REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Broadcasting & Publications Authority
For the Year Ended 31st December 2016

Kiribati National Audit Office
April 2017

KIRIBATI NATIONAL AUDIT OFFICE

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Audit for an impact for the public

INDEPENDENT AUDIT REPORT

To the readers of Broadcasting & Publications Authority's Financial statement For the year ended 31st December 2016

Report on the Financial Statements

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

I have audited the accompanying financial statements of Broadcasting & Publications Authority for the year ended 31st December 2016. The financial statements comprised of:

- the Profit and Loss statement,
- the Balance sheet as at 31st December 2016,
- the Cash Flow Statement,
- and a summary of significant accounting policies and other explanatory information.

Managements and Board's Responsibility for the Financial Statements

Management and the Governing Board are responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Practices, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General's Responsibility

It is my responsibility to form an independent opinion, based on my audit, on these financial statements prepared in Accrual basis and to report in accordance with the Constitution and Part VII of the Public Finance (Control and Audit) 1976.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) and Generally Accepted Auditing Practices as applicable in Kiribati, to obtain reasonable assurance whether the financial statements are free of material misstatement.

Report on Legal and Other Regulatory Matter

BPA seemed to have complied with Sec.20 of the SOE Act, 2012 when submitting its 2016 FS on 28th Feb, 2016. This has allowed ample time to carry out the auditing therefore making it possible to lodge the Audited Financial Statements by 31st March, 2017.

Independence

When carrying out the audit we followed the independence requirement stipulated under the Kiribati Constitution section 114 (4) and the International Standards of Auditing.

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

Basis for Adverse Opinion:

I am unable to satisfy myself as to the correctness of BPA's Financial Statements for the year ended 31st Dec, 2016 due to the following:

- Investment Capital

The Investment Capital in 2016 was treated as a balancing figure which contravened the International Accounting Standards and Generally Accepted Accounting Practices. Every account balance should be well substantiated so there should not be any balance given without proper supportings.

- **Fixed Assets**

After the recalculation of the depreciation charge for the year 2016, this office confirmed an understatement of $2,198.48 on such account. Refer table below for details:

	BPA Trw	BPAXmas	In total
Total as per FS	102,470.08	57,828.73	160,298.81
Audit figure	104,725.37	57,771.92	162,497.29
Variance	-$ 2,255.29	$ 56.81	-$ 2,198.48

Adverse Opinion

Because of the **significant effects of the matters** described in the Basis for Adverse Opinion paragraph above, in my opinion the Financial Statements of BPA for the year ended 31st Dec, 2016, **DO NOT** present fairly the financial position of the Authority for the year then ended. An Adverse opinion was issued on the Financial Statements.

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Mrs Matereta B Raiman

Auditor General

31/03/2017

BROADCASTING AND PUBLICATION AUTHORITY

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

BROADCASTING PUBLICATION AUTHORITY
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Year End December31, 2016

BROADCASTING PUBLICATION AUTHORITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFOMANCE
FOR THE MONTH END 31st DECEMBER 2016

REVENUE	NOTE	BPA HQ	Xmas	Consolidated Year: 2016	Consolidated Year: 2015
Radio Advert Rev		636,099		636,099	571,429
Sponshorship Programs Rev		95,447		95,447	52,748
Live Programs Rev		282,188		282,188	180,641
Radio Programs Rev		60,070		60,070	42,142
Hire of BPA Services Rev		8,917		8,917	9,179
FM Radio Services Rev		15,172		15,172	20,821
Publication Services Rev		55,768		55,768	57,476
Admin & Account Services Rev		64,945		64,945	65,789
Xmas Branch Income			38,514	38,514	36,430
Total Income		**1,218,604**	**38,514**	**1,257,118**	**1,036,655**
Less Cost of Goods Sold	5	1,729	425	2,154	3,565
Gross Profit (Loss)		1,729	425	2,154	3,565
Plus Prior Period Item	6	7,265	1,800	9,065	1,245
Other Revenue					
Interest on IBD		39		39	39
		39	**-**	**39**	**39**
TOTAL OPERATING REVENUE		**1,224,180**	**39,889**	**1,264,069**	**1,034,374**
EXPENDITURE					
Total Staff & Benefit Expenses	7	451,395	57,304	508,699	462,001
Total Administrative & Operating	8	417,993	6,388	424,381	342,049
Total Non-Cash Operating Exp	9	129,583	57,199	186,782	183,230
Other Expenses		1,498		1,498	-
Total Expenses		**1,000,469**	**120,891**	**1,121,360**	**987,280**
PROFIT / LOSS		**223,711**	**(81,002)**	**142,709**	**47,094**

