**REPORT ON THE SPECIAL AUDIT OF NCN**

**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 National Communications Network (NCN).

**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**

NCN Inc. was incorporated under the Companies Act of Guyana (No. 29 of 1991) on

February 6, 2004.

The NCN Inc. is the State owned and operated radio and television stations with the parent company being National Industrial and Commercial Investments Limited (NICIL)

**EXECUTIVE SUMMARY**

We summarise below the significant results of our review of NCN:

* In our opinion the Board of Directors did not execute its duties with due diligence, skill, care and prudence.
* Free services were provided to political parties in 2011 and 2015 totalling $21,978,450
* Free services totalling $3,083,396 were provided to Eddies Bobcat Excavator and Construction Services which is a business owned by the Finance Manager's husband.
* Audit of financial statements are not up to date. The last audit completed was for the year ended 31 December 2012.
* No fixed asset register in place
* There was poor oversight over trade receivables with a balance of $230,015,361 outstanding as at 31 May 2015.
* It would appear that debtors amounts were selectively written off as statute bar
* The top twenty customers owes $102,659,998 as at 31 May 2015
* Payments of $28,813,756 were made to 35 employees not performing work for NCN.
* There is a weak Internal Audit Department with two (2) staff only. Annual audit plans are not prepared and several areas are not being covered by the Internal Audit Department.
* Statutory records were no maintained by the Company.
* The procurement process was weak, an amount of USD 35,530 was paid to Euro Broadcast Corporation for broadcasting equipment that was never received.
* An amount of $185,553,395 was invested in the relocation of the Transmission Station for Sparendaam, East Coast Demerara to Onderneeming West Bank Demerara. No benefits were identified for this investment.
* Vehicle Log Books were not kept updated. It was not possible to verify the authorised use of vehicles nor fuel consumption.
* A number of special investigations were carried at NCN however there is no evidence that adequate follow up actions were taken.
* Management did not aggressively pursue all revenue earning opportunities.

**METHODOLOGY**

The audit was carried out during the period 29 June to 9 October 2015. The methodology used included:

* Discussions with the following key personnel, among others:
* Chief Executive Officer - Mrs. Molly Hassan
* Finance Manager -Shabana Singh
* Deputy Finance Manager - Vickram Balli
* Marketing Manager - Raymond Azeez
* Human Resource Manager - Daren Khan
* Inspection of document and records of NCN

**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.

**(a) Board of Directors**

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

Prem Misir Chairman

Kwame Mc Coy Director

Juliana Hutson Director

Leslyn Lowe Director

La Vaughn Stewart Director

Andres Branford Director

Winston Brassington served on the board in 2012

Margo Boyce served on the board during 2012 and 2013

Dharamkumar Seeraj served on the board during 2012 and 2013

Carlton James served on the board during 2013 and 2014

**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 2012
* The Internal Audit Department has only one person who is not a Chartered Accountant.
* There was lack of control over fixed assets. NCN does not maintain a fixed asset register
* There was poor oversight for receivables. The receivables balance as at 31 May 2015 was $230,015,361. The Company obtained judgement against Hits & Jams Entertainment and Kashif & Shangai however the Board of Directors and management failed to enforce judgement.
* Payments of $28,813,756 were made to 35 employees not performing work for NCN.

**Board of Director meeting 6 March 2014**

The minutes of a special meeting of the Board of Directors and management held on Thursday March 6 2014 recorded the following under the caption:

***Status Report on Board Decisions***

The Chairman Dr. Misir conceded that most of the Board's decisions made for the last year were not implemented and some distortions in the communication of such decisions were evident. The main aim for convening a meeting with Board members and management was to set timelines and bring closure to matters.

**(b) Audit Sub-Committee**

The members of the Audit Sub-Committee comprised of:

Andrea Branford Director

Kwame McCoy Director

Molly Hassan Chief Executive Officer

Neil Ramdial Internal Auditor

Bibi Singh Finance Manager

We were presented with three (3) minutes of meetings for the Audit Sub- Committee for the period under review. The meetings were held on the following dates:

* 9 July 2014
* 12 September 2014
* 4 February 2015

We were unable to determine whether the Audit Sub-Committee met at other times other than the dates stated above. Consequently we were unable to confirm that all internal audit reports issued by the Internal Audit Department were considered by the Audit Sub-Committee.

