
STATES OF JERSEY



CHANNEL ISLANDS COMPETITION AND REGULATORY AUTHORITIES: ANNUAL REPORT 2015

Presented to the States on 10th May 2016
by the Chief Minister

STATES GREFFE



ANNUAL REPORT 2015

FOREWORD

This is the fourth annual report of the Channel Islands Competition and Regulatory Authorities (CICRA) and 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 (CICRA) is the name given to the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA). The JCRA was established as a body corporate, under the Competition Regulatory Authority (Jersey) Law 2001, and the GCRA was established as a body corporate, 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. During 2015 CICRA advised on the future regulation of the ports of Jersey and fuel markets in Jersey.

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 these sectors in which these companies operate. In Jersey this decision was taken in respect of the sea and airports, which from 1 October 2015 are run by Ports of Jersey, and the telecommunications and postal businesses now run by 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 transferred to a new body during 2016.

Who we are

CICRA is led by a joint board. The board consists of a Chairman, three non-executive directors and two executive directors. In addition, at 31 December 2015 CICRA had seven staff and offices in Jersey and Guernsey.

How to find out more

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

CHAIRMAN'S STATEMENT



It is now nearly four years since CICRA came into being, as a pan Channel Island body in terms of organisation, but operating under different remits and laws in Jersey and Guernsey. The arrangement has worked well on the whole, particularly in the telecoms market where a joined-up approach is essential, and has led to significant, although not massive, efficiencies. The extent to which Jersey and Guernsey should co-operate more closely is a political issue and not one for a regulatory body, but my observation after four years is that the prize is significant, but it will not be easily obtained unless cultures and approaches generally are more aligned and electoral cycles are harmonized.

Just as businesses need to be nimble in a rapidly changing world, so do regulators. Over the last few years, as electronic communication has increasingly replaced paper communication, so the importance of postal services has declined and that of telecommunications services has increased. This has been reflected in CICRA's work - a sharp reduction on postal services and a corresponding increase on telecoms. The latter contributed to two significant improvements in the service available to consumers in 2015 - the introduction of competition in the fixed line market and the advent of 4G in the mobile market.

Guernsey is in the process of implementing its decision to take electricity and postal services out of CICRA's remit, in line with the position of Jersey on electricity but not post, although as the previous paragraph indicated regulation of post has been significantly reduced. However, in Jersey another sector was added to CICRA's responsibilities - ports. These changes move the weighting of CICRA's work more towards Jersey, particularly given substantially greater funding for competition work in Jersey than in Guernsey.

Competition policy poses significant challenges for small islands, the size of the market both reducing the scope for economies of scale however competitive a market, and meaning that a number of crucially important sectors are dominated by one or two businesses. This is particularly true in respect of communications, whether the regulated activity of telecoms or the unregulated (by CICRA) activities of airlines and ferries. CICRA has a direct role to play in ensuring that there is no abuse of a dominant position and a secondary role in using its expertise to advise government on possible courses of action. But this is an area where expectations of public and politicians must be realistic. Jersey and Guernsey, collectively let alone individually, are simply not large enough to enjoy the benefits of strong competition in sectors where fixed costs and therefore barriers to entry are high.

During the year the Jersey government commissioned Oxera to review the Jersey regulatory and competition framework. Although the study was confined to Jersey, in practice much of the report was a review of the whole of CICRA's work. Regulators view such reviews with some trepidation as the universal view of regulated institutions tends to be that regulators are unreasonably tough while others regard them as toothless. To some extent these views were played back by stakeholders to Oxera. Generally, however, it was as favourable a report to CICRA as any regulator could hope to achieve. There were no substantive recommendations on CICRA's regulatory and competition policy work.

Oxera made a number of recommendations for the JCRA to implement. Three were to continue doing what CICRA was doing in respect of maintaining CICRA as an entity, continuing to use a panel of consultants and maintaining an appropriate board composition, two were to work more closely with other relevant bodies, three were to publish policies more prominently and one was a more general one to improve communications with stakeholders. CICRA has already implemented the recommendations on publicity and has begun the process of implementing the others. It will also work with government to implement the

recommendations directed to it.

Regulators alone are not responsible for ensuring that markets work effectively. Governments also have a role to play. CICRA therefore warmly welcomed two recommendations to government - to develop clear policies for regulated sectors and to strengthen its shareholder function.