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BPA CHAIRMAN

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BPA DIRECTOR

BROADCASTING PUBLICATION AUTHORITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 st DECEMBER 2016

	Note	BPA HQ	Xmas	2016	2015
ASSETS				Consolidated	Consolidated
CURRENT ASSETS					
Cash & Cash Equivalent	10	534,644	13,206	**547,850**	**49,374**
Inventories		12,928	1,418	**14,347**	**14,995**
Accounts receivable	11	368,555	9,214	**377,769**	**344,605**
Imprest/Advances Expenses	12	6,174	-	**6,174**	**4,609**
Total current assets		**922,301**	**23,839**	**946,140**	**413,583**
LIABILITIES					
Less : Current liabilities:					
Accounts payable	13	183,611	**10,100**	**193,711**	**259,990**
Other - Current Liabilities	14	51,963	-	**51,963**	**32,164**
Total current liabilities		**235,573**	**10,100**	**245,673**	**292,154**
WORKING CAPITAL		**686,728**	**13,739**	**700,466**	**121,429**
Plus: Non Current Assets					
Property and equipment	15 & 16	359,002	341,015	**700,017**	**758,814**
Less: Long-term liabilities					
Soft Loan - CCK		**47,155**	-	**47,155**	**47,155**
NET ASSETS		**1,045,730**	**354,753**	**$ 1,353,328**	**$ 833,088**
Represented by:					
Shareholders Equity					
Investment capital		219,034	113,922	* **332,955**	**674,689**
Capital Reserve (since 2006).		59,883	51,422	**111,305**	**111,305**
Accumulated retained earnings		990,070	(81,002)	* **909,068**	**47,094**
Total Shareholders equity		**1,268,986**	**84,342**	**$ 1,353,328**	**$ 833,088**

Computation on accum. - retained earnings: see Note 18.

BPA CHAIRMAN

BPA DIRECTOR

Consolidated Cash Flow Statement
for the year ended 31 st December 2016

		Notes	2016	2015
				$
1	**Cash Flows from Operating Activities**			
	Receipt from Customers		792,414	804,050.00
	Payment to Suppliers and employees		(1,408,166)	(1,540,314.55)
	Interest Received		39.39	39.23
	Net Cash Flow from Operating Activities		**(615,713.09)**	**(736,225.32)**
2	**Cash Flows from Investing Activities**			
	Seawall at Cost			
	Building Premises at Cost			
	Plant, Machine & Transmitter		(335,196.26)	(397,771.17)
	Motor Vehicles at Cost		(1,015,960.96)	(1,402,017.82)
	Furniture & Fittings		(98,347.04)	(84,411.75)
	Office Equipment		(411.12)	(26,067.82)
			(412,545.18)	(117,554.07)
	Net Cash Flows from Investing Activities		**(1,862,460.56)**	**(2,027,822.63)**
3	**Cash Flow from Financing Activities**			
	Retaining Earnings		909,067.75	766,358.32
	Capital Reserve		111,305.37	111,305.37
	NetCash Flow from Financing Activities		**1,020,373.12**	**877,663.69**
	Net increase/Decrease for the period		**498,476.26**	**51,548.63**
	Cash &Cash Equivalents at beginning of period		49,373.78	(2,174.85)
	Cash &Cash Equivalents at end of period		**547,850.04**	**49,373.78**

