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 2007

The Auditor-General, Mrs Matereta B Raiman, 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:

- Aging reports for Debtors and Creditors were not available.
- Stock records were missing.
- Breakdown on Prior Period Items and Prior year adjustments were not provided.
- 2007 Receipt books and deposit books for Trading account were not available.
- A detailed General Ledger was not provided.
- MYOB payroll system was inaccessible.
- No fixed asset register.
- 2007 Xmas branch accounting records and separate account were not provided.
- Listing for Staff imprest 2007 was not available.
- Debtors could not be verified due to the following:
    - Poor reconciliation.

- Debtors listing and debtors' cards were not maintained properly.
  - Had an unsupported significant write off for Staff imprest of $65,644. No Journal voucher passed, and moreover there was 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.
  - 2007 Opening balances did not match 2006 closing balances.
- Fixed assets disposal of $700,850 had no supporting documents provided.
- Payment Vouchers for customs duty with the total value of $17,686 were noted missing.
- Cash at bank had an unexplained variance of $73,533 noted between the bank reconciliation and the account for Trading.

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 2007.

Based on our examination the Authority has not kept proper accounting records for the year ended 31 December 2007.

The audit was completed on 16 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 2007 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 and BPA Acts 1997.

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 Authority.

Mrs Matereta. Raiman
Auditor General
Kiribati National Audit Office

BROADCASTING & PUBLICATION AUTHORITY

FINANCIAL STATEMENTS

1 January – 31 December 2007

CONTENTS –

Prepared & compiled by: *AT Accounting Services*
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Broadcasting & Publication Authority
Statement of Financial Performance
For the year ended 31 December 2007

	Notes	2007	2006
			$
Sales Revenue-Trw	6	1,001,895	1,056,901
Sales Revenue-Xmas	6	69,652	12,658
		1,071,547	1,069,558
Sales Revenue-Trading	6	293,182	170,866
Less Cost of Goods Sold	7	339,036	156,297
Gross Profit/(Loss)		- 45,854	14,569
Plus Prior Period Item	8	15,910	- 376,485
Total Operating Revenue		**1,041,603**	**707,643**
Less Total Staff & Benefit Expenses	9	515,855	345,458
Total Administrative & Operating Expenses	10	424,350	20,815
Total Non-Cash Operating Expenses	11	38,664	337,582
Total Operating Expenses		**978,869**	**703,854**
Net Operating Profit/(Loss)		**62,734**	**3,788**

Broadcasting & Publication Authority
Statement of Financial Position
As at 31 December 2007

	Notes	2007	2006
			$
Current Assets:			
Cash & cash equivalent	12	159,616	94,347
Receivables	13	169,656	349,263
Inventories		89,240	97,815
Other current assets	14	2,719	-
Total Current Assets		421,230	541,425
Less Current Liabilities:			
Payables	15	101,873	329,132
Other Current liabilities	16	19,922	-
Total Current Liabilities		121,795	329,132
Working Capital		299,435	212,293
Plus Non-Current Assets:			
Property, plant & equipment	17	134,176	65,849
Net Assets		**433,610**	**278,142**
Represented by:			
Shareholders' Equity:			
General Reserves	18	111,305	111,305
Retained Earnings	19	375,116	166,837
Prior Years Adjustments	20	- 52,811	-
Total Shareholders' Equity		**433,610**	**278,142**

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 2007

	Notes	2007	2006
1. Cash Flows from Operating Activities			
Receipts from customers		917,050.85	451,289.57
Payments to suppliers and employees		- 950,062.59	- 294,469.33
Interest Received		4,423.30	5,624.13
Net Cash Flow from operating activities	1	- 28,588.44	162,444.37
2. Cash Flows from Investing Activities			
Building Premises at cost		- 2,438.45	-
Broadcasting Equipment at cost		- 5,220.18	-
Motor Vehicles at cost		- 550.00	-
Publication Equipment at cost		- 16,897.15	-
Net Cash from Investment Activities		- 25,105.78	-
3. Cash Flow from Financing Activities			
Retained Earnings		62,734.07	-
Prior Year Adjustments		56,229.26	- 21,475.90
Net Cash Flow from Financing Activities		118,963.33	- 21,475.90
Net Increase/Decrease for the period		65,269.11	140,968.47
Cash & Cash Equivalents at beginning of period		94,346.78	$ (46,621.69)
Cash & Cash Equivalents at ending of peroid	2	159,615.89	$ 94,346.78

