



**AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO**  
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*Please address your response to the Auditor General and quote the reference particulars below.*

**Ref. No: XI 143/4/2007/55**

29<sup>th</sup> May, 2014

Chief Executive Officer  
Telecommunications Authority of Trinidad and Tobago  
5, Eighth Avenue Extension  
Off Twelfth Street  
**BARATARIA**

Dear Sir

**Report of the Auditor General of the Republic of Trinidad and Tobago on the Financial Statements of the Telecommunications Authority of Trinidad and Tobago for the year ended September 30, 2007**

Forwarded herewith is a copy of my Report on the Financial Statements of the Telecommunications Authority of Trinidad and Tobago for the year ended September 30, 2007.

In accordance with section 116 (4) of the Constitution of the Republic of Trinidad and Tobago, the Report has been forwarded to the Speaker and the President of the Senate for presentation to the House of Representatives and the Senate respectively and to the Minister of Finance and the Economy.

A copy of the Report has been forwarded also to the Chairman of the Telecommunications Authority of Trinidad and Tobago and the Minister of Public Administration.

Yours faithfully

**SHARMAN O'FLÉY**  
**AUDITOR GENERAL**



**REPUBLIC OF TRINIDAD AND TOBAGO  
AUDITOR GENERAL'S DEPARTMENT**

**R E P O R T  
O F T H E  
A U D I T O R G E N E R A L**

**ON THE FINANCIAL STATEMENTS  
OF THE  
TELECOMMUNICATIONS AUTHORITY OF  
TRINIDAD AND TOBAGO**

**FOR THE YEAR ENDED**

**September 30, 2007**



**REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE TELECOMMUNICATIONS AUTHORITY OF TRINIDAD AND TOBAGO FOR THE YEAR ENDED SEPTEMBER 30, 2007**

The accompanying Financial Statements of the Telecommunications Authority of Trinidad and Tobago for the year ended September 30, 2007 have been audited. The Statements comprise a Balance Sheet as at September 30, 2007, an Income and Expenditure Statement - Recurrent, an Income and Expenditure Statement - Public Sector Investment Programme, a Statement of Changes in Amount Due to Consolidated Fund and a Cash Flow Statement for the year ended September 30, 2007, Accounting Policies referenced (a) to (g) and Notes to the Financial Statements numbered 1 to 19.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

2. The management of the Telecommunications Authority of Trinidad and Tobago (the Authority) is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITOR'S RESPONSIBILITY**

3. The Auditor General's responsibility is to express an opinion on these Financial Statements based on the audit. The audit was carried out in accordance with section 116 of the Constitution of the Republic of Trinidad and Tobago and section 57 of the Telecommunications Act, Chapter 47:31 (the Act). The audit was conducted in accordance with auditing standards which require that ethical requirements be complied with and that the audit be planned and performed to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinion expressed at paragraph 6 of this Report and for the comments made at paragraph 7 thereof.

## OPINION

6. In my opinion, the financial statements as outlined at paragraph one above, present fairly, in all material respects the financial position of the Telecommunications Authority of Trinidad and Tobago as at September 30, 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## OTHER LEGAL REQUIREMENTS

7. Without qualifying the above opinion, attention is drawn to the following:

### Statutory Non-Compliance

- (i) Sections 18 (1) (q) and 79 (1) of the Act require the establishment of a Consumer Complaints Committee and a Broadcasting Code respectively. Also section 63 (1) of the Act requires the Authority to establish a pension fund plan, or where the establishment of a plan is not feasible, join an existing plan. At September 30, 2007 the Authority had not complied with the aforementioned sections of the Act. However, evidence was seen that the Authority had taken action in this regard.
- (ii) The Authority has established a Universal Service Fund with a balance of \$20,500,000.00 in accordance with the provisions of section 53 (4) of the Act. Section 18 (1) of the Act states inter alia:

*"Subject to the provisions of this Act, the Authority may exercise such functions and powers as are imposed on it by this Act and in particular:*

*... (c) determine universal service obligations throughout Trinidad and Tobago, pursuant to section 28, and ensure that such obligations are realised; ..."*

At September 30, 2007 the Authority had not established a framework to meet the requirements for universal service obligations as required by the Act. Evidence was seen that the Authority had taken action in this regard also.

