

**AUDITED FINANCIAL STATEMENTS OF THE  
GUYANA GOLD BOARD**

**FOR THE YEAR ENDED  
31 DECEMBER 2018**

**CONTRACTED AUDITORS: MAURICE SOLOMON & CO.  
92 ORONOQUE STREET  
QUEENSTOWN  
GEORGETOWN**

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

**AUDITED FINANCIAL STATEMENTS OF THE  
GUYANA GOLD BOARD  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**TABLE OF CONTENTS**

	PAGE
1. TRANSMITTAL LETTER ... ..	i
2. AUDITOR'S OPINION OF THE FINANCIAL STATEMENTS ... ..	ii - iv
3. CONTRACTED AUDITOR REPORT ON THE FINANCIAL STATEMENTS	1 - 3
4. AUDITED FINANCIAL STATEMENTS ... ..	4 - 25
5. MANAGEMENT LETTER ... ..	1 - 12



## *Audit Office of Guyana*

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

*Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>*

167/SO:13/2/2019

29 August 2019

Ms. Eondrene Thompson  
General Manager  
Guyana Gold Board  
Upper Brickdam  
Georgetown.

Dear Ms. Thompson,

AUDIT OF THE FINANCIAL STATEMENTS OF  
THE GUYANA GOLD BOARD  
FOR THE YEAR ENDED 31 DECEMBER 2018

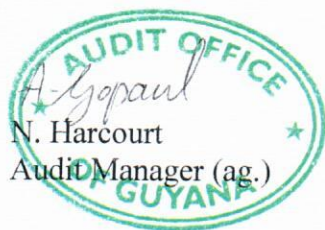
Please find attached seven copies of the audited financial statements, together with the report of the Auditor General, thereon.

Should you need any further explanation, please do not hesitate to contact us.

With best regards.

Yours sincerely,

*for* *A. Gopaul*  
N. Harcourt  
Audit Manager (ag.)







## *Audit Office of Guyana*

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

*Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>*

AG: 84/2019

29 August 2019

REPORT OF THE AUDITOR GENERAL  
TO THE MEMBERS OF THE BOARD OF THE GUYANA GOLD BOARD  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

### *Opinion*

Chartered Accountants Maurice Solomon and Company have audited on my behalf the financial statements of Guyana Gold Board, which comprise of the statement of financial position as at 31 December 2018, the statement of profit or loss and other 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 notes as set out on pages 8 to 25.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Guyana Gold Board as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*

I conducted my audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC), the International Standards of Supreme Audit Institutions (ISSAIs) and the Audit Act 2004. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Guyana Gold Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Guyana, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### *Emphasis of Matters*

Without qualifying my opinion:-

I draw attention to note 2 (i) of the financial statements. Management has represented to me that the Guyana Gold Board is exempted from Corporation and Property Taxes. I am unable to ascertain the relevant authority that gives legal effect to this exemption. The Guyana Gold Board has not paid any Corporation or Property Taxes since its formation and no provision for such taxes has been made in the financial statements.



I draw attention to note 6 of the financial statements which shows a total amount of ten million eight hundred and thirty-five thousand six hundred and sixty-eight dollars (\$10,835,668) under Administrative expenses – NRE. This amount relates to employment costs paid by the Board on behalf of the Ministry of Natural Resources.

I was unable to verify whether there is a share agreement between the Guyana Gold Board and the Ministry of Natural Resources and what constitute as expenditure and limits to be borne by the Board.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Guyana Gold Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Guyana Gold Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Guyana Gold Board's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Guyana Gold Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Guyana Gold Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Guyana Gold Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



AUDIT OFFICE OF GUYANA  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA.





**INDEPENDENT AUDITOR'S REPORT  
TO THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS  
OF GUYANA GOLD BOARD  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**MSC 038/2019**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of Guyana Gold Board which comprise the statement of financial position as at 31 December 2018, the Statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out in pages 8 to 25.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects of the financial position of Guyana Gold Board as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Guyana Gold Board in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Ethics Standards Board for Accountants' Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matters**

Without qualifying our opinion:

1. We draw attention to note 2 (i) of the financial statements. Management has represented to us that the Guyana Gold Board is exempt from Corporation and Property Taxes. We were unable to ascertain the relevant authority that gives legal effect to this exemption. The Guyana Gold Board has not paid any Corporation or Property taxes since its formation and no provision for such taxes has been made in the financial statements.



