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REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

KNAO

AUDIT FOR AN IMPACT FOR THE PUBLIC

Broadcasting & Publications Authority For The Year Ended 31st Dec 2011

Kiribati National Audit Office
August 2014

KIRIBATI NATIONAL AUDIT OFFICE

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Audit Report

To the readers of Broadcasting and Publication Authority financial statements for the year ended 31 December 2011.

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

The audit covered the Authority's compliance with the requirements of Part VII of the Public Finances (Control and Audit) Ordinance, 1976 and the BPA Act 1981 that apply to the financial statements of BPA for the year ended 31 December 2011.

Qualification

I am unable to satisfy myself as to the correctness of the Financial Statements of BPA for the year ended 31st Dec, 2011 due to the following:

- Cash account could not be verified due to:
  - No reclassification performed for some bank accounts. KNAO to state - how many
  - Incomplete bank reconciliation for Current Account # 152340. reconciliation was made manually prior 2012. misleading
  - Bank statements for bank account # 835745 and # 294512 were not available thus hindered us from verifying the balance transferred from 294512 to 835745. BPA to provide copy kept by Bank.
- Fixed Assets had the following issues:
  - No Fixed Asset Register and there had been no Physical counting of Assets for years.
  - The issue last audit for Xmas branch Fixed Assets still remains. Justification and evidences to support the veracity of balances cannot be provided.
- Creditors balance could not be verified as:
  - It had not been reconciled for years and cards were not maintained properly.

    - Audit fees outstanding for 2011 and prior years of $16,525 were not accounted for in the Financial Statements.

- Trade Debtors were noted to have the following:
    - Debtor's cards and listings for Xmas and Tarawa were noted missing.
    - No Debtors reconciliation performed for years.

- Unable to confirm correctness of the Cashflow Statements 2011 as non-cash items were still reported in cash outflow from investing activities. The mistake was also reported last audit.

- PPI balance of $54,021.39 and $(4,684.44) for Tarawa and Xmas respectively had no supporting document.

- Retained Earnings Adjustment of $(97,467.42) and $(80,361.57) being for Tarawa and Xmas respectively had no supporting document available.

Adverse opinion

Because of **the significant effects of the matters** discussed in the qualification paragraph above, in my opinion, the financial statements of the Broadcasting Publications Authority **DO NOT** present fairly:

- the financial position of the Authority as at 31 December 2011,
- the results of operations and,
- cash flows for the years then ended, in accordance with generally accepted accounting practice as applied in Kiribati:

The audit was completed on 26 August 2014, and was the date at which our opinion was expressed.

Basis of Opinion

We carried out the audit in accordance with the Generally Accepted Auditing Standards as applied in Kiribati.

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, therefore we could not 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 BPA's 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 BPA as at 31 December 2011 and the results of its operations and cash flows for the year ended on that date. The Board of Directors responsibilities were clearly specified in the Public Finance (Control and Audit) Ordinance, 1976 and BPA 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) Ordinance, 1976.

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.

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Mrs. Matereta. Raiman.
Auditor General
Kiribati National Audit Office

Date: 26/08/2014

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BROADCASTING & PUBLICATION AUTHORITY

FINANCIAL STATEMENTS

1 January – 31 December 2011

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Broadcasting & Publication Authority
Consolidated Statement of Financial Performance
For the year ended 31 December 2011

	Notes	Trw	Xms	Consolidated 2011 $	2010 $	
To Sales Revenue	6	724,278	66,067	790,345	875,826	A
Less Cost of Goods Sold	7	- 55,867	-	- 55,867	- 11,717	
Gross Profit/(Loss)		- 55,867	-	- 55,867	- 11,717	B
Plus Prior Period Item	8	54,021	- 4,684	49,337	2,309	C
Total Operating Revenue		**722,432**	**61,383**	**783,815**	**866,418**	A+B+C
Less Total Staff & Benefit Expenses	9	395,578	57,785	453,362	444,175	
Total Administrative & Operating Expenses	10	314,615	11,073	325,688	281,252	
Total Non-Cash Operating Expenses	11	82,304	60,689	142,994	125,334	
Grand Total Operating Expenses		**792,497**	**129,548**	**922,044**	**850,761**	D
Net Operating Profit/(Loss)		**- 70,064**	**- 68,165**	**-138,229**	**15,657**	(A+B+C)-D

