to be closely controlled by the JCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate 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 is undertaken each year, by independent internal auditors, to ensure that high standards are maintained and that appropriate processes and procedures are in place.

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. During 2013, a total of £300k was received. There was deferred grant income carried forward at the year end of £133k (2012: £94k) of which £132k related to competition law funding and £1k related to port incorporation funding (2012: all related to competition law funding).

Income of £68k (2012: £63k) was received in the form of mergers and acquisitions fees. There was £2k (2012: £12k) of deferred income relating to applications for approval of mergers and acquisitions that were on-going at the year end.

At the year end telecoms licence fees exceeded costs by £28k (2012: £147k), this balance was therefore accounted for as deferred telecommunications licence fee income. Based on budgeted costs, the Class III and Class II licence fees for 2013 were originally set at 0.5% of regulated turnover. This percentage was based on receiving income from spectrum licensing. Delays to the licensing of spectrum coupled with the cost of defending an appeal against a telecoms decision resulted in additional licence fees amounting to £375k being required effectively raising the percentage to 0.95% for the year.

During 2013, £96k of postal licence fees were received (2012: £250k). At the year end there was deferred postal licence fee income of £61k (2012: £154k). Lower licence fees were charged during 2013, reflecting the impact of the JCRA's mid 2012 policy decision to roll back regulation where it is appropriate to do so.

## **JERSEY COMPETITION REGULATORY AUTHORITY**

(Incorporated in Jersey, Channel Islands)

### **NON EXECUTIVE MEMBERS**

Mark Boleat	Chairman
Philip Marsden	
Regina Finn	appointed 1 June 2013
Richard Povey	term ended 8 May 2013
Peter Neville	resigned effective 23 February 2014

### **EXECUTIVE MEMBERS**

Andrew Riseley	Chief Executive	resigned effective 5 June 2014
Michael Byrne	Deputy Chief Executive	
Louise Read	Director of Finance and Operations	

### **SECRETARY**

Louise Read

### **INDEPENDENT AUDITORS**

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

### **BANKERS**

Barclays Private Clients International  
Jersey International Banking Centre  
PO Box 8  
St Helier  
Jersey  
JE4 8NE

### **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 2013.

### **ACTIVITIES**

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

### **RESULTS**

There was a surplus for the year of £1 (2012: surplus £1).

### **MEMBERS**

The Members in office during the year and when these financial statements were approved are shown on page 27.

### **INDEPENDENT AUDITORS**

The auditors, BDO Limited, 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

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

The Competition Regulatory Authority (Jersey) Law 2001 (the "Law") 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 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 at that time 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 financial statements to be audited annually by auditors appointed by the Minister for Treasury and Resources and the financial statements to be submitted, together with the auditor's report to the Economic Development Department. The Economic Development Department, in turn, must submit the financial statements and auditor's report thereon to the States of Jersey.

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

We have audited the financial statements of the Jersey Competition Regulatory Authority for the year ended 31 December 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 9. 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 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 29, 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 Financial Reporting Council's (FRC'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 2013 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 properly prepared in accordance with the requirements of the Competition Regulatory Authority (Jersey) Law 2001.

BDO Limited  
Chartered Accountants  
Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

14 March 2014

**JERSEY COMPETITION REGULATORY AUTHORITY  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<i>Note</i>	<i>2013</i>	<i>2012</i>
		£	£
<b>INCOME</b>			
Telecommunications licence fees		825,673	607,080
Postal licence fees		34,914	104,408
Ports of Jersey incorporation grant		11,589	0
Competition law grant		263,059	279,424
Mergers and acquisitions fees		68,000	63,333
Bank interest		985	727
Sundry income		0	10
		<u>1,204,220</u>	<u>1,054,982</u>
<b>EXPENDITURE</b>			
Salaries and staff costs		636,277	679,111
Consultancy fees		98,837	143,601
Operating lease rentals		55,377	64,953
Travel and entertainment		15,632	18,867
Conference and course fees		9,897	18,019
Depreciation		7,970	7,453
Administration expenses		15,448	18,626
Legal and professional fees		246,325	8,457
Audit and accountancy fee		9,004	12,000
Advertising and publicity		14,979	17,604
Repairs and maintenance		20,575	20,930
Heat, light and water		3,556	3,017
Recruitment		40,140	18,944
General expenses		30,202	23,399
		<u>1,204,219</u>	<u>1,054,981</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 2013 and 31 December 2012.

