



ANNUAL REPORT

2016

FOREWORD

This is the fifth annual report of the Channel Islands Competition and Regulatory Authorities (CICRA) and is presented to Jersey's Chief Minister and Guernsey's Committee for Economic Development pursuant to provisions set out in the Competition Regulatory Authority (Jersey) Law 2001 and The Guernsey Competition and Regulatory Authority Ordinance, 2012. 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?

CICRA is the name given to the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA). The JCRA and GCRA were established as bodies corporate, under the Competition Regulatory Authority (Jersey) Law 2001 and Guernsey Competition and Regulatory Authority Ordinance, 2012, respectively.

By working together, sharing resources and expertise between the islands, CICRA's aim is to ensure markets work well for consumers.

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 Chief Minister and Guernsey's Committee for Economic Development on matters of economic regulation and competition.

Economic regulation - In common with many other jurisdictions, Jersey and 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 each island's States. CICRA is responsible for the economic regulation of the sectors in which these companies operate. In Jersey this decision was taken in respect of the sea and airports, and the telecommunications and postal businesses now run by Ports of Jersey, JT and Jersey Post respectively. In Guernsey this decision was taken in respect of the telecommunications, postal and electricity businesses now run by Sure, Guernsey Post and Guernsey Electricity respectively. Oversight of the postal and electricity sectors in Guernsey is expected to be formally transferred to a new body during 2017.

Who we are

CICRA is led by a joint Board. As at 31 December 2016 the Board comprised a Chairman, two non-executive directors and two executive directors with seven staff and offices in Jersey and Guernsey.

How to find out more

More information on CICRA and its activities can be found on its website www.cicra.je / www.cicra.gg.

CHAIRMAN'S STATEMENT



It was a privilege to be appointed, in July 2016, to Chair the Channel Islands Competition and Regulatory Authorities (CICRA). It is a relatively new body in one sense, with my predecessor, Mark Boleat, overseeing, in 2012, the successful combining of the Jersey and Guernsey bodies into a single pan-Channel Island competition and regulatory body. CICRA is a well-recognised institution in the Channel Islands, and certainly the level of media coverage of its work bears testimony to that. As the new Chair I look forward to advancing the work of the Authorities across the various areas where CICRA is tasked to play a role in ensuring markets work well for consumers.

I would also like to thank Mark Boleat for his hard work and achievements during his tenure.

During my first six months, I have been pleased to meet and discuss the work of CICRA with many of its stakeholders. It is my hope that this will continue and I, with the rest of my Board, look forward to continuing to so engage. The appointment of two new Board members, Paul Masterton and Peter Neville, will be a significant contribution to that engagement process given their local presence and it is with great pleasure that I welcome them to the CICRA Board.

The Chief Executive, Michael Byrne, discusses aspects of our 2016 work in further detail in his report. CICRA's strategic priorities reflect the nature of the sectors we regulate and the maturity of competition in those areas of the economy. But the importance of competition does not mean that there should not be pragmatic co-operation between competing telecoms firms in sharing infrastructure investment in order to avoid a situation where networks costs are duplicated without any additional benefits to consumers. Access competition, efficient wholesale charging and network sharing are matters which will therefore be high on our priorities and CICRA will be seeking policy guidance to ensure it is aligned with wider government priorities going forward.

Our role in enforcing competition law is largely in response to market events and we look to our own prioritisation principles in guiding our work in this area. The number of sectors of the economy where a few providers dominate is bound to be larger in such small economies as Jersey and Guernsey. Protection of competition where it is feasible is therefore even more important and we have shown that while we are prepared to be pragmatic we are also ready to act on behalf of business and consumers where their interests are under threat.

We continue to develop the economic regulatory mechanisms for Jersey sea and air ports at what is still a nascent stage of regulation and in a regulatory role that is fairly unique in this sector. It is essential that regulated companies understand what their customers want and that customers have trust and confidence that this will be reflected in the decisions that companies take on an ongoing basis. This is an area to which we will give priority.

We look forward to developing these aspects of our work in the interests of the wider Jersey and Guernsey economies.

Michael O'Higgins

CHIEF EXECUTIVE'S REPORT



Over 2016, the promotion of competition has been a significant focus for CICRA. This has afforded Islanders greater choice and in some cases has required former monopolies to compete for customers for the first time. Competition discourages complacency amongst businesses and ultimately consumers are better served. In telecoms, we have and will continue to look at options to support better choice for Islanders by further opening up the local telecoms market to competition across a wider range of telecom services. As a result of our actions in 2015 where we further opened up the fixed landline markets, a greater range of offers was increasingly evident over 2016.

The take up of those options by telecom customers over 2016 demonstrates that consumers in both islands will take advantage of choice when it is made available to them. In mobile telecoms, over 2016 we have sought to ensure that the competing 4G mobile providers deliver on their promises to provide world-class networks with high standards of coverage across the Channel Islands.

As the regulatory and competition authority in the Channel Islands, our preferred approach is one of advocacy rather than enforcement. Nevertheless, where this more pragmatic approach does not deliver an appropriate outcome for consumers we do take enforcement action. During 2016 we took enforcement action on a number of occasions. Connectivity is crucial to the success of the Channel Islands' economies with aviation fuel and air routes being areas of particular focus. In Jersey, we found that the aviation fuel provider had infringed competition law by damaging the ability of a rival to compete and serve its customers. The new arrangement between Blue Islands and Flybe has been of significant public interest. We have afforded Blue Island and Flybe the opportunity to commit to, demonstrate and deliver the benefits of their new arrangement to consumers. However we have reason to believe that the arrangement between them requires further scrutiny to ensure consumer interests are represented and our work in this area will continue into 2017.

JT has been found to contravene its telecoms licence obligations on a number of occasions over the recent past and in 2016 there were two further substantive cases. It is unhealthy for a market to experience the number of confirmed incidents of licence contravention seen in Jersey where a dominant provider is present and competition is fragile. We have urged JT to improve its approach to compliance and in one case issued a fine. It is the case that other concerns expressed to us by JT's competitors were not found to have merit or JT took swift action to remedy concerns. While such a response is obviously helpful, the findings against JT support the view of other telecoms operators that JT's approach to compliance is simply not good enough and threatens competition. We note for example that despite a ruling by the ASA against JT it continues to ignore this decision by another regulatory body in respect of its advertising of 4G speeds.