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

**(a) Revenue System**

Advertisements are recorded on a Daily Broadcast Log Sheet for each radio station and

television station by the Marketing Department. The Broadcast Log Sheet is submitted on a daily

basis to the Productions Department for airing on the relevant station. Broadcast Logs are signed

off by the technicians on duty as evidence of advertisements being aired.

Broadcast Sheets are summarised on a monthly basis for billing to the customer by the

Marketing Department and then passed on to the Finance Department. There is no evidence that

the summary prepared is being approved by any senior personnel or cross checked by the

Accounts Department for accuracy and completeness.

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

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

invoiced to the Peoples Progressive Party / Civic (PPP/C) and one for A Partnership for National

Unity (APNU) / Alliance for Change (AFC).

**In 2011** the following were not invoiced for advertisements aired by NCN:

**PPP/C - $18,204,750**

**APNU - $ 45,500 (Appendix I)**

Summary of PPP/C free ads

G$ **Appendix**

1001.1 Radio Roraima Fresh FM - 4,704,000 **II**

98.1 Hot FM - 5,667,500 **III**

Channel 11 - 3,878,250 **IV**

Voice of Guyana 102.5 - 3,955,000 **V**

Total 18,204,750

Included in the PPP/C amount is **$12,988,500 (Appendix VI)** which was recorded as Public

Service Announcements (PSA).

**In 2015** the following were not invoiced for advertisements aired by NCN:

**PPP/C - $3,708,200**

**APNU / AFC - $ 20,000 (Appendix VII)**

Summary of PPP/C free ads

G$  **Appendix**

1001.1 Radio Roraima Fresh FM - 39,200 **VIII**

98.1 Hot FM - 1,453,750 **IX**

Channel 11 - 492,000 **X**

Voice of Guyana 102.5 - 1,723,250  **XI**

Total 3,708,200

NCN could not present a documented policy on PSAs. However we understand that political advertisements is not approved as PSAs

**(c) Omission of billings for Eddies Bobcat Excavator and Construction Services**

Eddies Bobcat Excavator and Construction Services is a business owned by the Finance

Manager's husband.

It was identified that advertisements totalling $3,083,396 were not invoiced to Eddies Bobcat

Excavator and Construction Services, instead those advertisements were recorded as PSAs.

Advertisements were aired during the period 9 September 2011 to 31 May 2012.

**(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 NCN have large receivable balances outstanding for all years as follows:

Period end G$

31 December 2011 244,994,451

31 December 2012 278,401,380

31 December 2013 234,413,585

31 December 2014 219,911,646

31 May 2015 230,015,361

In a few instances NCN incurred legal fees to recover debts through the Courts. In two instances (Hits & Jams Entertainment - $7,913,193 and Kashif & Shangai - $2,046,703) which the court ruled in favour of NCN, the Board of Directors at a meeting held on 10 March 2015 decided not to enforce the judgment and failed to recover the debt.

For the two matters involving Hits & Jams Entertainment and Kashif & Shangai, the NCN incurred legal fees in excess of $1,200,000.

