

On grounds of the Prime Minister Decision no.249/2005 on the designation of the president of the National Regulatory Authority for Communications,

On grounds of the provisions of Art.38 (1), (3) and (5) of Government Emergency Ordinance no.79/2002 on the general regulatory framework for communications, approved, with amendments and completions, by Law no.591/2002, subsequently amended and completed, as well as of Art.24(4)-(6) of the Government Ordinance no.31/2002 on postal services, approved, with amendments and completions, by Law no.642/2002, with the subsequent amendments,

Having regard to the provisions of Art.20 and 21 of the ANRC President's Decision no.88/2004 on the designation of the Universal Service provider in the field of postal services, with the subsequent amendments,

THE PRESIDENT OF THE NATIONAL REGULATORY AUTHORITY FOR COMMUNICATIONS

issues the present:

DECISION

on the terms for the elaboration and audit of separated financial statements by the National Company *Romanian Post*

Art.1. - Purpose

This decision establishes certain requirements regarding the content of the methodology for conducting separate accounts and for elaborating separate accounting statements by the National Company *Romanian Post*, hereinafter referred to as *CNPR*, and details the obligations regarding the elaboration of an internal cost accounting system and of the separated financial statements imposed on *CNPR* by the ANRC President's Decision no.88/2004 on the designation of the Universal Service provider in the field of postal services, with the subsequent amendments, as well as the terms for auditing the separated financial statements drawn up by *CNPR*.

Art.2. - Methodology content

CNPR has the obligation to elaborate the methodology for conducting the separate accounting system provided in Art.21(1) of the ANRC President's Decision no.88/2004, hereinafter referred to as the *Methodology*, so that it should include the following items required by the principles provided in Art.20 (3) of the ANRC President's Decision no.88/2004:

a) description of the *CNPR* network/infrastructure, of the activity flow within the infrastructure and of the accounting information flow, as well as other information required by a proper understanding of the *CNPR* activity;

b) description of the business units within *CNPR* (reserved services, non-reserved services, other postal services, non-postal services and activities);

c) accounting principles to ground the elaboration of separated financial statements (for example: principles distinguishing income and expenditure);

d) data sources used in developing the internal cost accounting system; method of collection and processing these data, for the purpose of grounding the information in the separated financial statements to be elaborated based on the *Methodology*.

e) detailed description of the sampling methods used for estimating the areas deployed, the volume of postal items and the timing of the activities required for the provision of each service, as well as the process of testing the accuracy and consistency of the sampling methods, the methods used for determining the sample size, locations used for sampling etc.;

f) detailed explanations regarding the drivers used for cost allocation by services, weighting methods used for cost allocation, as well as the rate of correspondence of the cost drivers with the costs allocated based on them (for example: weight – cost driver for the transport and distribution costs, distance for distribution etc.);

g) detailed description of the cost-allocation methods and of the income by business units (reserved services, non-reserved services, other postal services, non-postal services and activities) and by individual services;

h) methodology of evaluating the avoided costs, which will ground the tariff discounts granted to the customers for a larger volume of postal items, as well as the method of presenting and justifying these costs within the separated financial statements; within the profit and loss account, the tariffs shall be highlighted as net values, i.e. by deducting the tariff discounts granted, while in the explanatory memoranda accompanying the separated financial statements, these tariff discounts shall be distinctly highlighted and shall be separated by customer categories, depending on the correspondence volumes generated by each customer category;

i) calculation of the capital employed of *CNPR*, as well as a description of the methods used for its allocation by business units and by individual services;

j) format of the separated financial statements for each service category, respectively the format of the profit and loss account and of the balance sheet for each business unit or service category, as well as of the cost, income and profitability statements for each individual service;

k) presentation of the methods and procedures used for the purpose of reconciling the separated financial statements with the financial statements drawn up under the financial-accounting legislation.

Art.3. - Content of the separated financial statements

(1) *CNPR* has the obligation to prepare separated financial statements that reflect the separation of activities outside the scope of universal service from those within the scope of universal service, as well as the separation of reserved services from the non-reserved ones.

(2) The separated financial statements prepared based on the separated accounting system shall include:

a) balance sheet indicating the status of the mean capital employed, based on the balance sheet formula provided in Art.6 letter i); the separated financial statements for 2004 shall not include this component;

b) profit and loss account for each business unit, plus detailed statements regarding individual costs, incomes and capital profitability, for each of the services within the scope of universal service, the explanatory memoranda and the accounting policies used.

c) statement of the cash flows for each business unit; separated financial statements for 2004 shall not include this component.

(3) Separated financial statements shall be accompanied by a detailed user's guide, which should provide for the appropriate reading and interpreting of the data included in these statements, as well as for the appropriate understanding of the rationale generating the respective data.