Ensuring Islanders receive value for money from their telecoms provider is a significant part of our work. During 2016 we looked at charges for fixed telecom services including exchange line, voice calls, repairs and connection charges across the Channel Islands. We concluded that JT's charges for these services in Jersey, where it holds a powerful market position, were too high and we have required JT to reduce those charges by 13%; we expect to see fairer prices introduced as a result. We did not reach the conclusion that Sure in Guernsey should reduce its charges for similar services.

Over 2016 we reviewed 13 mergers of which one (Sandpiper/JMart) was referred to further scrutiny, with consideration of this transaction continuing into 2017. Where competitors seek to acquire their rivals and local markets are affected we will examine the proposed transaction carefully with consumers' interests a high priority.

CHIEF EXECUTIVE'S REPORT (CONTINUED)

We continue to look for ways to improve the regulatory and competition law framework. Channel Islanders benefit from an appropriate competition regime in line with best practice and we look to play our role in further reducing bureaucracy for local business wherever appropriate.

We identified significant improvements that should be made to the merger regimes in the Channel Islands, following an extensive series of engagements. The benefit to consumers of an improved framework is that it enables us to better focus our resources on matters that are more relevant to their interests. To that end, the changes are far reaching and were proposed to both the Jersey Chief Minister's department and the Committee for Economic Development in Guernsey. I would like to register my thanks to the Channel Island law firms in particular who committed a great deal of effort to this process and provided insights that were beneficial and insightful.

There are also what are termed, 'block exemptions', in countries that apply competition law but there are none in Jersey and Guernsey. These exemptions ensure that certain types of arrangements that present little risk to competition but would be technically caught by the law are allowed to proceed without incurring the administrative application otherwise required to approve such arrangements. We have therefore championed the introduction of these block exemptions in both Jersey and Guernsey; with proposals made to the above two States departments with the aim of ensuring we are more in line with best practice.

Much of 2017 will benefit from the foundations laid by engagement with industry across a range of areas such as broadband pricing, mobile related network charges and other measures that look to advance consumer interests, either through promotion of competition or measures such as price controls that protect their interests. It has been a busy and productive year for CICRA and I pay tribute to my excellent team and for the support of the Board whose expertise and guidance has been invaluable.

My sincere thanks and best wishes to Mark Boleat, the previous CICRA Chair, who came to the end of his term during 2016 and to Regina Finn who resigned her position, given other significant commitments. Michael O'Higgins has made an immediate impact on taking over as Chair and the CICRA team look forward to working with him and the rest of the Board in looking to ensure markets work well in Jersey and Guernsey.

Michael Byrne

THE BOARD



Michael O'Higgins - Chairman

Michael is Chairman of the Local Pensions Partnership and of Calculus VCT, a non-executive Director of Network Rail and of the pensions company Hedgehog. He became the 'Independent Person' for Tunbridge Wells Borough Council in October 2015.

Michael chaired The Pensions Regulator from 2011 to 2014, the Audit Commission from 2006 until 2012 and the NHS Confederation from 2012 to 2015. He was also a non-executive Director of HM Treasury and Chair of the Treasury Group Audit Committee from 2008 to 2014. Previously Michael chaired the youth homelessness charity Centrepoint, was a managing partner with PA Consulting, leading its Government and IT Consulting Groups, was a partner at Price Waterhouse, worked at the OECD and has held several academic posts.



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.

He is a Deputy Chair of the UK Competition and Markets Authority, Professor of Law and Economics at the College of Europe, Bruges and is co-founder and general editor of the European Competition Journal and the Oxford Competition Law case reporter series. Philip is also a member of the Legal Services Consumer Panel.



Michael Byrne - 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

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 is a Chartered Director of the IoD, 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.



Hannah Nixon - Non-Executive Director

Hannah has extensive experience in economic regulation and competition issues, working across a range of industries in the public and private sectors.

She is currently Chief Executive of the UK Payment Systems Regulator. Hannah was previously a Senior Partner at Ofgem, the UK gas and electricity regulator, she was also Ofgem's Head of Profession for Economics.

THE BOARD (CONTINUED)



Mark Boleat – immediate past Chair

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 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, has undertaken three significant reviews for the States of Jersey including one on consumer policy.



Regina Finn - Non-Executive Director – resigned 3 August 2016

Regina has extensive experience in competition and regulatory regimes, including in the telecommunications post, electricity and gas sectors.

Between 2001 and 2005 she set up and ran the predecessor of the GCRA

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 partnership specialising in regulation and public policy

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 to the Boards of the GCRA and JCRA by the Committee for Economic Development and the Chief Minister respectively.

Meetings

During 2016, attendance at meeting of the Boards and their Committees was as follows:

Member	GCRA		JCRA	
	Board	Audit and Risk	Board	Audit and Risk
Michael O'Higgins*	4/4	-	4/4	-
Mark Boleat *	5/5	1/1	3/3	1/1
Philip Marsden	8/8	2/2	8/8	2/2
Regina Finn *	5/5	1/1	5/5	1/1
Hannah Nixon	7/8	2/2	8/8	2/2
Michael Byrne	8/8	2/2**	8/8	2/2**
Louise Read	8/8	2/2**	8/8	2/2**

*2016 part year only ** in attendance only

Member fees and expenses

The Chairman's and Members' fees are approved by the Chief Minister in Jersey and the Committee for Economic Development in Guernsey. Each member's fees are split equally between the GCRA and JCRA. There has been no increase in fees since the inception of the Authority in 2012. The following table shows the actual fees paid to each member by the two Authorities.

