REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

BroadCasting and Pubication Authority For the Year Ended 31 December 2006

KIRIBATI NATIONAL AUDIT OFFICE

August 2012

For the Parliament and the People of Kiribati
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KIRIBATI NATIONAL AUDIT OFFICE

Promoting Transparency and accountability for the Parliament and the People of Kiribati

Audit Report

To the readers of Broadcasting and Publications Authority's financial statements for the year ended 31 December 2006

The Auditor-General is the auditor of Broadcasting and Publications Authority. (BPA)

Qualification

In our opinion, there was a severe limitation of scope from lack of documentation and explanations to support the following balances in the financial statements.

Specifically the limitation of scope was due to the following matters:

- Most of the Payment Vouchers were missing.
- Jan to Sept deposit books were also missing.
- Most of the receipt books were not available.
- A detailed General Ledger was not provided.
- MYOB payroll system was inaccessible.
- No fixed asset register.
- Trading stock cards were missing.
- Xmas branch accounting records and separate account were not provided.
- Listing for Staff imprest and Staff advance was not available.
- Debtors could not be verified due to the following:
    - Poor reconciliation for Trade debtors and Trading debtors.

- Debtors listing and debtors' cards were not maintained properly.
- Had an unexplained variance of $30k and $59k for the Trade debtors and Trading debtors respectively, being the difference between the Aging report and the account.
- Salary advance write off valued $58,394 had no Journal Voucher passed and no written approval obtained from the Board.

- Creditors could not be verified due to the following:
  - Poor reconciliation
  - Listing and cards were not maintained properly.
  - Aging report balance did not match the creditors' balances as per the Account.
- Cash at bank had an unexplained variance of $73k noted between the bank reconciliation and the account for Trading.
- PPI in the amount of $377k had no supporting documents available.
- Significant adjustments valued $16k, $-445k, and $376k disclosed in notes 18 and 19 of the account have no supporting documents available.

Adverse Opinion

In view of the **limitation of scope** and **the effect of the significant variances noted in some of the account balances,** as outlined above, in our opinion, the financial statements of the Broadcasting and Publication Authority **DO NOT** give a true and fair view, in accordance with Generally Accepted Accounting practice in Kiribati. An adverse opinion was issued on the financial statements of the Authority as at 31 December 2006.

Based on our examination the Authority has not kept proper accounting records for the year ended 31 December 2006.

The audit was completed on 18 August 2012, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Organisation of Supreme Audit Institution's (INTOSAI) Auditing Standards, which incorporate the International Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice. The financial statements must give a true and fair view of the financial position of the company as at 31 December 2008 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Public Finance (Control and Audit) Act 1981.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from the Public Finance (Control and Audit) Act 1981.

Independence

When carrying out the audit we followed the independence requirements of the Kiribati National Audit Office, which incorporate the independence requirements of the International Standards of Auditing.

Other than the audit, we have no relationship with or interests in the company.

Mrs Matereta. Raiman
Auditor General
Kiribati National Audit Office

BROADCASTING & PUBLICATION AUTHORITY

FINANCIAL STATEMENTS

1 January – 31 December 2006

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Broadcasting & Publication Authority
Statement of Financial Performance
For the year ended 31 December 2006

	Notes	2006	2005
Sales Revenue			$
	6	1,084,127	997,607
		1,084,127	997,607
Less Salariess/Wages,Overtime & Allowances	7	345,458	345,916
Other Staff Costs & Benefits	8	20,815	159,770
Other Operating Costs	9	312,075	397,298
Provisional Costs	10	26,107	25,855
Total Operating Expenses		704,454.32	928,840
Operating Profit/(Loss)		379,673	68,768
Less PPI		- 377,085	- 148,969
Net Operating Profit/Loss)		2,588	- 80,202

Broadcasting & Publication Authority
Statement of Financial Position
As at 31 December 2006

	Notes	2006	2005
Current Assets:			$
Cash & cash equivalent	11	94,347	61,451
Receivables	12	349,263	220,083
Inventories		97,815	99,058
Other current assets	13	-	-
Total Current Assets		541,425	380,591
Less Current Liabilities:			
Payables	14	329,132	238,550
Other Current liabilities	15	-	-
Total Current Liabilities		329,132	238,550
Working Capital		212,293	142,042
Plus Non-Current Assets:			
Property, plant & equipment	16	65,849	72,762
Net Assets		278,142	214,803
Represented by:			
Shareholders' Equity:			
General Reserves	17	111,305	-
Retained Earnings	18	166,837	145,382.66
Prior Years Adjustments	19	-	69,421
Total Shareholders' Equity		278,142	214,803

Board Chariman .... BPA Board Director ....