Note: 1

Reconciliation of Net Profit to Net Cash from operating activiities

	2016	2015
Net Profit/(Loss)	142,709.43	47,094.49
Add: Back Depreciation	(681,654.80)	(709,147.70)
Total of Net Profit & Add Back Depreciation	**(538,945.37)**	**(662,053.21)**
Increase/Decrease in Assets & Liabilities		
Trade Debtors	(401,882.03)	(366,600.71)
Provision for doubtful debts -	24,112.92	21,996.04
Trading Stock	14,346.80	(14,995.48)
Staff Advance	(2,181.80)	(1,816.30)
Staff Imprest	(3,991.99)	(2,793.04)
Trade Creditors	193,710.68	259,990.09
VAT	2,302.89	-
Provision for Audit Fee	16,525.00	16,525.00
Bank Loan Payable	2,751.55	-
Banking Saving payable	1,759.50	-
Staff Tax Payable	24,325.79	6,998.36
Tax Withholding 5%	133.35	-
KPF Payable	3,127.62	2,901.20
Kiribati Housing Loan Payable	1,037.00	
Soft Loan -CCK	47,155.00	
Other liabilities	-	3,622.73
Total Increase/Decrease in Assets & Libilities	**(76,767.72)**	**(74,172.11)**
Net Cash Flow Operating Activities	**(615,713.09)**	**(736,225.32)**

Note: 2

Cash Balance Represented as follows at 31 st December

	2016	2015
Bank Current Acc - Acc no 152340	499,841.73	23,062.90
Bank Xmas Acc - Acc no 671172	8,549.29	5,598.29
Bank Reserve Fund Acc no 835745	8,406.34	8,116.59
Bank IBD Acc no 152351	5,572.94	5,533.55
Petty Cash - TRW	500.00	500.00
Petty Cash - Xmas	300.00	300.00
Sub RR - Cash on Hand	633.90	633.90
Cash on Hand TRW	19,581.04	5,628.55
Cash on Hand Xmas	4,356.80	-
Dishonour Cheques	108.00	-
	$ **547,850.04**	$ **49,373.78**

Broadcasting & Publication Authority
Notes to the Financial Statements
For the Year Ended 31 December 2016

1 GENERAL

The Broadcasting and Publication Authority (BPA) was set up in 1979 under BPA Act, CAP 6A to provide local sound broadcastic as public service for the dissemination of information, education and entertainment to produce, print, and distribute the national newspaper, "Te Uekera" and other authorized publications"

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.

(a) 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:-

Seawall	33.30%	3 years
Building Premises	4%	25 years
Plant Machineries & Transmitter	6.66%	15 years
Office Equipment	20%	5 years
Furniture & Fittings	20%	5 years
Motor Vehicles	25%	4 years

(b) STOCK

Stock has been decided by the Board to donated to Pre-school on South Tarawa while there is no more Trading on items not related to BPA Services

(c) The Financial Statements are expressed in Australian Dollars

(d) Provisions for doubtful debts is provide 6% only of the total 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 princepally represents the amounts received from the sale of AM Radio, FM 88 services and printing services as newspaper.

4 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.

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Note: 5

Cost of Goods Sold on Trading	BPA Trw	BPA Xmas	Year: 2016 Total	Year: 2015 Total
Opening Balance 01/01/16	14,657.46	1,843.02	16,500.48	20,403.05
plus Net Purchases			-	
Plus Freight Inwards			-	
Plus Custom Duty			-	
Plus Port Charges			-	
Less Closing Stock 31/12/16	12,928.48	1,418.32	14,346.80	16,838.50
Cost of Goods Sold	**1,728.98**	**424.70**	**2,153.68**	**3,564.55**