## SUBMISSION OF REPORT

8. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance and the Economy in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

29<sup>th</sup> May, 2014



*Sharon A. O'Leary*  
SHARMAN O'LEARY  
AUDITOR GENERAL

## TELECOMMUNICATIONS AUTHORITY OF TRINIDAD AND TOBAGO

1

## Balance Sheet

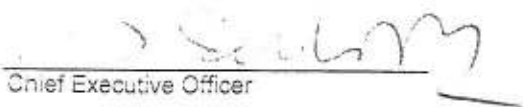
As at September 30, 2007

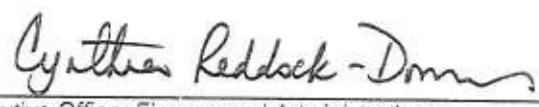
	Note	2007 \$	2006 \$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	2	13,102,409	4,004,759
<b>Current Assets</b>			
Trade and Other Receivables	3	28,802,809	209,164
Cash and bank balance	4	81,132,120	7,009,558
<b>Total Assets</b>		<b>123,037,338</b>	<b>11,223,481</b>
Represented by:			
<b>RESERVES AND LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred income	5.a.	33,017,997	4,004,759
<b>Current Liabilities</b>			
Accounts payable and accruals	6	2,314,809	1,963,001
Amount due to Consolidated Fund		67,204,532	5,255,721
<b>Reserves</b>			
Reserves-Universal Fund	7	20,500,000	-
<b>Total Reserves and Liabilities</b>		<b>123,037,338</b>	<b>11,223,481</b>



The notes on pages 6 to 13 form an integral part of these financial statements

On 10th March 2014 these Financial Statements were authorised for issue by the Chief Executive Officer

  
Chief Executive Officer

  
Executive Officer Finance and Administration

## TELECOMMUNICATIONS AUTHORITY OF TRINIDAD AND TOBAGO

2

## Income and Expenditure Statement - Recurrent

For the Year Ended September 30, 2007

	Note	2007	2006
		\$	\$
<b>Income</b>			
Government Grant	5.b.	5,730,000	
Deduct: Fixed assets purchased		<u>659,088</u>	
		5,070,912	17,941,684
Concession Fees	8	14,976,196	-
Licence Fees	8	79,531,294	-
Bank interest		894,166	77,677
Other income	9	25,251	102,943
Amortization of deferred income		1,749,357	567,445
<b>Sub-total</b>		<u>97,176,264</u>	<u>748,265</u>
		-	
<b>Total income</b>		<u>102,247,177</u>	<u>18,689,949</u>
<b>Expenses</b>			
Communication, Marketing & Policy Expenses	10	2,210,632	1,869,456
Fees	11	3,266,128	1,832,035
Training	12	1,362,054	1,610,589
Utilities		486,768	412,892
Rent/Lease Expenses		798,060	637,971
Staff Costs	13	8,955,599	6,817,034
Repairs and Maintenance		76,044	50,475
Other Administrative Costs	14	1,956,366	1,007,100
Depreciation		1,749,357	567,445
<b>Total Expenses</b>		<u>20,861,008</u>	<u>14,404,996</u>
Due to Consolidated Fund	15	81,386,169	4,284,853

The notes on pages 6 to 13 form an integral part of these financial statements.

## Income and Expenditure Statement - Public Sector Investment Programme

For the Year Ended September 30, 2007

		Note	2007	2006
	\$		\$	\$
<b>Income</b>				
Government Subvention	12,000,000	5.b.		
Deduct: Fixed assets purchased	10,187,919			
Other Expenditure	116,436			
Total PSIP Expenditure	<u>10,304,355</u>		1,695,645	1,055,727
<b>Expenditure</b>				
Development of IT Support Systems for the Telecommunications Sector			-	980
Development of a Universal Strategy and Implementation Plan			524,155	-
Development of an Advanced Automated Spectrum and Mgt. System			108,848	83,979
			<u>633,003</u>	<u>84,959</u>
Due to Consolidated Fund			<u>1,062,642</u>	<u>970,768</u>