**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 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 2013**

	<i>Notes</i>	<i>2013</i> £	<i>2012</i> £
<b>FIXED ASSETS</b>			
Tangible assets	2	19,525	22,285
<b>CURRENT ASSETS</b>			
Debtors and prepayments	3	345,192	153,401
Cash at bank		104,478	466,525
		<u>449,670</u>	<u>619,926</u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	4	343,743	516,760
<b>NET CURRENT ASSETS</b>		<u>105,927</u>	<u>103,166</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>125,452</u>	<u>125,451</u>
<b>RETAINED SURPLUS</b>	5	<u>125,452</u>	<u>125,451</u>

The financial statements on pages 31 to 38 were approved by the members and signed on their behalf by:

**Mark Boleat**  
**Chairman**

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<i>Note</i>	<i>2013</i> £	<i>2012</i> £
<b>Net Cash (Outflow) / Inflow from Operating Activities</b>	6	(357,822)	234,225
<b>Returns on Investment and Servicing of Finance</b>			
Interest received		985	727
<b>Capital Expenditure and Financial Investment</b>			
Payments to acquire tangible fixed assets		(5,210)	(1,604)
<b>Management of Liquid Resources</b>			
One month fixed term deposit account		300,000	(300,000)
		_____	_____
<b>Decrease in Cash</b>		<u>(62,047)</u>	<u>(66,652)</u>

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

	<i>2013</i> £	<i>2012</i> £
Decrease in cash in year (Decrease) / Increase in liquid resources	(62,047) (300,000)	(66,652) 300,000
Change in net funds	<u>(362,047)</u>	<u>233,348</u>
Net funds at 1 January	466,525	233,177
Net funds at 31 December	<u>104,478</u>	<u>466,525</u>

**ANALYSIS OF NET FUNDS**

	<i>1 Jan 2013</i> £	<i>Cash flows</i> £	<i>31 Dec 2013</i> £
Cash at bank	166,525	(62,047)	104,478
Fixed term deposit account	300,000	(300,000)	-
Total	<u>466,525</u>	<u>(362,047)</u>	<u>104,478</u>

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 2013**

**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 that the members have applied is set out below

**d) Interest receivable**

Interest on bank deposits is accrued on a daily basis.

**e) 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:

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

**f) Leasing commitments**

All leases entered into by the JCRA 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.

**g) 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.

**h) 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 2013 amounted to £132,689 (2012: £94,335) of which £131,278 related to competition law funding and £1,411 related to port incorporation funding (2012: all related to competition law funding).

**i) 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 various licensed telecoms operators on the basis of relevant turnover, or if appropriate an annual fee. The percentage for 2013 was 0.95% (2012: 0.75%).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is treated as deferred income. Deferred licence fee income as at 31 December 2013 amounted to £28,125 (2012: £146,603).

**JERSEY COMPETITION REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**9. ACCOUNTING POLICIES – CONTINUED**

*j) 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 various licensed postal operators on the basis of relevant pro-rata turnover, or if appropriate an annual fee.

The fees for 2013 were set at £90,873 (2012: £250,000) for Jersey Post Limited equating to 0.4% of licensable revenue and £1,000 (2012: £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 income. Deferred licence fee income as at 31 December 2013 amounted to £60,959 (2012: £153,754).

*k) 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.

