

**AUDITED FINANCIAL STATEMENTS OF THE  
NATIONAL COMMUNICATIONS NETWORK INC.**

**FOR THE YEAR ENDED  
31 DECEMBER 2012**

**AUDITORS:   AUDIT OFFICE OF GUYANA  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA**

AUDITED FINANCIAL STATEMENTS OF THE  
NATIONAL COMMUNICATIONS NETWORK INC.  
FOR THE YEAR ENDED 31 DECEMBER 2012

TABLE OF CONTENTS

	PAGE
Transmittal Letter -----	i
Auditor's Opinion on the Financial Statements-----	ii - iii
Audited Financial Statements -----	1 - 10
Statement of Financial Position	
Statement of Comprehensive Income	
Statement of Changes in Equity	
Statement of Cash Flow	
Notes to the Accounts	
Management letter -----	11 - 21



## Audit Office of Guyana

P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana

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66/PC: 66/2/2015

23 March 2015

Ms. Molly Hassan  
Chief Executive Officer  
National Communications Network Inc.  
Homestretch Avenue  
Georgetown.

Dear Ms. Hassan,

AUDIT OF THE ACCOUNTS OF THE  
NATIONAL COMMUNICATIONS NETWORK INC.  
FOR THE YEAR ENDED 31 DECEMBER 2012

We wish to inform you that the audit of the above-mentioned Company has been completed. Accordingly, we are pleased to forward five copies of the audited financial statements, together with the Report of the Auditor General and the Management Letter thereon.

Should you need any clarification or explanation, please do not hesitate to let us know.

With kind regards.

Yours sincerely,





## *Audit Office of Guyana*

*P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana*

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AG: 16/2015

23 March 2015

**REPORT OF THE AUDITOR GENERAL**  
**TO THE MEMBERS OF THE BOARD OF DIRECTORS**  
**ON THE FINANCIAL STATEMENTS**  
**OF THE NATIONAL COMMUNICATIONS NETWORK INC.**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

I have audited the accompanying financial statements of National Communications Network (NCN), which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The audit was conducted in accordance with the Audit Act 2004.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing issued by the International Federation of Accountants (IFAC), and those of the International Organisation of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

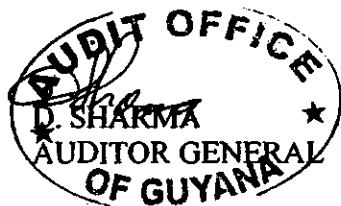
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Basis for Qualified Opinion*

The amount of \$1,102,696,051 was shown as Non Current Assets for the year under review. However, the Company did not maintain a Fixed Assets Register. In addition, neither master nor sectional inventories were maintained for the year under review contrary to Stores Regulations. As a result, the accuracy, validity and completeness of the amount of \$1,102,696,051 shown as Non Current Assets could not be verified.

*Qualified Opinion*

Except for any adjustments which might have been shown to be necessary as a result of the matter described in the Basis for Qualified Opinion paragraph, in my opinion the financial statements give a true and fair view, in all material respects of the financial position of National Communications Network (NCN) as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



AUDIT OFFICE OF GUYANA  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA

**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2012

	Notes	Jan-Dec 2012 G\$	Jan-Dec 2011 G\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	8	1,102,696,051	913,826,660
		<u>1,102,696,051</u>	<u>913,826,660</u>
<b>Current assets</b>			
Inventory		5,563,625	8,179,510
Goods in transit		46,751,897	6,890,415
VAT Receivable		1,357,839	(58,248)
Accounts Receivables	9	241,503,773	208,166,404
Other receivables	10	1,329,465	1,866,227
Deposits		1,399,065	4,586,452
Cash and Cash Equivalents	11	22,580,465	1,461,486
Other Current Asset			1,025,200
		<u>320,486,127</u>	<u>232,117,446</u>
<b>TOTAL ASSETS</b>		<u><u>1,423,182,178</u></u>	<u><u>1,145,944,106</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share Capital		35,000,000	35,000,000
Deposit on Share		185,553,395	-
Reserves		554,536,331	554,536,331
Capital Subvention		128,918,669	131,809,804
Retained Earnings		436,381,125	308,178,657
		<u>1,340,389,520</u>	<u>1,029,524,792</u>
<b>Current liabilities</b>			
Accounts Payable	12	48,837,195	91,333,280
VAT Payables		9,178,036	801
Payroll Deductions Payable	13	5,943,323	6,019,129
Provision for Taxation	14	18,834,104	18,834,104
Loan Creditor	15	-	232,000
		<u>82,792,658</u>	<u>116,419,314</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,423,182,178</u></u>	<u><u>1,145,944,106</u></u>

