



# **QUARTERLY REPORT OF THE BOARD**

*COVERING THE PERIOD 1 OCTOBER – 31 DECEMBER 2013*

**ECS 13/2014**

24 June 2014

## **1. Introduction**

In fulfilment of its continuing commitment to accountability and transparency, the Board of URCA is pleased to publish its Quarterly Report for the Fourth Quarter of 2013, covering the period 1 July to 30 September 2013.

During the quarter under review, the Board had three meetings, on 23 October, 26 November and 11 and 12 December.

## **2. Summary of Key Actions – Audit Committee**

- Committee Meetings – During the Fourth Quarter of 2013, the Audit Committee had two meetings, on 23 October and 11 December.
- Internal Audit function – As part of its review of the Internal Auditor’s effectiveness, the Audit Committee satisfied itself that the Internal Auditor was undertaking continuing education as part of the requirements of the Bahamas Institute of Chartered Accountants and approved and recommended to the Board the Internal Auditor’s revised Terms of Reference specifying the functions, duties and responsibilities of the Internal Auditor. The Audit Committee agreed on the Internal Auditor’s reappointment for 2014. The Audit Committee agreed that the External Auditors should be provided with the Internal Auditor’s findings as part of the annual audit. It also agreed that the Internal Auditor should, as a matter of course, provide more formal views on the controls processes, risk of fraud and regulatory compliance. The Audit Committee also obtained updates from Executive Management on management’s implementation of the Internal Auditor’s recommendations. The Internal Auditor provided the Audit Committee with his work plan for 2014 covering reviewing procurement, consumer and information, bank accounts and cash management, and information systems. The Internal Auditor presented a report on his review/audit of the effectiveness of URCA’s internal controls over key systems and the management of risk during the quarter as it related to Key Performance Indicators (KPIs). The Audit Committee made recommendations to the Board on the approaches by Executive Management to implement the Internal Auditor’s recommendations
- Management Accounts – The Audit Committee reviewed URCA’s management accounts and financial performance for September and November 2013 and provided the Board with its comments and recommendations for the approval of those accounts. During October, the Audit Committee Chairperson reviewed the monthly management accounts and provided the Board with comments on the accounts following which they were reviewed and approved by the Board. The Audit Committee also reviewed and discussed URCA’s cash flow projections to December, particularly in light of the Government’s policy on surplus funds following the

amendment to the URCA Act and ways in which such funds should be treated under the accounting rules.

- Audit Committee Self-Evaluation Exercise and Action Plan – The Audit Committee approved a list of activities for 2014 arising from the self-evaluation exercise.
- Evaluation of 2012 External Audit – The Audit Committee completed its evaluation feedback on the performance of the 2012 external audit with URCA’s former External Auditors.
- Risk Management – The Audit Committee, as part of its long-range process of reviewing URCA’s Risk Assessment Matrix outlining the various levels of risk to the organisation, their likelihood and mitigation strategies, recommended to the Board that URCA obtain external advice on risk management. The Internal Auditor reported on the results of his review of the Risk Assessment Matrix to the Audit Committee and identified several areas where the Audit Committee could make recommendations to the Board for implementation.
- Selection of External Auditors for 2013-2016 – During the quarter, the Audit Committee met with the principals of Deloitte & Touche and discussed matters of mutual concern regarding expectations and timelines for conducting the 2013 audit of URCA’s accounts in accordance with section 38(4) of the URCA Act.

### **3. Summary of Key Actions – Operations**

- Human Resources and Administration – Each month, the Board was provided with updates regarding URCA’s Human Resources initiatives, including developments in URCA’s on-going programmes to review and revise its performance management and compensation systems, and recruitment and restructuring exercises. The Board reviewed the results of a compensation survey conducted by a consultant company together with Executive Management’s recommendations thereon and approved the maximum performance bonus payments for 2013 which are to be paid in February 2014, as well as settled on the performance bonus percentages for 2014. The Board was notified that employees would be assessed under the 2012 Performance Management System for January to June and would be assessed under the new Performance Management Framework from 1 July 2013.
- Executive Management – The Board is regularly updated and involved in significant executive management decisions, including strategic planning, as they arise during each month. In addition, during the quarter, the Board finalised the results of a 360-degree assessment of the Executive members. During the quarter, the Board also reviewed with Executive Management the quarterly status reports on URCA projects

as well as a status report on the implementation of the Internal Auditor's recommendations. Similarly, the Board was apprised of efforts in revising the staff Policies and Procedures Manual, compilation of departmental KPIs, and progress on matters involving the Attorney General as Minister responsible for relations with URCA.

