



Cedric D. Flowers
Certified Public Accountant

Public Utilities Commission

Financial Statements

March 31, 2017

International Financial Reporting Standards (IFRS)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the Public Utilities Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Utilities Commission, which comprise the statements of financial position as of March 31, 2017 and 2016, the statements of activities and changes in general fund and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Public Utilities Commission as of March 31, 2017 and 2016, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are independent of the Public Utilities Commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Commissioners for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

The Commissioners are responsible for overseeing the Commission's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. (See Appendix, Page 14, Auditor's Responsibility for the Audit of the Financial Statements).

Certified Public Accountant

Belize City, Belize

October 11, 2017

Balance Sheets

31 March

	Notes	2017	2016
		\$	\$

ASSETS

Current Assets

Cash and Bank	3	975,930	1,249,604
Short-term Investment	4	608,367	890,927
Accounts receivable and prepayments	2.06, 5	3,293,812	3,216,051
Total current assets		4,878,109	5,356,582

Investment Property

	2.10	1,239,454	1,239,032
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Net Fixed Assets

	2.05, 6	1,179,019	1,658,593
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TOTAL ASSETS

		7,296,582	8,254,207
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LIABILITIES & FUND BALANCE

Current Liabilities

Accounts payable and accruals		115,922	22,375
Judgment Payable	9.02	790,600	-
Severance Payable	9.03	117,785	-
Total current liabilities		1,024,307	22,375

Fund Balance

General Fund		6,272,275	8,231,832
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TOTAL LIABILITIES & FUND BALANCE

		7,296,582	8,254,207
--	--	------------------	------------------

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Commissioners on January 8, 2018

Chairman 

Commissioner 

Statements of Activities and Changes in General Fund Years ended 31 March

	Notes	2017 \$	2016 \$
REVENUES AND SUPPORT			
Fees on Public Utility Providers	2.06	4,877,291	3,150,153
Spectrum fees		396,669	555,300
Other revenues and support	7	251,936	363,291
TOTAL REVENUES		5,525,896	4,068,744
COST AND EXPENSES			
General and administrative expenses	8	4,727,853	2,852,524
Salaries & Wages		1,220,906	1,310,756
Depreciation		746,094	685,022
TOTAL EXPENSES		6,694,853	4,848,302
NET EXPENSES			
Beginning balance, general fund		(1,168,957)	(779,558)
Prior period adjustment	9.02	8,231,832	8,375,045
Ending balance, General Fund		(790,600)	636,345
		6,272,275	8,231,832

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

Year ended 31 March

2017	2016
\$	\$

CASH FLOWS FROM OPERATING ACTIVITIES

Net Expenses	(1,168,957)	(779,558)
Adjustments for:		
Depreciation	746,094	685,022
Prior period item	(790,600)	(14,250)
Deficit before working capital changes	(1,213,463)	(108,786)
Changes in working capital components:		
Accounts receivable and prepayments	(77,761)	(73,453)
Accounts payable and accruals	1,001,932	22,375
Net cash used by operating activities	(289,292)	(159,864)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds of short term investment	282,560	-
Purchase of property and equipment	(266,942)	(605,327)
Net cash provided (used) by investing activities	15,618	(605,327)
Net decrease in cash	(273,674)	(765,191)
Cash and cash equivalents, beginning of period	1,249,604	2,014,795
Cash and cash equivalents, end of period	975,930	1,249,604

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

For the years ended March 31, 2017 and 2016 (expressed in Belize Dollars)

1. GENERAL INFORMATION

1.01

Status

The Public Utilities Commission (the Commission or the PUC) is an autonomous statutory corporation which was established in August, 1999, and is governed by the provisions of the Public Utilities Commission Act, Chapter 223 of the Laws of Belize, Revised Edition 2000 (the Act).

Function of the Commission

In accordance with Section 22(1) of the Act, it shall be the duty of the Commission to ensure that the services rendered by a public utility undertaking operated by a public utility provider are satisfactory and that the charges imposed in respect of those services are reasonable.