The Board of Directors approved these financial statements for issue on March 12, 2015

.....  
Chairman

.....  
Director

.....  
Chief Executive Officer

.....  
Finance Manager

# NATIONAL COMMUNICATIONS NETWORK INC

## STATEMENT OF COMPREHENSIVE INCOME

for the period ending December 31, 2012

	Notes	Jan-Dec 2012 G\$	Jan-Dec 2011 G\$
Net Operating Revenues	6	547,588,798	508,059,284
Cost of Sales		21,121,387	33,463,395
Gross Profit		<u>526,467,411</u>	<u>474,595,889</u>
Operating Expenses	7	547,358,584	511,326,997
Depreciation	8	7,954,245	25,460,917
Net Operating Profit		<u>(28,845,418)</u>	<u>(62,192,025)</u>
Interest and Other Income		8,096,990	3,335,829
Deferred Income		67,778,896	64,801,344
Income from Subvention		81,172,000	70,000,000
Net Profit/(Loss)		<u><u>128,202,468</u></u>	<u><u>75,945,148</u></u>

"The accompanying notes form an integral part of these financial statements".

**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF CHANGES IN EQUITY**  
**for period ending December 31, 2011**

Details	Share Capital	Deposit on Share	Reserves	Retained Earnings	Capital Subvention	Total
	G\$	G\$	G\$	G\$	G\$	G\$
Balance at 1st January, 2011	35,000,000		554,536,331	232,233,509	131,707,003	953,476,843
Post Balance Sheets Journals						
Capital Supplementary					64,904,145	64,904,145
Net profit				75,945,148		75,945,148
Amortisation of Government Grants 2007, 2008, 2009, 2010 & 2011					(64,801,344)	(64,801,344)
Balance at December 31, 2011	35,000,000	-	554,536,331	308,178,657	131,809,804	1,029,524,792

**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF CHANGES IN EQUITY**  
**for period ending December 31, 2012**

Details	Share Capital	Deposit on Share	Reserves	Retained Earnings	Capital Subvention	Total
	G\$	G\$	G\$	G\$	G\$	G\$
Balance at 1st January, 2012	35,000,000	-	554,536,331	308,178,657	131,809,804	1,029,524,792
Capital Supplementary					64,887,761	64,887,761
Net profit				128,202,468		128,202,468
Deposit		185,553,395				185,553,395
Amortisation of Government Grants 2007, 2008, 2009, 2010 & 2011					(67,778,896)	(67,778,896)
Balance at December 31, 2012	35,000,000	185,553,395	554,536,331	436,381,125	128,918,669	1,340,389,520

"The accompanying notes form an integral part of these financial statements".



**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDING DECEMBER 31, 2012**

	Jan-Dec 2012 G\$	Jan-Dec 2011 G\$
<b>Operating Activities</b>		
Net Profit/Loss for the year	128,202,468	75,945,148
Adjustments for:		
Depreciation	7,954,245	25,460,917
Inventory	2,615,885	1,789,674
Goods in Transit	(39,861,482)	37,346,860
VAT Receivables	(1,416,087)	(579,488)
Accounts Receivables	(33,337,369)	(33,764,175)
Other receivables	536,763	(59,324)
Deposits	3,187,387	6,154,072
Other Current Asset	1,025,200	
Accounts Payable	(42,496,085)	17,984,560
VAT Payables	9,177,235	(7,878,661)
Payroll Deductions Payable	(75,806)	916,035
Other Accounts Payable	(232,000)	-
Disposal of Asset	-	-
Total Adjustments	(92,922,114)	47,370,470
<b>Cash Generated from Operations</b>	<b>35,280,354</b>	<b>123,315,618</b>
<b>Investing Activities</b>		
Purchase of Fixed Assets:		
Buildings	(66,864,544)	-
Furniture & Fittings	(3,539,444)	(1,049,648)
Equipment	(104,534,156)	(107,733,419)
Motor Vehicles	(21,885,492)	(19,046,340)
Work-in-Progress	-	-
<b>Net cash used in investing activities</b>	<b>(196,823,636)</b>	<b>(127,829,407)</b>
<b>Financing activities</b>		
Changes in:		
Deposit on Share	185,553,395	
Capital Subvention	(2,891,135)	102,801
Revaluation Reserves	-	
<b>Net cash used in financing activities</b>	<b>182,662,260</b>	<b>102,801</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>21,118,978</b>	<b>(4,410,988)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,461,486</b>	<b>5,872,474</b>
<b>Cash and Cash Equivalents at the end of the period</b>	<b>22,580,464</b>	<b>1,461,486</b>