- Legal Matters – The Board was advised during the quarter on legal matters involving URCA:
  - Judicial Review litigation that had been filed by a licensee against URCA's decision in ECS 02/2013 to reject the SuperBasic cable television price increase application and against URCA's decision in ECS 01/2013 regarding the framework for the clarification and implementation of existing Universal Service Obligations due to the Utilities Appeal Tribunal (UAT) not having made any progress on the appeals that the licensee had filed with the UAT in respect of the same matters.
  - The Board was updated on steps taken by General Counsel to collect unpaid or underpaid Communications Licence Fees and URCA Fees owed by delinquent licensees.
  - The Board was updated on the status of dormant legal proceedings inherited by URCA from the Public Utilities Commission and efforts made to amicably resolve those proceedings where possible.
  - The Board was updated on the legal considerations affecting internal human resources issues.
- Corporate and Consumer Relations – The Board was apprised of outreach programmes planned or undertaken by URCA during the quarter to publicise the URCA name and brand, including continuing upgrades to URCA's website;
- Strategic Planning – During the quarter, the Board was updated on Executive Management's progress with finalizing the proposed Strategic Plan which would serve as inputs to the 2014 Work Plan and Budget preparation.
- International Relations – The Board discussed ways to encourage Bahamian participation in the ITU Plenipotentiary 2014. The Board was notified that during the quarter the CEO had attended meetings in St. Maarten of the Internet Society who had expressed as desire to establish a local chapter in The Bahamas; the DPR attended a Caribbean Telecommunication Union (CTU) meeting on spectrum management in Jamaica; the Chairperson, Deputy Chairperson and CEO attended the annual Organisation of Caribbean Utility Regulators (OOCUR) Conference in

Belize; and that URCA had been accepted into membership of the Commonwealth Telecommunications Organisation (CTO) as a Sector member in order to take advantage of the many training opportunities offered.

- Risk Management Strategies – The Board was advised of Executive Management’s progress with reviewing URCA’s Risk Assessment Matrix and the review of internal and external organisational Key Performance Indicators.
- Licence Fees - The Board is regularly updated each month on various queries from licensees, and actions to resolve and collect URCA Fees, Spectrum Fees and/or Communications Licence Fees. During the quarter, the Board resolved to pursue collection against delinquent licensees and also to engage with the Financial Secretary as to the next steps regarding revocation and other actions involving monies owed to the Government in Communications Licence Fees and Spectrum Fees.
- 2014 Draft Annual Plan and Draft Budget – During the quarter, the Board was kept informed on progress to publish the draft 2014 Annual Plan and Draft Budget which were published on 31 December 2013. The Board considered that mobile liberalisation would constitute the highest priority project in 2014 and agreed to meet with Policy & Regulation staff in December to set down timelines and other considerations that URCA could submit to Government as a guide on mobile liberalization. The Board was also concerned that URCA’s workload for the first two quarters of 2014 would need careful review in addition to the need to make provision for unanticipated matters coming in. The Board also considered that URCA should redouble its employment efforts to fill vacancies and for succession planning purposes.

#### **4. Summary of Key Actions – Regulatory**

- Local News Reports – The Board is regularly provided with various newspaper articles and comments that arise in the local press from URCA decisions and/or consultations during the period and, where necessary, press releases were issued to clarify URCA’s position on those issues. The Board is also provided with local newspaper articles, information and comments regarding developments in other sectors that URCA might regulate in the future and other reports that may have an impact on URCA’s activities
- Number Portability – The Board was updated on progress regarding the technical and administrative issues affecting implementation of Number Portability in The Bahamas. The Board was notified of the technical and other issues affecting the implementation of number portability. The Board met with URCA’s technical

consultant who explained his experiences and observations of the number portability implementation by the two major licensees in New Providence and other Family Islands.