2. We draw attention to note 6 of the financial statements which shows a total amount of ten million eight hundred and thirty five thousand six hundred and sixty eight dollars (G\$10,835,668) under Administrative expenses – NRE. This amount relates to employment costs paid by the Board on behalf of the Ministry of Natural Resources.

We were unable to verify whether there is a share agreement between the Guyana Gold Board and Ministry of Natural Resources and what constitute as expenditure and limits to be borne by the Board.

### **Responsibilities of Management and those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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. In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.



.....

**Maurice Solomon & Co.**  
**Chartered Accountants**  
**August 22, 2019**

# GUYANA GOLD BOARD

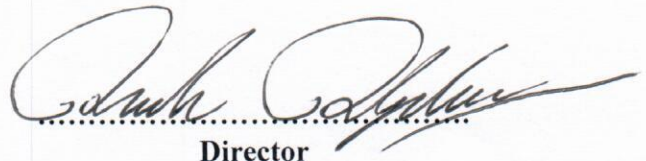
## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> G\$	<u>2017</u> G\$
<b>ASSETS</b>			
<b>Non-Current</b>			
Plant and Equipment	8	105,833,032	93,187,302
<b>Current Assets</b>			
Inventories	9	4,882,603,015	3,488,560,801
Accounts Receivable and Prepayments	10	839,093,171	40,708,117
Cash and Bank	11	793,000,200	850,842,711
		<u>6,514,696,386</u>	<u>4,380,111,629</u>
<b>TOTAL ASSETS</b>		<u>6,620,529,418</u>	<u>4,473,298,931</u>
<hr style="border-top: 1px dashed black;"/>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Government Contribution	12	108,577,100	108,577,100
Accumulated Deficit		(9,678,929,555)	(10,101,248,891)
		<u>(9,570,352,455)</u>	<u>(9,992,671,791)</u>
<b>NON-CURRENT LIABILITIES</b>			
Advance from Ministry of Finance	13	8,731,630,794	8,731,630,794
<b>CURRENT LIABILITIES</b>			
Accounts Payable	14	1,260,619,707	998,270,813
Bank Overdraft (unsecured)	15	6,198,631,371	4,736,069,115
		<u>7,459,251,079</u>	<u>5,734,339,928</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>6,620,529,418</u>	<u>4,473,298,931</u>

These financial statements were approved by the Board of Directors on  
on behalf of the Board:

  
 Director **G. H. K. LALL**  
 CHAIR 4/3/18

  
 Director

The notes on pages 8 - 25 form an integral part of these financial statements



# GUYANA GOLD BOARD

## STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> G\$	<u>2017</u> G\$
Sales	3	21,668,249,146	49,723,102,947
Cost of Sales	4	<u>(21,085,542,808)</u>	<u>(48,957,538,341)</u>
Gross Profit		582,706,338	765,564,606
Other Income	5	<u>197,567,148</u>	<u>193,185,329</u>
Operating Profit		780,273,486	958,749,935
Administrative Expenses	6	<u>(357,954,150)</u>	<u>(309,983,606)</u>
Profit for the year	7	<u><u>422,319,336</u></u>	<u><u>648,766,329</u></u>