In his forward to the report Professor Sir John Vickers stressed two themes –

1. All competition authorities have a duty to make the best use of scarce resources and in small jurisdictions this is particularly important and challenging. Effective prioritisation is the key.
2. Competition policy is not just a task for the competition authority. Many institutions, government particularly, have major effects on how well markets work. Government needs to create the right environment to safeguard and promote competition effectively and efficiently.

I echo these comments. CICRA will do its part, directly and with the governments of Jersey and Guernsey, to follow them.

CICRA is by any standards a tiny body – with just nine staff (including the two executive directors), but it has very wide responsibilities. The non-executives play an important role not just in that capacity but in supplementing the staff resources with their own expertise. The non-executive team was unchanged throughout the year and continues to provide the Authority with significant expertise, backed up by commitment. Philip Marsden is a Deputy Chairman of the Competition and Markets Authority, Hannah Nixon is Managing Director of the Payments Systems Regulator and Regina Finn is a former Director General of Ofwat and now provides regulatory advice to a wide range of clients. The day-to-day work is professionally and competently managed by Chief Executive Michael Byrne and Director Louise Read, both of whom are members of the Authority. My thanks to my Board colleagues and all the staff for their commitment and hard work during the year.

Mark Boleat

CHIEF EXECUTIVE'S REPORT



CICRA's overarching aim is to ensure markets work well for consumers in the Channel Islands. While the extent of our role and duties in contributing toward that aim vary by sector, given different legal frameworks, it is central to our priorities and approach when carrying out our work. All the sectors we regulate also have a common feature, which is that their success and sustainability rely on customers who receive the services and pay their bills. They have a central role to play in terms of driving how markets behave and this perspective has continued to guide CICRA's approach in 2015.

In telecoms our new regular surveys of customer perceptions have been invaluable in guiding some key initiatives in that sector over the year. Given the key messages from those surveys there is evidently a need to consider further incentives on providers to improve customer perceptions in the provision of telecoms services. Another focus for CICRA over 2015 has been to assess the experience of islanders when using broadband services through a large scale exercise that many islanders took part in. From the results of this real-time survey of broadband usage we will have a better understanding of the technical barriers influencing customer experience using these vital services which are central to so much of what we do. This can inform regulatory investment incentives and quality standards, as well as our policy advice to the States of Jersey and Guernsey where this area features strongly in their priorities.

Access to key telecoms infrastructure remains vital to ensure Channel Islanders and businesses receive world class services. Where consumers have a choice of provider they can switch to offers they regard as better which focusses the efforts of providers to deliver what consumers want. This availability of choice is the reason the fixed telecoms market was further opened to competition in 2015 with the launch of wholesale line rental in June. From the evidence of take up, consumers have certainly valued the choice available.

Given the portability that mobile services provide and the power of these devices to support services beyond calls and texts, with an expanding range of applications from payment facilities to health monitoring, protecting the vitality of this sector of the economy is vital. Following the award of 4G spectrum in 2014, the rollout by operators of services delivered by this technology gathered pace over 2015. CICRA has been involved in levelling the competitive playing field given some telecom operators enjoyed historic advantages in spectrum allocations. We have worked closely with our regulatory colleagues in the UK to achieve that and their support has been appreciated. CICRA has also sought to ensure successful 4G bidders keep to their commitments in terms of coverage, data speeds and related commitments which were made under the competitive 4G award process. There are positive indications that these network rollouts will be completed ahead of schedule.

CICRA has been engaged in competition issues over 2015 across both islands, some of these more high profile than others; the proposed JT/Airtel merger transaction and review of Jersey fuel markets being cases in point. A number of mergers and acquisitions have also been reviewed by CICRA over 2015 where our role is essentially to ensure that competition is not being diminished by firms gaining control of their competitors.

Responsibility for the economic regulation of Jersey harbours and airport was passed to CICRA in October 2015 following incorporation of Ports of Jersey Limited. This is a vital element in the logistics and connections between Jersey and its economic markets as well as for islanders to the rest of the world. We look forward to working with the Ports of Jersey in the best interests of the Island in the positive challenges they have ahead.

