**REPORT ON THE SPECIAL AUDIT OF GNNL**

**FOR THE PERIOD 1 NOVEMBER 2011 TO 31 MAY 2015**

**BACKGROUND**

The Government of Guyana is reviewing the performance and efficiency of Publicly owned entities, Statutory Bodies, projects and activities finances by or through public funds. In this regard, the Government of Guyana has commissioned this Special Audit and Review of the operations of Guyana National Newspapers Limited (GNNL).

**SCOPE OF WORK**

a) Determine the entity's adherence to and fulfilment of principles of corporate governance in all aspects, including its interpretation of its mission, adherence to legal or statutory and policy instruments and good practices.

b) Assess and test systems and detect any instances of corporate malfeasance and inefficiency for remedial and / or judicial interventions and systems realignment.

c) Determine the authenticity and validity of significant commercial and financial transactions entered into by the entity with related parties, suppliers and customers and measure the extent of potential prejudice the entity may have suffered through such dealing, if any.

d) Carry out a comprehensive financial systems audit which should look at all systems, decisions and practices which have underpinned the entity's finances test and assess financial discipline at all levels.

e) Recommend statutory, legal or organizational changes required to identify and prevent any recurrence of improprieties.

**INCORPORATION**

The Guiana Graphic Limited was incorporated on 31 December 1953 under the Companies Ordinance Chapter 329. This name was duly changed by special resolution on 30 December 1965 to Guyana Graphic Limited. On 14 November 1975 another Special Resolution was passed changing the Company's name from Guyana Graphic Limited to Guyana National Newspapers Limited.

The Company has obtained a certificate of continuance with section 330 of the Companies Act of 1991.

**EXECUTIVE SUMMARY**

We summarise below the significant results of our review of GNNL

* In our opinion the Board of Directors did not execute its duties with due diligence, skill, care and prudence.
* Audit of financial statements are not up to date. The last audit completed was for the year ended 31 December 2013.
* Free services were provided to political parties in 2015 totalling $263,088.
* There was poor oversight over trade receivables with a balance of $102,489,156 outstanding as at 31 May 2015.
* The top ten customers owes $88,981,814 as at 31 May 2015
* There is no Internal Audit Department.
* Statutory records were no maintained by the Company.

**METHODOLOGY**

The audit was carried out during the period 18 August to 9 October 2015. The methodology used included:

* Discussions with the following key personnel, among others:
* Finance Controller - Moshamie Ramotar
* Advertising Manager - Hazel Hall
* Inspection of document and records of GNNL

**RESULTS OF SPECIAL INVESTIGATION**

**(1) GOVERNANCE**

In an organisation, the Board of Directors is responsible for good governance. This responsibility includes the establishment of policies and the monitoring of operations to ensure the institution's compliance with all pertinent laws and prudential requirements. In addition, under the directors' stewardship, the institution should be able to achieve its objectives and meet acceptable standards of accountability, probity and transparency.

In order to fulfill this stewardship vested, the Board should be able to follow the financial performance and growth of the institution, be attentive to the affairs of the institution, become more knowledgeable and better informed to be able to identify and correct potential problems and in addition exhibit diligence, skill, care and prudence in the execution of duties, acting independent of undue influence from internal and external sources.

Failure to perform the duties and to carry out the responsibilities as directors could expose the institution to financial loss, reputational risk, and supervisory sanctions.

**Board of Directors**

The recent Board of Directors of GNNL as at May 2015 comprised of the following:

Marcia Nadir-Sharma Chairman

Jason Abdulla Director

Vidyawattie Looknauth Director

Jawahar Persaud Director

Hydar Ally Director

Tota Mangar Director

Kwame McCoy Director

|  |
| --- |
|  |

The Board of Directors of GNNL for the period 2011 to March 2014 comprised of the following:

Keith Burrowes Chairman

Kwame Mc Coy Director

Tota Mangar Director

David DeGroot Director

Hydar Ally Director

Pat Dyal Director

Colin Alfred Director

**Comments**

In our opinion the Board of Directors did not execute its duties with due diligence, skill, care and prudence.

We have noted the following:

* The last statutory audit of the financial statements was completed for the year ended 31 December 2013
* There was poor oversight for receivables. The receivables balance as at 31 May 2015 was $102,489,156
* There is no Internal Audit Department.

**(2) PROVISION OF FREE SERVICES TO POLITICAL PARTIES**

**(a) Revenue System**

Advertisements are recorded on a Batch Sheet and submitted to the Accounts Department

along with a copy of the daily newspaper (Mark up Sheet). These are checked to verify accuracy

of the ads, i.e size, cost etc. Monthly statements are subsequently extracted and sent to

customers.

**(b) Omission of Billings for Political Advertisements**

Based on our review of the system, it was identified that a few advertisements were not

 invoiced to Video Mega Production - agent for A Partnership for National Unity (APNU) /

Alliance for Change (AFC).

**In 2015** the following were not invoiced for advertisements printed by GNNL:

**APNU / AFC**

**Date Details Amount**

 **G$**

07.05.2015 Mr. Rohee why you worried? - 14\*6 87,696

07.05.2015 An APNU+AFC government will - 14\*6 87,696

07.05.2015 They wouldn't fire Nandlall - 14\*6 87,696

 263,088

After this matter was raised during our review, the above amounts were incorporated in the

accounting record through general journal in October 2015.

**(3) RECEIVABLES**

**(a) Credit Control**

An effective credit control system should ensure that orders are accepted from customers who are able to pay within a time period which is acceptable to the company. Once a sale has been made it is the duty of credit control to monitor the accounts to ensure that payment is commenced within the normal credit period and that any accounts which are not settled promptly are investigated and appropriate action taken.