Member	GCRA		JCRA		Shared expenses	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
Michael O'Higgins *	11,111	-	28,472**	-	4,135	-
Mark Boleat ***	16,539	26,406	8,018	26,406	1,322	3,161
Philip Marsden	12,000	12,000	12,000	12,000	2,378	1,356
Regina Finn *	7,130	12,000	7,130	12,000	764	1,717
Hannah Nixon	12,000	12,000	12,000	12,000	1,174	1,273
Total	<u>58,780</u>	<u>62,406</u>	<u>67,620</u>	<u>62,406</u>	<u>9,773</u>	<u>7,507</u>

*2016 part year only ** includes additional work commissioned by Jersey's Chief Minister's Department *** non-co-terminus end dates

Michael Byrne and Louise Read are executive members, i.e. members of each authority and employees of the GCRA and JCRA respectively. They receive no fees as members of the authorities but do receive remuneration, which is split between the JCRA and GCRA as follows:

	GCRA		JCRA	
	2016 £	2015 £	2016 £	2015 £
Michael Byrne	82,500	82,500	82,500	82,500
Louise Read*	<u>54,641</u>	<u>54,100</u>	<u>54,641</u>	<u>54,100</u>
Total	<u>138,041</u>	<u>137,500</u>	<u>138,041</u>	<u>137,500</u>

* Excludes employer's pension contribution of 13.6%



FINANCIAL REVIEW 2016

Consistent with prior years, the Guernsey Competition and Regulatory Authority (GCRA) made an accounting surplus of £1 in 2016, effectively breaking even. 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 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 capital 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 2016 were £579k, (2015: £620k). Expenditure continues to be closely controlled by the GCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate best practice corporate governance, helps to ensure that it is run as an effective and efficient organisation. Independent internal auditors audit policies and procedures annually, 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 Committee for Economic Development (CfED), grant funding for work under The Competition (Guernsey) Ordinance, 2012 continued to be received on a quarterly basis. During 2016 a grant of £140k (2015: £140k) was received. Income of £21k (2015: £17k) was received from parties making applications for approval of notifiable mergers and acquisitions. These applications and costs are by their nature unpredictable. For 2016, the fees received were lower than the costs incurred in dealing with matters relating to mergers and acquisitions because of the particular nature of the notified transactions. This shortfall of £15k (2015: £46k) has to be funded from competition law grant funding.

During 2016 £580k (2015: £574k) in fees was received from telecoms licensees and at the year end telecoms licence fees exceeded costs by £117k (2015: £120k). This balance was accounted for as deferred telecommunications licence fee income. Based on budgeted costs the licence fees for 2016 were set at 1.1% of relevant turnover.

In anticipation of the imminent removal of the post and electricity sectors from economic regulation by the GCRA to a new oversight framework, the licensees (Guernsey Post and Guernsey Electricity) were not charged licence fees during 2016. Deferred income balances brought forward from 2015 were used to fund activity during 2016. Costs incurred, and therefore deferred income released for 2016 was £4k each for post and electricity. Deferred licence fee income will be released as required to fund activity during 2017.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY

(Incorporated in Guernsey, Channel Islands)

NON EXECUTIVE MEMBERS

Michael O'Higgins Chair – appointed Chair 7 September 2016 (appointed Member 21 July 2016 to 6 September 2016)

Philip Marsden
Hannah Nixon
Mark Boleat expired effective 19 August 2016
Regina Finn resigned effective 3 August 2016
Peter Neville appointed 6 February 2017
Paul Masterton appointed 13 February 2017

EXECUTIVE MEMBERS

Michael Byrne Chief Executive
Louise Read Director

SECRETARY

Louise Read

INDEPENDENT AUDITOR

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

BANKERS

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

REGISTERED OFFICE

Suite 4
1st Floor Plaiderie Chambers
La Plaiderie
St Peter Port
Guernsey
GY1 1WG

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 2016.

MEMBERS

The Members in office during the year and appointed subsequently are shown on page 10.

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 (2015: surplus £1).

EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no events between the statement of financial position date and the date when the financial statements were authorised for issue that need to be disclosed or recognised in the financial statements.

LIKELY FUTURE DEVELOPMENTS IN THE ACTIVITIES OF THE GCRA

Information on likely future developments in the activities of the GCRA has been included in the foreword on page 2.

INDEPENDENT AUDITOR

The auditor, BDO Limited, who was appointed in accordance with Section 13(4)(a) of The Guernsey Competition and Regulatory Authority Ordinance, 2012, has indicated its willingness to continue in office.

All of the Members have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. The Members are not aware of any relevant audit information of which the GCRA's auditor is unaware.

APPROVAL

The Members' report was approved by order of the Members on 31 March 2017.

Louise Read
Secretary

GUERNSEY COMPETITION AND REGULATORY AUTHORITY STATEMENT OF MEMBERS' RESPONSIBILITIES

The Members are responsible for preparing the members' report and the financial statements in accordance with applicable law and regulations.

The Guernsey Competition and Regulatory Authority Ordinance, 2012, (the Ordinance) requires Members to keep proper accounts and proper records in relation to those accounts. The Members therefore consider themselves responsible for keeping adequate accounting records that are sufficient to show and explain the GCRA's transactions and disclose with reasonable accuracy, at any time, the financial position of the GCRA and which enable them to ensure that these financial statements comply with the Ordinance. They also consider that they are 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 Ordinance also requires Members to prepare accounts in respect of each financial year, and once audited by auditors appointed by the States of Guernsey on the recommendation of the Public Accounts Committee, to submit to the Committee for Economic Development, a statement of account giving a true and fair review of the state of the GCRA's affairs together with the auditor's report. The Committee for Economic Development, in turn, must submit the accounts and the auditor's report thereon to the States of Guernsey.

The Members have elected to prepare the GCRA's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the GCRA will continue in operation.

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

Louise Read
Secretary

**INDEPENDENT AUDITOR'S 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 2016 which comprise the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Financial Position and the related notes 1 to 8. 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 12, 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 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 2016 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.