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

	2007	2006
Net Profit	62,734.07	$ 4,388.27
Add Back Deprecition	26,203.58	$ 8,486.13
Total of Net Profit & Add Back Depreciation	88,937.65	12,874.40
Increase/Decrease in assets & liabilities		
Trade Debtors	50,786.67	$ 174,337.92
Provision for doubtful debts-Trade	- 3,047.20	$ (17,020.51)
Trading Debtors	69,367.67	
Provision for doubtful debts-Trading	- 3,144.23	$ 329,965.02
Trading Stock	8,575.24	$ (1,242.84)
Accrued Revenue	- 2,718.72	
Prepaymens	4,623.15	
Staff Imprest	65,644.64	
Trade Creditors	16,860.12	
Trading Creditors	- 314,743.15	
Accrued Expenses	- 10,930.28	
Provision on accountancy fees	1,200.00	
PPI	-	$ (336,469.62)
Total Increae/Decrease in assets & liabilities	- 117,526.09	149,569.97
Net Cash Flow from Operating Activities	- 28,588.44	162,444.37

Note 2. Cash Balance Represented as follows at 31st December 2007

	2007	2006
Cash at Bank-HQ	45,923.84	$ (9,197.33)
Cash at Bank-Trading	- 18,945.40	$ (21,681.15)
Interest Bearing Deposit	114,417.12	$ 112,439.38
Cash at Bank-Xmas	17,420.33	$ 12,580.63
Petty Cash HQ	500.00	$ 205.25
Petty Cash Xmas	300.00	$ -
	$ 159,615.89	$ 94,346.78

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.

6. Sales Revenue

		2007 $	2
Cash Sales - Trade	371,825.54		
Credit Sales - Trade	630,069.40	1,001,894.94	1,05
Cash Sales - Trading	202,008.65		
Credit Sales - Trading	91,173.50	293,182.15	1
Cash Sales - Xmas Branch	50,940.22		
Credit Sales - Xmas Branch	18,711.40	69,651.62	1
		1,364,728.71	1,084

7. Cost of Goods Sold on Trading

	2007	20
Opening Stock 01/02/10	97,814.80	99
Plus Net Purchases	285,718.72	120
Plus Custom Duty	35,125.20	29
Plus Freight Inwards	8,611.74	3
Plus Port Charges	1,005.00	1
Total Goods Available	428,275.46	254
Less Closing Stock 31/01/11	- 89,239.56	97
Cost of Goods Sold	339,035.90	156

8. Prior Period Item

	HQ Trade	Trading	Xmas Branch	Total Exp.	
PPI Rev./(Loss)	15,786.31	1,442.44	- 1,318.45	15,910.30	- 376,4
				15,910.30	- 376,4

9. Staff & Other Benefit Expenses

	HQ Trade	Trading	Xmas Branch	Total Exp.	
Salaries & Wages Exp.	342,712.74			342,712.74	345,4
Temporary Exp.	413.95		106.60	520.55	
Entertainment Exp.	1,726.98	18.00		1,744.98	
Acting Allowance Exp.	14,320.93	1,637.63		15,958.56	
Charge Allowance Exp.	3,551.46			3,551.46	
Abnormal Allowance Exp.	12,607.78	1,404.97		14,012.75	
Shit Allowance Exp.	5,853.43			5,853.43	
Rigging Allowance Exp.	1,258.25			1,258.25	20,81
On Call Allowance Exp.	3,436.20			3,436.20	
Electricity Allowance Exp.	4,965.44			4,965.44	
Leave Grant Exp.	14,572.85		250.00	14,822.85	
Passage Grant Exp.	2,476.00			2,476.00	
KPF Subsidy Exp.	26,475.33			26,475.33	
Overtime Exp.	78,066.51			78,066.51	
-	512,437.85	3,060.60	356.60	515,855.05	366,27

10. Administrative & Operating Expenses

	HQ Trade	Trading	Xmas Branch	Total Exp.	
House Rent Subsidy Exp.	5,870.00	512.00		6,382.00	
Electricity Bill Exp.	125,439.57		1,486.50	126,926.07	
Telecom Bill Exp.	63,770.93		705.31	64,476.24	
Postage & Telegram Exp.	3,444.99	743.20		4,188.19	
Office Supplies Exp.	14,662.09		136.20	14,798.29	
Uekera Office Supplies Exp.	5,530.18	433.98	288.00	6,252.16	
Overseas Membership Exp.	2,400.00			2,400.00	312,075
Chemical Duty Allowance Exp.	3,196.40			3,196.40	
Bank Charges Exp.	7,038.38	18,368.58	203.60	25,610.56	
Land Rent Exp.	595.14			595.14	
Line Rent Exp.	2,200.00			2,200.00	
Bandwidth Rental Exp.	19,243.19			19,243.19	
Radio License Exp.	24,474.87			24,474.87	
Repairs & Maint. Exp.	19,371.95	475.65		19,847.60	
Local Travelling Exp.	29,197.76		1,135.00	30,332.76	
Motor Vehicles Repairs	16,976.80		442.31	17,419.11	
Fuel & Oil Exp.	8,586.50		270.42	8,856.92	
Board Directors Exp.	4,347.05			4,347.05	
Overseas Travelling Exp	10,181.10			10,181.10	
Plant & Equipment Exp.	15,481.00			15,481.00	
Entertainmet Exp.	1,570.10			1,570.10	
Outer Island Coverage Exp.	1,015.00			1,015.00	
Miscellaneous & Sundry Exp.	5,913.70	7,470.10	1,172.90	14,556.70	
Total Administrative & Operating Expenses - -	390,506.70	28,003.51	5,840.24	424,350.45	312,075.3