Broadcasting & Publication Authority
Consolidated Statement of Financial Position
As at 31 December 2011

	Notes	Trw	Xms	Consolidated 2011 $	2010 $	
Current Assets:						
Cash & cash equivalent	12	- 35,192	35,694	502	31,304	
Receivables	13	359,517	30,763	390,280	307,758	
Inventories		24,851	-	24,851	80,718	
Other current assets	14	-	-	-	-	
Total Current Assets		349,176	66,457	415,633	419,780	F
Less Current Liabilities:						
Payables	15	551,195	159,494	710,688	464,564	
Other Current liabilities	16	-	-	-	-	
Total Current Liabilities		551,195	159,494	710,688	464,564	G
Working Capital		-202,018	- 93,037	-295,055	- 44,783	F-G
Plus Non-Current Assets:						
Property, plant & equipment	17	236,110	629,036	865,147	945,608	H
Less Long Term Liabilities						
Loans	18	- 55,005	-	- 55,005	- 69,681	I
Net Assets		**- 20,913**	**536,000**	**515,086**	**831,144**	(F-G)+H+I
Represented by:						
Shareholders' Equity:						
General Reserves	19	59,883	51,422	111,305	111,305	
Retained Profit/(Loss)	20	- 80,796	484,577	403,781	719,839	
Prior Years Adjustments	21	-	-	-	-	
Total Shareholders' Equity		**- 20,913**	**536,000**	**515,086**	**831,144**	J

Board Chariman..

Board Director ....

The accompanying notes form an integral part of these financial statements

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Broadcasting & Publication Authority
Consolidated Cash Flow Statement
For the year ended 31st December 2011

	Notes	2011	2010
1. Cash Flows from Operating Activities		$	$
Receipts from customers		454,393.49	567,061.96
Payments to suppliers and employees		- 123,537.18	- 304,446.59
Interest Received		96.93	93.35
Net Cash Flow from operating activities	1	**330,953.24**	**262,708.72**
			-
2. Cash Flows from Investing Activities			
Seawall at cost		-	-
Building Premises at cost		- 153,060.68	- 164,634.34
Plant, Machneries & Transmitter		- 763,515.22	- 756,275.66
Motor Vehicles at cost		-	- 9,887.51
Furniture & Fixtures		- 1,284.00	- 2,630.52
Office Equipment		- 14,548.22	-
Net Cash from Investment Activities		***- 932,408.12***	***- 933,428.03***
3. Cash Flow from Financing Activities			
Retained Earnings		459,347.63	472,547.88
Capital Reserve		111,305.37	111,305.37
Net Cash Flow from Financing Activities		**570,653.00**	**583,853.25**
Net Increase/Decrease for the period		**- 30,801.88**	**- 86,866.06**
Cash & Cash Equivalents at beginning of period		31,303.87	118,169.93
Cash & Cash Equivalents at ending of peroid	2	**501.99**	**31,303.87**

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

	2011	2010
Net Profit/(Loss)	- 138,228.91	15,656.91
Add Back Deprecition	118,620.12	103,889.23
Total of Net Profit & Add Back Depreciation	**- 19,608.79**	**119,546.14**
Increase/Decrease in assets & liabilities		
Trade Debtors BfA.	- 372,169.52	- 313,959.20
Provision for doubtful debts-Trade	21,173.00	18,838.00
Trading Debtors — Goods	- 13,353.85	- 16,049.25
Provision for doubtful debts-Trading	806.63	806.63
Trading Stock	- 24,851.41	- 80,717.93
Staff Advance	- 8,977.95	-
Staff Imprest	- 17,758.31	-
Trade Creditors	342,541.20	120,631.16
Trading Creditors	27,073.32	41,086.65
Accrued Expenses	-	-
Provision on accountancy fees	8,400.00	6,000.00
Staff Tax Payable	165,224.88	158,068.91
KPF Payable	167,449.04	138,776.89
ANZ Bank Loan	-	14675.72
Soft Loan TAK	55,005.00	55005.00
Total Increae/Decrease in assets & liabilities	**350,562.03**	**143,162.58**
Net Cash Flow from Operating Activities	**330,953.24**	**262,708.72**