Ensuring the regulatory framework remains appropriate and fit-for-purpose ensures resources and priorities are used more effectively. During 2015 CICRA reviewed several areas where it considers changes can be made to the regulatory and competition framework to avoid imposing obligations on businesses that are more than is necessary. We have looked carefully at the merger and acquisition framework, the scope for exempting certain forms of benign agreement from automatic review by CICRA and other aspects of how we operate. To that end we are working with the relevant departments to progress changes to law where appropriate, in other cases it requires changes to our own practices and processes. We particularly welcome the recommendations of a review of the competition and regulatory framework in Jersey carried out by Oxera Economic consultancy in 2015. The implementation of its recommendations will contribute significantly to an improved context in which policy, shareholder and regulatory strategic aims are more transparent and better aligned going forward.

I would like to extend my thanks and appreciation to Mark Boleat the CICRA chairman for his strong support. He will reach the end of his tenure as chairman in April 2016 and his contribution will be missed by the Board and by me personally where his wise counsel has been invaluable. The Channel Islands are fortunate to have the benefit of a high-calibre Board who have contributed immensely to the quality and achievement of CICRA's work programme over 2015. The support of my fellow executive Louise Read has also been invaluable as has the commitment of the CICRA officers.

Michael Byrne

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 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.



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.



Regina Finn
Non-Executive Director

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.



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 the Managing Director of the 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.



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 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.

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 Commerce and Employment Board and the Minister for Economic Development Department respectively.

Meetings

During 2015, attendance at meeting of the Boards and their Committees was as follows:

Member	GCRA		JCRA	
	Board	Audit and Risk	Board	Audit and Risk
Mark Boleat	8/8	2/2	9/9	2/2
Philip Marsden	7/8	2/2	8/9	2/2
Regina Finn	8/8	2/2	9/9	2/2
Hannah Nixon	8/8	2/2	9/9	2/2
Michael Byrne	8/8	2/2	9/9	2/2
Louise Read	8/8	2/2	9/9	2/2

Member fees and expenses

The Chairman's and Members' fees are approved by the Minister for Economic Development in Jersey and the Commerce and Employment Board 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	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
Mark Boleat	26,406	26,406	26,406	26,406	3,161	3,588
Philip Marsden	12,000	12,000	12,000	12,000	1,356	2,382
Regina Finn	12,000	12,000	12,000	12,000	1,717	2,043
Hannah Nixon*	12,000	9,619	12,000	9,619	1,273	1,232
Peter Neville*	-	1,692	-	1,692	-	-
Total	62,406	61,717	62,406	61,717	7,507	9,245

*2014 part year only

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

	GCRA		JCRA		Notes
	2015	2014	2015	2014	
	£	£	£	£	
Michael Byrne	82,500	79,301	82,500	79,301	Appointed Chief Executive 2014
Louise Read	54,100*	53,739*	54,100*	53,739*	Changed role mid-2014
Andrew Riseley	-	45,000	-	45,000	Resigned 2014
Total	136,600	178,040	136,600	178,040	

* Excludes employer's pension contribution of 13.6%



FINANCIAL REVIEW 2015

Consistent with 2014, the Guernsey Competition and Regulatory Authority (GCRA) made an accounting surplus of £1 in 2015, 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 2015 were £620k, £41k lower than 2014 (£661k). Expenditure continues to be closely controlled by the GCRA 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 GCRA and the Commerce and Employment Department (C&E), grant funding for work under The Competition (Guernsey) Ordinance, 2012 continued to be received quarterly in advance. During 2015 a grant of £140k (2014: £140k) was received. In the event that the cost of work undertaken in respect of competition law exceeds the grant the GCRA must inform C&E and 'make good' the deficit from future grant funding. As at 31 December 2015 the deficit was £6k (2014: £15k).

Income of £17k (2014: £1k) was received in the form of mergers and acquisitions fees. Merger and acquisitions applications and costs are by their nature unpredictable. For 2015, the fees received are lower than the costs incurred in dealing with matters relating to merger and acquisitions because of the particular nature of the notified transactions. This shortfall of £46k (2014: £5k) has to be funded from competition law grant funding which is a contributory factor to the continuing funding deficit in that area.

During 2015 £574k (2014: £519k) in fees was received from telecoms licensees, including £60k (2014: nil) of income from spectrum licensing and at the year end telecoms licence fees exceeded costs by £120k (2014: £51k). This balance was accounted for as deferred telecommunications licence fee income. Based on budgeted costs the licence fees for 2015 were set at 1%.