The notes on pages 6 to 13 form an integral part of these financial statements

## Statement of Changes in Amount Due to Consolidated Fund

For the year ended September 30, 2007

	2007	2006
	\$	\$
Surplus for the Year Due to Consolidated Fund	82,448,811	5,255,721
Appropriation Reserves - Universal Service Fund	(20,500,000)	-
Net Surplus for the Year Due to Consolidated Fund	<u>61,948,811</u>	<u>5,255,721</u>
Amount Due to Consolidated Fund - Beginning of Year	5,255,721	-
Net Surplus Due to Consolidated Fund - End of Year	<u>67,204,532</u>	<u>5,255,721</u>

The notes on pages 6 to 13 form an integral part of these financial statements



## Cash Flow Statement

For the year ended September 30, 2007

	2007	2006
	\$	\$
<b>Cash Flow from Operating Activities</b>		
Surplus for the Year	82,448,811	5,255,721
Adjustments for:		
Appropriation Reserves - Universal Fund	(20,500,000)	
Amortization of deferred income - Licence Fees	(4,978,897)	5,255,721
Amortization of deferred income - Property Plant	(1,749,357)	(567,445)
Amortization of deferred income Licence Fees - Cash Received	4,978,897	
	(1,749,357)	
Depreciation	1,749,357	567,445
Decrease in Prepayment	61,948,811	5,255,721
	-	58,622
Increase in Trade and Other Receivables	(28,593,646)	(208,955)
Increase in Deferred Income	19,915,588	-
Increase in Accounts Payable	351,808	1,499,422
Net cash from Operating Activities	53,622,561	6,604,810
<b>Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets as per note 2	(10,847,007)	
Investments - Universal Fund	20,500,000	(2,857,633)
Cash from Investing Activities	9,652,993	
Net Cash from Investing Activities	9,652,993	(2,857,633)
<b>Cash Flows from Financing Activities</b>		
Amount Paid to Consolidated Fund	-	(4,120,125)
Proceeds from Government Grant	10,847,007	2,857,633
Net Cash from/ (Used in) Financing Activities	10,847,007	(1,262,492)
Net Increase in Cash and Cash Equivalents	74,122,562	2,484,685
Cash and Cash Equivalents at the beginning of the year	7,009,558	4,524,874
Cash and cash equivalents at the end of the year	81,132,120	7,009,558

The notes on pages 6 to 13 form an integral part of these financial statements

## Accounting Policies

For the Year Ended September 30, 2007

The principal accounting policies adopted in the preparation of these Financial Statements are set out below:

**(a) Basis of Preparation**

These Financial Statements have been prepared in accordance with international Financial Reporting Standards (IFRS). The Financial Statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

Where assumptions and estimates are significant to the financial statements they are disclosed in the Notes.

**(b) Reporting Currency**

These financial statements are expressed in Trinidad and Tobago dollars.

**(c) Government Grants**

Government grant related to fixed assets is deferred in the balance sheet and amortised over the estimated useful lives of the assets to which it relates.

Where the grant is to lend assistance for current or future expenses, it is recognized as income over the period of the expense to which it specifically relates.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and bank.

**(e) Reserves**

In accordance with the Telecommunications Act (2001) Section 28 (3), the Board has approved the establishment of Reserves for Universal Service. The Board also approved Reserves for the future development of the Authority.

**(f) Fixed Assets**

Fixed assets are stated at cost and are depreciated on the reducing balance basis at the following rates per annum:

Fixtures and fittings	20%
Computer equipment and Software	25%
Office furniture and equipment	20%
Motor vehicles	25%
Books	10%
Telecommunication Equipment and Related Software	25%

**(g) Comparatives**

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

## Notes to the Financial Statements

For the Year Ended September 30, 2007

## 1. Incorporation and Principal Activities

The Telecommunications Authority of Trinidad and Tobago is an independent regulatory body, established by the Telecommunications Act No. 4 of 2001. The Authority is charged with the responsibility for the liberalization and regulation of the telecommunications and broadcasting sectors. These functions were previously performed by the Telecommunications Division of the Ministry of Public Administration and Information. The Authority became operational on July 1, 2004. It is located at BEN Court, 76 Boundary Road, San Juan.