The Commission is empowered to:

- a. Enquire into the nature and extent of utility services and to determine and prescribe in accordance with the provisions of the Public Utilities Commission Act, the Electricity Act, the Telecommunications Act, and the Water and Sewerage Act, the standards which must be maintained in relation to such services; and,
- b. Determine and prescribe the rates which may be charged in respect of utility services.

The Commission is headquartered in Belize City, Belize.

1.02

Governance

Section 4(1) of the Act provides for a seven-member Board of Commissioners, appointed by the Governor General, which includes a Chairman who is appointed by the Minister and has responsibility for the day-to-day administration of the affairs of the Commission.

1.03

Basis of Preparation

The financial statements of the Commission have been prepared in accordance with International Financial Reporting Standards (IFRS) and with the significant accounting policies which follow.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions which affect the amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although these estimates are based on management's best knowledge of current events and circumstances, actual results may ultimately differ from estimates.

1.04

Changes in accounting standards

There are no new standards, amendments to existing standards or interpretations which are effective for the first time during the year ended March 31, 2017 that have a material impact on the PUC. At the balance sheet date, there were a number of new standards and amendments to existing standards in issue but not yet effective.

The PUC has not early-adopted any of these new standards or amendments to existing standards and the PUC will assess their full impact in due course.

Notes to Financial Statements

For the years ended March 31, 2017 and 2016 (expressed in Belize Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been used in the preparation of these financial statements are summarized below. These accounting policies have been used throughout all periods presented in the financial statements.

2.01 Fund Accounting

The General Fund represents the operating fund of the Commission and accounts for the organization's regulatory and administrative activities; this fund reports unrestricted resources.

2.02 Budgets and Budgetary Accounting

The Commission may submit its annual estimates of income and expenditures to the Minister of Finance, in accordance with Section 39(1) of the Act. Expenditures of amounts other than provided for in the estimates must be approved by the Minister of Finance.

The Commission adopts its annual approved budget prepared in accordance with the basic accounting utilized by the General Fund.

2.03 Basis of Accounting

The modified accrual basis of accounting is used by the Commission. Under the modified accrual basis of accounting, certain revenues are recognized when available and measurable.

Expenses are generally recorded when the related fund liability is incurred.

2.04 Currency Translation

(i) Functional and presentation currency
Items included in these financial statements are measured in Belize dollars, the functional currency of the economic environment in which the Commission operates.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Transactions in United States currency and balances at the balance sheet date have been converted at the rate of US \$1.00 to BZ \$2.00.

Currency translation gains and losses, if any, are reflected on the statement of activities.

2.05 Fixed Assets and Depreciation

Property, plant and equipment are valued at transactional prices and, with the exception of land, are depreciated on a straight-line basis to the statement of activities using the following maximum estimated useful lives:

Furniture and fixtures and equipment	10 years;
Motor vehicles	4 years.

The useful lives of the assets are reviewed for any indication of significant change since the last annual reporting date.

Notes to Financial Statements

For the years ended March 31, 2017 and 2016 (expressed in Belize Dollars)

2.06

Revenue Recognition

The Commission recognizes revenues in accordance with the provisions of International Accounting Standards (IAS) 18 and IAS 37. The Commission's sources of revenues include the following:

- a. Fees on Public Utility Providers;
- b. Spectrum Fees;
- c. Other License Fees;
- d. Interest Income.

Fees on Public Utility Providers, Spectrum Fees, Other License Fees

The Commission has adopted its appropriate fee structure in respect of charges on Public Utility Providers based on the provisions and regulations contained in the Electricity Act, the Telecommunications Act, and the Water and Sewerage Act.

Annual license fees paid by the Public Utilities Providers are based on 1.5% of their gross revenues and are recognized in these financial statements when received. Other license fees paid to the Commission are also recognized when received.

Amounts recorded as Accounts Receivable represent past due amounts owing to the PUC by a Public Utility Provider from prior accounting periods which has been acknowledged and confirm, but which were not available and measurable by the Commission in periods for which those amounts relate.

Interest Income

Interest income is recognized on the accrual basis using the effective interest method.

2.07

Accounts Receivable, Cash and Cash Equivalents

These financial assets are initially measured and recorded at the transactional prices. Revenues paid by Utility Providers are recognized on a cash basis. Receivables recorded in relation to past due fees from Utility Providers are periodically assessed, and where objective evidence exists that the carry amounts are not recoverable, an impairment loss is recognized on the statement of activities.