In anticipation of the removal, mid-2015, 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 charged licence fees for the first six months of 2015 only. The transfer of responsibility was delayed; as yet no confirmed date has been given. During 2015 £35k (2014: £40k) of licence fees were received from each licensee. At the year end postal licence fees exceeded costs by £25k (2014: £22k) and electricity licence fees exceeded costs by £28k (2014: £20k). These balances were accounted for as deferred licence fee income which will be released during 2016.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY

(Incorporated in Guernsey, Channel Islands)

NON EXECUTIVE MEMBERS

Mark Boleat Chairman

Philip Marsden

Regina Finn

Hannah Nixon

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 2015.

MEMBERS

The Members in office during the year and when these financial statements were approved are shown on page 9.

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 (2014: surplus £1).

EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no events between the balance sheet 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.

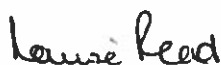
INDEPENDENT AUDITOR

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 as at the date of this report 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 18 March 2016



Louise Read
Secretary

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF MEMBERS' RESPONSIBILITIES**

The Members are responsible for preparing the member's 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 Commerce and Employment Department, 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 Commerce and Employment Department, 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 2015 which comprise the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Financial Position 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 11, 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 2015 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 Guined

CHARTERED ACCOUNTANTS

Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: *18 March 2016*

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>Notes</i>	<i>2015</i> £	<i>2014</i> £
INCOME			
Telecommunications licence fees		454,143	468,586
Electricity licence fees		6,977	19,873
Postal licence fees		9,967	18,049
Competition law grant		131,355	140,736
Mergers and acquisitions fees		16,500	1,250
Bank interest received		651	12,031
		<u>619,593</u>	<u>660,525</u>
EXPENDITURE			
Salaries and staff costs		361,074	373,550
Consultancy fees		61,217	118,670
Operating lease rentals		48,612	37,164
Travel and entertainment		22,753	25,281
Conference and course fees		7,153	9,297
Depreciation		4,538	2,040
Administration expenses		12,075	13,035
Legal and professional fees		15,276	21,236
Audit and accountancy fee		9,092	7,575
Advertising and publicity		19,833	14,833
Repairs and maintenance		30,895	23,136
Heat, light and water		3,797	2,807
Recruitment		13,863	5,782
General expenses		9,414	6,118
		<u>619,592</u>	<u>660,524</u>
SURPLUS FOR THE FINANCIAL YEAR	6	<u><u>1</u></u>	<u><u>1</u></u>

Statement of total comprehensive income

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

Continuing operations

All the items dealt with in arriving at the surpluses in the statement of comprehensive income relate to continuing operations.

The notes form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>2015</i>	<i>2014</i>
	<i>£</i>	<i>£</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the financial year	1	1
Adjustments for:		
Depreciation of fixed assets	4,538	2,040
Interest received and receivable	(651)	(12,031)
Increase in debtors and prepayments	(8,109)	(20,486)
Increase / (decrease) in creditors	104,993	(99,384)
Net cash generated from operating activities	<u>100,772</u>	<u>(129,860)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of tangible fixed assets	(37,726)	-
Interest received	651	12,031
Net cash from investing activities	<u>(37,075)</u>	<u>12,031</u>
Net increase / (decrease) in cash and cash equivalents	<u>63,697</u>	<u>(117,829)</u>
Cash and cash equivalents at beginning of the year	291,092	408,921
CASH AND CASH EQUIVALENTS AT THE YEAR END	<u><u>354,789</u></u>	<u><u>291,092</u></u>

The notes form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	<i>Notes</i>	<i>2015</i> £	<i>2014</i> £
FIXED ASSETS			
Tangible fixed assets	3	35,284	2,096
CURRENT ASSETS			
Debtors and prepayments	4	45,510	37,401
Cash and cash equivalents		354,789	291,092
		<u>400,299</u>	<u>328,493</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	5	235,584	130,591
NET CURRENT ASSETS			
		<u>164,715</u>	<u>197,902</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>199,999</u>	<u>199,998</u>
RETAINED SURPLUS			
	6	<u>199,999</u>	<u>199,998</u>

The financial statements on pages 13 to 19 were approved on 18 March 2016 and authorised for issue by the Members and signed on their behalf by:

Mark Boleat
Chairman

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. Information of first time adoption of FRS 102 is given in note 9.