The accompanying notes form an integral part of these financial statements

Broadcasting & Publication Authority
Cash Flow Statement
For the year ended 31st December 2006

	Note	2006	2005
1. Cash Flows from Operating Activities			
Receipts from customers		$ 451,289.57	$ 1,022,085.76
Payments to suppliers and employees		$ (294,469.33)	$ (1,008,071.33)
Interest Received		$ 5,624.13	$ 1,257.72
Net Cash Flow from operating activities	1	**$ 162,444.37**	**$ 15,272.15**
2. Cash Flows from Investing Activities			
Acquisition of Long Term Assets		$ (6,646.58)	$ (32,324.32)
Sales of Fixed Assets			$ -
Net Cash from Investment Activities		***$ (6,646.58)***	***$ (32,324.32)***
3. Cash Flow from Financing Activities			
Net Increase/(Decrease) in cash		*$ 155,797.79*	*$ (17,052.17)*
Cash & Cash Equivalents at 1st January		$ (61,451.01)	$ (44,398.84)
Net Cash Flow from Financing Activities		**$ 94,346.78**	**$ (61,451.01)**
Cash & Cash Equivalents at 31st December	2	***$ 94,346.78***	***$ (61,451.01)***

Note 1. Reconciliation of Net Profit to Net Cash from operating activities.

	2006	2005
Operating Profit/(Loss)	$ 94,346.78	
Depreciation	$ 2,588.27	$ (73,407.74)
Interest on IBD	$ 8,486.13	$ 19,061.40
Doubtful Debts	$ 5,624.13	$ (1,257.72)
Suspense	$ 17,020.51	$ (3,559.15)
PPI	$ -	$ 373.55
Accrued expenses	$ (376,134.77)	$ 78,975.85
	$ -	$ 28,519.22
	$ (342,415.73)	***$ 48,705.41***
Increase/Decrease on Assets and Liabilities		
Trade & Trading Debitors	$ (58,769.04)	$ (50,110.30)
Stock/Inventory	$ (1,242.84)	$ (60,228.00)
Trade &Trading Creditors & Accrued Creditors	239,983.24	$ 76,905.04
	$ 179,971.36	**$ (33,433.26)**
Total Net Cash Flow as at 31st December 2006	***$ (162,444.37)***	***$ 15,272.15***

Note 2. Cash Balance Represented as follows at 31st December 20(

	2006	2005
Cash on Hand & at Ban HQ	9,197.33	$ (392.42)
Interest Bearing Deposit	112,439.38	$ 83.31
Cash at Bank-Xmas	12,580.63	$ 24,464.89
Cash at Bank - Publication	-	$ 3,276.24
Cash at Bank Trading	21,475.90	$ (88,883.03)
	$ 94,346.78	***$ (61,451.01)***

The Accompanying Notes Formed Parts of these Finnacial Statements

1. General

The Authority was established by the Broadcasting and Publication Authority Act 6 to provide the country with local news in Kiribati language and English laguage as well relay world and pacific news. In addition, the BPA also provides much more entertainments which include Local songs, English songs, Pacific songs and many more songs. The Authority was established by the Broadcasting and Publication Authority Act 6 to provide the country with news in Kiribati and in English and any entertainments etc.

2. Accounting policies

The Financial Statements are prepared under the Historical Cost Convention modified by valuation of certain fixed and comply with the International Accounting Standards.