**NATIONAL COMMUNICATIONS NETWORK INC.  
NOTES TO THE ACCOUNTS**

**1. Incorporation**

National Communications Network Inc. was incorporated under the Companies Act of Guyana (No. 29 of 1991) on February 6, 2004.

**2. Governance**

The NCN Inc is the State Owned and Operated Radio and Television Stations with the parent Company being National Industrial and Commercial Investments Ltd.

**3. Subvention**

The National Communications Network Inc received Current Subvention of \$81,172,000 and Capital Subvention of \$65,000,000 for the year 2012.

**4. Out of Town Operations**

The NCN Inc has three major out of town Branches namely, New Amsterdam – Berbice, Watooka – Linden and Anna Regina-Essequibo.

The Operation in Berbice and Linden are commercialized and earning revenues.

NCN also has several relay locations throughout the country to facilitates its National Grid:

- a) Drill
- b) Benab
- c) Long Creek
- d) Essequibo Branch

NCN is also in partnership with North Rupununi Development Board for the management of a Radio Community Station at Annai.

**5. Summary of Significant Accounting Policies**

**(a) Accounting Convention**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and conform to International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana and the Companies Act 1991.

**(b) Fixed Assets**

Fixed assets are depreciated on the straight-line method over their estimated useful lives as follows:-

Buildings	5%
Furniture and Fixtures	10%
Equipment	20%
Motor vehicles	20%

**NATIONAL COMMUNICATIONS NETWORK INC**  
**NOTES TO THE ACCOUNTS**

	2,012	2,011
6 <b>Operating Revenue</b>	547,588,798	508,059,284

7 <b>Operating Expenses</b>	2,012	2,011
Employment cost	291,425,322	277,535,649
Utility Charges	97,144,807	96,081,341
Other Operating Expenses	158,788,456	137,710,008
<b>Total</b>	<b>547,358,585</b>	<b>511,326,998</b>

**NATIONAL COMMUNICATIONS NETWORK INC**  
**NOTES TO THE ACCOUNTS**

8 Fixed Assets	Land	Buildings	Furniture & Fixtures	Equipment	Motor Vehicles	Total
	G\$	G\$	G\$	G\$	G\$	G\$
<b>Cost</b>						
At 1 January 2012	84,008,900	313,352,482	67,639,703	883,371,422	44,572,208	1,392,944,715
Additions for the Period		66,864,544	3,539,444	104,534,156	21,885,492	196,823,636
Disposals						-
At December 31, 2012	<u>84,008,900</u>	<u>380,217,026</u>	<u>71,179,147</u>	<u>987,905,578</u>	<u>66,457,700</u>	<u>1,589,768,351</u>
<b>Depreciation</b>						
At 1 January 2012	-	20,070,792	51,454,006	399,669,559	7,923,698	479,118,055
Adjustment						-
Sub total	-	20,070,792	51,454,006	399,669,559	7,923,698	479,118,055
* Charge for the Period	-	-	353,944	3,223,203	4,377,098	7,954,245
At December 31, 2012	<u>-</u>	<u>20,070,792</u>	<u>51,807,950</u>	<u>402,892,762</u>	<u>12,300,796</u>	<u>487,072,300</u>
<b>Net Book Values</b>						
At 1 January 2012	<u>84,008,900</u>	<u>293,281,690</u>	<u>16,185,697</u>	<u>483,701,863</u>	<u>36,648,510</u>	<u>913,826,660</u>
At December 31, 2012	<u>84,008,900</u>	<u>360,146,234</u>	<u>19,371,197</u>	<u>585,012,816</u>	<u>54,156,904</u>	<u>1,102,696,051</u>

\* Depreciation is charged on current year addition using the approved rates of depreciation.

