



REGULATED INDUSTRIES COMMISSION



ANNUAL REPORT &  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31  
2005

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Protecting **YOUR** Interests





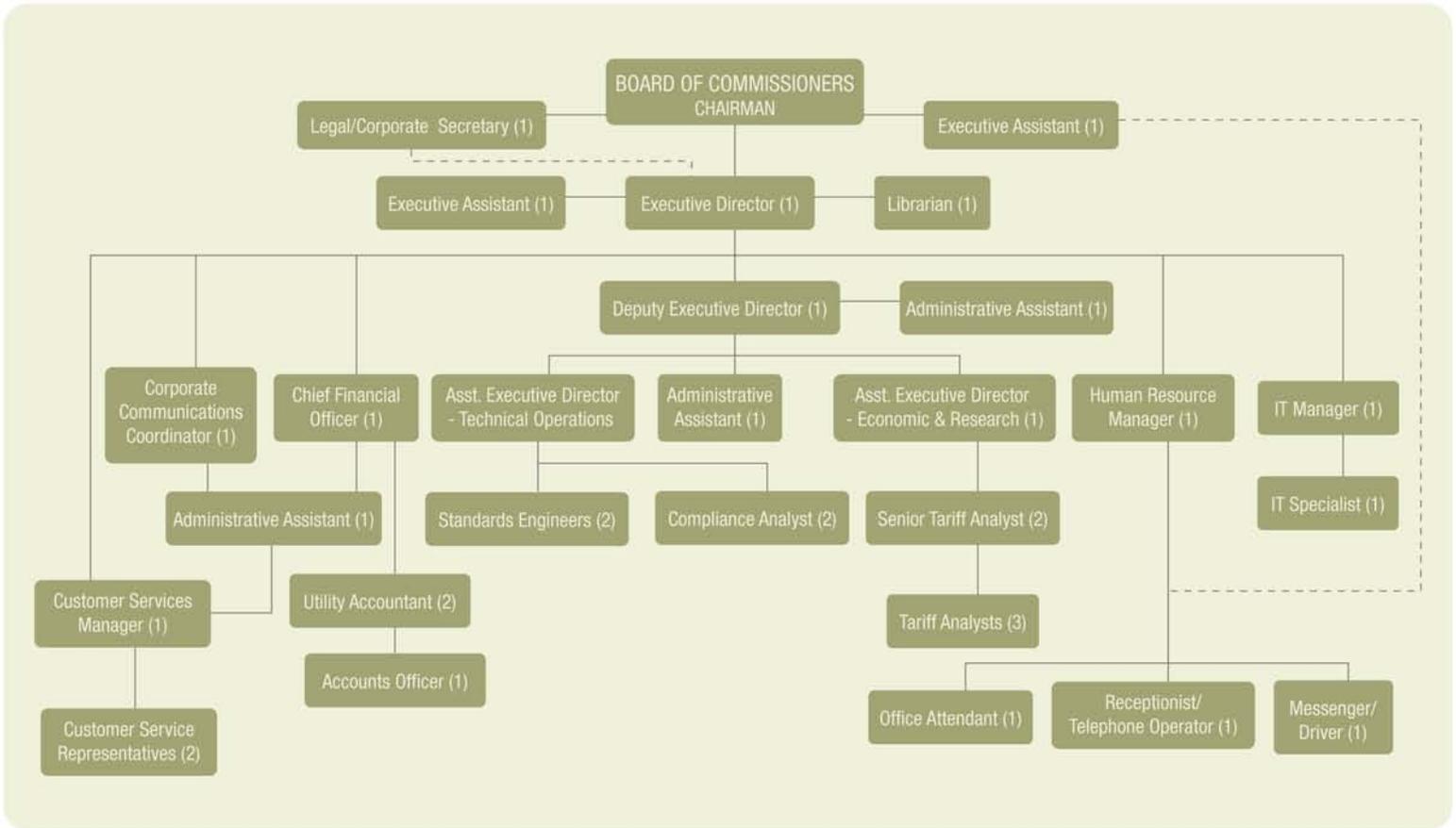
# ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31 2005

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# REGULATED INDUSTRIES COMMISSION ORGANIZATIONAL STRUCTURE





# VISION & MISSION STATEMENT

## VISION

To be a World Class Regulator.

## MISSION STATEMENT

To ensure that services provided for all are reliable, efficient and cost effective.

To be a credible and transparent regulatory regime that responds adequately to stakeholders' concerns.

To demonstrate fairness, equity and concern for the national welfare in the performance of the Commission's functions.



# INTRODUCTION

## **This, the fourth report of the RIC, covers the activities of the RIC for the period January to December 31, 2005.**

The Regulated Industries Commission Act No. 26 of 1998 established the Regulated Industries Commission (RIC) as a body corporate. Under the Act, the RIC is charged with the responsibility of regulating the following service providers:

- The Water and Sewerage Authority (WASA)
- The Trinidad and Tobago Electricity Commission (T&TEC)
- The Power Generation Company of Trinidad and Tobago (POWERGEN)
- InnCogen Limited (INNCOGEN)

## **Functions of the RIC**

The specific powers and functions of the RIC are defined in Section 6 of the RIC Act of 1998 and are summarized below:

- To advise the Minister on matters relating to the operations of the Act including the granting of Licences and monitoring the terms and conditions of the Licences;
- To carry out studies of efficiency and economy of operation and of performance of service providers, publish results and take action, where necessary, to protect the interests of customers and other stakeholders;
- To monitor compliance and impose sanctions for non-compliance;
- To establish economic principles and methodology for the setting of rates for services and to perform periodic reviews of the rating regimes;
- To investigate consumer complaints in respect of rates, billing and unsatisfactory service and facilitate redress;
- To ensure service providers are able to finance the delivery of services with sufficient return on investment; and
- To ensure openness and transparency by publishing information which allows stakeholders to have their say in regulatory decisions.



Furthermore, the RIC Act places direct functional responsibility upon the Commission in Section 6 (3) to ensure that the public interest is protected particularly:

- **By ensuring maximum efficiency in the use and allocation of resources and that services are reliable and provided at the lowest possible cost;**
- **By ensuring equal access by consumers to service and the fair treatment of consumers and service providers who are similarly placed;**
- **By ensuring non-discrimination in terms of service access, pricing and quality; and**
- **By ensuring that current national environmental policies are adhered to.**



## CHAIRMAN'S OVERVIEW

The trend of the past two years continued in 2005. Both the public profile and reputation of the RIC were enhanced by its various outreach activities. However, most of our activities during the year under review centred on addressing a request by the Trinidad and Tobago Electricity Commission (T&TEC) for a review of its rates and tariffs. It was the first time that such a request was received by the RIC, and also the first time that a new regulatory approach would be undertaken in Trinidad and Tobago. Previously, under the Public Utilities Commission (PUC), Rate of Return Regulation had been employed but under the RIC the use of Incentive Regulation is mandated by the RIC Act.