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 applied:

a) Income

Income is received from 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 industry sectors. Further details are given below:

ai) 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 2015 was £140,000 (2014:£140,000). £131,355 is reflected in the statement of comprehensive income in order to match the expenditure incurred in relation to competition law matters during 2015. Other charges includes fees received for the assessment of certain proposed mergers and acquisitions. They are recognised in the statement of comprehensive income once the proposed transaction has been formally registered with the GCRA. Fees received in 2015 were £16,500 (2014: £1,000) with £16,500 (2014: £1,250) 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 Commerce and Employment Department. Any deficits are funded from future grants. Deferred grant income as at 31 December amounted to a deficit of £6,262 (2014: deficit £14,957).

aii) 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 GCRA's costs are determined 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). Should fee income exceed costs the balance is transferred to deferred income. License fee percentages / charges and deferred income balances are set out below:

	2015		2014	
	Licence fee % / charge	Deferred income balance	Licence fee % / charge	Deferred income balance
Telecoms	1% relevant turnover	£121,452	1% relevant turnover	£54,411
Post	£35,000	£25,033	£40,000	£21,951
Electricity	£35,000	£28,023	£40,000	£20,127

b) Interest received and receivable

Interest on bank deposits is accrued on a daily basis. Until 2014, interest received on deposits held with Guernsey's Treasury and Resources Department was accounted for on a cash received basis. Funds are no longer held with Guernsey's Treasury and Resources Department.

c) 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 2015**

1. ACCOUNTING POLICIES (CONTINUED)

d) 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.

e) 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.

f) Taxation

Under section 12 of The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 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 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.

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.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 2015	-	21,649	2,365	15,271	4,125	43,410
Additions	31,706	-	1,162	4,858	-	37,726
Disposals	-	(5,531)	(1,875)	(7,860)	-	(15,266)
Transfers	-	(15,621)	14,590	1,031	-	-
At 31 December 2015	<u>31,706</u>	<u>497</u>	<u>16,242</u>	<u>13,300</u>	<u>4,125</u>	<u>65,870</u>
Depreciation						
At 1 January 2015	-	21,639	2,206	13,344	4,125	41,314
Charge in the year	2,771	10	203	1,554	-	4,538
Eliminated on disposal	-	(5,531)	(1,875)	(7,860)	-	(15,266)
Transfers	-	(15,621)	14,590	1,031	-	-
At 31 December 2015	<u>2,771</u>	<u>497</u>	<u>15,124</u>	<u>8,069</u>	<u>4,125</u>	<u>30,586</u>
Net book value:						
At 31 December 2015	<u>28,935</u>	<u>-</u>	<u>1,118</u>	<u>5,231</u>	<u>-</u>	<u>35,284</u>
At 31 December 2014	<u>-</u>	<u>10</u>	<u>159</u>	<u>1,927</u>	<u>-</u>	<u>2,096</u>

4. DEBTORS AND PREPAYMENTS

	2015	2014
	£	£
Prepayments	21,262	15,076
Trade debtors	4,535	9,251
Other debtors	19,713	13,074
	<u>45,510</u>	<u>37,401</u>

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Accruals	15,570	20,246
Deferred licence fee income	191,061	104,398
Trade creditors	28,953	5,947
	<u>235,584</u>	<u>130,591</u>

6. MOVEMENT ON RETAINED SURPLUS

	2015	2014
	£	£
At 1 January	199,998	199,997
Surplus for the year	1	1
At 31 December	<u>199,999</u>	<u>199,998</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the GCRA had commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	2015	2014
	£	£
Operating leases which expire:		
Not later than one year	-	17,758
In more than one year but less than five years	-	-
Later than five years	309,784	-
	<u>309,784</u>	<u>17,758</u>
	<u><u>309,784</u></u>	<u><u>17,758</u></u>

In February 2015, with the consent of the Commerce and Employment Department, 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 Commerce and Employment Department (C&E)

The GCRA acts independently of the States of Guernsey, but is accountable to C&E for funding received to administer and enforce Guernsey's competition law, which is also covered by a service level agreement. C&E 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 C&E on an annual basis.