2.1 Depreciation:

Depreciation method adopted is the Straight Line Method which is consistent to previous years. The rates applies also consistent with previous years as follows:-

Fixed Assets	% p.a	Useuf life
i) Sea Wall	33.30%	3 yrs
ii) Buildings Premises	4%	25 yrs
iii) B/Casting Plant & Equipments	6.66%	15 yrs
iv) B/Equipment & Furniture/Fittings	20%	5 yrs
v) Motor Vehicles	25%	4 yrs
vi) Publication Equipments	6.66%	15 yrs
vii) Publication Furniture & Fittings	20%	5 yrs

2.2 Stock

Stock is valued at the lower of cost or at market value whichever is lower on a FIFO method.

2.3 Currency

The Financial Statements are expressed in Australian Dollars.

2.4 Aid Items

Items received in aid have been capitalised under the Assets Revaluation Reserve and released to profit and loss at the rate of an applicaple depreciation charge.

2.5 Provision for doubtful debts

It is provided by 6% only of the outstanding debtors at the year ended. The rate apply this year is consistent with rate used at in the last two consecutive years.

3. Revenue

Revenue principally represents the amounts received from the sales of advertising, newspaper broadcasting, sales of electronic equipment and sales of goods.

4. The Ceasation & Elimination of Publication Division

In previuos years the Broadcasting & Publication Authority (BPA) had made publication as one of its main cost centers which generating good returned to the BPA. This year there were new players entered into this market which caused minimal & scarce market that caused the Board decision to resolve to eliminate the publication division from its existence in BPA and replace it with Printing/Others as new department to cater few and similar small businesses. Therefore, the BPA has changed its division to a department which would enhance productivity of staffs inputs and work as a team. In that respect, the BPA has the following departments in its setup: Broadcasting department; Engineer department; Print & News department; and Account & Adminitration department.

5. Capital Reserve - $111,305.37

The assets, liabilities and cash of the publications division had been effectively included into the books of the Broadcasting Division & changed to departments under the Broadcasting & Publication Authority. At the start of this year when transferred took place of these remaining assets & liabilities, the capital of $111,305.37 was omitted during the transfer exercise. Thus, this note was made up that which reflected on the balance sheet under Capital Reserve this year 2006.

	2006	2005
	$	$

6. Sales Revenue

	2006 $	2005 $
Board/Admini/Account Dept.	70,457.73	3,453.55
Engineering Dept.	3,780.55	2,578.90
Broadcastig Dept.	887,816.55	786,680.71
Printing & News Room Dept.	94,845.71	-
Publication Dept.	-	142,363.62
Trading Profit	14,569.12	62,530.52
Xmat Branch Rev.	12,657.61	-
	1,084,127.27	**997,607.30**

6.1 Trading Profit

	2006 $	2005 $
Sales	170,865.70	112,018.71
Less Cost of Sales		
Opening Stock 1/1/06	99,057.64	38,828.79
Plus Purchases	120,970.64	86,178.01
Plus Freight Inwards	3,179.30	-
Plus Customes Duties	29,192.05	19,244.09
Plus Port Charges	1,711.75	4,294.94
Less Closing Stock 31/12/06	- 97,814.80	- 99,057.64
Cost of Sales	156,296.58	49,488.19
Gross Profit/(Loss)	14,569.12	62,530.52

7. Salaries/Wages, Overtimes & Allowances:

	2006 $	2005 $
Board/Admini/Account Dept.	149,583.13	148,744.00
Engineering Dept.	63,218.74	65,724.10
Broadcastig Dept.	78,418.87	89,938.24
Printing & Other Dept.	54,236.84	41,509.95
	345,457.58	**345,916.29**

8. Other Staff Costs & Benefits:

	2006 $	2005 $
Board/Admini/Account Dept.	9,023.53	68,700.92
Engineering Dept.	3,814.43	30,356.22
Broadcastig Dept.	4,718.15	41,540.09
Printing & Other Dept.	3,258.70	19,172.35
Total Administrative & Operating Expenses	**20,814.81**	**159,769.58**

9. Other Operating Costs:

	2006 $	2005 $
Board/Admini/Account Dept.	155,843.62	174,811.28
Engineering Dept.	65,847.15	73,567.74
Broadcastig Dept.	44,438.58	89,459.67
Printing & Other Dept.	46,068.97	59,459.68
Xmas Branch Exp.	76.98	
	312,075.30	**397,298.37**