**NATIONAL COMMUNICATIONS NETWORK INC**  
**NOTES TO THE ACCOUNTS**

	<u>Jan-Dec 2012</u> G\$	<u>Jan-Dec 2011</u> G\$
<b>9 Accounts Receivable</b>		
Accounts Receivable	279,812,644	246,475,276
Provision for Bad Debts	(38,308,871)	(38,308,872)
	<u>241,503,773</u>	<u>208,166,404</u>
<b>10 Other receivables</b>		
Employee & Assignment Advances	1,356,532	1,866,227
Cell Phones Loan Account	(27,067)	
	<u>1,329,465</u>	<u>1,866,227</u>
<b>11 Cash and cash equivalents</b>	<u>22,580,465</u>	<u>1,461,486</u>

**NATIONAL COMMUNICATIONS NETWORK INC**  
**NOTES TO THE ACCOUNTS**

	<u>Jan-Dec 2012</u>	<u>Jan-Dec 2011</u>
	G\$	G\$
<b>12 Accounts Payable</b>		
Accounts Payable	34,571,871	75,000,433
Accrued Expenses	14,265,324	16,332,847
	<u>48,837,195</u>	<u>91,333,280</u>
<b>13 Payroll Deductions Payable</b>		
Paye Payable	90,084	
Withholding Tax	5,838,566	5,391,429
Employee Welfare Scheme & Sports Club	10,500	626,058
Other Deductions Payable		1,642
NIS Payable	4,173	
	<u>5,943,323</u>	<u>6,019,129</u>
<b>14 Provision for Taxation</b>		
Provision for Corporation Tax	3,812,358	3,812,358
Provision for Property Tax	4,263,321	4,263,321
Provision for Other Taxes	10,758,425	10,758,425
	<u>18,834,104</u>	<u>18,834,104</u>
<b>15 Loan Creditors</b>		
Pension Refund Payable	-	232,000
	<u>-</u>	<u>232,000</u>

**NATIONAL COMMUNICATIONS NETWORK INC.**  
**NOTES TO THE ACCOUNTS**

**16 KEY MANAGEMENT PERSONNEL**

The Key Management Personnel comprised of its Chief Executive Officer and its four Senior Managers.

The remuneration paid to key management personnel for the year 2012

Short term benefits	\$35,407,069
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## *Audit Office of Guyana*

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58/PC: 66/2/2015

23 March 2015

Ms. Molly Hassan  
Chief Executive Officer  
National Communications Network Inc.  
Homestretch Avenue  
Georgetown.

Dear Ms. Hassan,

AUDIT OF THE FINANCIAL STATEMENTS OF THE  
NATIONAL COMMUNICATIONS NETWORK INC.  
FOR THE YEAR ENDING 31 DECEMBER 2012

Following the audit of the Financial Statements of the National Communications Network Inc. (NCN) for the year ended 31 December 2012. The findings hereunder were discussed with the Finance Manager within your organisation and are now forwarded to you for appropriate action.

2. The audit was conducted in accordance with Generally Accepted Auditing Standards, including those of the International Organisation of Supreme Audit Institutions (INTOSAI) and the International Standards on Auditing, issued by the International Federation of Accountants (IFAC). These standards require that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatements.

3. The main purpose of the audit was to express an opinion on the financial statements and to evaluate the operations of the NCN Inc. to ascertain whether:

- (a) The financial statements have been properly prepared, in accordance with applicable laws, and properly present the operations and affairs of the NCN Inc.;
- (b) The accounts have been faithfully and properly kept;
- (c) The rules, procedures and internal management controls are sufficient to secure effective control on the assessment, collection, and proper allocation of revenue;
- (d) All monies expended and charged to an account have been applied to the purpose or purposes for which they were intended; and



- (e) Essential records are maintained, and the internal management controls, rules and procedures established and applied are sufficient to safeguard the control of stores and other public property.

## **FINDINGS AND RECOMMENDATIONS**

### **A. Evaluation of Internal Controls**

4. The evaluation of the system of accounting and internal controls of the National Communications Network Inc (NCN) was made a part of our examination of the financial statements for the period under review. This was carried out under the following headings:-

- Organisation Structure
- Accuracy and reliability of accounting records; and
- Safeguarding of assets.

#### **Organisation Structure**

5. The National Communications Network Inc. (NCN) is headed by a Board of Directors and managed by a Chief Executive Officer. There are one hundred and seventy eight (178) staff members. Further, sixteen (16) staff makes up the Finance Department. The Company is partly funded by Government subventions through the Office of the President. For the year under review, total subvention of \$81M was received by the Company.