2.08

Other Short-term Financial Assets

Other short-term financial assets comprise a term deposits held for one year or less; they are initially recognized at transactional prices. Due to the short-term maturity of these financial instruments, their carrying values are approximately equal to their market values.

2.09

Financial Risk Management

The Commission controls its exposure to financial and operational risk and risk of impairment to assets by conducting its activities under policies approved by the Board of Commissioners.

Management has maintained control over cash and the collection of fees. Investment in term deposit is monitored closely for changes in the market rates.

2.10

Investment Property

Land held by the PUC for future use is classified as Investment Property until placed into use. Investment Property is recorded in the accounts at the full transaction price.

08 Public Utilities Commission

Notes to Financial Statements

For the years ended March 31, 2017 and 2016 (expressed in Belize Dollars)

	2017	2016
	\$	\$
3. CASH & BANK		
Current Account - foreign currency (in Bze \$)	142,591	120,511
Current Account - local currency	833,339	1,129,093
	975,930	1,249,604

4. SHORT-TERM INVESTMENT

Short-term investment consisted of a fixed deposit held with the Belize Bank Limited for a term of one year or less. The fixed deposit carried an interest rate of 1.75% per annum and was free of encumbrances.

5. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Accounts Receivable	3,213,046	3,106,719
Employee Advances	46,043	39,390
Prepayments	34,723	69,942
	3,293,812	3,216,051

6. FIXED ASSETS & DEPRECIATION

	Pre-constr. Costs		Motor Vehicles		Equipment		Computers & Accessories		Furniture & Fixtures		Totals
Gross carrying amount											
Balance, April 1, 2016	-	-	2,854,317	80,595	23,222	181,246	3,139,380				
Additions	65,700	186,000	12,220	-	-	2,600	266,520				
Disposals	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-
Balance, March 31, 2017	65,700	3,040,317	92,815	23,222	183,846	3,405,900					
Depreciation and impairment											
Balance, April 1, 2016	-	(1,337,350)	(31,137)	(21,139)	(91,161)	(1,480,787)					
Disposals	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(719,029)	(8,702)	-	(18,363)	(746,094)					
Balance, March 31, 2017	-	(2,056,379)	(39,839)	(21,139)	(109,524)	(2,226,881)					
Net carrying amount, March 31, 2017	65,700	983,938	52,976	2,083	74,322	1,179,019					
Net carrying amount, March 31, 2016	-	1,516,967	49,458	2,083	90,085	1,658,593					

Notes to Financial Statements

For the years ended March 31, 2017 and 2016 (expressed in Belize Dollars)

	2017	2016
	\$	\$
7. OTHER REVENUES AND SUPPORT		
Other license fee	251,936	362,874
Interest income	-	417
	251,936	363,291
8. GENERAL & ADMINISTRATIVE EXPENSES		
Contributions to Government of Belize	1,904,144	235,424
Professional fees	457,889	228,558
Gratuity	516,774	624,371
Pension Contribution	24,081	13,795
Provision for Severance	117,785	-
Telephone and postage	36,842	42,060
Rent	143,100	143,100
Repairs and maintenance	21,727	74,801
Office expenses	44,799	37,115
Fuel and oil	43,534	35,769
Conferences and workshops	73,441	61,853
Promotion, publicity and advertising	65,033	93,037
Training	641,699	766,933
Donations	161,603	142,453
Motor vehicle expenses	111,178	47,708
Dues and subscriptions	12,763	6,515
Insurance	83,039	73,502
Social security expense	19,362	19,702
Security	67,885	65,461
Electricity and water	44,060	33,407
Uniforms	22,645	20,461
Miscellaneous	114,470	86,499
	4,727,853	2,852,524

Notes to Financial Statements

For the years ended March 31, 2017 and 2016 (expressed in Belize Dollars)

9. COMMITMENTS AND CONTINGENCIES

9.01

Contracts

The Commission was a party to several contracts and other arrangements at March 31, 2017, and was contingently liable for the cumulative amount of \$248,045, which included the following:

- a. Caribbean Network Operators Group (CARIBNOG), contract for strategic consulting services to assist the Commission to conduct environmental research into regional and global cyber security issues.
- b. International Environments Limited, contract for professional architectural, engineering and design services in connection with the proposed construction of a building for the Commission's headquarters.