10. Provisional Cost:

	2006 $	2005 $
Depreciations	8,486.12	19,061.40
Doubtful Debts	17,020.51	6,793.88
Accountancy Fee	600.00	-
	26,106.63	**25,855.28**
	704,454.32	928,839.52

BROADCASTING & PUBLICATION AUTHORITY
NOTES TO AND PARTS FORMING THE ACCOUNTS
FOR THE PERIOD ENDING 31 st December 2006

11. Cash & Cash Equivalent:

	2006	2005
	$	$
Petty Cash	205.25	-392.42
Cash at Bank-HQ	-9,197.33	24,484.89
Cash at Bank-Publication	-	3,276.24
Cash at Bank-Trading	-21,681.15	-74,053.71
Savings Account-Outer Islands	-	83.31
Cash at Bank-Xmas	12,580.63	-
Interest Bearing Deposit-HQ	112,439.38	108,072.70
Total Cash & Cash Equivalent	**94,346.78**	**61,451.01**

12. Receivables:

	2006	2005
Trade Debtors	204,640.47	105,602.90
Less Prov. For doubtful debts	-12,278.43	-
Trading Debtors	91,256.44	15,956.09
Less Prov. For doubtful debts	-	-
Staff Imprest	65,644.64	40,130.15
Staff Advances	-	58,393.50
	349,263.12	**220,082.64**

13. Other Current Assets:

		$
Accrued Revenue	-	-
Prepayment	-	-
	-	-

14. Payables:

	2006	2005
Creditors & Accruals	83,500.78	237,647.39
Trade Creditors-Current	138,316.86	902.40
Tradig Creditors-Trading	106,713.93	-
Provision for Accountancy Fees	600.00	-
	329,131.57	**238,549.79**

15. Other Current Liabilities:

Accrued Expenses	-	-
Prepaid Revenue	-	-
	-	-

16. Property, Plant & Equipment:

	33.30% **Sea Wall**	4% **Buildings Premises**	6.66% **B/Casting Equipments**	20% **Furniture & Fittings**	25% **Motor Vehicles**	6.66% **Publication Equipment**	20% **Publication Fur/Fittings**	**Total**
Cost								
As at 01/01/06	17,815.03	230,620.59	649,834.85	10,206.65	133,971.25	21,075.50	7,772.21	**1,071,296.08**
Plus Addition	-	-	-	-	-	-		
Less Disposal	-	-	40.00	-	800.00		-	**840.00**
As at 31/12/06	17,815.03	230,620.59	649,794.85	10,206.65	133,171.25	21,075.50	7,772.21	**1,070,456.08**
Less Depreciation:								
As at 01/01/06	17,168.72	195,724.46	649,834.85	976.05	117,623.69	9,895.94	5,737.21	
Charge during yr	215.42	1,395.85	-	1,846.12	4,086.89	692.17	249.68	**8,486.13**
Less Disposal	-	-	40.00	-	800.00			
As at 31/12/06	17,384.14	197,120.31	649,794.85	2,822.17	120,910.58	10,588.11	5,986.89	**1,004,607.05**
Net Book Value								
As at 31/12/06	430.89	33,500.28	-	7,384.48	12,260.67	10,487.39	1,785.32	**65,849.03**
As at 31/12/05	646.31	34,896.13	-	9,230.60	16,347.56	10,392.95	1,248.40	**72,761.95**

17. Capital Reserve:

	$	$
Opening Balance	20,616.04	-
Capital - Adjustment	90,689.33	-
Closing Balance	**111,305.37**	-

18. Retained Earnings:

		$
Opening Balance	145,382.66	225,584.30
Plus Net Profit during the period	2,588.27	-80,201.64
Adjustment	18,865.86	-
Closing Balance	**166,836.79**	**145,382.66**

19. Prior Year Adjustments:

	$	$
Opening Balance	69,420.79	
Adjustments	-445,905.47	-
	376,484.68	69,420.79
Closing Balance	-	**69,420.79**