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

**(b) Top twenty receivable balances**

We set out below an analysis of the top 20 balances outstanding:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **31.12.2011** | **31.12.2012** | **31.12.2013** | **31.12.2014** | **31.05.2015** |
|  | **G$** | **G$** | **G$** | **G$** | **G$** |
| Impressions | 17,317,686 | 17,317,686 | 17,317,686 | 17,525,326 | 17,525,326 |
| Ministry of Health | 8,495,996 | 9,125,527 | 10,885,207 | 12,805,935 | 11,795,765 |
| Peoples Progressive Party / Civic | (26,100) | (26,100) | (26,100) | - | 9,523,248 |
| Modern Media Advertising Agency | 8,311,815 | 19,586,189 | 9,934,963 | 6,477,020 | 8,850,943 |
| U Mobile Cellular Inc | 4,965,505 | 6,231,259 | 4,652,390 | 7,812,363 | 8,153,973 |
| Hits & Jams Entertainment | 3,809,644 | 7,913,193 | 7,913,193 | 7,913,193 | 7,913,193 |
| Media Centre (PPP/C) | 6,344,300 | 6,344,300 | 6,344,300 | 7,400,260 | 6,344,300 |
| Beepat's | 4,020,508 | 4,350,829 | 5,478,465 | 4,149.913 | 5,259,864 |
| Guyana Telephone & Telegraph Company | 16,502,850 | 358,458 | 8,787,478 | 1,296,140 | 4,004,222 |
| Brutal Tracks Recording Studio | 1,992,239 | 3,294,407 | 3,378,579 | 3,378,579 | 3,378,579 |
| King Advertising Limited | 7,812,536 | 10,029,392 | 7,189,147 | 4,531,346 | 3,054,656 |
| Merundoi Inc. | 809,114 | 1,150,086 | 1,952,006 | 2,713,343 | 2,713,342 |
| Ministry of Tourism, Industry & Commerce | 1,811,579 | 1,102,943 | 2,040,935 | 2,024,895 | 2,220,123 |
| Guyana Water Inc. | 1,618,350 | 2,113,152 | 1,723,302 | 2,698,279 | 2,117,555 |
| Kashif & Shangai | 1,497,907 | 2,046,703 | 2,046,703 | 2,046,703 | 2,046,703 |
| The Guyana Learning Channel | - | (269,723) | 1,121,539 | - | 1,769,635 |
| Wireless Connection | 4,196,760 | 4,242,693 | 1,745,412 | 1,745,412 | 1,745,412 |
| Caribbean Fire Fest Production | 25,828 | 1,650,222 | 1,650,222 | 1,650,222 | 1,650,222 |
| Ministry of Health - Chronic Diseases | 3,500,416 | 3,953,512 | 3,953,512 | 1,330,984 | 1,330,984 |
| Guyana Oil Company | 1,717,601 | 1,591,625 | 1,295,593 | 1,560,305 | 1,261,953 |

**Impressions - $17,525,326**

The balance of $17,317,686 owed by Impressions represents campaign ads placed for the

Peoples Progressive Party for the 2011 Regional and General Elections.

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

advised that letters were sent by the Debt Recovery Department on 10 November 2011,

13 December 2011 and 29 November 2013, however actual copies of these letters were not

available for examination.

There is no evidence that legal action was initiated to recover this debt from the customer.

On the 16 April 2015 the Chief Executive Officer (Molly Hassan) wrote a memo to the Board of

Directors to have the amount written off as uncollectable as per section 6 of the Limitation Act,

Chapter 7:02, laws of Guyana. **See Appendix XII.** However there is no evidence that the

CEO - Molly Hassan sought legal advice from the Company's lawyer, Ms. Jaya Manickchand.

It should be noted that NCN usually make payments for services provided by Impressions. No

effort was made to off- set payment for such services against amounts due from Impressions.

**Ministry of Health - $11,795,765**

The above balance includes amounts brought forward from 2007. There is no evidence that the

Company made efforts to recover this debt.

**Peoples Progressive Party / Civic - $9,523,248**

The above balance is outstanding as at 31 May 2015, this represents campaign ads placed for

the May 2015 Regional and General Elections. To date, there is no evidence that the Company

made efforts to recover this debt.

**Hits & Jams Entertainment - $7,913,193**

The above balance has been coming forward since 2012. Legal action was taken against this

customer and legal counsel Jaya Manickchand advised by letter dated 23 July 2014 that the

Court ruled in NCN's favour. **Appendix XIII**

However the Chief Executive Officer wrote a letter to the Company's legal counsel, Ms. Jaya

Manickchand, stating that the Board of Directors decided not to enforce judgement.

**Appendix XIV**

**Media Centre (PPP / C) - $6,344,300**

The above balance has been coming forward since 2008, there is no evidence that the Company

made efforts to recover this debt.

**Beepat's - $5,259,864**

Sixty percent (60%) of the above balance came forward from 2004. There is no evidence that the

Company made efforts to follow up this debt. However we were advised by Ronalisha Darell

(Senior Clerk for Debt Recovery Department) that several calls and visits were made to the

customer.

**Brutal Tracks Recording - $3,378,579**

The above balance includes amounts brought forward from 2009. There is no evidence that the

Company made efforts to follow up this debt.

**Merundoi Inc. - $2,713,342**

The above balance includes amounts brought forward from 2011. The Company took legal

action against this customer. This matter is currently in Court.

**Ministry of Tourism, Industry & Commerce - $2,220,123**

The above balance includes amounts brought forward from 2005. There is no evidence that the

Company made efforts to recover this debt.

**Guyana Water Inc. - $2,117,555**

The above balance includes amounts from 2004. There is no evidence that the Company made

efforts to recover this debt.