Commencing April 2005, the Commission undertook a major consultation exercise that included two national consultations at the Crowne Plaza and several regional consultations at locations throughout Trinidad and Tobago. At the first consultation, the RIC launched the Quality of Service Standards for the Water and Wastewater Sector and at the same time solicited views on the various problems facing consumers regarding the supply and delivery of such services. Discussions are on-going with WASA and it is hoped that the standards would be implemented in 2006. The remaining consultations were arranged to present to the public the RIC's proposals with respect to T&TEC's application for a rate review, and to provide an opportunity for all stakeholders to influence the decision making process. As this was the first time such an approach was being utilised, the RIC learnt valuable lessons that would serve it in good stead in the future. In general, the public response was low-keyed but many useful comments were received. At the end of this exercise the staff set about analysing the request by T&TEC and preparing a Draft Determination, which the Board proposed to make public in September 2005.

Another major activity that required considerable attention was the proposed RIC office building. The purchase of a property to house the RIC's operations was initiated in December, 2004 and completed in January 2005 after all necessary legal matters were satisfied. The property was purchased with funds derived from the accumulated surpluses for the period 2001 to 2003. During that time the RIC was not fully staffed and thus it realised savings of revenue over expenditure.

The Board established a Building Committee, under the Chairmanship of Commissioner Annette McKenzie and comprised of several staff members, to ensure the successful completion of the RIC's office building. Tenders were invited and the Board accepted a proposal to construct a four-story building using a BOLT approach. A further decision was taken to demolish the existing structure and to create a temporary car park until the site was required by the developers. The carpark was opened in October 2005. On October 6, 2005, the Minister of Works wrote to the Chairman of RIC indicating that the Government had agreed to acquire the said property for expansion of its offices and that the RIC will need to seek an alternative site.



The Board established several sub-committees to maximize the efficiency of its decision making process. It agreed to the following; Finance / Audit, and Human Resource Standing Committees, and two ad hoc committees for the electricity, and the water and wastewater sectors. The establishment of the latter Committees was timely given the increased focus on regulating the relevant utilities.

The appointment of the Chairman was renewed, for a further three years, on June 18, 2005. However, the term of office of the majority of Commissioners expired in August, 2005 and this curtailed the work of the RIC. Important decisions regarding the proposed RIC office building, the Draft Determination and staff related matters were held in abeyance until a new Board was constituted. During the year under review I was appointed to the position of Vice-Chairman of the Organization of Caribbean Utility Regulators (OOCUR), the regional regulatory body.

As Chairman, I met with the Minister of Public Utilities and the Environment on several occasions and these meetings were always cordial and sought to further the business of the RIC. I wish to end by thanking my fellow Commissioners for their unstinting support in promoting transparent regulation, and the Management and Staff of the RIC for their excellent contributions during the year.

f/CHAIRMAN



## REVIEW OF OPERATIONS

The main activities of the RIC during Fiscal 2005 involved analysing data submitted by T&TEC and responding to its application for a review of rates and tariffs, which was received in December 2004. Although our major focus was on conducting the rate review, we continued to monitor activities in the water and wastewater sector, and to service customer complaints. In fact, the Quality of Service Standards for the Water and Wastewater Sector were launched in April, 2005. In the case of customer service, the Board took a decision to implement a Customer Outreach Programme from February 2005.



# REGULATING THE UTILITIES

## Trinidad and Tobago Electricity Commission

T&TEC made a formal application for rate review in December 2004. It had not received a general rate increase since 1992, and that review was based on 1990 / 1991 costs. The last rate increase was awarded by the PUC based on the Rate of Return Regulation or Cost-plus Approach. It was, therefore, the first time in the history of regulating public utilities in Trinidad and Tobago that a new approach - Incentive Regulation - was being utilised.

Following the submission of T&TEC's business plan and proposals a preliminary evaluation of the document by the RIC revealed that additional information was required. The RIC did not officially accept T&TEC's request until it was satisfied that it had adequate information to conduct a proper analysis. The RIC was bound by its Act to make its final determination within six months of acceptance of the request otherwise the rates requested could be implemented by the utility.

After receiving all the information and being satisfied, the RIC intensified its activities by preparing specific consultative documents that were released to the public prior to its consultation with stakeholders. At a Media Conference on May 10, 2005, the Commission launched the rate review process. Several papers were presented to an audience of about one hundred and forty-four (144) persons, comprising all stakeholders. Following this meeting, the RIC conducted eight (8) regional consultations across the country. These meetings were used to present RIC's initial thoughts and views to the public but also to inform itself about the issues and concerns of the public and stakeholders. After careful review and analysis of the comments received, the RIC completed its Draft Determination for public comment in August, 2005. The rate review process was scheduled to be completed before the end of 2005 but the absence of a fully constituted Commission meant that no decision could be taken.

## Monitoring the Quality of Service Standards –T&TEC

The Quality of Service Standards for the Electricity Transmission and Distribution Sector were implemented from April 2004. Monitoring of the service provider was undertaken by requesting quarterly reports from the 2nd quarter of 2004, and a nine-month report based on data for the period April to December 31, 2004 was completed in 2005. The Commission took a decision to publish an Annual Performance Report on Quality of Service Standards commencing in 2006.

In summary, over the nine-month period twenty one thousand and forty-six (21,046) breaches of the Guaranteed Standards were recorded. However, only two claims for compensation were made but neither was found to be valid. In the case of Overall Standards, there were good performances with respect to four of them. Given that this was the first time such a framework had been employed in Trinidad and Tobago it was expected that there would be teething problems. Consequently the RIC is committed to working with the Utility to ensure that it vastly improves its overall performance with respect to all Standards.



# THE WATER AND SEWERAGE AUTHORITY

Given the degree of focus on T&TEC during 2005, our activities in respect of WASA were subdued. After approximately eighteen (18) months of consultation and revision, the Quality of Service Standards for the Waster and Wastewater sectors were launched on April 5, 2005, at the Crowne Plaza Hotel. A wide cross section of stakeholders numbering 105 persons attended the launch and the RIC used this opportunity to allow stakeholders to express their issues and concerns regarding the services provided by WASA.