9.02

Legal Matters

In the ordinary course of its activities, the Commission is subject to threatened legal actions and proceedings.

Based on current knowledge and communication with legal counsel, the Commission is of the view that the outcome of the following litigation matters, which existed at March 31, 2017, would not have a material adverse effect on its financial position:

- a. Supreme Court Claim No. 691 of 2011, Consolidated Water Belize Ltd vs. Public Utilities Commission;
- b. Supreme Court Claim No. 621 of 2012, The Turquesa Group Ltd and Gaston Alegre Sr. dba Turquesa TV and La Super Turquesa de Belize vs. Public Utilities Commission, Belize Broadcasting Authority, John Avery and Renell Alamilla;

In the matter of Caribbean Court of Justice Appeal No. BZCV 2015/001 and Belize Civil Appeal No. 29 of 2012—Speednet Communications Limited vs. Public Utilities Commission, the Caribbean Court of Justice ordered the refund of \$790,600 to Speednet Communications Limited.

These financial statements reflect a provision for the amount of \$790,600 Judgment Payable by the Commission to Speednet Communications at March 31, 2017; the amount has been adjusted against the general fund of the Commission as a "prior period charge".

9.03

Employment Benefits

The Commission recognizes termination benefits in accordance with the Labour Act, Chapter 297 of the Laws of Belize. The Labour Act was revised in April, 2011 to require that employees who have been employed for (a) five to ten years be paid severance pay of one week's pay for each year of service upon termination and, (b) employees with more than ten years be paid, upon termination or resignation, severance pay of one week's pay for each year of service prior to April, 2011 and two week's pay for each year of service after April, 2011.

Liabilities in relation to the provisions of the Labour Act are reflected in these financial statements as Severance Payable.

Notes to Financial Statements

For the years ended March 31, 2017 and 2016 (expressed in Belize Dollars)

- 9.04 **Pension Plan**
By a Trust Deed dated March 3, 2015, the Commission established the Public Utilities Commission Pension Plan (the Pension Plan).
- 9.05 The Pension Plan is a "non-contributory, defined contribution plan" in which the employees are not obliged to make payments, but may do so voluntarily (non-contributory); benefits to be paid from the Pension Plan are not fixed, but based on accumulated amounts for each qualifying employee. Contribution by the Commission is fixed at 4% of gross salaries (defined contribution).
- 9.06 The effective date of the Pension Plan is April 1, 2009, and it covers all full-time employees and full-time contract workers.
- 9.07 These financial statements have not been adjusted to reflect the obligation of the Commission for contributions to the Plan prior to March 3, 2015.
10. **DEVELOPMENT CONTRIBUTION**
On March 18, 2017, the Government of Belize enacted legislation, "Statutory Bodies (Development Contribution) Act, 2017, which imposes a ten percent levy on the revenues of certain statutory bodies, known as a "development contribution".
The development contribution is payable by the Commission into the Consolidated Revenue Fund of the Government of Belize, on a quarterly basis, starting with the quarter ending June 30, 2017.
11. **TAXATION**
The activities of the Public Utilities Commission are not subject to income taxes.
12. **KEY MANAGEMENT AND BOARD COMPENSATION**
12.01 Section 4 of the Act provides for a Board of Commissioners which shall be responsible for the policy and the general administration of the affairs of the Commission.
12.02 The Board consisted of six Commissioners at March 31, 2017, with a total (combined) annual compensation of \$257,050.
12.03 The total compensation of the Chairman was \$158,749.98.
12.04 Members of the Board of Commissioners are compensated on a per-meeting basis. At March 31, 2017, the rate was \$1,250 per meeting of the Commission.
13. **SUBSEQUENT EVENT**
On June 5, 2017, Speednet Communications Ltd. applied for judicial review of the decision of the Commission to charge a fee of \$1,440,000 for the period 2010 to 2016 for spectrum license (Supreme Court Claim No.166 of 2017 – Speednet Communications Ltd. v Public Utilities Commission).