CHARTERED ACCOUNTANTS

Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date:

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<i>Notes</i>	<i>2016</i>	<i>2015</i>
		£	£
INCOME			
Telecommunications licence and application fees		462,634	454,143
Electricity licence fees		3,748	6,977
Postal licence fees		4,045	9,967
Competition law grant		87,615	131,355
Mergers and acquisitions fees		20,500	16,500
Bank interest received		288	651
		<hr/>	<hr/>
		578,830	619,593
		<hr/>	<hr/>
EXPENDITURE			
Salaries and staff costs		358,917	361,074
Consultancy fees		52,653	61,217
Operating lease rentals		57,300	48,612
Travel and entertainment		20,936	22,753
Conference and course fees		7,414	7,153
Depreciation		7,013	4,538
Administration expenses		12,249	12,075
Legal and professional fees		4,567	15,276
Audit and accountancy fee		9,992	9,092
Advertising and publicity		16,297	19,833
Repairs and maintenance		17,951	30,895
Heat, light and water		2,548	3,797
Recruitment		3,272	13,863
General expenses		7,720	9,414
		<hr/>	<hr/>
		578,829	619,592
		<hr/>	<hr/>
SURPLUS FOR THE FINANCIAL YEAR	6	1	1
		<hr/> <hr/>	<hr/> <hr/>

Statement of total comprehensive income

There are no differences between the surpluses for the financial years stated above and total comprehensive income.

The notes on pages 17 to 20 form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<i>2016</i>	<i>2015</i>
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the financial year	1	1
Adjustments for:		
Depreciation of tangible fixed assets	7,013	4,538
Interest received and receivable	(288)	(651)
Decrease / (increase) in debtors and prepayments	4,797	(8,109)
Increase in creditors	17,659	104,993
	<hr/>	<hr/>
Net cash generated from operating activities	29,182	100,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of tangible fixed assets	(6,916)	(37,726)
Interest received	288	651
	<hr/>	<hr/>
Net cash used in investing activities	(6,628)	(37,075)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	22,554	63,697
Cash and cash equivalents at beginning of the year	354,789	291,092
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE YEAR END	377,343	354,789
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 17 to 20 form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	<i>Notes</i>	<i>2016</i> £	<i>2015</i> £
FIXED ASSETS			
Tangible fixed assets	3	35,187	35,284
CURRENT ASSETS			
Debtors and prepayments	4	40,713	45,510
Cash and cash equivalents		377,343	354,789
		<u>418,056</u>	<u>400,299</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	5	253,243	235,584
NET CURRENT ASSETS		<u>164,813</u>	<u>164,715</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>200,000</u>	<u>199,999</u>
RETAINED SURPLUS			
	6	<u>200,000</u>	<u>199,999</u>

The financial statements on pages 14 to 20 were approved on 31 March 2017 and authorised for issue by the Members and signed on their behalf by:

Michael O'Higgins
Chairman

The notes on pages 17 to 20 form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The presentation currency of these financial statements is sterling with all amounts rounded to the nearest whole pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires members to exercise judgement in applying the accounting policies.

The following principal accounting policies have been consistently applied:

a) Income

Income is received from a government grant and other charges raised in respect of the GCRA's responsibilities as the administrator and enforcer of Guernsey's competition law and through fees raised through the licensing regime in place for certain sectors. Further details are given below:

i) Grants and other charges

Grants received are of a revenue nature and are recognised in the statement of comprehensive income in the same period as the related expenditure. The grant received for 2016 was £140,000 (2015:£140,000). £87,615 is reflected in the statement of comprehensive income in order to match the expenditure incurred in relation to competition law matters during 2016. 'Other charges' comprises fees received for the assessment of certain notifiable mergers and acquisitions. These fees are recognised in the statement of comprehensive income once the proposed transaction has been formally registered with the GCRA. Fees received in 2016 were £20,500 (2015: £16,500) with £35,688 (2015: £16,500) reflected in the statement of comprehensive income to recognise the expenditure incurred. Any unused funds at the financial year end are either deferred or repaid to the Committee for Economic Development. Any deficits are funded from current or future grants. Deferred grant income as at 31 December amounted to a surplus of £46,123 (2015: deficit £6,262).

ii) Licence fees

Licence fees across regulated sectors are set on the basis of cost recovery in accordance with sector specific legislation and are recognised in the period to which they relate. The GCRA's costs are estimated on an annual basis and these are recovered either by applying a percentage to the licensed revenue of each licensed operator (in the case of telecoms) or through charging an annual fee (in the cases of post and electricity). If fee income exceeds costs the balance is transferred to deferred income. License fee percentages / charges and deferred income balances are set out below:

	2016		2015	
	Licence fee % / charge	Deferred income balance	Licence fee % / charge	Deferred income balance
Telecoms	1.1% relevant turnover	£127,670	1% relevant turnover	£121,452
Post	-	£20,988	£35,000	£25,033
Electricity	-	£24,274	£35,000	£28,023

b) Expenditure

Expenditure is accounted for on an accruals basis and is measured at its transaction price.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES (CONTINUED)

c) 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
Leasehold improvements	shorter of remaining length of lease or expected useful life

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

d) Leasing commitments

All leases entered into by the GCRA are operating leases. Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term.

e) Taxation

Under section 12 of The Guernsey Competition and Regulatory Authority Ordinance, 2012 the GCRA is exempt from Guernsey income tax.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the members have made the following judgements:

- Determined whether leases entered into by the GCRA as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined the appropriate treatment for the lease incentive. This decision was based on the rent free period being used to bring the office accommodation into an appropriate state.
- Determined whether there are indicators of impairment of the GCRA's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset.
- Determined the split of general expenses incurred for work undertaken under the aegis of the Channel Islands Competition and Regulatory Authorities. These decisions depend on an assessment of resource allocation, including that of staff time.
- Determining the appropriate treatment for the costs incurred in developing a new website. Factors taken into consideration in reaching the decision include; the ability to separate the asset from the GCRA, the benefit of an improved website internally and externally, the intention to complete the project and bring the website into use, noting that it has the resources so to do, and the ability to reliably measure the expenditure incurred on developing the website during the development phase.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 3)
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i>	<i>Office equipment</i>	<i>Fixtures and Fittings</i>	<i>Computer equipment</i>	<i>Website costs</i>	<i>Total</i>
	£	£	£	£	£	£
Cost						
At 1 January 2016	31,706	497	16,242	13,300	4,125	65,870
Additions	-	-	353	-	6,563*	6,916
At 31 December 2016	<u>31,706</u>	<u>497</u>	<u>16,595</u>	<u>13,300</u>	<u>10,688</u>	<u>72,786</u>
Depreciation						
At 1 January 2016	2,771	497	15,124	8,069	4,125	30,586
Charge in the year	5,261	-	323	1,429	-	7,013
At 31 December 2016	<u>8,032</u>	<u>497</u>	<u>15,447</u>	<u>9,498</u>	<u>4,125</u>	<u>37,599</u>
Net book value:						
At 31 December 2016	<u>23,674</u>	<u>-</u>	<u>1,148</u>	<u>3,802</u>	<u>6,563</u>	<u>35,187</u>
At 31 December 2015	<u>28,935</u>	<u>-</u>	<u>1,118</u>	<u>5,231</u>	<u>-</u>	<u>35,284</u>

- relates to construction of a new website which was ongoing at the year end

4. DEBTORS AND PREPAYMENTS

	2016	2015
	£	£
Prepayments	18,459	21,262
Amount due from the Jersey Competition Regulatory Authority	22,254	24,248
	<u>40,713</u>	<u>45,510</u>

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Accruals	9,378	15,570
Deferred licence fee and grant income	241,871	191,061
Trade creditors	1,994	28,953
	<u>253,243</u>	<u>235,584</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. MOVEMENT ON RETAINED SURPLUS

	2016	2015
	£	£
At 1 January	199,999	199,998
Surplus for the year	1	1
	<u>200,000</u>	<u>199,999</u>
At 31 December	<u>200,000</u>	<u>199,999</u>

7. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2016 the GCRA had commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	2016	2015
	£	£
Operating leases which expire:		
Not later than one year	-	-
In more than one year but less than five years	255,784	-
Later than five years	-	309,784
	<u>255,784</u>	<u>309,784</u>
	<u>255,784</u>	<u>309,784</u>

In February 2015, with the consent of the CfED, the GCRA entered into a six and a half year lease at a cost of £54,000 per annum, including service charge and parking for office accommodation at La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey.

8. RELATED PARTY DISCLOSURES

a) The GCRA and the Committee for Economic Development (CfED)

The GCRA acts independently of the States of Guernsey, but is accountable to the States of Guernsey through the CfED for funding received to administer and enforce Guernsey's competition law, which is also covered by a service level agreement. The CfED acts as a conduit for requests from other States departments which may request the GCRA to carry out projects. The GCRA reports formally to the States of Guernsey through the CfED on an annual basis.

In 2016, the CfED provided £140,000 (2015: £140,000) in funding to the GCRA to finance the administration and enforcement of The Competition (Guernsey) Ordinance, 2012 under the provisions contained within that legislation. The accumulated funding surplus at 31 December 2016, which has been notified to CfED as required under the service level agreement, amounted to £46,123 (2015: deficit £6,262).

b) The GCRA and the Jersey Competition Regulatory Authority (JCRA)

The GCRA and the JCRA work together under the aegis of CICRA, sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities. Recharges are made for expenses incurred (including staff costs) on a no gain no loss basis.

During 2016, £321,345 (2015: £275,218) was invoiced by the GCRA to the JCRA and £95,519 (2015: £83,475) was invoiced by the JCRA to the GCRA. At the statement of financial position date the amount due by the GCRA to the JCRA was £755 (2015: £19,404) and the amount due by the JCRA to the GCRA was £22,254 (2015: £24,248).

c) Key management personnel

Key management personnel include all members of the GCRA who together have authority and responsibility for planning, directing and control the Authority's activities. The total compensation paid to key management personnel for services provided to the GCRA was £213,083 (2015: £215,987).

GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES

The GCRA is an autonomous body and independent in its decision making from the States of Guernsey. But under powers in section 3 of The Guernsey Competition and Regulatory Authority Ordinance, 2012 (The “Ordinance”), the Committee for Economic Development (CfED) “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 CfED 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 CfED generally in relation to the administration and enforcement of competition legislation and the related practice and procedures.
- b) To advise the CfED 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 CfED 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 CfED.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)

Under the provisions of the Ordinance, the appointment of the Chairman is a matter reserved for decision by the States of Guernsey on the recommendation of the CfED.

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. The Chairman or person presiding over the meeting has no vote unless there is an equality of votes, in which case he or she 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 CfED, nor to determine the Chief Executive's minimum term of office.

The GCRA publishes an annual work programme detailing a number of annual objectives and prepares 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, and comments received during consultation with key stakeholders including the CfED. 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 CfED in respect of fees paid to members.

Committees of the Board

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

During 2014, the Board established one committee, an Audit and Risk Committee. The Members of this committee comprise the non-executive members, excluding the Chairman, 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 auditor, monitoring the Executive's responsiveness to the findings and recommendations.
- To meet the internal auditor 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 statement of financial position date were Philip Marsden (Chairman), and Hannah Nixon. 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; and
- That it is fully accountable in the application of the public funds with which it is entrusted 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 CfED.

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 CfED, 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 an auditor appointed by the States on the recommendation of the Public Accounts Committee and submitted, together with the auditor's report, to the CfED.

The CfED 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 CfED which apply to external bodies in receipt of grant funding.



FINANCIAL REVIEW 2016

Consistent with prior years, the Jersey Competition Regulatory Authority (JCRA) made an accounting surplus of £1 in 2016, 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 areas that it covers – competition law administration and enforcement, and the regulation of the telecoms, postal and ports sectors – to fund them separately, given that cross-subsidisation is not permitted. A working capital 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 2016 were £1,285k, (2015: £970k). Expenditure continues to be closely controlled by the JCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate best practice corporate governance, helps to ensure that it is run as an effective and efficient organisation. Independent internal auditors audit policies and procedures annually, 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 Chief Minister's Department (CMD), grant funding for work under the Competition (Jersey) Law 2005 continued to be received on a quarterly basis. During 2016, a grant of £300k was received (2015: £300k) and additional funding of £221k was agreed comprising £198k additional cash funding and £21k released from deferred grant income (2015: £66k).