In May 2005, a tripartite meeting among the Minister of Public Utilities and the Environment, Ministry officials, the Board and Senior Management of WASA and the Board and Senior Management of the RIC was held at the RIC's office. In WASA's view, the Standards were onerous and too difficult to meet, a position at divergence with the RIC, and thus it felt that the Standards should not be implemented at that time. The Minister intervened and suggested that both parties set up a joint technical team that would agree on a timetable for operationalising the standards. The teams met consistently over a seven-month period during which a lot of progress was made. The team produced a report which identified those standards that were considered to be difficult to meet, and the resources required if improvements were to be achieved. At the end of 2005, the implementation of the Standards was still outstanding.

Undoubtedly, between 2004 and 2005 there has not been any significant improvement in the level of services offered by WASA. The RIC remains determined to ensure that citizens have a reliable and efficient supply. In the circumstances, greater effort would be expended in 2006 to make this a reality.



# HUMAN RESOURCES

At the end of the fiscal year 2005, there were a few vacancies which continued to exist at the RIC. Despite our best efforts, it was difficult to find persons either at home or abroad who were willing to accept the compensation packages offered for some of our senior vacant positions.

Following a staff retreat in October 2004, and a request from staff, the Board agreed to examine the feasibility of changing the status of employees from contract to permanent employment and to make a decision by July, 2005. This was perhaps the major focus of the HR department during the year. After a competitive bidding process, Bacon, Woodrow and De Souza and HRC Consultants were selected to undertake studies aimed at recommending a pension scheme and compensation package consistent with permanent employment status. The recommendations of both consultants were submitted by August, 2005 but this date coincided with the expiration of appointments of the majority of Commissioners and thus no decision could be taken on the issue of permanent employment by the end of 2005.

## **Recruitment and Retention of staff**

Owing to the increased public profile of the RIC and our desire to provide high quality service, the Board took a decision to amend the organisational structure to include an additional Customer Service Representative. In keeping with our policy of rewarding staff who have improved their academic qualifications while demonstrating a high level of commitment and quality in their work, one staff member was elevated to the position of Administrative Assistant after satisfactory performance and successful completion of the Administrative Professional Certification from UWI. Three persons exited the organisation in 2005 to pursue opportunities with other organisations and/or to further education.

## **Staff Training**

The RIC continued to encourage and support staff development in its efforts to improve staff morale and commitment to the organisation. A number of persons from all departments benefited from exposure to regional and international training. In total, 14 persons participated in training programmes hosted by OOCUR outside of Trinidad and Tobago. Also, several staff members successfully completed online courses. In terms of in-house training and training available locally, all categories of staff benefited from the following courses:

- 1) *Effective Business Writing skills;***
- 2) *Customer Service Excellence;***
- 3) *Critical Management Skills for Supervisors/Managers; and***
- 4) *Advanced Mediation Skills – 3 day Workshop.***

The RIC firmly believes in providing opportunities for staff development and will continue to make significant allocations to this area in its annual budget.



## FINANCES OF THE RIC

The RIC is funded through Cess levied on all service providers falling under its purview. The line Minister has responsibility for setting the maximum salary and benefit levels for all staff and for approving the RIC's budget once satisfied that its expenditure is both fair and reasonable. **Table 1** highlights the major areas of expenditure in 2005. The bulk of the RIC's expenditure (68%) is related to staff, accommodation and external technical advice. While expenditure on staff declined nominally, accommodation and external technical advice increased. The increase in the technical advice is due largely to a short-term consultancy associated with the analysis of T&TEC's investment plan, submitted in relation to its request for a review of its rates and tariffs.

**TABLE 1:**  
Budgeted and Actual Expenditure for fiscal 2005

	2005	
	BUDGET (\$)	ACTUAL (\$)
Personnel Expenditure	6,663,641	5,872,345
Accommodation	1,376,358	1,275,672
Consulting and Contracting	1,210,000	1,404,801
Training	400,000	360,640
Education, Promotion and Printing	457,242	710,347
Capital Expenditure and IT	264,180	407,743
Other Costs	467,500	687,036
<b>TOTAL</b>	<b>10,838,921</b>	<b>10,718,584</b>
<b>CESS CARRIED FORWARD</b>		<b>120,337</b>



## FINANCES OF THE RIC (CONT'D)

The formula agreed upon by the Cabinet in 2003 sought to limit RIC's expenditure so as to discourage wastage but at the same time facilitate a more efficient budget approval process. Sadly, the RIC's budget is still not being approved in a timely manner thus placing the institution under serious financial pressure and undermining its independence. The formula is expected to be reviewed in 2006, at which time RIC will make recommendations to shorten the bureaucratic delays as well as to increase the Cess Factor as its functions are expanding.

The RIC is committed to full transparency in its operations. Pursuant to this objective, the salaries and benefits of senior staff are published in **Table 2**.

**TABLE 2:**  
Compensation for Senior Staff (2005)

POSITIONS	BASIC MONTHLY SALARY \$	GRATUITY %	PENSION \$	GROUP LIFE/HEALTH INSURANCE \$	ALLOWANCE (MONTHLY) \$	TRAVELING (MONTHLY) \$	MOTOR VEHICLE \$
Executive Director	27,500	20	Nil	1,041	2,500	3,500	Yes
Dep. Executive Director	21,140	20	Nil	7,361	2,000	2,500	Yes
Asst. Executive Director	17,450	20	Nil	3,651	Nil	2,000	No
Human Resource Manager	15,860	20	Nil	5,091	Nil	2,000	No
Information Technology Manager	15,860	20	Nil	2,481	Nil	2,000	No
Legal/Corporate Secretary	15,860	20	Nil	2,481	Nil	2,000	No
Chief Financial Officer	15,860	20	Nil	5,091	Nil	2,000	No
Corporate Communications Coordinator	13,750	20	Nil	5,091	Nil	2,000	No



## CORPORATE COMMUNICATIONS

In 2005, the RIC intensified its outreach activities as it sought to build upon the gains achieved in the fiscal year 2004.

The RIC continued its print and radio campaign aimed at educating the public on its roles and responsibilities in ensuring that they receive an adequate, safe, reliable and cost effective service from the utilities. The theme “More than just a number” was used to inform consumers that they were more than just a bar code or account number and that they had rights, while “these files are important to you” was the theme of a series of press advertisements aimed at encouraging the public to request reports from the RIC on matters which would ultimately affect them. The RIC continued to participate in radio call-in programmes and to make appearances on television.