During 2015, C&E provided £140,000 (2014: £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. There were no amounts due to C&E at the statement of financial position date. The accumulated funding deficit at 31 December 2015, which has been notified to C&E as required under the service level agreement, amounted to £6,262 (2014: £14,957).

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

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. Recharges are made for expenses incurred (including staff costs) on a no gain no loss basis.

During 2015, £275,218 (2014: £246,975) was invoiced by the GCRA to the JCRA and £83,475 (2014: £122,445) was invoiced by the JCRA to the GCRA. At the statement of financial position date the amount due by the GCRA to the JCRA (included in trade creditors) was £19,404 (2014: £5,124) and the amount due by the JCRA to the GCRA (included in trade and other debtors) was £24,248 (2014: £19,259).

c) Key management personnel

Key management personnel include all members of the Authority who together have authority and responsibility for planning, directing and control the activities of the GCRA. The total compensation paid to key management personnel for services provided to the GCRA was £215,987 (2014: £216,883).

9. TRANSITION TO FRS 102

This is the first financial year that the GCRA has presented its financial statements under FRS 102. The date of transition to FRS 102 was therefore 1 January 2014. The adoption has had no effect on the surplus or retained surplus of the GCRA.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES

The GCRA is an autonomous body and independent in its decision making from the States of Guernsey. But under powers in section 3 of The Guernsey Competition and Regulatory Authority Ordinance, 2012 (The "Ordinance"), the Commerce and Employment Department "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 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 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 Department, 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 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 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 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), Regina Finn, Hannah Nixon 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 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 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 an auditor appointed by the States on the recommendation of the Public Accounts Committee and submitted, together with the auditor's 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 Department which apply to external bodies in receipt of grant funding.



FINANCIAL REVIEW 2015

Consistent with prior years, the Jersey Competition Regulatory Authority (JCRA) made an accounting surplus of £1 in 2015, 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 2015 were £970k, £122k lower than 2014 (£1,092k). 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 2015, a total of £300k was received (2014: £300k). In addition during 2015, £66k (2014: £43k) was received from EDD to fund work advising on the possible future regulation of the Ports of Jersey. There was deferred grant income carried forward at the year end of £103k (2014: £95k) all of which related to competition law funding (2014: £94k related to competition law funding and £1k related to ports incorporation funding).

During the period from incorporation on 1 October 2015 to the year end, £90k (2014: nil) of ports licence fees were received. At the year end there was deferred ports licence fee income of £49k (2014: nil). Pre-incorporation funding was by way of grant from EDD as explained above.

Income of £53k (2014: £86k) was received in the form of mergers and acquisitions fees. There was deferred income relating to applications for approval of mergers and acquisitions that were on-going at the year end of £13k (2014: £nil).

During 2015 £683k (2014: £644k) of telecoms licence fees were received. At the year end telecoms licence fees exceeded costs by £191k (2014: £80k), this balance was therefore accounted for as deferred telecoms licence fee income. Based on budgeted costs, the Class II and Class III licence fees for 2015 were set at 0.75% (2014: 0.75%) of regulated turnover.

During 2015, £40k (2014: £45k) of postal licence fees were received. At the year end there was deferred postal licence fee income of £12k (2014: £21k).

JERSEY COMPETITION REGULATORY AUTHORITY

(Incorporated in Jersey, Channel Islands)

NON EXECUTIVE MEMBERS

Mark Boleat Chairman

Philip Marsden

Regina Finn

Hannah Nixon

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

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 2015.

MEMBERS

The Members in office during the year and when these financial statements were approved are shown on page 24.

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 (2014: 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 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 as at the date of this report 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 18 March 2016



Louise Read
Secretary

JERSEY COMPETITION REGULATORY AUTHORITY STATEMENT OF MEMBERS' RESPONSIBILITIES

The Members are responsible for preparing the Member's 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 Economic Development Department the accounts together with the auditor's report. The Economic Development 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

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 2015 which comprise the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Financial Position and the related notes 1 to 11. 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 26, 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 2015 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