**Kashif & Shangai - $2,046,703**

The above balance includes amounts brought forward from 2010. Legal action was taken against

this customer and the Court ruled in NCN's favour. **Appendix XIII**

However the Chief Executive Officer wrote a letter to the Company's legal counsel, Ms. Jaya

Manickchand, stating that the Board of Directors decided not to enforce judgement.

**Appendix XIV**

**Wireless Connection - $1,745,412**

The above balance includes amounts brought forward from 2010. The Company took legal

action against this customer. This matter is currently in Court.

**Caribbean Fire Fest Production - $1,650,222**

The above balance came forward from 2012. Legal action has been taken against this client. This

matter is currently in Court.

**Ministry of Health - Chronic Diseases - $1,330,984**

The above balance includes amounts brought forward from 2010. There is no evidence that the

Company made efforts to recover this debt.

**(c) Bad debts**

In 2013 the Company wrote off bad debts of $8,610,794, which was approved by the Board of

Directors. The write off represented the following:

* Astroarts $5,246,936
* Georgetown Reading & Research Centre $ 486,190
* Wireless Connections $2,497,281
* Creative Advertising $ 380,387

These bad debts were deemed uncollectable as per section 6 of the Limitation Act, Chapter 7:02,

laws of Guyana. **Appendix XV**

**(4) FIXED ASSETS**

The purpose of a fixed asset register is to record and control the fixed assets. This is only possible if there are adequate markings on the fixed assets themselves which would enable identification with the items appearing in the register. This identification may be achieved by affixing separate numbers on each asset. A record of all assets in detail would serve as a control to ensure that the accounts of the company reflect fairly the cost of the assets actually held.

To maintain control over the movement and custody of fixed assets owned by the company, it is

necessary that a physical verification of such assets be carried out at least once during each

financial period. Some of the most important benefits are:-

(i) existence of individual assets within the company are assured

(ii) the reconciliation of the asset register within the general ledger account will be more

effective.

**As at 31 May 2015 the net book value of non- current assets was $1,488,750,788**

NCN does not currently maintain a fixed asset register. The Company attempted to outsource the

management of the fixed asset register, however this exercise proved futile. It was advised by

the Finance Manager that due to the volume of work in the Accounts Department, it is unable to

undertake the management of the fixed asset register.

The Accounts Department currently maintains a listing of all acquisitions in a given year.

Depreciation is only calculated on additions.

The Company does not perform a physical verification exercise of all assets on an annual basis.

All acquisitions made in the current year are verified by the Accounts Department when the

Office of the President and the Auditor General's employees perform their verification exercise

for audit purposes. .

Equipment that are normally used by the reporting teams are logged and checked by the security

when exiting the Company's premises. Upon return, items are checked by the security guards

for completeness.

**(5) MEDIA MONITORING EMPLOYEES**

A total of thirty five (35) media monitors were employed by NCN during the period 2011 to May 2015. During the period 2011 to May 2015 NCN expended $28,813,756 on media monitors. **Appendix XVI.**

These employees were contracted by NCN to :

- Monitor the transmission of television / radio programmes for content and providing report / analysis for each day of the week on a 24 hour basis.

- Prepare report on the dates monitored which will be supported by the relevant tapes / reports for verification. **Appendix XVII**

While these employees were contracted by NCN, they were not located at NCN neither did they perform any duties for NCN or report to any official at NCN.

They were reporting directly to Mr. Kwame Mc Coy at the Office of the President.

Mr. Mc Coy would write to the NCN human resource manager when changes were required. **Appendix XVIII**

On a monthly basis all employees were required to submit an invoice for payment to NCN. **Appendix XIX.** Employees were required to uplift payments from the NCN's head office.

It should be noted that Mr. Clement Rohee's daughter (Renata Rohee) was a media monitor.

**(6) LEGAL FEES**

The Company's legal counsel is Ms. Jaya Manickchand whose office is located at 3rd floor Maraj Building. Her monthly retainer fees is $150,000 which includes letters, legal opinions and legal advise on NCN's matters. **Appendix XX**

Even though Ms. Manickchand's contract states her retainer fees includes letters, NCN was being charged separately for letters to clients. A nominal fee of $15,000 per letter.

During the period 2011 to May 2015 a total of $13,880,000 was paid in legal fees, $5,400,000 **(Appendix XXI)** for representation in legal matters and $8,480,000 **(Appendix XXII)** for retainer fees and other services.