The first major activity for the year was the launch of the Quality of Service Standards for the Water and Wastewater sector at the Crowne Plaza Hotel on April 05, 2005. However, the most significant event in the RIC’s calendar for 2005, was the Media Conference hosted on May 10, 2005. On that occasion the RIC’s Chairman announced that it had accepted T&TEC’S submission of a request for a review of its rates and tariffs. Following the media conference the RIC held a series of public consultations across Trinidad and Tobago. That medium was used to outline its methodology and approach to setting rates, and to present a number of information documents and discussion papers, so that stakeholders would have the opportunity to comment and make suggestions that could influence RIC’s decision making process. A total of two hundred and seven (207) persons participated in all consultations.

The Commission agreed to resuscitate its Student Internship Programme, which it initiated in 2002 and which had not been undertaken in 2003 and 2004. Based on an evaluation conducted by the HR Manager, two students were provided with vacation employment. The Interns assisted the professional staff with various activities from which it was expected that they would gain an appreciation for the work of the RIC. This initiative is expected to encourage persons to become interested in the field of regulation as a career option.

Commissioners and staff participated in several meetings and conferences within the region. An eight-member team headed by the Chairman represented the RIC at OOCUR’s 3rd Annual Conference in The Bahamas in November, 2005. Six members of staff presented papers on various aspects of Utility Regulation. Our Corporate Communications Coordinator, attended an OOCUR workshop in Barbados and presented a paper entitled “Consumer Education and Participation in the Regulatory Process”.

Two issues of the RIC Newsletter were published in January and August, 2005. Our distribution network included all public libraries, Ministries, Parliamentary Representatives, CBOs, NGOs, our Caribbean affiliates and service providers.



## INFORMATION TECHNOLOGY

One of the achievements of the IT Department in 2005 was the development and implementation of a Customised Complaints Management Software Package in collaboration with the Customer Services Department. This initiative has improved the efficiency of management of all complaints received by the RIC.

A number of IT policies and procedures, ranging from back-up and recovery to preventative maintenance, were being developed for implementation. The Department also played a crucial role in the consultations undertaken in 2005 and it will be relied upon for further support during similar activities in 2006.



## CUSTOMER SERVICES

During 2005, the work of the Customer Services Department (CSD) intensified. Despite the fact that TSTT was removed from the jurisdiction of the RIC, there was a significant increase in the number of complaints owing to greater public awareness of the RIC's role and function. In addition, the Board took a decision to establish a Customer Outreach Programme in order to make the services of the RIC more accessible to the rural population. This initiative resulted in twelve visits throughout the country during which 237 complaints were received. Further, the RIC introduced its Toll-Free number, 800-4RIC to provide direct access to the CSD at no cost to consumers.

Overall, the department recorded 2979 complaints as shown in **Table 3**. There was a 123% increase in the number of complaints received as compared to 2004. WASA accounted for 2,392 complaints or 80.3% of all complaints (**Figure 1**). A total of 2380 complaints or 82% were resolved as shown in **Table 3** with two thousand, three hundred and twelve (2,312) or 97% resolved in favour of the customer as indicated in **Figure 2**.

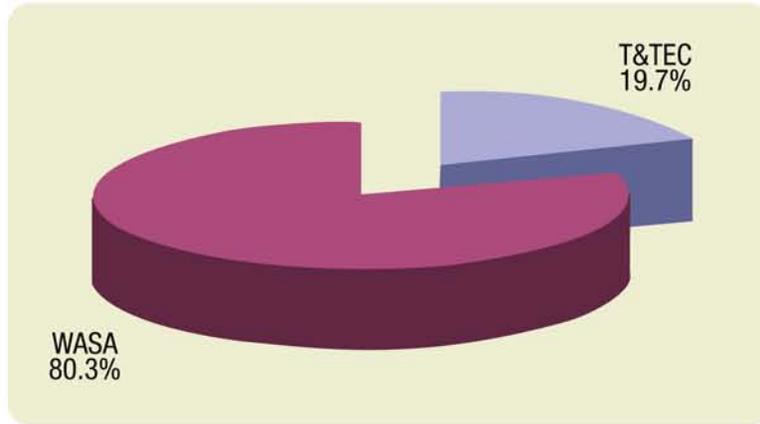
### TABLE 3:

#### Status of Complaints Received for 2002-2005

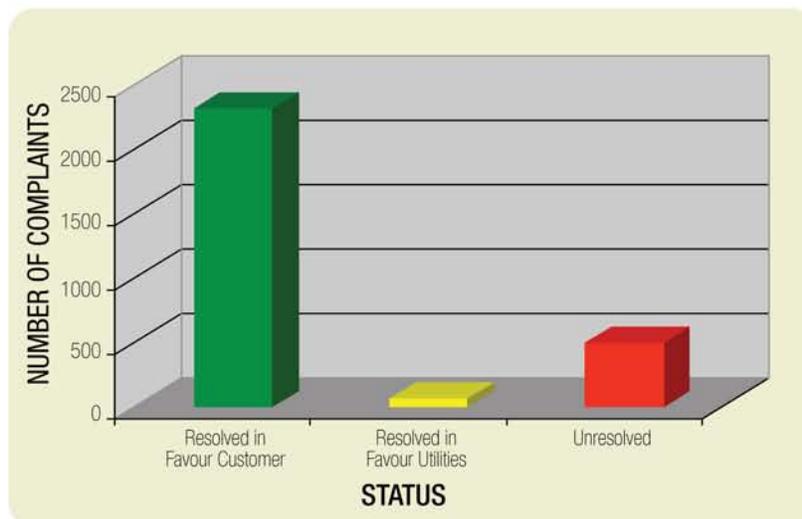
STATUS	YEAR				% CHANGE
	2002	2003	2004	2005	
Number of complaints received	569	929	1335	2979	123%
Number of complaints resolved	514	742	906	2380	163%
Number of complaints unresolved	55	187	346	496	43%
Number of complaints withdrawn	0	0	83	62	(25%)
<b>RESOLUTION RATE</b>	<b>90%</b>	<b>80%</b>	<b>68%</b>	<b>82%</b>	<b>21%</b>
Resolved in favour Customer	479	706	869	2312	166%
Resolved in favour Utilities	35	36	37	68	84%

# CUSTOMER SERVICES (CONT'D)

**FIGURE 1:**  
Percentage of Complaints Received for 2005 by Service Provider



**FIGURE 2:**  
Status of Resolution of Complaints for 2005



## CUSTOMER SERVICES (CONT'D)

The medium most frequently used to lodge complaints was the telephone (82%). A total of 2,451 complaints were received through this medium (see **Table 4**). The COP accounted for 8%, walk-ins 5% and written complaints 4% (**Figure 3**).