The notes on pages 8 - 25 form an integral part of these financial statements



# GUYANA GOLD BOARD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 G\$	2017 G\$
<b>Operating Activities</b>		
Profit for the year	422,319,336	648,766,329
<b>Adjustment for:</b>		
Loss on Disposal of Plant & Equipment	6,256	323,722
Depreciation	36,661,213	30,187,879
Operating profit before working capital changes	458,986,805	679,277,930
Decrease/ (Increase) in inventories	(1,394,042,215)	12,687,853,804
(Increase)/decrease in accounts receivable and prepayments	(798,385,054)	(140,801)
Increase in accounts payable	262,348,894	179,784,313
<b>Net cash used in operating activities</b>	<u>(1,471,091,569)</u>	<u>13,546,775,246</u>
<b>Investing Activities</b>		
Purchase of plant and equipment	<u>(49,313,198)</u>	<u>(21,180,846)</u>
Net cash used in investing activities	<u>(49,313,198)</u>	<u>(21,180,846)</u>
Net decrease in cash and cash equivalents	(1,520,404,767)	13,525,594,400
Cash and cash equivalents at the beginning of the year	<u>(3,885,226,404)</u>	<u>(17,410,820,804)</u>
Cash and cash equivalents at the end of the year	<u><b>(5,405,631,171)</b></u>	<u><b>(3,885,226,404)</b></u>
Cash and cash equivalents comprise of:		
Cash on hand and at bank	793,000,200	850,842,711
Bank overdraft - unsecured	<u>(6,198,631,371)</u>	<u>(4,736,069,115)</u>
	<u><b>(5,405,631,171)</b></u>	<u><b>(3,885,226,404)</b></u>

The notes on pages 8 - 25 form an integral part of these financial statements



# GUYANA GOLD BOARD

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Government Contribution G\$	Accumulated Deficit G\$	Total G\$
Balance at 1 January 2017	108,577,100	(10,750,015,220)	(10,641,438,120)
<b>Changes in Equity 2017</b>			
Profit for the year	-	648,766,329	648,766,329
<b>Balance as at 31st December 2017</b>	<u>108,577,100</u>	<u>(10,101,248,891)</u>	<u>(9,992,671,791)</u>
<b>Changes in Equity 2018</b>			
Profit for the year	-	422,319,336	422,319,336
<b>Balance as at 31st December 2018</b>	<u><u>108,577,100</u></u>	<u><u>(9,678,929,555)</u></u>	<u><u>(9,570,352,455)</u></u>

The notes on pages 8 - 25 form an integral part of these financial statements



## GUYANA GOLD BOARD

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 1. Incorporation and Activities

The Guyana Gold Board was formed under the Act of Parliament which is referred to as the Guyana Gold Board Act 1981. Its principal activities as defined in Section 4 are as follows :-

- a) To carry on the business of trading in gold ;
- b) To secure at all times an adequate supply of gold and to ensure its equitable distribution in Guyana at fair prices.
- c) To purchase all gold produced in Guyana;
- d) To sell all gold in and out of Guyana;
- e) To engage in other related commercial or industrial activities.

Under regulation 4 of 1997 made under the Guyana Gold Board Act 1981, the Board may issue an authorization to possess, sell or export gold produced in Guyana. The gold held by dealers can either be exported or sold to the Board directly. At 31 December 2018 - eight (8) - 2017-nine (9) such dealers were licensed.

The Guyana Gold Board entered into an agency agreement with Techmet Inc. on 16 November 2017 for the sale of its gold overseas. Under this arrangement the agent informs the Board of offer price. The Board then considers the price offer and advises the agent (Techmet Inc.) whether to sell. The agent does not earn any commission from the Board on sale of gold.

#### 2. Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Guyana Dollars.

##### a) **Standards, amendments and interpretations that are not yet effective and have not been adopted by the Company.**

IFRS 3- Business Combinations: Remeasurement of previously held interest  
(effective on or after 1 January 2019)

IFRS 3- Business Combinations: Amendments to clarify the definition of a business (effective on or after 1 January 2020)

IFRS 9- Financial Instrument: Amendments regarding prepayment features with negative compensation and modifications of financial liabilities (effective on or after 1 January 2019)

IFRS 11 - Joint Arrangements: Remeasurement of previously held interest  
(effective on or after 1 January 2019)



## **GUYANA GOLD BOARD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

#### **2. Basis of Accounting Con't**

##### **a) Standards, amendments and interpretations that are not yet effective and have not been adopted by the Company (Con't).**

IFRS 16 - Leases (effective on or after 1 January 2019)

IFRS 17 will replace IFRS 4 - Insurance Contracts (effective on or after 1 January 2021)

IAS 1- Amendments regarding the definition of Material (effective on or after 1 January 2020)

IAS 8- Amendments regarding the definition of Material (effective on or after 1 January 2020)

IAS 12/IFRIC 23-Uncertainty over income tax treatments (effective on or after 1 January 2019)

IAS 19- Employee Benefits: Amendments regarding plan amendments, curtailments or settlements (effective on or after 1 January 2019)