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

	2011	2010
	$	$
Cash at Bank-Trade	- 19,019.81	16,220.50
Cash at Bank-Trading	135.55	2,016.69
Cash at Bank-No.835745	1,814.84	-
Interest Bearing Deposit	5,283.06	5,186.13
Cash at Bank-Xmas	1,094.44	13.35
Petty Cash-Trw	500.00	500.00
Petty Cash Xms	300.00	300.00
Undeposited Fund Xms	10,393.91	7,067.20
	$ 501.99	**$ 31,303.87**

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%	3yrs
(ii) Building Premises	4.00%	25yrs
(iii) Plant, Machineries & Tranmitter	6.66%	15yrs
(v) Office Equipment	20.00%	5yrs
(vi) Furniture & Fixtures	20.00%	5yrs
(vii) Motor Vehicles	25.00%	4yrs

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.

	BPA Trw	BPA Xms	2011 Consolidated	2010
6. Sales Revenue	$	$	$	$
Cash Sales	216,518.22	36,911.71	253,429.93	241,954.42
Credit Sales	507,759.37	29,155.70	536,915.07	633,871.51
	724,277.59	66,067.41	790,345.00	875,825.93

7. Cost of Goods Sold on Trading

	BPA Trw	BPA Xms	2011 Consolidated	2010
Opening Stock 01/1/10	80,717.94	-	80,717.94	92,435.18
Plus Net Purchases			-	-
Plus Freight Inwards	-		-	-
Plus Custom Duty	-		-	-
Plus Port Charges	-		-	-
Less Closing Stock 31/12/10	- 24,851.42	-	- 24,851.42	- 80,717.94
Cost of Goods Sold	55,866.52	-	55,866.52	11,717.24

8. Prior Period Item

	BPA Trw	BPA Xms	2011 Consolidated	2010
PPI Rev./(Loss)	54,021.39	- 4,684.44	49,336.95	2,309.18
	54,021.39	- 4,684.44	49,336.95	2,309.18
Total Revenue	722,432.46	61,382.97	783,815.43	

9. Staff & Other Benefit Expenses

	BPA Trw	BPA Xms	Consolidated	
Salaries & Wages Exp.	312,297.62	43,083.77	355,381.39	340,043.99
Temporar Assistance Exp.	362.55	1,117.45	1,480.00	-
Entertainment Exp.	1,544.55	-	1,544.55	2,225.40
Acting Allowance Exp.	14,410.29	4,541.15	18,951.44	18,257.09
KPF Subsidy Exp.	23,422.32	3,231.28	26,653.60	25,485.73
Charge Allowance Exp.	6,163.84	499.55	6,663.39	6,764.76
Abnormal Allowance Exp.	2,300.29	-	2,300.29	1,432.09
Shift Allowance Exp.	5,723.11	2,388.97	8,112.08	6,976.89
On Call Allowance Exp.	1,595.70	1,007.55	2,603.25	4,277.05
Chemical Allowance Exp.	1,618.22	-	1,618.22	2,564.64
Electricity Allowance Exp.	3,790.00	1,540.00	5,330.00	4,820.00
Meal Allowance Exp.	150.90		150.90	1,241.15
Rigging Allowance Exp.	240.00		240.00	1,513.20
Leave Grant Exp.	12,125.00	375.00	12,500.00	14,366.60
Leave Passage Exp.	1,200.00		1,200.00	1,450.00
Overtime Exp.	8,633.12		8,633.12	12,756.05
	395,577.51	57,784.72	453,362.23	444,174.64