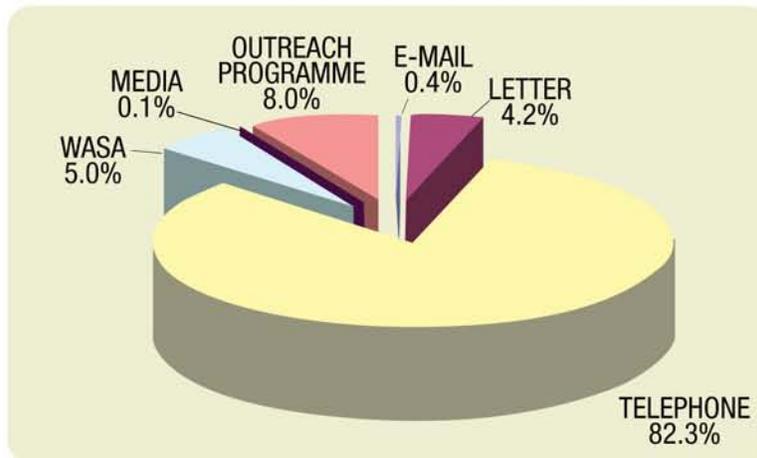
**TABLE 4:**

Number of Complaints by Receiving Medium for 2005

RECEIVING MEDIUM	2002	2003	2004	2005
E-Mail		7	19	11
Letter	36	116	136	126
Media		11	18	2
Telephone	491	703	995	2451
Walk-In	41	92	167	150
COP				239
<b>TOTAL</b>	<b>569</b>	<b>929</b>	<b>1335</b>	<b>2979</b>

**FIGURE 3:**

Percentage Distribution of Complaints by Receiving Medium





## CUSTOMER SERVICES (CONT'D)

The category recording the most number of complaints was **“Inadequate Supply”**, which represented 64.8% of complaints received in 2005. This was followed by the **“Billing Query”** which represented 9.2%, and **“Street/Lights/Poles”** at 6.4%. In the case of the first two areas, WASA's customers were most affected (see **Table 5**) with the majority of them residing in the southern region of the country.

### TABLE 5:

Distribution of Complaints Received by Category for 2004

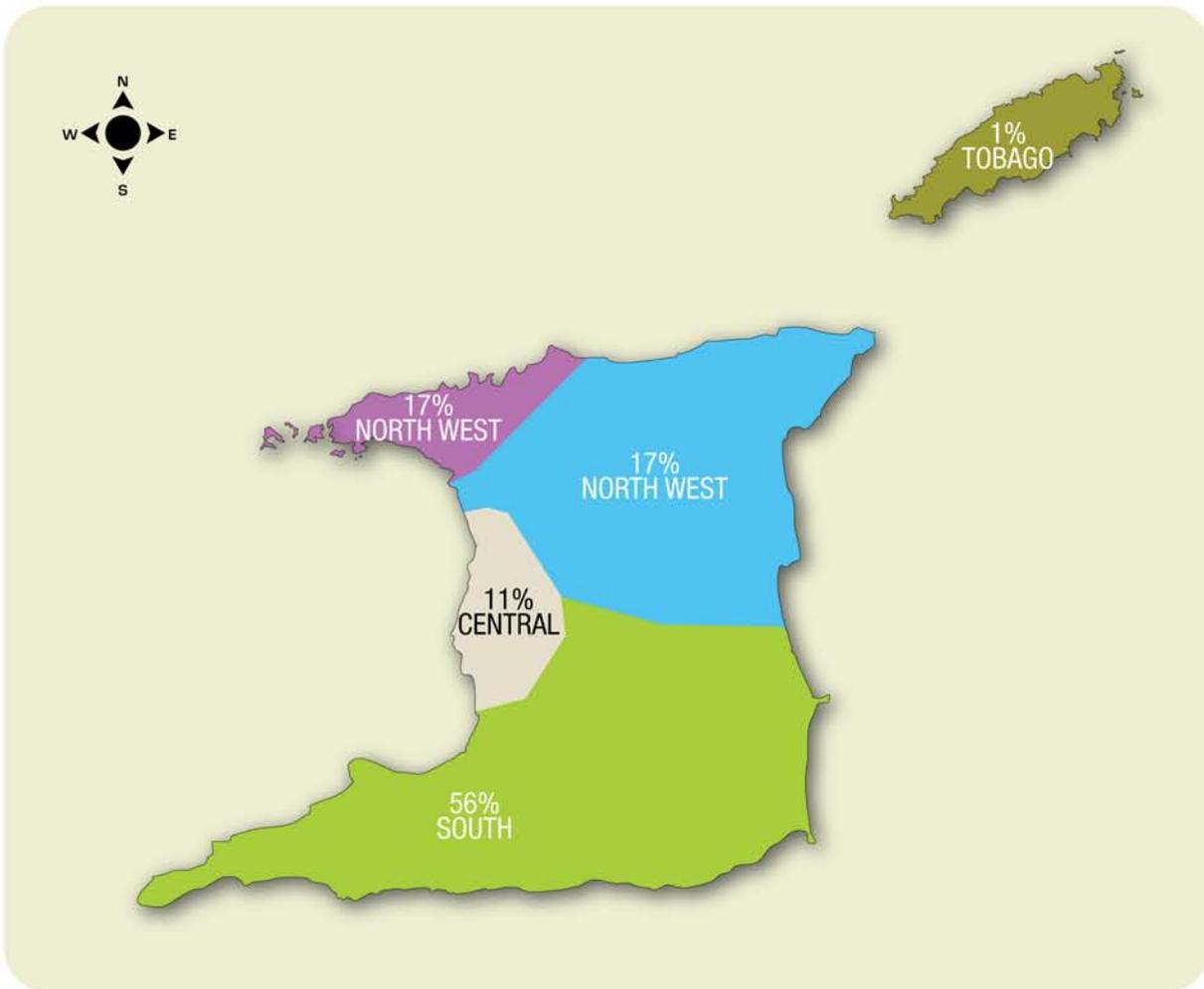
COMPLAINT CATEGORY	WASA		T&TEC		TSTT		TOTAL TOTAL		PERCENTAGE CHANGE
	2004	2005	2004	2005	2004	2005	2004	2005	
Billing Query	108	191	103	82	72	*	283	273	-4%
Inadequate Supply	351	1930	*	*	*	*	351	1930	450%
Leaks	103	182	*	*	*	*	103	182	77%
Other	38	33	43	35	32	*	113	68	-40%
Out of Service	*	*	*	*	139	*	139	0	-100%
Power Outages	*	*	36	59	*	*	36	59	64%
Request for Service	9	30	35	43	15	*	59	73	24%
Road Restoration	3	26	*	*	*	*	3	26	767%
Street Lights / Poles	*	*	93	191	*	*	93	191	105%
High/Low Voltage	*	*	63	85	*	*	63	85	35%
Damaged Appliance	*	*	91	92	*	*	91	92	1%
	612	2392	464	587	258	0	1334	2979	123%

\* *Not applicable*

## CUSTOMER SERVICES (CONT'D)

A dis-aggregation of complaints by region revealed that the largest number of complaints emanated from the Southern region while Tobago recorded the least number of complaints (**Figure 4**).