Art.4. - Requirements for preparing and publishing the separated financial statements

(1) While preparing the separated financial statements, *CNPR* shall comply with the following requirements:

a) the separated financial statements will be based on a transparent allocation of costs, incomes, shares and debts;

b) the separated financial statements shall be based on the historic cost;

c) the separated financial statements shall be prepared in accordance with the provisions of the Accounting Law no.82/1991, republished, and of the Order of the Minister of Public Finance no.94/2001 approving the Accounting Regulations harmonised with the 4th

Directive of the European Economic Communities and with the International Accounting Standards, subsequently amended and completed;

d) the separated accounting statements will include comparative statements for each year; where significant amendments affect the regulated accounting principles, the allocation methodologies for costs, incomes, shares and debts or the accounting policies, which may have a material impact on the current separated financial statements, the previous year's Separated Financial Statements should be restated in accordance with the respective amendments, while the elaboration method and the restatement results are highlighted within the explanatory memoranda accompanying the separated financial statements, in order to ensure the comparison between financial statements every year;

e) the separated financial statements shall include the reconciliation of balance sheets and of the profit and loss accounts for the business units presented in the separated financial statements with the balance sheet and of the profit and loss account included in the statutory financial statements regulated by the financial-accounting legislation;

f) the separated financial statements shall not include incomes, costs, shares or debts of the persons in the same group.

(2) *CNPR* will prepare a public version of the separated financial statements, that shall comply with the format set out under Art.2 letter j) and within which confidential information may be censored, without hindering the interested persons to understand the consolidated results of the separated financial statements and to make decisions based on them. *CNPR* has the obligation to publish this version on its website within 30 days from the date of preparing and sending the separated financial statements to the National Regulatory Authority for Communications, hereinafter referred to as *ANRC*, under the provisions of Art.21(3) of the *ANRC* President's Decision no.88/2004.

Art.5. - Audit of separated financial statements

(1) *CNPR* shall submit the separated financial statements to a financial auditor, for the purpose of auditing them in accordance with the provisions of Government Emergency Ordinance no.75/1999 on the financial audit activity, republished, with the subsequent amendments, at *CNPR*'s expense.

(2) The obligation stipulated in paragraph (1) shall be observed by *CNPR* by concluding an agreement with an auditor providing clauses for the fulfilment of the following requirements:

a) the audit report shall be addressed both to the *CNPR* management and to *ANRC* and shall evaluate whether the separated financial statements have been accurately elaborated, in accordance with the provisions of the *ANRC* President's Decision no.88/2004, of this decision and of the *Methodology*, in all material concerns; in order to express this opinion, the auditor shall check whether:

i) the separated financial statements comply, in all material concerns, with the data in the accounting documents and the financial statements of *CNPR*; the material limit to be considered by the auditor in view of checking the accuracy of information presented within the separated financial statements shall not exceed 1% of the turnover for the individual services or business units presented within the separated financial statements;

ii) the separated financial statements have been prepared in accordance with the principles of causality, objectivity, consistency of accounting treatment and transparency provided in Art.20(3) of the *ANRC* President's Decision no.88/2004; to this end, the auditor commits himself to observe the requirements provided in Art.6 - 9, without confining himself to them;

iii) the elaboration of the separated financial statements has been conducted according to the provisions of this decision;

iv) the procedures for collecting and processing accounting information, as well as the methodologies for evaluation, sampling and allocation used for preparing the separated financial statements observe the *Methodology*, which shall be certified by detailed technical analyses;

- b) the auditor shall communicate both the *CNPR* and the *ANRC* management the material audit problems related to the compliance with the obligations imposed by *ANRC* on *CNPR*, by sending, together with the audit report, a report regarding the deficiencies of elaboration and implementation of the *Methodology*, together with the proposed solutions;
- c) the audit report shall accompany the separated financial statements, whose public version shall be published – together with the report - on the *CNPR* website;
- d) the auditor shall be committed to answering the information requests submitted by *ANRC* in order to fully understand the conclusions of the audit report.

Art.6. - Causality

(1) As regards the compliance with the causality principle, the auditor shall check whether:

a) the allocation of costs is as accurate as possible, based on transparent procedures, considering the definition of each of the services provided by *CNPR*, respectively the resources used for the provision of each service;

b) the incomes and costs, the shares and debts have been allocated by service categories and business units, depending on the cost elements and on the activities generating the respective incomes or costs, the purchased shares or the contracted debts; the auditor shall check the compliance with the following allocation methods:

i) the costs that may be directly distributed to a certain service shall be directly allocated;

ii) common costs, respectively the costs that cannot be directly distributed to a certain service, shall be allocated as follows:

- as often as possible, based on a direct analysis of their origin;

- when the direct analysis of their origin is not possible, the categories of common costs shall be allocated based on the indirect relation to other cost categories or with a group of cost categories that cannot be directly allocated or represented; the indirect relation shall be based on comparable cost structures;