Note: 6

Prior Period Item

Prior Period Item	9,065.38	-	9,065.38	1,244.52
	9,065.38	-	**9,065.38**	**1,244.52**

Note: 7

Staff & Other Benefit Expenses

Details of Expenses	BPA Trw	BPA Xmas	Year: 2016 Cosolidated Total	Year: 2015 Cosolidated Total
Wages & Salaries	330,932.37	$42,564.52	373,496.89	330,159.10
Temporary Assistant & Hire Firm	30,963.30	$5,572.80	36,536.10	30,675.51
Entertaiment allowance	1,999.92		1,999.92	978.78
Acting Allowance	10,274.66	177.00	10,451.66	8,465.50
Charge Allowance	3,047.80	$974.60	4,022.40	6,521.40
Shift Allowance	4,273.10	1,437.90	5,711.00	5,607.15
On Call Allowance	2,390.10	1,777.20	4,167.30	4,603.05
Chemical Allowance	260.00		260.00	952.53
Electricity Allowance	2,280.00	540.00	2,820.00	3,020.00
Meal Allowance	30.00		30.00	86.00
Rigging Allowance	-		-	901.40
Leave Grant	26,625.00	2,250.00	28,875.00	27,250.00
Staff Overtime	36,842.63	$1,686.07	38,528.70	42,144.58
Staff Arrears		$1,800.00	1,800.00	368.50
	449,918.88	**58,780.09**	**508,698.97**	**461,733.50**

Note: 8

Administrative & Operating Expenses

Details of Expenses	BPA Trw	BPA Xmas	Year: 2016 Cosolidated Total	Year: 2015 Cosolidated Total
KPF Subsidy	23,273.88	3,216.64	26,490.52	23,069.22
House rent subsidy	12,632.41		12,632.41	4,538.63
Telephone Bill	33,290.44		33,290.44	17,636.04
Recharge - Telephone	2,380.00		2,380.00	1,267.50
ADSL Link Tabuaeran & Teraina			-	17,200.38
Electricity	103,873.26		103,873.26	81,224.50
Internet	19,141.98		19,141.98	14,273.67
Postage	1,248.80		1,248.80	240.50
Office Supplies	32,144.14	1,746.20	33,890.34	24,511.78
Uekera operating supplies	14,734.38		14,734.38	17,482.58
Bank charges	3,096.00	303.43	3,399.43	5,144.13
Land Rent	772.45		772.45	889.95

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Membership	8,756.37		8,756.37	-
Website expenses	480.00		480.00	765.00
Radio License	14,000.00		14,000.00	-
Bandwith Rental - New Skies	-		-	21,506.58
New Expenses - VAT	1,372.53		1,372.53	-
Maintenance	5,977.45		5,977.45	4,951.65
Repair Motor vehicle	8,565.41		8,565.41	3,927.75
Fixed Assets Insured	3,318.00		3,318.00	3,433.00
Tower maintenance	6,028.60		6,028.60	1,638.50
Local Services	1,738.25		1,738.25	
Fuel & Oil	11,265.48	5.00	11,270.48	10,962.70
Local Travelling	16,628.96	746.80	17,375.76	22,752.00
Local Training	1,145.14		1,145.14	(84.05)
Oversaes travelling	59,032.39	370.00	59,402.39	40,895.66
Outer island coverage	1,470.00		1,470.00	107.50
Board expenses -Sitting Allow	10,470.00		10,470.00	7,520.00
Board Expenses - Recharge	940.00		940.00	485.00
Board Expenses - Refreshment	4,734.70		4,734.70	2,764.15
Board Exp - Wages MD	-		-	6,300.00
Panelist Expenses	1,274.50		1,274.50	370.00
Management Expenses	1,949.60		1,949.60	
Board Entertainment	8,273.40		8,273.40	1,839.30
Folding & Collating	270.00		270.00	660.00
Freight for Uekera to outer is	1,964.75		1,964.75	394.70
New Album	300.00		300.00	-
Miscelleneous expenses	1,450.12		1,450.12	3,380.35
Total Administrative & Operating	**417,993.39**	**6,388.07**	**424,381.46**	**342,048.67**