**FIGURE 4:**  
Percentage Distribution of Complaints by Region for 2004



## CUSTOMER SERVICES (CONT'D)

**Table 6** indicates that areas such as Princess Town, Barrackpore, Penal and San Fernando were most affected by an inadequate supply of water.

### TABLE 6:

Number of Complaints from South Trinidad that Reported an Inadequate Water Supply in 2005

COMPLAINT	LOCATION	AREA	TOTAL
Inadequate Supply	South	Princes Town	386
"	"	Barrackpore	180
"	"	Penal	178
"	"	San Fernando	102
"	"	Williamsville	94
"	"	Gasparillo	72
"	"	Moruga	69



## CUSTOMER SERVICES (CONT'D)

The RIC conducted its first Customer Satisfaction Survey in January 2005. Ninety-one percent of the respondents rated the RIC's overall customer services as being good to excellent. The CSD is mandated to monitor its own performance against four standards in its attempt to consistently provide excellent customer service. **Table 7** highlights the Department's performance during 2005. Based on the statistics, the Department has done remarkably well in satisfying its customers.

**TABLE 7:**

### Consumer Services Department's Performance, 2005

TARGET AREA	STANDARD	PERFORMANCE RATING		
		2003	2004	2005
Response to Written Complaints	95% Within ten (10) working days.	99.8%	99.9%	99.9%
Response to Telephone and E-mail Complaints	95% Within ten (10) working days.	100%	100%	100%
Response to Overnight Messaging	100% Within one (1) working day	100%	100%	100%
Keeping Appointments	100% Within ten (10) minutes	100%	100%	99.2%



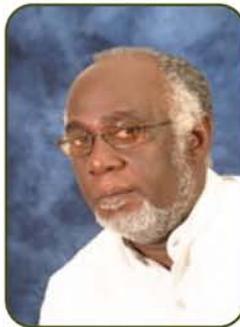
# COMMISSIONERS FOR 2005



**DENNIS PANTIN**  
Chairman



**IAN WELCH**  
Commissioner



**WINSTON RENNIE**  
Commissioner



**ANNETTE MC KENZIE**  
Commissioner



**SHERINA HOSIEN-MOHAMMED**  
Commissioner



**KELVIN RAMKISSION**  
Commissioner



# MANAGEMENT TEAM



**HARJINDER S. ATWAL**  
Executive Director



**GLENN A. KHAN**  
Deputy Executive Director



**GARVIN ALEXANDER**  
Assistant Executive Director  
Technical Operations



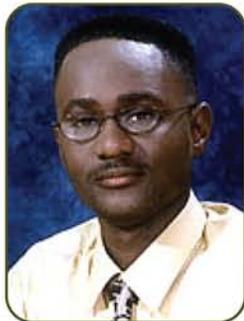
**TURKESSA BLADES**  
Legal/Corporate Secretary



**EMILY PASCAL**  
Chief Financial Officer



**HELEN PERU**  
Human Resources Manager



**MARTIN HAYNES**  
Information Technology  
Manager



**MOHAN CHADEE**  
Customer Services Manager



**SHARON LEE ASSANG**  
Corporate Communications  
Coordinator



REGULATED INDUSTRIES COMMISSION



REGULATED INDUSTRIES COMMISSION

# Financial Statements

## December 31, 2005

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# AUDITORS' REPORT



## BOB GOPEE & ASSOCIATES CHARTERED ACCOUNTANTS

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BRANCH: 144 Pointe-a-Pierre Road, Vistabella, Trinidad, West Indies. • Telefax: 868-653-2542

### INDEPENDENT AUDITORS' REPORT

### TO THE COMMISSIONERS OF REGULATED INDUSTRIES COMMISSION

#### **Report on the financial statements**

We have audited the accompanying financial statements of **REGULATED INDUSTRIES COMMISSION** (the Commission) which comprise the balance sheet as at **31<sup>st</sup> December 2005** and the income and expenditure statement, statement in changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 2 to 10.

#### **Management's responsibility for the financial statements**

Management 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.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material mis-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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Commission as at 31<sup>st</sup> December 2005, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Bob Gopee Signature*  
.....  
**BOB GOPEE AND ASSOCIATES**  
Port-of-Spain,  
Trinidad, West Indies

*JUNE 17<sup>th</sup> 2009*  
.....



# BALANCE SHEET

**REGULATED INDUSTRIES COMMISSION**  
**BALANCE SHEET**  
**AS AT 31ST DECEMBER 2005**  
 (With comparative figures as at 31st December, 2004)

	Notes	2005 \$	2004 \$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Land		6,300,000	630,000
Motor Vehicles		349,454	162,899
Computers & Office Equipment		652,056	806,805
Office Furniture		600,814	678,871
Assets from Public Utilities Commission		5,495	6,291
	<b>N2</b>	<u>7,907,819</u>	<u>2,284,866</u>
<b>CURRENT ASSETS</b>			
Prepayments	<b>N3</b>	84,713	55,664
Cash in Hand		12,609	571
Bank - Current Account		182,460	-
Bank - Money Market Fund Account		2,818,715	8,247,940
Accounts Receivable	<b>N4</b>	74,669	3,205
Refundable Deposit	<b>N5</b>	154,700	154,700
V.A.T. Recoverable	<b>N7</b>	170,915	345,995
		<u>3,498,781</u>	<u>8,808,075</u>
<b>TOTAL ASSETS</b>		<u><u>11,406,600</u></u>	<u><u>11,092,941</u></u>
<b>CAPITAL &amp; LIABILITIES</b>			
<b>ACCUMULATED FUNDS</b>			
Accumulated Funds - Government Grants	<b>N9</b>	5,495	6,291
Retained Earnings		9,865,954	11,423,269
Retained Earnings - Depreciation on P.U.C. Assets	<b>N10</b>	796	914
Surplus/(Deficit) for the year		186,460	(1,558,229)
		<u>10,058,705</u>	<u>9,872,245</u>
<b>CURRENT LIABILITIES</b>			
Bank - Current Account		-	101,080
Accounts Payable	<b>N8</b>	297,313	136,774
Gratuity Provision		848,955	781,115
Payment Received on Account		-	100
Accounts Payable - Due to Treasury		201,627	201,627
		<u>1,347,895</u>	<u>1,220,696</u>
<b>TOTAL CAPITAL &amp; LIABILITIES</b>		<u><u>11,406,600</u></u>	<u><u>11,092,941</u></u>



The attached notes form an integral part of these financial statements and should be read in conjunction therewith.