During 2016 income of £180k (2015: from incorporation October 2015: £90k) was received in licence fees from the ports licensee (Ports of Jersey Ltd).

Income of £90k (2015: £53k) was received and receivable from parties making application for approval of notifiable mergers and acquisitions. These applications and costs are by their nature unpredictable. For 2016, the fees received were lower than the costs incurred in dealing with matters relating to mergers and acquisitions because of the particular nature of the notified transaction. This shortfall of £68k (2015: £nil) has to be funded from competition law grant funding.

During 2016 £631k (2015: £683k) of telecoms licence fees were received. Based on budgeted costs, the Class II and Class III licence fees for 2016 were set at 0.75% (2015: 0.75%) of regulated turnover.

During 2016, £27k (2015: £40k) of postal licence fees were received.

JERSEY COMPETITION REGULATORY AUTHORITY

(Incorporated in Jersey, Channel Islands)

NON EXECUTIVE MEMBERS

Michael O'Higgins	Chair appointed 13 July 2016
Philip Marsden	
Hannah Nixon	
Mark Boleat	expired effective 20 April 2016
Regina Finn	resigned effective 3 August 2016
Peter Neville	appointed 6 February 2017
Paul Masterton	appointed 13 February 2017

EXECUTIVE MEMBERS

Michael Byrne	Chief Executive
Louise Read	Director

SECRETARY

Louise Read

INDEPENDENT AUDITOR

BDO Limited
P O Box 180
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Rue Du Pre
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GY1 3LL

BANKERS

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

REGISTERED OFFICE

2nd 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 2016.

MEMBERS

The Members in office during the year during the year and appointed subsequently are shown on page 25.

ACTIVITIES

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

RESULTS

There was a surplus for the year of £1 (2015: surplus £1).

EVENTS AFTER THE END OF THE REPORTING PERIOD

The JCRA, at the year end date, was defending an appeal to the Royal Court of a decision it had taken during 2016 in relation to the Telecommunication (Jersey) Law 2002. The appellant withdrew its appeal in February 2017 and the JCRA is seeking to recover its costs. The financial statements for 2016 do not assume the successful recovery of any of the JCRA's costs.

There have been no other events between the statement of financial position date and the date when the financial statements were authorised for issue that need to be disclosed or recognised in the financial statements.

LIKELY FUTURE DEVELOPMENTS IN THE ACTIVITIES OF THE JCRA

Information on likely future developments in the activities of the JCRA has been included in the foreword on page 2.

INDEPENDENT AUDITOR

The auditor, BDO Limited, who was appointed in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law 2001, has indicated its willingness to continue in office.

All of the Members have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. The Members are not aware of any relevant audit information of which the JCRA's auditor is unaware.

APPROVAL

The Members' report was approved by order of the Members on 31 March 2017.

Louise Read
Secretary

JERSEY COMPETITION REGULATORY AUTHORITY STATEMENT OF MEMBERS' RESPONSIBILITIES

The Members are responsible for preparing the members' report and the financial statements in accordance with applicable law and regulations.

The Competition Regulatory Authority (Jersey) Law 2001, (the "Law") requires Members to keep proper accounts and proper records in relation to those accounts. The Members therefore consider themselves responsible for keeping adequate accounting records that are sufficient to show and explain the JCRA's transactions and disclose with reasonable accuracy, at any time, the financial position of the JCRA and which enable them to ensure that the financial statements comply with the Law. They also consider that they are 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 Law also requires Members to prepare accounts in respect of each financial year, and once audited by auditors appointed by the Auditor and Comptroller General, to submit to the Chief Minister's Department the accounts together with the auditor's report. The Chief Minister's Department, in turn, must submit the accounts and auditor's report thereon to the States of Jersey.

The Members have elected to prepare the JCRA's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the JCRA will continue in operation.

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

Louise Read
Secretary

**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 2016 which comprise the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Financial Position and the related notes 1 to 12. 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 27, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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.

CHARTERED ACCOUNTANTS

Place du Pré

Rue du Pré

St Peter Port

Guernsey

Date:

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<i>Note</i>	<i>2016</i> £	<i>2015</i> £
INCOME			
Telecommunications licence fees		540,638	491,931
Postal licence fees		9,865	27,559
Ports of Jersey incorporation grant and licence fees		125,198	106,368
Competition law grant and other competition law funding		518,525	290,135
Mergers and acquisitions fees		89,693	52,500
Bank interest and sundry income		582	1,220
		<u>1,284,501</u>	<u>969,713</u>
EXPENDITURE			
Salaries and staff costs		690,385	644,660
Consultancy fees		133,842	83,139
Operating lease rentals		55,420	54,431
Travel and entertainment		20,012	17,033
Conference and course fees		7,708	8,471
Depreciation		6,051	8,645
Administration expenses		9,838	12,207
Legal and professional fees		288,571	54,446
Audit and accountancy fee		10,252	9,302
Advertising and publicity		16,440	17,874
Repairs and maintenance		19,606	20,718
Heat, light and water		3,251	3,721
Recruitment		3,336	13,889
Bad debts		-	1,000
General expenses		19,788	20,176
		<u>1,284,500</u>	<u>969,712</u>
SURPLUS FOR THE FINANCIAL YEAR	7	<u>1</u>	<u>1</u>

Statement of total comprehensive income

There are no differences between the surpluses for the financial years stated above and total comprehensive income.