Appendix

1. Auditor's Responsibility for the Audit of the Financial Statements.
2. Report on Compliance.
3. Summary of Key Compliance Areas



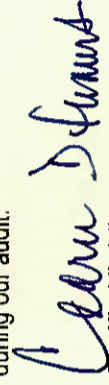
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Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures which are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether material uncertainty exists related to events or conditions which may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the business activities of the Commission in order to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Commission's audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Cedric D. Flowers
Certified Public Accountant

Belize City, Belize
October 1, 2017



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SPECIAL REPORT ON COMPLIANCE

To the Board of Commissioners of the Public Utilities Commission

We have concluded our Compliance Audit of the Public Utilities Commission as of October 27, 2017, the results of which appear on the accompanying schedule, pages 17 and 18, Summary of Key Compliance Areas.

Our audit was conducted with a view to establish and report on whether the PUC was in compliance with its established policies, protocols and guidelines—or in their absence—acceptable standards of practice as appropriate for the financial and related activities conducted by the PUC.

Scope and Limitation

Our audit was limited accounting and financial matters and included consideration of factors which impacted the financial reporting of the PUC.

Our audit did not incorporate technical or legal obligations and requirements in respect of the PUC which did not directly impact PUC's financial reporting.

Reporting and Conclusions

Our reports is intended to communicate its results "at-a-glance". Although descriptions of conclusions about compliance are generally summarized as: "Yes" or "No", the auditors took into consideration the first time nature of the compliance audit and the fact that the PUC did not have written policies, guidelines, and protocols in several areas.


Accordingly, our report summary emphasizes the current status and describes the results of the audit in the following terms:

1. Adequate – The policy or practice meets compliance area objectives;
2. Needs Improvement – The policy or practice meets some compliance area objectives;
3. None – The policy or practice does not meet compliance area objectives.

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We anticipate that the PUC will review the results and make the necessary adjustments to formally adopt appropriate policies, guidelines, and protocols as may be appropriate.


Certified Public Accountant

Belize City, Belize
October 31, 2017

Summary of Key Compliance Areas

October 27, 2017

Description of Obligation/Requirement	COMPLIANCE
	Adequate/Needs Improvement/None
Financial Management System and Reports	
Adequately staffed accounting function	Needs improvement
Maintenance of a proper system of accounts with periodic reporting	Needs improvement
Periodic (monthly) review of financial reports	None
Planning and Budgeting	
- Timely preparation and submission of budgets for Board approval	Needs improvement
- Written guidelines for extra-budget expenditures	None
- Preparation and review of budget performance reports	None
Appropriate Internal Control System	
- Effective segregation of duties	Needs improvement
- Proper oversight and review of the accounting function	Needs improvement
- Proper safeguard of assets (i.e. insurance, vehicle logs, inspections)	Needs improvement
- Authorization of transactions	Needs improvement
- Documentary support for transactions	Needs improvement
Accounting System and Reporting	
- Appropriate accounting policy and procedures manual	None
- Accounting calendar and timetable of key activities	None
- Timely independent audits	Adequate
- Written protocols for acquisition of goods and services	None
- Written protocols for disposal of assets	None
Annual audit of the accounts by the Auditor General	None

(SEE BELOW FOR KEY TO COMPLIANCE CONCLUSIONS)

Summary of Key Compliance Areas (Cont'd.)

October 27, 2017

Description of Obligation/Requirement	COMPLIANCE
	Adequate/Needs Improvement/None
END OF YEAR TAX REPORTING	
- Bonuses to Staff and Commissioners	None
- Gratuities arising from contracts	None
- Other taxable benefits such as board compensation and allowances	None
Withholding of taxes on third party contract payments	Adequate
MEETINGS AND OFFICIAL DECISIONS	
Minutes of meetings - structure, form, continuity	Needs improvement
Approvals and signatures	Needs improvement
OTHER MATTERS	
Written policies to address related party relationships and transactions	None
Written policies to address potential conflicts of interest	None

Key to Compliance conclusions:

- Adequate** - Policy or practice meets compliance area objectives.
- Needs Improvement** - Policy or practice meets some compliance area objectives.
- None** - Policy or practice does not meet compliance area objectives.