**(7) MOVING OF TRANSMISSION STATION**

For years NCN had a Transmission Station sited at Sparendaam, East Coast Demerara.

During the period 2009-2010the Transmission Station was dismantled and sited at Onderneeming West Bank Demerara. The total cost of the relocation of the Transmission Station was $185,553,394.

The relocation of Transmission Station was executed by National Industrial and Commercial Investment Limited (NICIL), the Parent Company of NCN.

We did not find any evidence that the BOD nor management made any decision to relocate the Transmission Station. We were unable to determine the reason or benefit for the relocation of the Transmission Station.

In March 2015 the audit of the Financial Statements for the year ended 31 December 2012 was completed.

The Financial Statements for 2012 recorded the acquisition of the Transmission Station as an addition to Equipment with a corresponding entry in equity as deposit on share of $185,553,395.

The authorised share capital of NCN was $35,000,000 (350,000 ordinary shares of $100 each). In November 2013 NCN increased its authorised share capital to $237,863,100 (2,378,631 of $100 each).

The draft Financial Statements for the year ended 31 December 2014 shows the deposit on shares being transferred to issued share capital, increasing the issued share capital from $35,000,000 to $220,553,395.

A new share certificate for 220,553,394 ordinary shares of $1.00 each was issued to NICIL on 11 February 2015.

**(8) PROCUREMENT**

**(a) Current System**

The following outlines the procurement limits and identifies the various persons and bodies that shall have jurisdiction over procurement of NCN (**General Administration Manual** **:**

**GAM -003-501, 09/03/2009**):

|  |  |  |  |
| --- | --- | --- | --- |
| Chief Executive Officer | Options of single quote $100,000 | Options of single quote $100,000 | One verbal / written quote |
| Chief Executive Officer | From $1 to $600,000 | From $1 to $1000,000 | Three (3) written quotes |
| Board Tender Committee | From $600,001 to $2,500,000 | From $1,000,001 to $3,000,000 | Three (3) Written quotes or public tender |
| National Procurement Tender Board | From $2,500,000 and above | From $3,000,000 and above | Act 2003 |

**(b) Single Source**

It was noted that most equipment items for television and radio use are single sourced. It was advised that this is the practice of NCN as only few foreign companies retail the equipment and NCN would've established a credible relationship with the supplier. Suppliers such as Broadcast Depot, Linear Television Broadcasting Equipment and Markertek Video Supply.

**(c) Special Investigation - Euro Broadcast Corporation**

In January 2014 the Board of Directors of NCN appointed Parmesar Chartered Accountants to

specifically investigate allegations of financial irregularity occurring from January 2011 to

September 2013 pertaining to Euro Broadcast Corp. account.

The NCN remitted the sum of US$33,530 on 26 August 2011 to Euro Broadcasting Corporation as full payment to acquire broadcasting equipment. However the equipment was never supplied to NCN nor was the amount of US$33,530 refunded. Further Euro Broadcasting Corporation informed NCN that they have terminated communication operations in May 2011. Euro Broadcasting Corporation filed for dissolution in September 2013.

Full report is attached as **Appendix XXIII**

**(9) VEHICLE CONTROL LOG / FUEL CONSUMPTION**

At the time of the review NCN had 15 working vehicles and 12 not working vehicles.

NCN system requires the maintenance of Vehicle Log Books. The Log Books assist in the

control of the movement of vehicles to ensure that they are being used for authorised

purposes. This also serves as a tool to monitor fuel consumption by vehicles. However the

Vehicle Log Books were not kept updated.

Consequently it is not possible to confirm that all vehicles were used for authorised purposes.

Further it is not possible to relate the fuel consumption to work executed for NCN.

The fuel expenditure for NCN was as follows:

Year Amount

G$

2011 15,850,941

2012 14,976,441

2013 17,160,905

2014 15,615,456

May 31, 2015 3,176,586

**Use of vehicle by the Marketing Manager**

The Marketing Manager, Raymond Azeez, was paid a monthly Travel Allowance of $52,000 to

compensate for the use of his personal vehicle.

During the first half of 2015 Mr. Raymond Azeez was using one of NCN vehicle. Payments of

all gas for this vehicle were made by NCN.

However Mr. Raymond Azeez was still receiving his Travel Allowance of $52,000 per month

during the period.