- Electronic Communications Sector (ECS) Policy – The Board was updated on additional drafting to the Sector Policy document for 2013-2016 and URCA’s preparation of recommendations to the Prime Minister arising out of the responses to the public consultation.
- Retail Price Applications – The Board was informed that during the quarter, URCA had received several special promotion and permanent price reduction applications for approval. The Board was also advised that URCA was continuing the Retail Pricing Rules and SMP market reviews, as well as reviewing BTC’s RAIO rates following the conclusion of the public consultation on SMP in Call Termination, and reviewing the market surveys of the public and of licensees.
- Competition Matters – The Board was updated on the progress of the investigation of various complaints made against licensees designated as having Significant Market Power in the areas of calling cards, advertisements and the blocking of incoming roaming calls. The Board was advised of the progress being made in reviewing the interconnection and access guidelines as operators should not be able to block each other’s calls in the absence of a regulatory decision by URCA.
- Spectrum Administration – The Board was advised of progress with the Government regarding the draft National Spectrum Plan, the status of offers previously made for take-up of spectrum in the 700 MHz band, a planned review of the licensing guidelines in 2014 and a preliminary determination on the pricing of spectrum. The Board was advised that URCA was not proceeding with broadband wireless access spectrum due to concerns about issuing spectrum, the potential lack of interest by licensees and other related issues although this matter might be reviewed at a later time once other relevant issues had been addressed. During the quarter, the Board approved the expenditure of \$62,000 on the purchase of a 2013 Chevy Tahoe to replace the current spectrum monitoring vehicle.
- Content Regulation – During the quarter, the Board was apprised on the outcome of the investigation of two complaints made against broadcasters and the status of two own-initiative investigations commenced by URCA against a third and fourth broadcaster. In one case, the complaint was dismissed as not revealing any offensive content by the broadcaster, although the broadcaster concerned was reprimanded for not being able to provide URCA with all of the requested recordings. In the second case, the reviewed recordings did not reveal any formal privacy breaches of the Content Code and the complaint was dismissed. The third matter was not

proceeded with as the complainant was unable to provide URCA with specifics of the complaint against the broadcast station while the fourth matter was still under investigation. The Board was advised that URCA was in the process of forming the Content Industry Regulatory Group as required under the Content Code and that letters had been sent out to potential members in the broadcasting sector.

- Universal Service Obligations (USO) – The Board was advised on the status of the readiness for Board review of documents relating to USO and developments regarding the 6-channel Basic Television Service.
- Licensing, Investigations and Enforcement – The Board was informed of licensing activities, applications, investigations, enforcement and revocations during the quarter: 16 Class Spectrum Licences Requiring Registration and 5 Individual Spectrum Licences were issued, as well as 12 new Type Approval applications were received while URCA completed the processing of 21 applications which were approved. The Board was advised that a number of licensees were surrendering their licences which suggested to Executive Management that ways needed to be found to reduce the barriers to entry into the sector.
- Numbering Administration – The Board was notified of URCA’s numbering administration activities and the receipt of an application from a licensee for a block of 10,000 numbers. The Board was also informed that URCA was working on preparing the annual numbering resource utilisation forecast which would reveal whether CO codes are being used efficiently.
- Regulatory and Other Measures – During the quarter covered by this report, the Board approved regulatory and other measures, including those that resulted in the following documents being published:
  - 1) Second Final Determination: The implementation of Fixed Number Portability in The Bahamas pursuant to Section 80 of the Communications Act, 2009 [ECS 15/2013] 29 October 2013
  - 2) Public Register of Individual Licensees and Class licensees Requiring Registration [Revised] 29 October 2013
  - 3) Public Consultation: Proposed Review and Revisions to the Regulation of Retail Prices for SMP Operators – Rules [ECS 16/2013] 4 November 2014
  - 4) Third Final Determination: The Implementation Of Fixed Number Portability in The Bahamas pursuant to Section 80 of The Communications Act, 2009 - Cost Allocation and Recovery [ECS 17/2013] 19 November 2013

Dated: 24<sup>th</sup> day of June 2014

**Vincent Wallace Whitfield**

Secretary to the Board