#### **Accuracy and Reliability of Accounting Records**

6. During the period under review, NCN maintained all the necessary books of account. Further, the Company prepared its financial records using the Peachtree Accounting Software.

#### **Safeguarding of Assets**

7. During the year under review, assets to the value of \$196,823,636 were acquired by NCN for operational and commercial uses. However, the Company does not maintain a Fixed Assets Register. Notwithstanding the non maintenance of the fixed assets register, the additions for the year under review were physically verified as being received and utilised by the Company.

In summary, our evaluation of the system of internal controls revealed that there was proper segregation of duties and adequate supervisory checks and as such, reliance was placed on the system of internal controls as a basis for preparing the financial statements.

## **B. Statement of Comprehensive Income**

Income: \$704,636,684

8. The amount of \$704.637M was shown as income received for the year under review. The amounts were verified as having been received and properly brought to account in the records of NCN Inc. An examination of a sample of the receipts and related records for income received revealed that all broadcast orders are required to be approved by the Marketing and Finance managers before they are expedited. However, it was observed that in a number of cases the Marketing Manager and the Finance Manager did not approve the broadcast orders.

*Recommendation:* The Audit Office recommends that the Management of NCN ensure systems in place are functioning as required at all times so as to practice good internal controls.

*Management's Response:* A review of our credit on job order was done midyear 2013 and all credit (job orders) is now pre-approved/granted by The Chief Executive Officer, Marketing Manager and Finance Manager.

9. An examination of the Receipts for LTV revealed that revenue received was not banked on a daily basis. However, in accordance with the General Administration Manual the out of town branches may not necessarily bank on a daily basis, but cash and cheques should not be allowed to accumulate beyond \$100,000. As a result, the Company did not adhere to the manual since it was evident that amounts exceeded \$100,000. See Appendix I.

- i. Deposits were not seen for \$20,880, \$25,520 and \$32,120 for the days 22/8/12, 21/8/12 and 4/7/12 respectively. However, a deposit was made on 8/2/2013 totalling \$78,520 which represents the un-deposited amounts. See Appendix I.
- ii. It was observed that daily collections for 13/7/12 totalling \$155,072 were not deposited on one occasion instead it was deposited on the 16/11/12, 13/12/12, and 14/12/12 with amounts of \$38,280, \$22,800, and \$93,992 respectively. See Appendix I.

*Recommendation:* The Audit Office recommends that the Management of NCN put systems in place to ensure that revenue collected are deposited intact and promptly.

*Management's Response:* We concur with your findings however late banking was due to the Linden unrest 2012 (July to August) that span this particular period, management did approved for the Linden coordinator to utilised company takings to offset expenses that arise due to the circumstances that prevail during this period. Staff from Head Office had to perform field work during the Linden unrest and such expenses at the time had to be met from the daily takings as well, en-cashing petty cash cheques were not possible during this period at Linden since staff were displaced through the region to provide coverage.

Expenditure: \$576,434,216

10. The amount of \$576.434M represents total expenditure for the year under review. Included in the amount of \$576.434M is the sum of \$14.976M which represents the purchase of fuel and lubricants for 22 vehicles under the control of NCN Inc. An examination of the payment vouchers relating to 8 vehicles revealed that fuel purchased for 1 of the vehicle could not be traced to the log book and charge bills, since pertinent information was not recorded. As a result, it could not be determined whether there was effective control over the use of the Company's vehicles and if journeys were properly authorised. These practices are in non compliance with the Stores Regulations.

*Recommendation:* The Audit Office recommends that the Management of the Company put systems in place to ensure compliance with Stores Regulations with regards to the proper maintenance of log books.

*Management's Response:* We have presented all vehicle logs books and two entries for fuel purchased was logged but was not completely visible which related to PHH 1150 an old vehicle which had fuel purchased in Jan 2012 and started being used from Sept to November 2012 all other entries were logged, and verified.

**C. Statement of Financial Position**

Fixed Assets: \$1,102,696,051

11. The amount of \$1.103B was shown as Tangible Fixed Assets for the year under review. Audit examination of the documents and records for fixed assets revealed the following observations:

- i. The Company did not implement or maintain a Fixed Assets Register, as a result, it could not be easily determined if the financial statements reflects the true position of the assets owned by the Company. This matter was drawn to your attention in my previous report.