IAS 28- Amended long term interest in Associates and Joint Ventures Investments (effective on or after 1 January 2019)

##### **b) Standards and amendments adopted and has material impact on the Company's financial reporting.**

IFRS 15- Revenue from Contracts with Customers (effective on or before 1 January 2018)

##### **c) Foreign Currency Transaction**

Transactions involving foreign currencies are translated at the exchange rates at the dates of these transactions. At the date of the Statement of Financial Position, all assets and liabilities denominated in foreign currencies are translated into Guyana dollars at the exchange rates ruling at that date. Gains and losses arising from the settlement of and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### d) Cash and Cash Equivalents

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than investments or other purposes. These are readily convertible to a known amount of cash, with maturity dates of 3 months or less.

#### e) Non-Current Assets and Depreciation

Plant and Equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated on the straight line method at rates sufficient to write off the cost over their estimated useful lives as follows:

Motor vehicles	-	25%
Furniture, fixtures and fittings	-	10%
Office equipment	-	12.5%
Laboratory and smelting room renovation	-	25%
Computer software	-	25%
Office and renovation	-	5% to 12.5%

No depreciation is charged in the year of disposal. The gain or loss arising on the disposal of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### f) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimate selling price less all estimated costs of completion and costs to be incurred in the marketing, selling and distribution.

#### g) Revenue and expense recognition

##### Local Sales

The Board recognises revenue from local and foreign sales when the customer takes possession of the gold and fully confirms to criteria for revenue recognition under IFRS 15 . Prices are fixed accordingly to the London Daily Fix at the time of sale.



**GUYANA GOLD BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(h) Revenue and expense recognition cont'd**

**Foreign Sales**

The Board recognises revenue when Bank of Guyana acknowledges receipt from Techmet Trading. Smelted gold is sent to Royal Canadian Mint where it is refined and then marketed through its agent- Techmet Trading. The agent makes payment on sales contract when gold has been transferred to the agents account.

Sale of refined gold is marketed as follows:

- (i) Spot transactions
- (ii) Forward transactions
- (iii) Option transactions

There were no forward contracts entered into by the Board during the year.

**Expenses**

Expenses are recognised on an accrual basis.

**(i) Taxation**

In management 's critical judgment, the Board has not accrued for corporation and property taxes in the financial year. The Guyana Gold Board Act did not indicate whether the Board is exempt from an forms of taxation and clarity of this matter should be related to Guyana Revenue Authority for advisory.

**(j) Purchases**

Purchases of gold are made based on the London daily fix per ounce of gold quoted in United States dollar(US\$). The payment for gold purchased is based on an assumed purity with a payout factor of the average historical result from assaying. An initial payment is made after a deduction of G\$4.25 per ounce from the average US\$:G\$ exchange rates obtained from six commercial banks. Payment made on the payout factor is adjusted when actual assaying results are determined. For results higher than the payout factor, the Board pays the miners an additional amount. For results lower than the payout factor, the miners reimburse the Board with the difference from future transactions.

**(k) Financial instruments**

Financial assets and liabilities are recognised on the Board's statement of financial position when the Board becomes a party to the contractual provisions of the instruments.

**Accounts receivable and prepayments**

These instruments are short term in nature

**Accounts payables**

These are recognised at amortised cost.



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

	2018	2017
	G\$	G\$
<b>3. Sales</b>		
Local Sales	113,490,132	93,698,574
Foreign Sales	21,554,759,014	49,629,404,373
	<u>21,668,249,146</u>	<u>49,723,102,947</u>
<b>4. Cost of Sales</b>		
Inventory at 1 January	3,488,560,801	16,176,414,605
Purchases	22,433,099,816	36,183,524,190
Shipping and refining costs	46,485,206	86,160,347
	<u>25,968,145,823</u>	<u>52,446,099,142</u>
Inventory at 31 December	(4,882,603,015)	(3,488,560,801)
	<u>21,085,542,808</u>	<u>48,957,538,341</u>
<b>5. Other Income</b>		
Sale of silver	17,320,876	64,558,711
Lease income	3,263,767	3,227,428
Miscellaneous income	63,099,396	53,187,741
Exporter's licence Fee (Dealers)	16,000,000	14,000,000
Processing Fees	91,841,700	47,824,719
Option premium	6,041,409	10,386,730
	<u>197,567,148</u>	<u>193,185,329</u>