Credit sales to customers should be approved by authorised personnel of the company based on approved credit established.

The GNNL have large receivable balances outstanding for all years as follows:

Period end G$

31 December 2011 59,031,312

31 December 2012 71,571,780

31 December 2013 85,515,520

31 December 2014 90,922,074

31 May 2015 102,489,156

There is not adequate evidence to confirm that significant efforts were made to collect the debts outstanding.

**(b) Top ten receivable balances**

We set out below an analysis of the top 10 balances outstanding:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **31.12.2011** | **31.12.2012** | **31.12.2013** | **31.12.2014** | **31.05.2015** |
|  | **G$** | **G$** | **G$** | **G$** | **G$** |
| Government Information Agency | 32,220,834 | 39,716,103 | 51,054,965 | 62,070,091 | 74,091,147 |
| Video Mega |  (26,203) |  5,743 |  593,936 |  881,173 |  3,073,432 |
| Police Consumer |  1,323,653 |  2,272,320 |  3,378,809 |  3,378,809 |  2,578,809 |
| Kirk Wynter |  1,807,961 |  2,210,566 |  2,157,327 |  2,023,264 |  2,521,798 |
| National Communications Network Inc |  1,971,930 |  2,960,668 |  3,608,470 |  3,852,534 |  1,582,950 |
| Kings Advertising |  2,448,007 |  2,442,477 |  1,227,620 |  1,051,838 |  1,520,843 |
| Reamos |  1,011,929 |  1,039,473 |  926,157 |  1,684,325 |  1,493,899 |
| Guyenterprise Advertising Agency Limited |  2,672,633 |  3,079,632 |  1,744,927 |  975,056 |  1,310,302 |
| Colin Edgill |  1,235,974 |  2,504,587 |  2,926,598 |  1,213,037 |  808,634 |

**Government Information Agency - $74,091,147**

The above balance of $74,091,147 owed by Government Information Agency represents

advertisements printed in the newspaper for several government agencies.

There is no evidence that the Company made efforts to recover this debt.

**Video Mega - $3,073,432**

The above balance is current and arose in the normal course of business.

**Police Consumer - $2,578,809**

The above balance is outstanding as at 31 May 2015, there is no evidence that the Company

made efforts to recover this debt.

**Kirk Wynter - $2,521,798**

The above balance is outstanding as at 31 May 2015, there is no evidence that the Company

made efforts to recover this debt.

**National Communications Network Inc - $1,582,950**

The above balance is outstanding as at 31 May 2015, there is no evidence that the Company

made efforts to recover this debt.

**Kings Advertising - $1,520,843**

The above balance is current and arose in the normal course of business.

**Reamos - $1,493,899**

The above balance is outstanding as at 31 May 2015, there is no evidence that the Company

made efforts to recover this debt.

**Guyenterprise Advertising Agency Limited - $1,310,302**

The above balance is current and arose in the normal course of business.

**Colin Edghill - $808,634**

The above balance is outstanding as at 31 May 2015, there is no evidence that the Company

made efforts to recover this debt.

**(4) GAS BILL**

All gas bills were reviewed for the period and it was observed that gas was supplied to several vehicles that were not owned by GNNL:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Vehicle #** | **2011** | **2012** | **2013** | **2014** | **2015** | **Total** |
|  | **G$** | **G$** | **G$** | **G$** | **G$** | **G$** |
|  |  |  |  |  |  |  |
| PMM 44 | - | - | - | 207,518 | 28,622 | 236,140 |
| PHH 7738 | 66,394 | 610,923 | 472,876 | 220,810 |  | 1,371,003 |
| PKK 2895 | - | - | - | 437,969 |  | 437,969 |
| PKK 925 | - | 115.674 | 213,236 | - |  | 328,910 |
| PRR 491 | - | - | 18,895 | - |  | 18,895 |
| PPP 9440 | - | - | 27,895 | - |  | 27,895 |
| PNN 4620 | - | 25,136 | - | - |  | 25,136 |
| PNN 6420 | - | 34,051 | - | - |  | 34,051 |
| PJJ 7546 | 20,264 | - | - | - |  | 20,264 |
| Total | 86,658 | 785,784 | 732,902 | 874,941 | 28,622 | 2,508,907 |

Management advised that these vehicles were rented for Company use and contracts were seen for the following vehicles:

* PMM 44
* PHH 7738
* PKK 2895
* PKK925
* PRR 491
* PJJ 7546

**(5) INTERNAL AUDIT DEPARTMENT**

The objectives of Internal Audit include:

* To determine the reliability and integrity of information.
* To determine whether compliance suits with policies, procedures, laws and regulations
* To determine if assets are safeguarded.

**The GNNL does not have an Internal Audit Department.**

**(6) STATUTORY RECORDS**

The Company’s Act requires that a company must maintain the following registers:

1. Register of Shareholders
2. Register of Directors
3. Register of Secretary

**RECOMMENDATIONS**

* The Board of Directors should comprise of persons with relevant skills and experience necessary for the good governance of the organisation. The Board of Directors should comprise, among others the following persons, communication and media specialist, marketing personnel, lawyer and accountant.
* Systems should be implemented to ensure that all advertisements printed by GNNL are invoiced to customers.
* Systems should be implemented to ensure that all statutory audits are completed on a timely basis.
* GNNL should establish a debt collection committee with specific responsibility to collect all outstanding debts within six months.
* Establish definitive credit policy which should be documented and approved by the Board of Directors.
* An Internal Audit Department should be implemented and managed by a Chartered Accountant.
* GNNL must comply with the Company's Act and ensure all statutory registers are maintained.
* GNNL should ensure that all gas bills processed by the company are for company vehicles.