Date: *18th March 2016*

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>Note</i>	<i>2015</i> £	<i>2014</i> £
INCOME			
Telecommunications licence fees		491,931	564,384
Postal licence fees		27,559	23,851
Ports of Jersey incorporation grant and licence fees		106,368	42,710
Competition law grant and other income from EDD		290,135	374,859
Mergers and acquisitions fees		52,500	85,638
Bank interest and sundry income		1,220	782
		<u>969,713</u>	<u>1,092,224</u>
EXPENDITURE			
Salaries and staff costs		644,660	601,776
Consultancy fees		83,139	227,133
Operating lease rentals		54,431	54,126
Travel and entertainment		17,033	23,613
Conference and course fees		8,471	10,357
Depreciation		8,645	8,336
Administration expenses		12,207	13,221
Legal and professional fees		54,446	80,031
Audit and accountancy fee		9,302	9,083
Advertising and publicity		17,874	17,029
Repairs and maintenance		20,718	19,200
Heat, light and water		3,721	3,478
Recruitment		13,889	5,849
Bad debts		1,000	-
General expenses		20,176	18,991
		<u>969,712</u>	<u>1,092,223</u>
SURPLUS FOR THE FINANCIAL YEAR	7	<u><u>1</u></u>	<u><u>1</u></u>

Statement of total comprehensive income

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

Continuing operations

All the items dealt with in arriving at the surplus in the statement of comprehensive income relate to continuing operations.

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>2015</i>	<i>2014</i>
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the financial year	1	1
Adjustments for:		
Depreciation of fixed assets	8,645	8,336
Interest receivable	(1,220)	(782)
Decrease in debtors and prepayments	47,373	248,392
Increase in creditors	39,921	1,080,639
Net cash generated from operating activities	<u>94,720</u>	<u>1,336,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of tangible fixed assets	(6,203)	(511)
Interest received	1,220	782
Net cash from investing activities	<u>(4,983)</u>	<u>271</u>
Net increase in cash and cash equivalents	<u>89,737</u>	<u>1,336,857</u>
Cash and cash equivalents at beginning of the year	1,441,335	104,478
CASH AND CASH EQUIVALENTS AT THE YEAR END	<u><u>1,531,072</u></u>	<u><u>1,441,335</u></u>

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	<i>Notes</i>	<i>2015</i> £	<i>2014</i> £
FIXED ASSETS			
Tangible fixed assets	3	9,258	11,700
CURRENT ASSETS			
Debtors and prepayments	4	49,427	96,800
Cash and cash equivalents	5	1,531,072	1,441,335
		<u>1,580,499</u>	<u>1,538,135</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	6	1,464,303	1,424,382
NET CURRENT ASSETS			
		<u>116,196</u>	<u>113,753</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>125,454</u>	<u>125,453</u>
RETAINED SURPLUS			
	7	<u>125,454</u>	<u>125,453</u>

The financial statements on pages 28 to 35 were approved on 18 March 2016 and authorised for issue 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. Information on first time adoption of FRS 102 is given in note 11.

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 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 industry sectors. Further details are given below:

ai) 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 2015 was £300,000 (2014: £300,000). No releases from deferred income were requested during 2015 (2014: £30,000). Other charges includes fees received for the assessment of certain proposed mergers and acquisitions. They are recognised once the proposed transaction has been formally registered with the JCRA. Fees received in 2015 were £65,000 (2014: £41,000) with £52,500 (2014: £85,638) 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 Economic Development Department. Any deficits are funded from future grants. Deferred grant income as at 31 December amounted to £103,311 (2014: £94,927) all of which related to competition law funding (2014: £93,447 related to competition law funding and £1,480 related to ports incorporation funding).

aii) Licence fees

Licence fees across all regulated sectors are set on the basis of cost recovery in accordance with sector specific legislation and is recognised in the period to which they relate. The JCRA's costs are determined 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). Should fee income exceed costs, the balance is transferred to deferred income. Licence fee percentages / charges and deferred income are set out below

	2015		2014	
	Licence fee % / charge	Deferred income balance	Licence fee % / charge	Deferred income balance
Telecoms	0.75% relevant turnover	£191,395	0.75% relevant turnover	£85,953
Post	Class II £35,000 Class I £1,000	£13,774	Class II £40,000 Class I £1,000	£24,482
Ports	£90,000	£49,332	£-	£-

b) Interest receivable

Interest on bank deposits is accrued on a daily basis.

c) 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 2015**

1. ACCOUNTING POLICIES (CONTINUED)

d) 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.

e) 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.

f) 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.

g) 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.