Note: 9

<u>**Non Operating Cash Expenses**</u>	**BPA Trw**	**BPA Xmas**	**Year: 2016** Cosolidated **Total**	**Year: 2015** **Cosolidated** **Total**
Depreciation Expenses	105,470.08	$ 57,198.73	162,668.81	161,234.30
Doubtful Debts Expenses	20,681.00	3,431.92	24,112.92	21,996.04
	126,151.08	**60,630.65**	**186,781.73**	**183,230.34**

Note: 10

<u>**Cash & Cash Equivalent**</u>	**BPA Trw**	**BPA Xmas**	**Year: 2016** Cosolidated **Total**	**Year: 2015** **Cosolidated** **Total**
Petty Cash - HQ	500.00		500.00	500.00
Petty Cash -Xmas		300.00	300.00	300.00
Sub RR not receive Fund	633.90		633.90	633.90
Cash on Hand	19,581.04	4,356.80	23,937.84	5,628.55
Cash at Bank - HQ (153241)	499,841.73		499,841.73	23,062.90
Cash at Bank - Xmas (671172)		8,549.29	8,549.29	5,598.29
Cash at Bank - RF (835745)	8,406.34		8,406.34	8,116.59
Cash at Bank - IBD (152351)	5,572.94		5,572.94	5,533.55
Dishonour Cheque	108.00		108.00	
	534,643.95	13,206.09	**547,850.04**	**49,373.78**

Year: 2016 **Year: 2015**

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Note: 11

Account Receivables	BPA Trw	BPA Xmas	Cosolidated Total	Cosolidated Total
Trade Debtors	392,079.54	9,802.49	401,882.03	366,600.71
Less: Prov for Doubtful Debts	23,524.77	588.15	24,112.92	21,996.04
	368,554.77	**9,214.34**	**377,769.11**	**344,604.67**

Note: 12

Imprest & Advance	BPA Trw	BPA Xmas	Year: 2016 Cosolidated Total	Year: 2015 Cosolidated Total
Staff Advances	2,181.80		2,181.80	1,816.30
Staff Imprest	3,991.99		3,991.99	2,793.04
	6,173.79	-	**6,173.79**	**4,609.34**

Note: 13

Accounts Payables	BPA Trw	BPA Xmas	Year: 2016 Cosolidated Total	Year: 2015 Cosolidated Total
Trade Creditors	193,710.68		193,710.68	259,990.09
			-	
	193,710.68	-	**193,710.68**	**259,990.09**

Note: 14

Other Current Liabilities	BPA Trw	BPA Xmas	Year: 2016 Cosolidated Total	Year: 2015 Cosolidated Total
VAT	2,302.89		2,302.89	
KNAO Fee Exp	16,525.00		16,525.00	16,525.00
Staff KPF Payable	3,127.62		3,127.62	2,901.20
Staff Tax Payable	24,325.79		24,325.79	6,998.36
Tax Withholding	133.35		133.35	325.03
BOK Loan Deduction	2,751.55		2,751.55	-
BOK Savings	1,759.50		1,759.50	-
House Rent	1,037.00		1,037.00	1,791.77
Payroll Liabilities	-		-	3,622.73
	51,962.70	**$0.00**	**51,962.70**	**$ 5,739.53**