*l) 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 2013	35,944	67,629	4,125	21,723	3,936	133,357
Additions	-	5,106	-	104	-	5,210
Disposals	-	(6,163)	-	-	-	(6,163)
At 31 December 2013	<u>35,944</u>	<u>66,572</u>	<u>4,125</u>	<u>21,827</u>	<u>3,936</u>	<u>132,404</u>
<b>Depreciation</b>						
At 1 January 2013	21,030	67,144	1,815	17,311	3,772	111,072
Charge in the year	4,249	1,217	1,361	1,085	58	7,970
Disposals	-	(6,163)	-	-	-	(6,163)
At 31 December 2013	<u>25,279</u>	<u>62,198</u>	<u>3,176</u>	<u>18,396</u>	<u>3,830</u>	<u>112,879</u>
<b>Net book value:</b>						
At 31 December 2013	<u>10,665</u>	<u>4,374</u>	<u>949</u>	<u>3,431</u>	<u>106</u>	<u>19,525</u>
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>

**JERSEY COMPETITION REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**3. DEBTORS AND PREPAYMENTS**

	<i>2013</i>	<i>2012</i>
	£	£
Prepayments	37,167	40,913
Trade debtors	303,680	111,332
Sundry debtors	4,345	1,156
	<u>345,192</u>	<u>153,401</u>
	<u><u>345,192</u></u>	<u><u>153,401</u></u>

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

	<i>2013</i>	<i>2012</i>
	£	£
Accruals	67,685	23,190
Deferred grant income	132,689	94,335
Deferred licence fee income	92,417	300,357
Other deferred income	1,667	11,667
Trade creditors	43,002	77,080
Social security	6,283	10,131
	<u>343,743</u>	<u>516,760</u>
	<u><u>343,743</u></u>	<u><u>516,760</u></u>

**5. MOVEMENT ON RETAINED SURPLUS**

	<i>2013</i>	<i>2012</i>
	£	£
Income and Expenditure Account		
At 1 January	125,451	125,450
Surplus for the year	1	1
	<u>125,452</u>	<u>125,451</u>
At 31 December	<u><u>125,452</u></u>	<u><u>125,451</u></u>

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

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

	<i>2013</i>	<i>2012</i>
	£	£
Operating surplus	1	1
Depreciation	7,970	7,453
Interest	(985)	(727)
(Increase) / decrease in debtors	(191,791)	81,549
(Decrease) / increase in creditors	(173,017)	145,949
<b>NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES</b>	<u><u>(357,822)</u></u>	<u><u>234,225</u></u>

**JERSEY COMPETITION REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**7. RELATED PARTIES**

**a) Transacting parties**

The transacting parties are the Economic Development Minister and the 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 2013, the Economic Development Minister provided funds to the JCRA to finance the administration and enforcement of the Competition (Jersey) Law 2005 and also to advise on the possible future regulation of the Ports of Jersey.

**Amounts involved**

- £94,335 brought forward as deferred grant income, as agreed from 2012
- £300,000 received during the year under the provisions of the Competition Regulatory Authority (Jersey) Law 2001
- £13,000 received during the year to provide advice on the possible future regulation of the Ports of Jersey.

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

	<i>2013</i>	<i>2012</i>
	£	£
Deferred grant income (included in creditors)	132,689	94,335
	<u>          </u>	<u>          </u>

**b) Transacting parties**

The transacting parties are the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA).

**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**

- £37,998 invoiced during 2013 by the GCRA to the JCRA
- £52,557 invoiced during 2013 by the JCRA to the GCRA

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

	<i>2013</i>	<i>2012</i>
	£	£
Amounts due to the JCRA from the GCRA	8,435	11,788
	<u>          </u>	<u>          </u>
Amounts due by the JCRA to the GCRA	825	41,741
	<u>          </u>	<u>          </u>

**JERSEY COMPETITION REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**8. FINANCIAL COMMITMENTS**

At 31 December 2013 the JCRA had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2013</i>	<i>2012</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 £62,793 (2012: £62,268) 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 in Article 10(1) of the Competition Regulatory Authority (Jersey) Law 2001, 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 certain public sector appointments. A vacancy is usually advertised and once a suitable candidate is identified, a recommendation is made to the Minister.

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.

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

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 has eight scheduled meetings each year 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.

The quorate number of Members to hold a Board meeting is three, two of whom 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 2013 the Board had established one committee; an Audit and Risk Committee. The members of this committee comprise the Non-Executive Directors and are appointed by the Board.

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).

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

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 the balance sheet date of 31 December 2013 were Peter Neville (Chairman), Regina Finn, Philip Marsden and Mark Boleat. The 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.

### **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.