*Recommendation:* The Audit Office again recommends that the Management of the Company introduce the Fixed Asset Register immediately so as to properly account for the assets of the Company.

*Management's Response:* As per meeting held on July 24, 2014, the Board of Directors made a decision to have the Fixed Asset project done in-house and will commence from October 2014.

- ii. A master and sectional inventories were not maintained for the year under review contrary to Stores Regulations. This matter was drawn to your attention in my previous reports, however, there was no evidence to indicated that steps were taken to address this shortcoming.

*Recommendation:* The Audit Office recommends that the Management of the Company introduce the use of the sectional inventories which is in compliance with existing Stores Regulations.

*Management's Response:* This query was recognised and management are in the process of having sectional inventories for each unit prepared and these will be used to assist the project team in the execution of the Fixed Asset project for the company.

- iii. In addition, 14 motor vehicles for which their net book values could not be determined, since the Company did not maintain a Fixed Assets Register were registered under the name of Office of the President and bore no mark of ownership of the National Communications Network Inc. See Appendix II.

*Recommendation:* The Audit Office recommends that the Management of the Company take the necessary steps to ensure that the vehicles are marked to identify as property of the Government.

*Management's Response:* Three mobile vehicles are wrapped with vinyl logo of NCN along with one car PLL 1548. The remaining vehicles will be marked as the property of NCN with immediate effect.

The vehicle registrations would record Office of the President as owner since our duty free concessions were granted through same; we are in the process of having these vehicles transferred to the National Communications Network Inc.

12. For the purpose of the duty free concession the vehicle are in the name of the Office of the President but at the end of the three year these vehicles should have been transferred to the National Communication Network Inc.

Current Assets: \$320,486,127

13. The amount of \$320.486M represents the current assets of the Company as at 31 December 2012. This amount represents Inventory, Goods in Transit, VAT Receivables, Accounts Receivables, Other Receivables, Deposits, Cash and Cash Equivalents. An examination of the records and related documentations revealed the following observations:

- i. The financial statement reflected an amount of \$46.752M for Goods in transit as at 31 December 2012. Included in this figure is an amount of US\$33,530 (G\$6,856,885) representing a payment to an overseas supplier for the supply of equipment in August 2011. However, at the time of reporting (September 2014) the equipment was not received from the supplier nor was a refund made to the Company. Further, audit examination revealed that this overseas supplier has since gone bankrupt.

- ii. Audit examination on the bank reconciliation statements revealed an un-reconciled difference of \$55,975. This matter was drawn to your attention in my previous years report.
- iii. The financial statement reflected an amount of \$279.813M for accounts receivables for the year under review. However, the age receivables schedule provided revealed an amount of \$278.401M resulting in a difference of \$1.411M.
- iv. Five hundred and ninety two debtors' account reflected credit balances totalling \$21.487M as at 31 December 2012. As a result, the receivables would be overstated and liabilities would be understated by this amount. See table below.

Details	No. of customers	Total \$
Above \$1000	449	21,439,342
Below \$1000	143	47,710
Total	592	21,487,052

- v. The Audit Office sought to independently confirm 30 of the balances shown. However, at the time of reporting 28 was received. The Audit Office received 2 negative confirmations as stated below:

Indebtedness to NCN \$	Company's \$	Difference \$	Remarks
10,029,392	9,586,234	443,158	
1,109,543	0	1,109,543	It is explained by the CEO of the company that it is NCN that is indebted to them of amounts exceeding \$2M to set-off ads with gym equipment supplied to NCN.

- vi. Audit checks revealed that of the 40 approved credit customers, 21 customers owed \$51.165M with total credit limit of \$21.015M. As a result, 21 customers exceeded their credit limit by \$30.150M as at 31 December 2012.
- vii. In addition, audit checks revealed that 999 customers with outstanding balances totalling \$266.268M as at 31 December 2012, had no credit approval. As a result, it could not be determined if the amounts were properly approved by the authorised officers.
- viii. An examination of a supplier's account revealed billings/invoices totalling \$4.279M for the year under review. The account revealed that items valued at \$2.666M were supplied to NCN thru a barter agreement between the supplier and the Company. However, although the bills/receipts were produced for verification, the Company did not maintain any record to reflect the receipt and issue of these items.