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

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<i>2016</i>	<i>2015</i>
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the financial year	1	1
Adjustments for:		
Depreciation of tangible fixed assets	6,051	8,645
Interest receivable	(582)	(1,220)
(Increase)/Decrease in debtors and prepayments	(181,182)	47,373
(Decrease)/Increase in creditors	(879,996)	39,921
	<u> </u>	<u> </u>
Net cash used in operating activities	(1,055,708)	94,720
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of tangible fixed assets	(12,726)	(6,203)
Interest received	582	1,220
	<u> </u>	<u> </u>
Net cash used in investing activities	(12,144)	(4,983)
 Net (decrease)/increase in cash and cash equivalents	(1,067,852)	89,737
Cash and cash equivalents at beginning of the year	1,531,072	1,441,335
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT THE YEAR END	<u>463,220</u>	<u>1,531,072</u>

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

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	<i>Notes</i>	<i>2016</i> £	<i>2015</i> £
FIXED ASSETS			
Tangible fixed assets	3	15,933	9,258
CURRENT ASSETS			
Debtors and prepayments	4	230,609	49,427
Cash and cash equivalents	5	463,220	1,531,072
		<u>693,829</u>	<u>1,580,499</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	6	584,307	1,464,303
NET CURRENT ASSETS		<u>109,522</u>	<u>116,196</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>125,455</u>	<u>125,454</u>
RETAINED SURPLUS		<u>125,455</u>	<u>125,454</u>

The financial statements on pages 29 to 36 were approved on 31 March 2017 and authorised for issue by the Members and signed on their behalf by:

Michael O'Higgins
Chairman

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

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The presentation currency of these financial statements is sterling with all amounts rounded to the nearest whole pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires members to exercise judgement in applying the accounting policies.

The following principal accounting policies have been consistently applied:

a) Income

Income is received from government grant and other charges raised in respect of the JCRA's responsibilities as the administrator and enforcer of Jersey's competition law and through fees raised through the licensing regime in place for certain sectors. Further details are given below:

i) Grants and other charges

Grants received are of a revenue nature and are recognised in the statement of comprehensive income in the same period as the related expenditure. The grant received for 2016 was £300,000 (2015: £300,000). Additional funding of £197,441 was also provided comprising £176,357 of additional cash and £21,084 released from deferred income (2015: £nil). 'Other charges' comprises fees received for the assessment of certain notifiable mergers and acquisitions. They are recognised in the statement of comprehensive income once the proposed transaction has been formally registered with the JCRA. Fees received and receivable in 2016 were £89,693 (2015: £65,000) with £158,016 (2015: £52,500) reflected in the statement of comprehensive income to recognise the expenditure incurred. Any unused funds at the financial year end are either deferred or repaid to the Chief Minister's Department. Any deficits are funded from future grants. Deferred grant income as at 31 December amounted to £82,228 (2015: £103,311).

ii) Licence fees

Licence fees across all regulated sectors are set on the basis of cost recovery in accordance with sector specific legislation and are recognised in the period to which they relate. The JCRA's costs are estimated on an annual basis and these are recovered either by applying a percentage to the licensed revenue of each licensed operator (in the case of telecoms) or through charging an annual fee (in the cases of post and ports). If fee income exceeds costs, the balance is transferred to deferred income. Licence fee percentages / charges and deferred income are set out below:

	2016		2015	
	Licence fee % / charge	Deferred income balance	Licence fee % / charge	Deferred income balance
Telecoms	0.75% relevant turnover	£89,900	0.75% relevant turnover	£191,395
Post	Class II £35,000 Class I £1,000	£18,802	Class II £35,000 Class I £1,000	£13,774
Ports	£180,000	£54,803	£90,000	£49,332

b) Expenditure

Expenditure is accounted for on an accruals basis and is measured at its transaction price.

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES (CONTINUED)

c) 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:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

d) Leasing commitments

All leases entered into by the JCRA are operating leases. Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term.

e) Pensions

The JCRA provides a defined contribution pension scheme to some of its employees. Contributions are charged in the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

f) 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.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the members have made the following judgements:

- Determined whether leases entered into by the JCRA as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the JCRA's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset.
- Determined the split of expenses incurred for work undertaken under the aegis of the Channel Islands Competition and Regulatory Authorities. These decisions depend on an assessment of resource allocation, including that of staff time.
- Determining the appropriate treatment for the costs incurred in developing a new website. Factors taken into consideration in reaching the decision include; the ability to separate the asset from the JCRA, the benefit of an improved website internally and externally, the intention to complete the project and bring the website into use, noting that it considers that it has the resources so to do, and the ability to reliably measure the expenditure incurred on developing the website during the development phase.

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 3)
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i> £	<i>Computer equipment</i> £	<i>Website costs</i> £	<i>Fixtures and fittings</i> £	<i>Other equipment</i> £	<i>Total</i> £
Cost						
At 1 January 2016	35,944	37,559	4,125	21,466	1,709	100,803
Additions	2,626	622	6,563 *	2,915	-	12,726
Disposals	-	(3,044)	-	(2,115)	(720)	(5,879)
At 31 December 2016	<u>38,570</u>	<u>35,137</u>	<u>10,688</u>	<u>22,266</u>	<u>989</u>	<u>107,650</u>
Depreciation						
At 1 January 2016	33,777	32,153	4,125	19,781	1,709	91,545
Charge in the year	2,310	3,081	-	660	-	6,051
Eliminated on disposal	-	(3,044)	-	(2,115)	(720)	(5,879)
At 31 December 2016	<u>36,087</u>	<u>32,190</u>	<u>4,125</u>	<u>18,326</u>	<u>989</u>	<u>91,717</u>
Net book value:						
At 31 December 2016	<u>2,483</u>	<u>2,947</u>	<u>6,563</u>	<u>3,940</u>	-	<u>15,933</u>
At 31 December 2015	<u>2,167</u>	<u>5,406</u>	-	<u>1,685</u>	-	<u>9,258</u>

* relates to construction of a new website which was ongoing at the year end

4. DEBTORS AND PREPAYMENTS

	2016 £	2015 £
Prepayments	23,714	29,095
Trade debtors	197,441	14,404
Other debtors	9,454	928
	<u>230,609</u>	<u>49,427</u>

5. CASH NOT AVAILABLE FOR USE

Cash and cash equivalents includes £125,517 (2015: £931,724) held in respect of financial commitments given as part of telecoms operators' bids to be awarded spectrum to enable the roll out of 4G services in the Channel Islands. The monies will be repayments are paid to operators once they have met their commitments or will be withheld in the event that they do not meet the commitments given. At this stage there are no indications that these commitments will not be met.

JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Monies held in respect of commitments given by telecoms operators	125,517	931,724
Accruals	11,400	23,098
Deferred grant income	82,228	103,312
Deferred licence fee income	201,894	293,028
Deferred mergers and acquisitions fee income	-	12,500
Trade creditors	141,014	76,393
Amounts due to the Guernsey Competition and Regulatory Authority	22,254	24,248
	<u>584,307</u>	<u>1,464,303</u>

7. MOVEMENT ON RETAINED SURPLUS

	2016	2015
	£	£
At 1 January	125,454	125,453
Surplus for the year	1	1
	<u>125,455</u>	<u>125,454</u>

8. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2016 the JCRA had commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	2016	2015
	£	£
Operating leases which expire:		
Not later than one year	-	30,482
In more than one year but less than five years	140,473	-
Later than five years	-	-
	<u>140,473</u>	<u>30,482</u>

The amount shown above relates to a five year lease with an option to break at the end of year three for the JCRA's office in Salisbury House, Union Street, St. Helier. The lease finally expires in June 2021.

9. PENSION COMMITMENTS

The JCRA provides a defined contribution pension scheme (the Public Employees Contributory Retirement Scheme) to some of its employees. The assets of the scheme are held separately from those of the JCRA in an independently administered fund. Contributions of £20,326 (2015: £20,125) were charged in the year. There were no unpaid contributions at the year end.

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. RELATED PARTY DISCLOSURES

a) The JCRA and the Chief Minister

The JCRA acts independently of the States of Jersey, but is accountable to the States of Jersey through the Chief Minister for the funding it receives to administer and enforce Jersey's competition law which is also covered by a service level agreement. The Chief 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 States of Jersey through the Chief Minister on an annual basis.

In 2016, the Chief Minister's Department provided £300,000 (2015: £300,000) in funding to the JCRA to finance the administration and enforcement of the Competition (Jersey) Law 2005. Additional funding of £197,441 was also provided (2015: £65,701). As at the year end the balance of deferred grant income due to the Chief Minister Department was £82,228 (2015: £103,312).

b) The JCRA and the Guernsey Competition and Regulatory Authority (GCRA)

The JCRA and the GCRA work together under the aegis of CICRA, sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities. Recharges are made for expenses incurred (including staff costs) on a no gain no loss basis.

During 2016 £95,519 (2015:£83,475) was invoiced by the JCRA to the GCRA and £321,345 (2015:£275,218) was invoiced by the GCRA to the JCRA. At the statement of financial position date the amount due by the JCRA to the GCRA was £22,254 (2015: £24,248) and the amount due by the GCRA to the JCRA was £755 (2015: £19,404).

c) Key management personnel

Key management personnel includes all members of the JCRA who together have authority and responsibility for planning, directing and control the activities of the JCRA. The total compensation paid to key management personnel for services provided to the JCRA was £221,923 (2015: £215,987).

11. CONTINGENT LIABILITIES

The JCRA, at the year end date, was defending an appeal to the Royal Court of a decision it had taken during 2016 relating to an infringement of the Competition (Jersey) Law 2005. On the basis of information available at the date the financial statements were signed the appeal hearing had been set for October 2017.

The impact of defending an appeal of a decision it has taken is uncertain as there are aspects of defending an appeal that are outside of the JCRA's control.

Competition law grant funding or other sources of funding specifically designated for the purpose are required to finance the cost of defending the appeal. During 2016, additional funding of £193,274 in respect of 2016 was agreed in relation to the JCRA's costs of defending the appeal. The JCRA is continuing to discuss and agree an appropriate level of support for the JCRA for 2017.

In the event that the JCRA successfully defends the appeal it will seek to recover its costs from the appellant. In the event that the JCRA is unsuccessful in its defence of the appeal it is likely that it will be required to reimburse the appellant for a portion of its costs. The amounts are, at this stage, uncertain.

12. CONTINGENT ASSETS

The JCRA, at the year end date, was defending an separate appeal to the Royal Court of a decision it had taken during 2016 in relation to the Telecommunication (Jersey) Law 2002. The appellant withdrew its appeal in February 2017 and the JCRA is seeking to recover its costs. The financial statements for 2016 do not assume the successful recovery of any of the JCRA's costs.

JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES

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 “CRA Law”), 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 that the JCRA shall consist of a Chairman and at least two other members. The appointment of Board Members is undertaken by the Minister after he has consulted with the Chairman. 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 oversee 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 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 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 each year and holds additional meetings when circumstances require it. The quorate number of Members to hold a Board meeting is three, two of whom must be Non-Executives, with one acting as Chair.

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.

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 JCRA publishes an annual business plan detailing a number of annual objectives and prepares annual budgets. These are finalised in the last quarter of each year and incorporate, amongst other things, any strategic issues raised by the Board, and comments received during consultation with key stakeholders. This is considered by the Board prior to the start of the financial year.

The Board monitors the performance of the JCRA against the annual objectives 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 Chief Minister's Department.

The Chairman makes recommendations to the Minister in respect of fees paid to the non-executive members.

Committees of the Board

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

During 2016 the Board had established one committee; an Audit and Risk Committee. The Members of this committee comprise the non-executive members, excluding the Chairman 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 auditor, monitoring the Executive's responsiveness to the findings and recommendations.
- To meet with the internal auditor 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 Comptroller and Auditor General under the Comptroller and Auditor General (Jersey) Law 2014 which amended the CRA Law to transfer the responsibility from the Treasury and Resources Minister.

The members of the Audit and Risk Committee at the statement of financial position date were Philip Marsden (Chairman), and Hannah Nixon. 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 entrusted to it 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 and are prepared in accordance with generally accepted accounting principles. The appointment of the auditor of the JCRA is the responsibility of the Comptroller and Auditor General under the Comptroller and Auditor General (Jersey) Law 2014, which amended the CRA Law to transfer the responsibility from the Treasury and Resources Minister.

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.