**(10) SPECIAL INVESTIGATIONS**

**(a) GT&T "Jingle and Song Competition"**

In June 2012 the Board of Directors of NCN appointed Parmesar Chartered Accountants to

specifically investigate allegations of financial irregularity occurring from September 2011 to

February 2012 and with regards to the account for the GT&T " Jingle & Song Competition"

GT&T contracted NCN to provide production and broadcasting services for its Jingle and Song Competition, over the period September 2011 to February 2012. Information was received by the Board of Directors (BOD) of NCN that the Production Manager, Mr.Martin Goolsaran, may have misappropriate revenue arising from these services.

The investigation revealed the following main issues:

* In discussions with the BOD, Ms Wanita Huburn confirmed that:
* Two payments for $3,930,000 were paid to Mr. Martin Goolsarran based on his personal invoice.
* Further a third payment is pending for an invoice submitted by Mr. Martin Goolsarran. It was determined that an amount of $3,620,000 is due for production services.fot the G T & T’s Jingle and Song Competition.
* It would appear that Mr. Martin Goolsarran submitted a personal invoice to GT&T for $3,620,000 in January 2012 but in June 2012 was attempting to have an NCN invoice be prepared and backdated to January 2012, to cover up the personal invoice which was not settled by GT&T. Further Mr. Mohamed Sattaur was assisting Mr. Martin Goolsarran in having the invoice prepared by the Finance Department.

Full report is attached as **Appendix XXIV**

There is no evidence that any action was taken following the submission of the report.

**(b) Over Charge of Assembly of Prayer**

In January 2014 the Board of Directors of NCN appointed Parmesar Chartered Accountants to

specifically investigate allegations of financial irregularity occurring from September 2012 to

August 2013 pertaining to the Assembly of Prayer.

Assembly of Prayer, a customer based in Canada, made substantial periodic prepayments for airing of Christian based programs during the period September 2012 to August 2013. However these payments were deposited to the Berbice Branch‘s Administrative/Accounts Clerk, Ms. Tishti Gajraj’s personal bank account rather than the bank account of NCN. The customer was issued with unofficial invoices at high rate than that charged by NCN. Official invoices at the lower authorised rate were prepared and recorded in NCN accounting records. The excess amounts were not paid to NCN.

Assembly of Prayer was invoiced and paid into to Ms. Gajraj’s personal bank account the total sum of five hundred and ninety one thousand six hundred dollars ( G$591,600)

NCN issued official invoices and received payments of four hundred and seventeen thousand six hundred dollars ( $417,600)

Assembly of Prayer was defrauded of one hundred and seventy four thousand dollars (G$174,000).

Full report is attached as **Appendix XXV**

In February 2015 Mr. Faizal Jaffarally was surcharged for the excess amount of $174,000. Mr. Faizal Jaffarally was warned verbally and in writing by Ms. Hassan (CEO).

**(11) GUYOIL GAS BILL**

All gas bills were reviewed for the period however the following months were not submitted for review as they were damaged in flood waters (advised by Vickram Balli - Deputy Finance Manager):

January 2011

February 2011

April 2011

May 2011

June 2011

July 2011

February 2012

Of the fleet of vehicles **(Appendix XXVI)** being used by NCN, one bill # 528930 dated 30 May 2014 for $9,002 for gas was identified as supplied to vehicle # GPP 9461 which is not owned by NCN **(Appendix XXVII)**.

Management were unable to confirm the ownership of this vehicle. However NCN paid for this gas.

**(12) LOSS OF INCOME**

**(a) Record Studio Services for the Guyana Revenue Authority (GRA)**

The GRA produces a weekly television program known as GRA in Focus. This program was being recorded in the studios of NCN. However GRA discontinued the use of NCN studio and instead was using other Private Recording Studio.

This resulted in a loss of revenue to NCN. Management could not provide any reason for the discontinuation by GRA.

**(b) Broadcasting Services to Guyana Information Agency (GINA)**

GINA produces various programs to promote and publicise the works of Government. These programs are sent to various television stations for broadcasting, including NCN.

However no records were available to confirm the value of services provided to GINA. Consequently the values of potential revenue could not be determined

**(c) Guyana Learning Channel**

The Ministry of Education is involved in the dissemination of learning material through the establishment of the Guyana Learning Channel.

However, the learning materials are being broadcasted through private television as NCN is unable to broadcast the materials.

NCN explained that they are not in a position to broadcast the learning material due to lack of relevant equipment.