13. As a result of the above, the completeness, accuracy and validity of the amount shown as current assets could not be verified. In addition, the amount shown as Accounts Receivables could be over/understated.

*Recommendation:* The Audit Office recommends that the Management of the Company put systems in place to (a) investigate the differences with a view of having them cleared, (b) correct the recording of the credit balances on the receivables shown, (c) ensure that controls are exercised in the granting of credits to customers, (d) revisit the barter agreement with the supplier so that better controls are place in relation to accounting for the items received.

*Management's Response:* Management responded as follows:

- (i) An investigation is currently being done by the Audit Office of Guyana based on a request/disclosure by the Chairman of the Board of Directors of NCN.
- (ii) We concur with this findings, management is in the process of having this amount cleared.
- (iii) We concur with this findings, management is in the process of having this amount cleared. This is a difference between the actual accounts receivables module and general ledger coming forward over the years.
- (iv) We concur with the findings, this is currently a work in progress because of the merger of GTV and GBC having different customer ID for the same client, eg. Guyana Power and Light or GPL existing as two clients instead of one.
- (v) Two debtors confirmation received:
  - a. A Reconciliation will be done with our records along with the clients records to identify the variance of four hundred and forty three thousand, one hundred and fifty eight dollars (G\$443,158)
  - b. The amount of one million one hundred and nine thousand, five hundred and forty three dollars (G\$1,109,543) stated on NCN records will be verified with client to ascertain a final position on this matter.
- (vi) We concur with the auditor findings with regards to some customers exceeding their credit limits and will put systems in place to ensure adherence.
- (vii) We concur with this finding and have engaged current clients to have fully approved credit application on file since most of these clients were on the data base since the merger of GBC and GTV without same.
- (viii) Transactions of this nature will be documented with immediate effect.

Equity and Liabilities: \$1,340,389,520

Deposit on Shares: \$185,553,395

14. The amount of \$185.5M was reflected on the financial statement as Deposit on Shares. This amount represents Assets transferred from NICIL in relation to the Onderneeming project now being recognised in the accounts of NCN. See details in the table below.

Category	Amount \$
Building	66,864,544
Equipment	88,418,146
Operating Expenses	30,270,705
Total	185,553,395

*Recommendation:* The Audit Office recommends that the Management of the Company produce the share certificates for audit verification.

*Management's Response:* The share certificate is currently being processing, the project amount have to be treated as deposit on share until certificate is finalised.

Current Liabilities: \$82,792,658

Accounts Payables: \$48,837,195

15. The Audit Office sought to independently confirm 4 of the balances shown. However, at the time of reporting none was received.

*Management Response:* Creditors confirmation were dispatched December 2012 NCN has no control over the submission of same, this was just a request.

Payroll Deduction Payables: \$5,943,323

16. The amount of \$82.793M represents the current liabilities of the Company as at 31 December, 2012. Including in this amount is the sum of \$5.943M which represents Payroll Deduction. An examination of the records and related documentations revealed that withholding tax amounting to \$894,274 deducted from the Chief Executive Officer's salary was not paid over to the Guyana Revenue Authority which is a breach of Section 39 of the Income Tax Act Chapter 81:01 of the Laws of Guyana.

*Recommendation:* The Audit Office recommends that the Management of the Company comply with the requisite laws.

*Management's Response:* Management wrote the Guyana Revenue Authority to have same finalised and paid over, see letters attached.

Provision for Taxation: \$18,834,104

17. The amount of \$18.834M was shown on the financial statement as Provision for Taxation for the year under review; however the Company prepare and submit returns for the period 2005 to 2012. In addition, the amount stated as provision remained unchanged for the years 2004 to 2012. This matter was raised in the 2009 report.

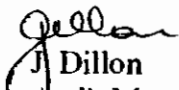
*Recommendation:* The Audit Office recommends that the Management of the Company comply with the requisite laws.

*Management's Response:* This amount came forward from the merger of GTV and GBC, approval to have this amount reversed will be sought.

**D. General**

18. The Audit Office wishes to express its sincere appreciation for the cooperation given to its officers during the course of the audit. In keeping with the Audit Office's policies, a reply is expected within thirty (30) days of the receipt of this letter.