10. Administrative & Operating Expenses

	BPA Trw	BPA Xms	Consolidated	
House Rent Subsidy Exp.	2,102.40		2,102.40	1,215.00
Electricity Bill Exp.	115,243.80		115,243.80	133,125.12
Telecom Bill Exp.	12,471.03	635.50	13,106.53	6,737.85
Postage & Telegram Exp.	1,414.15	8.85	1,423.00	292.50
Local Service Exp.	8,407.35		8,407.35	2,934.00
Land Rent Exp.	971.20		971.20	716.40
Fuel & Oil Exp.	19,884.09	1,250.50	21,134.59	17,296.58
Local Travelling Exp.	6,766.61	4,784.40	11,551.01	14,806.71
Overseas Travelling Exp	60,841.20		60,841.20	20,475.84
Jekera Operating Exp.	15,696.30		15,696.30	16,741.61
Board Directors Exp.	27,362.35		27,362.35	24,335.20
Bank Interest & Charges Exp.	748.06	82.05	830.11	12,207.46
Entertainmet Exp.	13,695.80	210.00	13,905.80	3,465.85
Motor Vehicles Repairs	10,238.05		10,238.05	8,647.15
Rental Motor Vehicles			-	390.00
Office Supplies Exp.	6,852.16	3,907.05	10,759.21	7,503.18
Radio/Newspaper License Exp.	789.00		789.00	1,204.00
Bandwidth Rental Exp.			-	-
Miscellaneous & Sundry Exp.	11,131.46	195.00	11,326.46	9,158.01
Total Administrative & Operating Expenses	314,615.01	11,073.35	325,688.36	281,252.46
	775,618.29			

11. Non Operatiing Cash Expenses

	BPA Trw	BPA Xms	Consolidated	
Depreciation Exp.	59,226.20	59,393.92	118,620.12	103,889.23
Doubtful Debts Exp.	21,284.08	695.55	21,979.63	19,644.63
Accountancy Fee Exp.	1,794.00	600.00	2,394.00	1,800.00
Total Non-Operating Cash Expenses	82,304.28	60,689.47	142,993.75	125,333.86

BROADCASTING & PUBLICATION AUTHORITY
NOTES TO AND PARTS FORMING THE ACCOUNTS
FOR THE PERIOD ENDING 31 st December 2011

	BPA Trw	BPA Xms	Consolidated 2011 $	2010 $
12. Cash & Cash Equivalent:				
Petty Cash HQ ....>	500.00	300.00	800.00	800.00
Cash at Bank-HQ ....>	- 19,019.81	-	- 19,019.81	16,220.50
Cash at Bank- Trading ....>	135.55		135.55	2,016.69
Cash at Bank-Xmas ....>	- 23,905.46	24,999.90	1,094.44	13.35
Cash at Bank No.835745 ....>	1,814.84		1,814.84	-
IBD No.152351 ....>	5,283.06		5,283.06	5,186.13
Undeposited Fund Xms ....>	-	10,393.91	10,393.91	7,067.20
Total Cash & Cash Equivalent	**- 35,191.82**	**35,693.81**	**501.99**	**31,303.87**
13. Receivables:				
Trade Debtors ....>	341,290.82	30,878.70	372,169.52	313,959.20
Less Prov. For doubtful debts ....>	- 20,477.45	- 695.55	- 21,173.00	- 18,838.00
Trading Debtors ....>	13,353.85	-	13,353.85	13,443.85
Less Prov. For doubtful debts ....>	- 806.63		- 806.63	- 806.63
Staff Advance ....>	8,597.95	380.00	8,977.95	-
Staff Impret ....>	17,558.31	200.00	17,758.31	-
	359,516.85	**30,763.15**	**390,280.00**	**307,758.42**
14. Other Current Assets:				
	$	$	$	$
Accrued Revenue ....>	-	-	-	-
Prepayment ....>	-	-	-	-
	-	-	-	-
15. Payables:				
Trade Creditors ....>	185,565.50	156,975.70	342,541.20	120,631.16
Trading Creditors ....>	25,755.22	1,318.10	27,073.32	41,086.65
Provision on Accountancy Fee ....>	7,200.00	1,200.00	8,400.00	6,000.00
Staff KPF Payable	167,449.04	-	167,449.04	158,068.91
Staff Tax Payable	165,224.88	-	165,224.88	138,776.89
	551,194.64	**159,493.80**	**710,688.44**	**464,563.61**
16. Other Current Liabilities:				
	1,146,821.63			
Accrued Expenses ....>				-
Prepaid Revenue ....>				-
				-

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17. Property, Plant & Equipment-Trw