EXECUTIVE DIRECTOR

CHAIRMAN

On 15<sup>th</sup> JUNE 2009, the Chairman of Regulated Industries Commission approved these financial statements.



# INCOME STATEMENT FOR THE YEAR ENDED 2005

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED 31ST DECEMBER, 2004)

	<u>Notes</u>	<u>2005</u> \$	<u>2004</u> \$
<b><u>INCOME</u></b>			
CESS		9,715,775	7,353,073
Other	N11	238,205	422,976
<b>TOTAL INCOME</b>		<b>9,953,980</b>	<b>7,776,049</b>
<b><u>EXPENSES</u></b>			
Salaries		4,036,115	3,697,886
Rent		1,109,280	977,085
Professional Fees and Legal Fees		877,732	381,827
Contract Gratuities		715,905	1,294,672
Advertising and Promotions		496,732	417,620
Allowances		493,609	467,418
Depreciation		345,549	390,873
Training		333,033	244,163
Remuneration to Board Members		251,188	323,702
Telephones		229,542	167,479
Office Expenses		130,600	126,627
Security and Janitorial Services		109,216	119,464
Government Contribution to NIS		97,996	83,781
OOCUR Expenses		85,325	98,844
Property Account		84,205	-
Group Health Insurance		66,968	58,260
Consultation Expenses		58,184	69,075
Miscellaneous Expenses	N12	54,014	47,833
Contracted Services		53,117	20,437
Group Life Insurance		30,472	29,681
Insurance		29,223	20,170
Audit Fees		23,194	21,564
Motor Vehicle Maintenance		21,850	28,118
Books and Periodicals		12,548	13,124
Charitable Contributions		8,550	5,650
Publications		5,950	-
Mail and Postage		5,195	5,343
Bank Charges		1,631	2,492
Repairs and Maintenance		600	11,507
Incremental Arrears		-	13,746
Bad Debts		-	122,832
Refurbishment Cost		-	1,600
Retreat Expenses		-	53,057
Subscriptions		-	18,348
<b>TOTAL EXPENSES</b>		<b>9,767,520</b>	<b>9,334,278</b>
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>186,460</b>	<b>(1,558,229)</b>



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2005

## AT 31ST DECEMBER 2005

	NOTE	RETAINED EARNINGS \$	ACC. FUND GOVERNMENT GRANT RELATING TO P.U.C. \$	TOTAL \$
Opening Balance as at 01-Jan-05		9,865,954	6,291	9,872,245
Surplus for the year		186,460	-	186,460
Depreciation on P.U.C. Assets	N10	796	(796)	-
Closing Balance as at 31-Dec-05		<u>10,053,211</u>	<u>5,495</u>	<u>10,058,706</u>

## AT 31ST DECEMBER 2004

		RETAINED EARNINGS \$	ACC. FUND GOVERNMENT GRANT RELATING TO P.U.C. \$	TOTAL \$
Opening Balance as at 01-Jan-04		11,420,782	7,205	11,427,987
(Loss) for the year		(1,558,229)	-	(1,558,229)
Prior Period Adjustment		2,487	-	2,487
Depreciation on P.U.C. Assets		914	(914)	-
Closing Balance as at 31-Dec-04		<u>9,865,954</u>	<u>6,291</u>	<u>9,872,245</u>



# CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED 31ST DECEMBER, 2004)

	<u>2005</u> \$	<u>2004</u> \$
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Net Surplus / (Deficit) for the year	186,460	(1,558,229)
Depreciation	345,549	390,873
Profit on Asset Disposal	(11,429)	-
Decrease in prepaid expenses	(29,049)	81,970
(Increase)/Decrease in Accounts Receivable	(71,464)	(832)
Decrease in Refundable Deposit	-	122,831
(Increase)/Decrease in VAT Recoverable	175,080	(216,883)
Increase in Accounts Payable	160,539	71,196
Increase in Provisions	67,840	781,073
(Decrease) in Payment Received on Account	(100)	-
Net Cash flow from/(used in) Operating Activities	<u>823,426</u>	<u>(328,001)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of Fixed Assets	(6,028,536)	(749,691)
Proceeds from Asset Disposal	71,464	-
Net Cash flow from/(used in) Investing Activities	<u>(5,957,072)</u>	<u>(749,691)</u>
<b>NET CASH (USED IN) BEFORE FINANCING ACTIVITIES</b>	<b>(5,133,646)</b>	<b>(1,077,692)</b>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Net Cash used in Financing Activities	-	-
	<u>(5,133,646)</u>	<u>(1,077,692)</u>
Prior Period Adjustment	-	2,487
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,133,646)</b>	<b>(1,075,205)</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR</b>	<b>8,147,430</b>	<b>9,222,635</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>3,013,784</u></b>	<b><u>8,147,430</u></b>
<b><u>REPRESENTED BY:</u></b>		
Cash in Hand	12,609	571
Bank - Current Account	182,460	(101,080)
Bank - Money Market Fund Account	2,818,715	8,247,939
	<u>3,013,784</u>	<u>8,147,430</u>



# SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST DECEMBER, 2005

## **a BASIS OF PREPARATION**

These financial statements are prepared in accordance with International Financial Reporting Standards and are on the basis of historic cost.

## **b REPORTING CURRENCY**

These financial statements are expressed in Trinidad and Tobago dollars.

## **b FIXED ASSETS**

Assets are capitalised and depreciated from the date of acquisition. The method of depreciation used is the reducing balance method. The following rates of depreciation were applied to the capitalised assets :

<i>Motor Vehicles</i>	<i>25% per annum</i>
<i>Computers</i>	<i>25% per annum</i>
<i>Office Furniture</i>	<i>12.5% per annum</i>
<i>Office Equipment</i>	<i>12.5% per annum</i>

## **d CAPITALISATION POLICY**

The Commission has adopted the policy of expensing assets that fall below the cost of \$1,000.00, even though that asset may have a useful life in excess of one (1) accounting period.

## **e REVENUE**

The Commission is funded by CESS Income which is obtained from utility service providers and is calculated based on a percentage of their income.