It was explained that due to capital budgeting restrictions, the equipment necessary to facilitate such a broadcast were being sourced piecemeal. Acquisition of the equipment commenced in 2013 but to date not all the equipment have been acquired.

Management was unable to confirm the time frame when all the necessary equipment would be acquired and when the facilities will be in place to accommodate the learning channel.

This could contribute to significant increase in the revenue of NCN.

**(13) INTERNAL AUDIT DEPARTMENT**

**(a) Internal Audit**

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 NCN has an Internal Audit Department with two staff. There were no approved audit plans

for the program of work for the years under review.

A review of the internal audit reports revealed that the main focus of the Internal Audit

Department was on special investigations.

The narrow focus on special investigations by the Internal Audit Department would mean that

non compliance with internal controls and possible fraud may not be detected.

The internal audit reports are addressed to the Chief Executive Officer, rather than to the Audit

Committee.

There were several areas that were not covered by the Internal Audit Department, such as:

* Payroll
* Revenue
* Fixed Assets
* Goods in transit
* Receivables

**(b) Internal Audit Reports**

Review of the internal audit departments reports revealed a number of matters:

**(i) Cheque Payment Verification - Elections Coverage**

Internal audit report dated 20 May 2015 detailed an investigation on expenditure incurred by

NCN staff for PPP/C rally coverage in Bartica on 11 April 2015.

Eight employees including Edward Layne and Adele Rampersaud were assigned to cover the

rally. A receipt was submitted by Adele Rampersaud for the sum of $68,000, being the cost for

seven (7) single rooms and one (1) double room at the Platinum Hotel in Bartica.

It was alleged that the receipt submitted by Ms. Rampersaud is no longer in use by the Hotel.

Also the Hotel log indicated that only two (2) double rooms costing $24,000 were occupied and

paid for.

**(ii) Cheque Payment Verification - Sparks Auto Repairs (Martin Ramdeen)**

Internal audit report dated 17 April 2015 detailed an investigation on adherence to Company

policies and procedures.

Emergency work needed to be performed on PLL 1339. NCN received quotations from Sparks

Auto Repairs ($475,000), City Auto Repairs ($712,000) and Two Brothers Mechanic Workshop

($656,000). Based on the prices quoted Sparks Auto Repairs was awarded the job.

It was observed that the quotations submitted by City Auto Repairs and Two Bothers Mechanic

Workshop did not state a contact number. The quotations had similar formats.

The Internal Audit Department attempted to locate the place of business for these two

organisations but was unsuccessful . There was no evidence to support the existence of the two

organisations.

**(iii) Tokens for CCTV's Project Engineers**

Internal audit report dated 13 March 2013.

A payment of $75,000 was made for jewellery as tokens of appreciation for the CCTV project.

An unofficial cash bill was presented, the bill lacked details such as the supplier's name, address,

TIN and specification of item purchased such as gold, silver or stainless steel.

**(iv) Fuel Purchasing Fraud - Mindy Harris**

Internal audit report dated 19 August 2014

Two gasoline bills were tampered by Mindy Harris. Gasoline was purchased for the portable

generator to facilitate routine outside broadcasts. One bill was changed from $4,980 to $9,980

and the other $5,240 to $8,240.

The employee committed a fraudulent act by altering source documents. Harris was subsequently

terminated however the $8,000 lost by the Company was not recovered.

**(v) Contract Reviews - Media Monitors**

Internal audit report dated 24 February 2015

Media monitors are paid on a fortnightly basis with no other benefit. Emoluments for Waheeda

Saheed included gratuity and vacation allowance which is a complete exception from the other

monitors.

There is no indication of where any of the monitors are stationed and who receives and validates

reports.

The Company expends over six million dollars annually on monitors and there is need for

improvement in accountability and transparency.

**(vi) Deposit Scrutiny and Cash Accountability**

Internal audit report dated 4 March 2013

Several audits were conducted at the Linden branch and it was revealed that Mr. Mc Bean was

not depositing cash received on a timely basis. The large cash receipts were being withheld and

the smaller amounts were being deposited. Balances are being banked at a subsequent date.

On 7 December 2012 it was observed that cash of $78,520 was unaccounted for.

**(vii) Background Checks**

Internal audit report dated 26 January 2015

The Internal Auditor was informed by an external source that Mr. Daren's (recently appointed

Human Resources Manager) character was questionable. Independent checks were conducted

and several matters were identified, see **Appendix XXVIII**

However there is no evidence that the matters raised by the Internal Auditor were addressed by

management.