- when there are no methods of direct or indirect allocation available, a cost category shall be allocated based on a weighting method (percentage mark-up) calculated as the directly or indirectly allocated or distributed costs divided by the total costs;

c) the calculation of avoided costs based on which tariff discounts are granted shall include both the costs that may be directly distributed to the respective service, and a percentage margin within the common costs that cannot be directly distributed, according to letter b);

d) the use of allocation keys for cost allocation complies with the causality principle, in view of checking the accuracy of cost allocation depending on the activities or services generating them; the evaluation of compliance with the causality principle, as mentioned above, shall ground the independent auditor's certification regarding compliance with the causality principle during the allocation of costs to reserved, non-reserved and other service categories;

e) the allocation of the *CNPR* incomes by provided services has been objectively and accurately performed; taking into account the fact that, due to the specific character of the postal activity, the collection of the income information on the provided services involves certain estimates by means of sampling methods regarding the volume of postal items and their price, the audit of income allocation, according to the causality principle, shall be grounded on the verification of all the estimates used, so that the income allocation should meet the real situation;

f) for the allocation of shares and debts (mean capital employed) the following principles shall be observed:

i) calculation of the capital employed by business units is performed by using the following balance sheet formula: $Own\ capital + Long-run\ Debts = Total\ shares - Current\ debts - Commissions$; this balance sheet formula allows the calculation of the capital

employed for various business units through the allocation of net assets (total assets minus total debts, including provisions), based on the causality principle;

ii) calculation of the capital employed for each business unit is performed by allocating the average value of the net shares during the financial year, not their closing balance;

g) the results obtained through the sampling system developed by *CNPR*, used for conducting separated financial statements in order to obtain - through statistical methods - various information regarding postal items, where such information is not available accurately from other sources, are credible; for this purpose, the auditor will certify the compliance with the statistical principles used for obtaining the indicators based on the sampling system, so that the margin of error from the sampling system should not exceed 3%; the auditor shall check the following issues, without confining himself to them:

i) number, price, volume, quantity and size of the postal items collected and distributed through the *CNPR* network; the auditor shall grant special attention to certifying the accuracy of information regarding the volume of postal items, and shall additionally check the estimates of volumes resulted, based on the sampling system, from operation information independent from this system;

ii) usage of the working programme by cashiers and postmen;

iii) usage of areas and spaces;

h) expenditures and incomes are objectively allocated to the provided services and there is no cross-subsidisation between services within the scope of Universal Service and services outside the scope of Universal Service;

i) tariff discounts granted are oriented by the avoided costs.

(2) The audit report shall contain an annex within which the auditor must detail the verification of compliance with the causality principle in the allocation of costs, incomes, shares and debts of *CNPR* and whether - in his opinion - there are issues that may affect their accurate allocation by services and business units.

Art.7. - Objectivity

Regarding the compliance with the objectivity principle, the auditor shall check whether the allocation of costs, incomes, shares and debts by services and business units is objective and does not pursue benefits for *CNPR* or for a third party, for a product or service, or for a category of products or services.

Art.8. - Consistency of Treatment

Concerning compliance with the principle of consistency of accounting treatment, the auditor shall check whether, where the accounting principles, the cost allocation methodology or the accounting policies were amended and the amendments could have a significant impact on the information reported in the current separated financial statements elaborated based on the separated accounting system, the separated financial statements of the previous year have been restated according to the respective amendments. The impact of these amendments on the information reported in the separated financial statements is considered significant if the lack or the inaccurate presentation of these amendments could influence the users' economic decisions made based on the separated financial statements elaborated according to the separated accounting system.

Art.9. - Transparency

As for the compliance with the transparency principle, the auditor shall check whether the accounting policies, principles and methodology used for the allocation of costs, incomes, shares and debts allow a clear understanding of their enforcement and of their impact on the separated financial statements. The auditor shall certify the extent to which the data presented in the separated financial statements allow the users to understand them, by ensuring the transparent presentation, interpretation and grounding of the respective data.

Art.10. – Auditor Selection

(1) For the purpose of selecting the auditor, *CNPR* shall observe the following principles:

a) organise a comparative or competitive selection of national and/or international participants;

b) the participants in the selection procedure must not be in a property or control relation to *CNPR*;

c) the participants in the selection procedure must prove their international experience in the field of providing the services contracted according to this decision, so that, based on the resources and on the auditor's experience, the audit of the separated financial statements should be high-quality.

(2) *CNPR* shall communicate *ANRC* the identification data of the selected auditor. Should *ANRC* consider that the principles provided in paragraph (1) have not been observed, *ANRC* may impose *CNPR* to organise another selection procedure.

Art.11. - Separated Financial Statements for 2004

By way of exception from the provisions of Art.21 (3) from the *ANRC* President's Decision no.88/2004, *CNPR* shall draw up and transmit *ANRC* the separated financial statements for 2004 by February 28, 2006.

Art.12. - Communication of this Decision

This decision shall be communicated to *CNPR* and shall enter into force from the communication date.

PRESIDENT,

DAN CRISTIAN GEORGESCU

Bucharest, November 8, 2005

Nr. 1.480 / EI