## **f CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents are carried in the Balance Sheet at cost. For the purpose of presentation in the cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31ST DECEMBER 2005

### 1 INCORPORATION AND PRINCIPAL ACTIVITY

The Regulated Industries Commission was established by Act No. 26 of 1998, of the Laws of the Republic of Trinidad and Tobago. The purpose of the Commission is to regulate the activities of utility service providers through a system of

### 2 NON-CURRENT ASSETS - \$7,907,819

	TOTAL	LAND	MOTOR VEHICLES	COMPUTERS AND OFFICE EQUIPMENT	OFFICE FURNITURE	ASSETS FROM P.U.C.
	\$	\$	\$	\$	\$	\$
<b><u>COST</u></b>						
Balance as at 01-Jan-05	3,826,413	630,000	404,558	1,748,272	995,725	47,857
Additions for the year	6,028,536	5,670,000	302,355	49,307	6,874	-
Disposals for the year	(180,248)	-	(164,558)	(15,690)	-	-
Balance as at 31-Dec-05	<b>9,674,701</b>	<b>6,300,000</b>	<b>542,355</b>	<b>1,781,889</b>	<b>1,002,599</b>	<b>47,857</b>
<b><u>ACCUMULATED DEPRECIATION</u></b>						
Balance as at 01-Jan-05	1,541,546	-	241,659	941,467	316,854	41,566
Depreciation for the year	344,753	-	60,569	199,252	84,931	-
Depreciation for the year - Assets from P.U.C.	796	-	-	-	-	796
Disposals for the year	(120,213)	-	(109,327)	(10,886)	-	-
Balance as at 31-Dec-05	<b>1,766,882</b>	<b>-</b>	<b>192,901</b>	<b>1,129,833</b>	<b>401,785</b>	<b>42,362</b>
<b>NET BOOK VALUE AS AT 31-DEC-05</b>	<b>7,907,819</b>	<b>6,300,000</b>	<b>349,454</b>	<b>652,056</b>	<b>600,814</b>	<b>5,495</b>
<b>NET BOOK VALUE AS AT 31-DEC-04</b>	<b>2,284,866</b>	<b>630,000</b>	<b>162,899</b>	<b>806,805</b>	<b>678,871</b>	<b>6,291</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31ST DECEMBER 2005 (CONT'D)

### 3 PREPAYMENTS - \$84,713

	<u>2005</u>	<u>2004</u>
	\$	\$
Rent	16,738	16,738
OOCUR	-	23,171
Group Life Insurance	37,176	15,755
Air Conditioning	7,500	-
Software Licenses	9,502	-
Copiers Maintenance Contract	11,734	-
Postage	77	-
Property	1,986	-
	<u>84,713</u>	<u>55,664</u>

### 4 ACCOUNTS RECEIVABLE - \$74,669

	<u>2005</u>	<u>2004</u>
	\$	\$
Telephone expenditure from OOCUR	686	687
CESS Receivable from WASA	33	33
Group Health Insurance from Employees	248	145
Overpayment of Commissioner's Fee	2,340	2,340
Insurance Settlement	71,362	-
	<u>74,669</u>	<u>3,205</u>

### 5 REFUNDABLE DEPOSIT - \$154,700

	<u>2005</u>	<u>2004</u>
	\$	\$
Refundable Deposit with T & T Unit Trust Corporation	122,832	122,832
Deposit of two (2) months rent with Furness T'dad Ltd	154,700	154,700
	<u>277,532</u>	<u>277,532</u>
Provision for Bad Debt	(122,832)	(122,832)
	<u>154,700</u>	<u>154,700</u>

\*\* In 2001, the Regulated Industries Commission sought to lease office space in T & T Unit Trust Corporation. To this end, a deposit of \$ 122,832 was made to secure the required space. The transaction has since been aborted and subsequently became statute-barred. A Provision for Bad Debt was created pending approval from the Minister of Finance to write off the amount in accordance with Section 35 of the Regulated Industries Commission Act, 1998.

### 6 TAX EXEMPT STATUS

By virtue of the Regulated Industries Commission Act 1998, Section 31, the Commission is exempt from all stamp duty, taxes, customs duties, levies and other imposts on its income, profits or assets which it acquires for its own use.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31ST DECEMBER 2005 (CONT'D)

### 7 V.A.T. RECOVERABLE - \$170,915

This represents refunds due to the Commission, in keeping with its tax exempt status, from VAT paid on consumption of goods and services.

### 8 ACCOUNTS PAYABLE - \$297,313

	<u>2005</u>	<u>2004</u>
	\$	\$
Professional Services Fees	147,133	-
OOCUR	62,155	-
Audit Fees	58,000	56,000
Incremental Arrears	13,020	13,746
Consultation Expenses	8,389	8,389
Security and Janitorial Services	3,102	12,720
Gas Supplies	3,071	-
Group Life Insurance	2,546	2,546
Repairs and Maintenance	-	9,291
Group Health Insurance	(103)	7,900
Contracted Services	-	13,820
Miscellaneous Exp. - Christmas Function	-	12,362
	<u>297,313</u>	<u>136,774</u>

### 9 ACCUMULATED FUNDS - GOVERNMENT GRANTS - \$5,495

This represents the balance in the Government Grants Account with respect to the assets taken over from the former Public Utilities Commission.

### 10 RETAINED EARNINGS - DEPRECIATION ON PUC ASSETS - \$796

An amount equivalent to the depreciation charge on assets taken over from the former Public Utilities Commission (PUC) was transferred from the Reserves Accumulated Funds - Government Grants to Retained Earnings. This measure, in effect, reimbursed the Regulated Industries Commission for the depreciation expense incurred on behalf of the PUC.

The method of depreciation used is in accordance with circular F 22/8/43 issued by the Ministry of Finance to all Government institutions on 23rd July 1969.

( See Statement of Changes in Equity. Page 4 )



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31ST DECEMBER 2005 (CONT'D)

**11 OTHER INCOME - \$238,205**

	<u>2005</u>	<u>2004</u>
	\$	\$
Interest from Investment	226,776	402,956
Refund of Pension Plan Contributions	-	20,020
Profits from Disposal of Assets	11,429	-
	<u>238,205</u>	<u>422,976</u>

**12 MISCELLANEOUS EXPENSES - \$54,014**

	<u>2005</u>	<u>2004</u>
	\$	\$
Catering	10,472	3,220
Carnival	12,061	19,172
Staff Functions	19,408	15,909
Other	12,073	9,532
	<u>54,014</u>	<u>47,833</u>







## **REGULATED INDUSTRIES COMMISSION**

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