The Authority reports to the Ministry of Public Administration and Information.

## 2. Fixed Assets

	Fixtures & Fittings	Computer Equipment & Software	Office Furniture & Equipment	Motor Vehicles	Books	Telecommunication Equipment and Related Software	Total
Cost	\$	\$	\$	\$	\$	\$	\$
At October 1, 2006	73,408	3,187,039	607,811	258,944	1,809	850,865	4,979,875
Additions for the period	3,147	604,462	345,136	192,126	-	9,702,136	10,847,007
At September 30, 2007	76,555	3,791,501	952,947	451,070	1,809	10,553,001	15,826,882
Depreciation							
At October 1, 2006	14,877	528,849	172,739	107,136	291	151,224	975,116
Charge for the period	12,112	753,499	140,972	57,289	152	785,333	1,749,357
At September 30, 2007	26,989	1,282,348	313,711	164,425	443	936,557	2,724,473
Net Book Value							
At September 30, 2006	58,531	2,658,189	435,072	151,808	1,518	699,641	4,004,759
At September 30, 2007	49,566	2,509,152	639,236	286,645	1,366	9,616,444	13,102,409

Commitments for the purchase of fixed assets at the year end totalled \$358,671.00

## Notes to the Financial Statements

For the Year Ended September 30, 2007

(CONTINUED)

## 6. Accounts Payable and accruals

	2007	2006
	\$	\$
Deferred Revenue	459,737	-
Outstanding commitments	1,855,072	1,963,001
Total:	<u>2,314,809</u>	<u>1,963,001</u>

## 7. Appropriation of Reserves

In accordance with Section 53(d) of the Telecommunications Act 2001, Chapter 47:31 Section 53 (6) the Board has approved the amount of TT \$20,500,000 as an appropriation of Reserves to the Universal Services Fund:

	2007	2006
	\$	\$
Universal Fund	20,500,000	-
Total:	<u>20,500,000</u>	<u>-</u>

## 8. Income-Licence and Concession Fees

The proclamation of the Telecommunications (Fees) Regulations in September 2006, empowered the Authority to charge revenues for licences and fees. This replaced the fee structure charged under the Wireless and Telegraphy Ordinance. This was the first year since its inception the Authority was able to recover its costs from revenues earned by the Authority.

## Notes to the Financial Statements

For the Year Ended September 30, 2007

(CONTINUED)

**9. Other income**

Prior to the proclamation of the Telecommunications (Fees) Regulations, the Authority was empowered to collect and remit fees under the Wireless and Telegraphy Ordinance on behalf of the Ministry of Public Administration and Information. These fees were remitted to GORTT.

Government subvention comprised only 4% or \$5,730,000 of the Authority's income.

**10. Communications, Marketing and Policy Expenses**

	2007	2006
	\$	\$
Promotions, Publicity and Printing	1,626,132	1,077,884
Official Overseas Travel	80,561	205,092
Remuneration to Board Members	365,106	386,480
Hosting Conferences/Seminars	138,833	-
	<u>2,210,632</u>	<u>1,669,456</u>

**11. Fees**

These fees comprise mainly of legal fees incurred in compliance and enforcement, opinions from Senior Counsel, judicial review from The Authority's providers.

**12. Training**

In accordance with Section 18(n) of the Act, the Authority is committed to continuous training of its personnel to ensure that the industry standards are in compliance with:

- (1) International standards of the Telecommunications Union Convention
- (2) Testing and certifying of telecommunications equipment
- (3) Other relevant training necessary to achieve the objectives of the Act as outlined in Section 3 of the Act.

**13. Staff Costs**

	2007	2006
	\$	\$
Salaries - Staff	4,697,327	3,736,011
Salaries - Senior Management	3,792,511	2,977,837
Short Term Employment	435,922	92,150
Other Personnel Expenses	29,839	11,036
Total	<u>8,955,599</u>	<u>6,817,034</u>

The total number of employees as at 30th September 2007 was 42. The comparative figure for 2006 was 40.