**(viii) Livewire Productions**

Internal audit report dated 18 June 2013

Perusal of the transmission log revealed that **No Cost Advertisements** were being aired for

Livewire Events and these were approved by Mr. Andrew Bean (Marketing Manager for

Linden). Job orders for Rawle Edwards (Transmission Operator) were authorised by Mr. Mc

Bean as PSA. Rawle Edwards is a DJ for Livewire Events.

Mr. Mc Bean has been asked by management about his involvement in Livewire Productions and

he reported that he merely assists. However the Rates Committee visited the Linden Branch in

2012 and Mr. Raymond Azeez minuted that Mr. Mc. Bean is the owner, director and producer of

Livewire.

**(xi) TV Log Verification : NCN Channel 11 - 09/12/2014**

Internal audit report dated 17 March 2015

The Marketing Manager indicated that there is a barter arrangement between NCN and

Cococabana whereby the salon's advertisements are aired free in exchange for salon services to

NCN's presenter. There is no contract to validate this arrangement which could lead to abuse.

**(14) STATUTORY RECORDS**

(a) 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

(b) In accordance with the Company's Act,1991 an incorporated company should file changes in

directorship or secretary ship soon after appointment.

The statutory registers for NCN were not available for examination nor were there evidence that

changes in directorship or secretary ship were filed with the Registrar of Company.

**(15) HUMAN RESOURCES**

NCN has several challenges with Human Resources. In some instances departments do not have staff with the relevant skills and expertise.

It was also noted that staff do not always adhere to Company policies and procedures even though these are clearly documented.

Management has failed to ensure that the NCN was being managed in a prudent and professional manner.

***Board of Directors meeting on 5 March 2015***

Ms. Hassan pinpointed several persons who have met the age of retirement. In addition , the CEO also indicated that there are physically unfit employees in the employ of the Company. In conclusion, the CEO stated that these matters factor in to the loss of productivity for the Company. The Board agreed, and also acknowledged that the Company has gross management inefficiency issues. Stemming from this discussion, the CEO took the opportunity to inform the Board that Management has initiated steps to curtail its management problems

**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.
* The Board of Directors should ensure that all decisions taken are properly documented and confirmed by duly approved minutes.
* Meetings of sub-committees of the board, eg Internal Audit Committee, Rates Committee etc., should be properly documented and confirmed by duly approved minutes.
* The Board of Directors should ensure that the General Administration Manual is complied with by all employees.
* Systems should be implemented to ensure that all advertisements aired by NCN are invoiced to customers.
* Systems should be implemented to ensure that all statutory audits are completed on a timely basis.
* NCN should carry out a complete verification of all non-current assets which should form the basis for the preparation of an up to date fixed asset register.
* NCN should establish a debt collection committee with specific responsibility to collect all outstanding debts within six months.
* NCN should enforce all judgment received from the court.
* Establish definitive credit policy which should be documented and approved by the Board of Directors.
* NCN credit policy should be enforced
* Action should be taken to recover the amount of $3,083,396 for services provided to Eddies Bobcat Excavator and Construction Services.
* Action should be taken to recover gas amounts expensed by the Marketing Manager
* Action should be taken to recover the amount of $28,813,756 paid to media monitors.
* The Internal Audit Department should be managed by a Chartered Accountant.
* The Internal Audit Department should have a minimum of three (3) employees to carry out its functions effectively.
* The Board of Directors should ensure that all matters raised by the Internal Audit Department are appropriately addressed.
* Annual audit plans should be prepared, encompassing all aspects of NCNs' operations.
* The Finance Department should be managed by a Chartered Accountant and be staffed by personnel with relevant qualification and experience to ensure an efficient Finance Department.
* NCN must comply with the Company's Act and ensure all statutory registers are maintained.
* The Board of Directors should ensure that the procurement committee is functioning effectively and staffed with competent personnel.
* The Board of Directors should assess feasibility of all investments.
* Vehicle Log Books should be updated and reviewed by the Administrative Manager.
* A Public Service Announcement policy should be established by the NCN and compliance enforced.
* NCN should ensure that all gas bills processed by the company are for company vehicles.
* The Board of Directors should ensure recommendations from special investigations are implemented.
* Actions should be taken to ensure that all equipment necessary to facilitate the Guyana Learning Channel are acquired and installed within six months.