11. Non Operating Cash Expenses

	HQ Trade	Trading	Xmas Branch	Total Exp.	Total Exp.
Depreciation Exp.	26,634.46	-	-	26,634.46	8,486.12
Doubtful Debts Exp.	9,231.23	1,597.85	-	10,829.08	17,020.51
Accountancy Fee Exp.	1,200.00	-	-	1,200.00	-
Total Non-Operating Cash Expenses	37,065.69	1,597.85	-	38,663.54	25,506.63

BROADCASTING & PUBLICATION AUTHORITY
NOTES TO AND PARTS FORMING THE ACCOUNTS
FOR THE PERIOD ENDING 31 st December 2007

12. Cash & Cash Equivalent:

	2007	20
	$	$
Petty Cash HQ	500.00	
Cash at Bank-HQ	45,923.84	
Cash at Bank- Trading	- 18,945.40	- 30,
Cash at Bank-Xmas	17,420.33	12,
Petty Cash-Xmas	300.00	
IBD No.152351	114,417.12	112,
Total Cash & Cash Equivalent	159,615.89	94,

13. Receivables:

Trade Debtors	153,853.80	204,6
Less Prov. For doubtful debts	- 9,231.23	- 12,2
Trading Debtors	26,630.85	95,9
Less Prov. For doubtful debts	- 1,597.85	- 4,7
Staff Imprest	-	65,6
	169,655.57	349,2

14. Other Current Assets:

		$
Accrued Revenue	2,718.72	
Prepayment	-	
	2,718.72	

15. Payables:

Trade Creditors	33,372.76	
Trading Creditors	66,700.33	83,50
Provision on Accountancy Fee	1,800.00	60
Trade Creditors-Current	-	138,31
Trading Creditors-Trading		106,71
	101,873.09	329,13

16. Other Current Liabilities:

Accrued Expenses	19,922.06	
Prepaid Revenue	-	
	19,922.06	

121,795.17

17. 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 01/01/07	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
Plus Addition	-	2,438.45	5,220.18	-	550.00	16,897.15		25,105.78
Less Disposal			- 600,000.00	-	- 100,850.00			- 700,850.00
As at 31/12/07	17,815.03	233,059.04	55,015.03	10,206.65	32,871.25	37,972.65	7,772.21	394,711.86
Less Depreciation:								
As at 01/01/07	17,815.03	197,120.31	649,794.85	2,822.17	120,910.58	10,588.11	5,986.89	1,005,037.94
Charge during yr	-	9,322.36	3,664.00	2,041.33	8,217.81	1,403.63	1,554.44	26,203.58
Less Disposal			- 649,794.85	-	- 120,910.58			- 770,705.43
As at 31/12/07	17,815.03	206,442.67	3,664.00	4,863.50	8,217.81	11,991.74	7,541.33	260,536.09
Net Book Value								
As at 31/12/07	-	26,616.37	51,351.03	5,343.15	24,653.44	25,980.91	230.88	134,175.78
As at 31/12/06	430.89	33,500.28	-	7,384.48	12,260.67	10,487.39	1,785.32	112,508.35

$ 65,849.

5,343.15
230.88
5,574.03

18. Capital Reserve:

		$
Opening Balance	111,305.37	20,616.(
Capital - Adjustment	-	90,689.3
Closing Balance	111,305.37	111,305.3

19. Retained Earnings:

		$
Opening Balance	166,836.79	145,382.6
Plus Net Profit during the period	62,734.07	2,588.2
Adjustment	145,544.96	18,865.8
Closing Balance	375,115.82	166,836.7

20. Prior Year Adjustments:

	-	$
Opening Balance	-	- 376,484.68
Adjustments	- 52,810.84	376,484.68
Closing Balance	- 52,810.84	-

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Promoting Transparency and Accountability

KNAO

For the Parliament and the People of Kiribati

BroadCasting and Pubication Authority For the Year Ended 31 December 2007

KIRIBATI NATIONAL AUDIT OFFICE

August 2012