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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</i> £	<i>Fixtures and fittings</i> £	<i>Other equipment</i> £	<i>Total</i> £
Cost						
At 1 January 2015	35,944	34,670	4,125	21,466	1,709	97,914
Additions	-	6,203	-	-	-	6,203
Disposals	-	(3,314)	-	-	-	(3,314)
At 31 December 2015	<u>35,944</u>	<u>37,559</u>	<u>4,125</u>	<u>21,466</u>	<u>1,709</u>	<u>100,803</u>
Depreciation						
At 1 January 2015	29,528	31,796	4,125	19,104	1,661	86,214
Charge in the year	4,249	3,671	-	677	48	8,645
Eliminated on disposal	-	(3,314)	-	-	-	(3,314)
At 31 December 2015	<u>33,777</u>	<u>32,153</u>	<u>4,125</u>	<u>19,781</u>	<u>1,709</u>	<u>91,545</u>
Net book value:						
At 31 December 2015	<u>2,167</u>	<u>5,406</u>	-	<u>1,685</u>	-	<u>9,258</u>
At 31 December 2014	<u>6,416</u>	<u>2,874</u>	-	<u>2,362</u>	<u>48</u>	<u>11,700</u>

4. DEBTORS AND PREPAYMENTS

	<i>2015</i> £	<i>2014</i> £
Prepayments	29,095	23,535
Trade debtors	14,404	72,310
Other debtors	928	955
	<u>49,427</u>	<u>96,800</u>

5. CASH NOT AVAILABLE FOR USE

Cash and cash equivalents includes £931,724 (2014: £1,100,095) 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 repaid 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 2015**

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Monies held in respect of commitments given by telecoms operators	931,724	1,100,095
Accruals	42,811	55,082
Deferred grant income	103,312	94,927
Deferred licence fee income	293,028	110,435
Deferred mergers and acquisitions fee income	12,500	-
Trade creditors	80,928	63,843
	<u>1,464,303</u>	<u>1,424,382</u>

7. MOVEMENT ON RETAINED SURPLUS

	2015	2014
	£	£
At 1 January	125,453	125,452
Surplus for the year	1	1
	<u>125,454</u>	<u>125,453</u>

8. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the JCRA had commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	2015	2014
	£	£
Operating leases which expire:		
Not later than one year	30,482	-
In more than one year but less than five years	-	95,168
Later than five years	-	-
	<u>30,482</u>	<u>64,686</u>

The amount shown in the note above relates to a nine year lease for the JCRA's office in Salisbury House, Union Street, St Helier. The lease expires in June 2016.

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 £20,125 (2014: £41,134) 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 2015**

10. RELATED PARTY DISCLOSURES

a) The JCRA and the Economic Development Minister (the Minister)

The JCRA acts independently of the States of Jersey, but is accountable to the Minister for the funding it receives to administer and enforce Jersey's competition law 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.

In 2015, the Minister provided £300,000 (2014: £300,000) in departmental funding to the JCRA to finance the administration and enforcement of the Competition (Jersey) Law 2005 and £65,701 (2014: £42,780) to advise on the possible future regulation of the Ports of Jersey.

As at the year end the balance of deferred grant income (note 6) due to the Economic Development Minister was £103,312 (2014: £94,927).

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

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. Recharges are made for expenses incurred (including staff costs) on a no gain no loss basis.

During 2015 £83,475 (2014: £122,445) was invoiced by the JCRA to the GCRA and £275,218 (2014: £246,975) was invoiced by the GCRA to the JCRA.

At the statement of financial position date the amount due by the JCRA to the GCRA (included in creditors) was £24,248 (2014: £19,259) and the amount due by the GCRA to the JCRA (included in trade debtors) was £19,404 (2014: £5,124).

c) Key management personnel

Key management personnel include all members of the Authority 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 £215,987 (2014: £261,883).

11. TRANSITION TO FRS 102

This is the first financial year that the JCRA has presented its financial statements under FRS 102. The date of transition to FRS 102 was therefore 1 January 2014. The adoption has had no effect on the surplus or retain surplus of the JCRA.

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 Economic Development 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 2014 the Board had established one committee; an Audit and Risk Committee. The Members of this committee comprise the non-executive members 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), Regina Finn, Hannah Nixon 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 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.