Yours sincerely,

  
J Dillon  
Audit Manager  
for Auditor General



**Appendix I**

**LTV Deposits**

September				August			
Receipt Date	Receipt Amount \$	Deposit Date	Deposit Amount \$	Receipt Date	Receipt Amount \$	Deposit Date	Deposit Amount \$
28/9/12	391,500	22/10/12	391,500	31/8/12	57,165	3/9/12	57,165
27/9/12	71,688	22/10/12	71,688	30/8/12	67,300	3/9/12	67,300
26/9/12	6,960	22/10/12	7,000	29/8/12	77,720	3/9/12	77,720
24/9/12	25,520	22/10/12	25,520	28/8/12	45,600	3/9/12	45,600
24/9/12	11,620	19/10/12	11,620	27/8/12	26,680	29/8/12	26,680
21/9/12	22,520	22/10/12	22,520	2/8/12	48,140	29/8/12	48,140
20/9/12	18,500	25/10/12	18,560	23/8/12	43,640	29/8/12	43,640
19/9/12	81,200	18/10/12	81,200	22/8/12	246,338	12/12/12	225,458
18/9/12	78,880	10/10/12	78,880	21/8/12	25,520	-	0
17/9/12	39,380	10/10/12	39,380	20/8/12	65,772	13/12/12	39,092
14/9/12	154,396	10/10/12	154,396			2/12/12	26,680
13/9/12	15,560	8/10/12	15,560				
12/9/12	12,064	8/10/12	12,065				
11/9/12	35,980	8/10/12	35,980				
10/9/12	110,200	8/10/12	110,200				
7/9/12	90,364	2/10/12	90,364				
6/9/12	31,680	2/10/12	31,680				
4/9/12	928	2/10/12	930				
3/9/12	18,560	25/9/12	18,510				
<b>Total</b>	<b>1,217,500</b>	<b>Total</b>	<b>1,217,553</b>	<b>Total</b>	<b>703,875</b>	<b>Total</b>	<b>657,475</b>
<b>Difference</b>			<b>53</b>	<b>Difference</b>			<b>(46,380)</b>
July				June			
Receipt Date	Receipt Amount \$	Deposit Date	Deposit Amount \$	Receipt Date	Receipt Amount \$	Deposit Date	Deposit Amount \$
17/7/12	25,752	25/9/12	25,710	29/6/12	77,720	16/7/12	77,720
16/7/12	67,756	25/9/12	63,120	28/6/12	45,760	12/7/12	45,760
		24/9/12	4,640	27/6/12	8,120	5/7/12	8,120
13/7/12	155,068	16/11/12	38,280	26/6/12	22,272	5/7/12	22,280
		14/12/12	22,800	25/6/12	154,628	12/7/12	154,628
		13/12/12	93,992	22/6/12	49,300	3/6/12	49,300
12/7/12	15,544	19/9/12	15,545	21/6/12	114,724	3/7/12	114,724
10/7/12	77,720	19/9/12	77,720	20/6/12	12,760	29/6/12	12,760
10/7/12	9,740	16/7/12	9,740	19/6/12	24,396	26/6/12	24,396
9/7/12	135,488	16/7/12	135,528	18/6/12	52,200	26/6/12	52,200
6/7/12	59,160	12/9/12	59,160	15/6/12	62,080	25/6/12	62,080
5/7/12	11,600	16/7/12	11,600	14/6/12	36,912	21/6/12	36,912
4/7/12	32,120	-	0	13/6/12	19,720	26/6/12	19,720
3/7/12	60,480	12/7/12	60,480	12/6/12	41,876	18/6/12	41,876

September				August			
Receipt Date	Receipt Amount \$	Deposit Date	Deposit Amount \$	Receipt Date	Receipt Amount \$	Deposit Date	Deposit Amount \$
				11/6/12	36,099	25/6/12	36,100
				8/6/12	33,620	18/6/12	33,620
				7/6/12	45,240	18/6/12	45,240
				6/6/12	16,120	18/6/12	16,120
				6/6/12	1,160		1,160
				1/6/12	77,976		77,976
Total	650,428	Total	618,315	Total	932,683	Total	932,692
Difference			(32,113)	Difference			9

Appendix II

List of vehicles not registered to NCN

Sequence	Vehicle No.
1	PLL 41
2	PLL 867
3	PLL 868
4	PLL 1549
5	PNN 9226
6	PNN 9237
7	PNN 9238
8	PRR 3501
9	PRR 918
10	PMM 6699
11	PLL 1548
12	PRR 2376
13	PLL 42
14	PNN 9236