Cost	33.30% Sea Wall	4.00% Building Premises	6.66% Plant & Transmitter	20% Furniture & Fixtures	25% Motor Vehicles	20% Office Equipment	Total		
As at 01/01/11	29,410.83	386,975.14	126,523.59	28,308.36	71,871.25	48,905.95	691,995.12		
Plus Addition	3,117.50	5,120.15	5,528.55	1,405.75	6,300.00	16,686.20	21,471.95	38158-15	
Less Disposal									
As at 31/12/11	32,528.33	392,095.29	132,052.14	29,714.11	78,171.25	65,592.15	**730,153.27**		
Less Depreciation:	*	*	*	*	*	*			
As at 01/01/11	29,410.83	246,580.80	27,926.23	27,389.84	61,983.74	41,525.49	**434,816.93**		
Charge during yr	3,117.50	15,683.81	8,794.67	2,324.27	16,187.51	13,118.43	**59,226.20**		
Less Disposal							-		
As at 31/12/11	32,528.33	262,264.61	36,720.90	29,714.11	78,171.25	54,643.92	**494,043.13**		
Net Book Value	*	*	*	*	*	*			
As at 31/12/11	- 0.00	129,830.68	95,331.24	- 0.00	- 0.00	10,948.23	**236,110.14**	**236,110.14**	**257,178.29**
As at 31/12/10	-	140,394.34	98,597.36	918.62	9,887.51	7,380.46	**257,178.29**		

17. Property, Plant & Equipment-Xms

	33.30% Sea Wall	4.00% Building Premises	6.66% Plant & Transmitter	20% Furniture & Fixtures	25% Motor Vehicles	20% Office Equipment	Total		
Cost									
As at 01/01/11	-	25,250.00	852,190.99	2,140.00	-	6,000.00	**885,580.99**		-
Plus Addition							-		
Less Disposal					-				
As at 31/12/11	-	25,250.00	852,190.99	2,140.00	-	6,000.00	**885,580.99**		
Less Depreciation:	-								
As at 01/01/11	-	1,010.00	194,512.69	428.00	-	1,200.00	**197,150.69**		
Charge during yr	-	1,010.00	56,755.92	428.00	-	1,200.00	**59,393.92**		
Less Disposal							-		
As at 31/12/11	-	2,020.00	251,268.61	856.00	-	2,400.00	**256,544.61**		
Net Book Value									
As at 31/12/11	-	23,230.00	600,922.38	1,284.00	-	3,600.00	**629,036.38**	629,036.38	688,430.30
As at 31/12/10	-	24,240.00	657,678.30	1,712.00	-	4,800.00	**688,430.30**		
			Consolidated Property, Plant & Equipment						
HC	32,528.33	417,345.29	984,243.13	31,854.11	78,171.25	71,592.15	1,615,734.26		
Acc Deprn.	32,528.33	264,284.61	287,989.51	30,570.11	78,171.25	57,043.92	750,587.74		
BV	-	**153,060.68**	**696,253.62**	**1,284.00**	-	**14,548.23**	**865,146.52**	865,146.52	945,608.59
							- 10,648.70		
Trw & Xms									

18. Long Term Loan

		BPA Trw	BPA Xms	Consolidated	
ANZ Bank Loan	........................>	-	-	-	14,675.72
Soft Loan TAK	........................>	55,005.00	-	55,005.00	55,005.00
		55,005.00	-	**55,005.00**	**69,680.72**

19. Capital Reserve:

Opening Balance	........................>	59,883.19	51,422.18	111,305.37	111,305.37
Capital - Adjustment	........................>	-	-	-	-
Closing Balance		**59,883.19**	**51,422.18**	**111,305.37**	**111,305.37**

20. Retained Earnings:

Opening Balance	........................>	86,735.51	633,103.50	719,839.01	288,715.62
Plus Net Profit during the period	?........................>	- 70,064.34	- 68,164.57	-138,228.91	15,657
Adjustment * (bad debts)?	...... w/b in 2013 ....>	- 97,467.42	- 80,361.57	-177,828.99	415,466.48
Closing Balance		- **80,796.25**	~~**484,577.36**~~	**403,781.11**	**719,839.01**

21. Prior Year Adjustments:

Opening Balance	........................>	-	-
Adjustments	........................>	-	-
Closing Balance		-	-

PPI. - Rev/Exp. - Capital.

Re. Exs Adjustment

Suspense A/C