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Non-Current Assets - BPA HQ

Depreciation - Rate	Office Equipments 20%	Furniture Fittings 20%	Motor Vehicles 25%	Plants Transmitter 6.66%	Sea Wall 33.30%	Buildings Premises 4%	Total
Balance as at 1 January 2	$ 111,584.07	$ 23,927.82	$ 84,411.75	$ 549,826.83	$ 7,537.05	$ 372,371.17	$ 1,149,658.69
Plus Additional	$ 18,450.37	$ 513.90	$ 24,270.00	$ 34,413.54	$ -	$ 16,000.19	$ 75,197.63
ess: Disposal			(12,000.00)				
Balance as at 31 Dec 2	$ 130,034.44	$ 24,441.72	$ 96,681.75	$ 584,240.37	$ 7,537.05	$ 388,371.36	$ 1,231,306.69
ess: Depreciation							
s at 01/01/16	$ 77,140.73	$ 23,927.82	$ 35,688.01	$ 420,535.31	$ 7,537.05	$ 215,205.66	$ 780,034.58
Charge During year	$ 26,006.89	$ 102.78	$ 24,170.44	$ 36,655.12		$ 15,534.85	$ 102,470.08
ess Disposal Adjust			-$ 10,200.00				
s at 31/12/16	$ 103,147.62	$ 24,030.60	$ 49,658.45	$ 457,190.43	$ 7,537.05	$ 230,740.51	$ 872,304.66
Net Book values:							
s at 31/12/16	$ 26,886.82	$ 411.12	$ 47,023.30	$ 127,049.94	$ -	$ 157,630.85	$ 359,002.03
s at 31/12/15	$ 34,443.34	$ -	$ 48,723.74	$ 129,291.52	$ -	$ 157,165.51	$ 369,624.11

Non-Current Assets - Xmas Branch

Depreciation - Rate	Office Equipments 20%	Furniture Fittings 20%	Motor Vehicles 25%	Plants Transmitter 6.66%	Sea Wall 33.30%	Buildings Premises 4%	Total
Balance as at 1 January 201	$ 6,000.00	$ 2,140.00	$ -	$ 852,190.99	$ -	$ 25,400.00	$ 885,730.99
Plus Additional							
ess: Disposal							
Balance as at 31 Dec 2	$ 6,000.00	$ 2,140.00	$ -	$ 852,190.99	$ -	$ 25,400.00	$ 885,730.99
ess: Depreciation							
s at 01/01/16	$ 6,000.00	$ 2,140.00	$ -	$ 472,667.84	$ -	$ 6,079.50	$ 486,887.34
Charge During year	$ -	$ -	$ -	$ 56,812.73	$ -	$ 1,016.00	$ 57,828.73
ess Disposal							
s at 31/12/16	$ 6,000.00	$ 2,140.00	$ -	$ 529,480.57	$ -	$ 7,095.50	$ 544,716.07
Net Book values:							
s at 31/12/16	$ -	$ -	$ -	$ 322,710.42	$ -	$ 18,304.50	$ 341,014.92
As at 31/12/15	$ -	$ -	$ -	$ 379,523.15	$ -	$ 19,320.50	$ 398,843.65

Note: 16

LOAN TERM LOAN	BPA Trw	BPA Xmas	Year: 2016 Cosolidated Total	Year: 2015 Cosolidated Total
oft Loan CCK	47,155.00	-	47,155.00	47,155.00
ther Loan	-	-	-	
	47,155.00	-	47,155.00	$ 47,155.00

lote: 17			Year: 2016 Cosolidated	Year: 2015 Cosolidated
APITAL RESERVE	BPA Trw	BPA Xmas	Total	Total
Opening Balance	$59,883.19	51422.18	$ 111,305.37	111,305.37
apital Adjustment			-	
losing Balance	$ 59,883.19	$ 51,422.18	$ 111,305.37	$ 111,305.37

lote: 18			Year: 2016 Cosolidated	Year: 2015 Cosolidated
RETAINED EARNINGS	BPA Trw	BPA Xmas	Total	Total
pening Balance	766,358.32		766,358.32	719,699.26
lus: Net Profit during th	223,711.20	(81,001.77)	142,709.43	46,659.06
Adjustments			-	
Closing Balance	990,069.52	(81,001.77)	909,067.75	$ 766,358.32