## Notes to the Financial Statements

For the Year Ended September 30, 2007

(CONTINUED)

14. Other Administrative Costs	2007	2006
	\$	\$
Security	452,444	361,409
Janitorial Services	82,507	55,151
Supplies	369,722	145,420
Other Contracted Services	979,253	395,521
Other Administrative costs	72,440	49,599
	1,956,366	1,007,100

## 15. Surplus

The following have been charged in arriving at the net surplus:

	2007	2006
	\$	\$
Staff Costs (See Note 13)	8,955,599	8,817,034
Directors Fees and Expenses	365,106	386,480
Depreciation	1,749,357	567,445

## 16. Contingent Liabilities and Assets, Commitments

## (a) Operating Lease Commitments

The Authority leases its facilities which include executive and administrative offices.

Substantially the lease provides that the lessee shall pay maintenance, insurance and certain other operating expenses applicable to the leased property. The lease also includes renewal options.

There were no material finance leases.

## (b) Legal Proceedings

- (i) In September 2006, Dr John Prince, Executive Director filed suit against the Authority for alleged breach of Contract of Employment and restraining the Authority from terminating his employment.
- (ii) Proceedings commenced by the Authority under Section 65 of the Act alleging broadcasting without a licence by Radio Vision Limited.
- (iii) TATT vs Laqtel - TATT commenced proceedings against Laqtel for breach of concession - failure to post performance bond.
- (iv) Radiovision vs TATT - Radiovision commenced judicial Review proceedings against TATT in relation to item (ii) above.
- (v) TATT vs Sidewalk - TATT commenced proceedings against Sidewalk for breach of concession. As part of the proceedings TATT confiscated a transmitter from Sidewalk which was being used illegally.
- (vi) Sidewalk vs TATT - Sidewalk commenced Judicial Review proceedings against TATT in relation to the matter referred to in item (v).
- (vii) TATT vs TSTT - TATT commenced proceedings against TSTT seeking interpretation of a provision of the concession document.

## Notes to the Financial Statements

For the Year Ended September 30, 2007

(CONTINUED)

**16. Contingent Liabilities and Assets, Commitments (Cont'd)**

(viii) Digicel vs Arbitration Panel - Digicel commenced High Court proceedings against the dispute resolution Panel for Judicial review. TATT and TSTT were named as interested parties, while the dispute resolution panel had the benefit of an indemnity from the Authority.

The Authority is a party to the above suits and proceedings. These proceedings except for items (iii) and (viii), (See Note 17), are at various stages of litigation and their outcomes are difficult to predict in Management's opinion. However the disposition of these matters is not likely to have a materially adverse effect on its financial condition or results of operation.

**17. Financial Risk Management****(a) Cash flow and fair value interest rate risk**

As the Authority has no significant interest bearing assets, the Authority's income and operating cash flows are substantially independent of changes in market interest rates.

**(b) Operational Risk**

A significant part of the Authority's revenue from providers will be derived from the two leading providers of telecommunications service in the industry.

**18. Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Legal Proceedings**

CV 2006-01897 Dr John Prince v. Telecommunications Authority of Trinidad and Tobago

A Claim against the Authority alleging Breach of Contract of Employment and an Injunction restraining the Authority from terminating his employment.

## Notes to the Financial Statements

For the Year Ended September 30, 2007

(CONTINUED)

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**19. Post Balance Sheet Events****Legal Proceedings****TATT v. Laqtel**

TATT commenced proceedings against Laqtel for breach of concession (failure to post performance bond). TATT was successful in the Magistrates Court and was awarded the sum of \$150,000.00 plus \$10,000.00 per day until lodgement of the performance bond.

**Digicel v. Arbitration Panel**

Digicel commenced High Court proceedings against the Dispute Resolution Panel for Judicial Review. TATT and TSTT were named as interested parties, while the Dispute Resolution Panel had the benefit of an indemnity from the Authority. The Panel was successful and Digicel was ordered to pay the Authority's costs.

**Laqtel Limited**

Laqtel's inability to post a performance bond and failure to launch services within the timeframe required by the Concession granted by the Minister resulted in both matters being considered an "adjusting event" for the purposes of IAS 10. The Authority recognised the entire 25% down payment made by Laqtel for the duration of the Concession as due in 2007. This created a credit on Laqtel's Account of \$5,325,839 until final invoices were raised in 2008. Laqtel's concession was revoked in early 2008.

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