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

	2018 G\$	2017 G\$
<b>6. Administrative Expenses</b>		
Insurance	18,495,130	18,028,913
Employment costs	143,039,829	131,828,656
Depreciation	36,661,213	30,187,879
Audit Fee	2,700,000	2,453,850
Security	34,793,036	28,993,184
Motor vehicle maintenance	977,452	852,439
Sample tests	1,285,500	10,395,000
Stationery and supplies	6,843,269	6,088,963
Others	39,210,324	22,600,293
Gold burning	3,711,001	5,276,366
Office maintenance	2,084,097	1,053,577
Meal allowances	3,573,145	2,270,983
Staff welfare and training	4,391,334	2,096,106
Telephone, internet and telex	6,569,554	6,104,651
Gifts, donations and hospitality	3,656,462	2,799,111
Stamp expenses	4,650,389	5,162,770
Advertisement	1,058,942	849,104
Repairs to equipment and furniture	2,498,836	9,381,452
Bank charges	1,333,243	2,488,493
Entertainment-others	3,155,817	2,641,599
Medical expenses	5,162,905	1,108,000
Admin Exp-NRE	10,835,668	15,247,945
Repairs & maintenance-office	272,002	134,272
Directors' fees	1,782,000	1,940,000
Relocation	16,322,463	-
Health and Safety	81,092	-
Special Projects	2,809,447	-
	<u><b>357,954,150</b></u>	<u><b>309,983,606</b></u>
<b>7. Net Profit for the year</b>	<b>422,319,336</b>	<b>648,766,329</b>
After charging:		
Depreciation	36,661,213	30,187,879
Directors fees (see note 6)	1,782,000	1,940,000
Auditor's Remuneration	<u>2,700,000</u>	<u>2,453,850</u>



**GUYANA GOLD BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

**8. Plant and Equipment**

<u>Cost/Valuation</u>	<u>Furniture, Fixtures &amp; Fittings</u> G\$	<u>Office Equipment</u> G\$	<u>Computer &amp; Short Life Assets</u> G\$	<u>Motor Vehicles</u> G\$	<u>Firearms</u> G\$	<u>Computer Software</u> G\$	<u>Lab &amp; Smelting Room</u> G\$	<u>Charity Office</u> G\$	<u>Renovation of Office Space</u> G\$	<u>Total 2018</u> G\$	<u>Total 2017</u> G\$
At 1 January 2018	12,256,435	134,329,935	-	20,350,001	489,016	47,402,940	12,532,602	7,933,080	18,396,658	253,690,667	254,428,512
Additions	1,306,723	48,006,475	-	-	-	-	-	-	-	49,313,198	21,180,846
Transfers	-	(9,026,461)	9,026,461	-	-	-	-	-	-	-	-
Disposal	(170,172)	-	-	-	-	-	-	-	-	(170,172)	(21,918,691)
At 31 December 2018	<b>13,392,986</b>	<b>173,309,949</b>	<b>9,026,461</b>	<b>20,350,001</b>	<b>489,016</b>	<b>47,402,940</b>	<b>12,532,602</b>	<b>7,933,080</b>	<b>18,396,658</b>	<b>302,833,693</b>	<b>253,690,667</b>
<b><u>Depreciation</u></b>											
At 1 January 2018	5,566,015	85,550,421	-	20,350,000	489,016	27,520,692	12,433,406	4,958,179	3,635,636	160,503,365	151,910,455
Charges for the Year	1,287,978	21,613,827	841,583	-	-	11,006,356	-	991,636	919,832	36,661,212	30,187,879
Charges Written Back	(163,916)	-	-	-	-	-	-	-	-	(163,916)	(21,594,969)
Transfer	-	(4,353,900)	4,353,900	-	-	-	-	-	-	-	-
At 31 December 2018	<b>6,690,077</b>	<b>102,810,348</b>	<b>5,195,483</b>	<b>20,350,000</b>	<b>489,016</b>	<b>38,527,048</b>	<b>12,433,406</b>	<b>5,949,815</b>	<b>4,555,468</b>	<b>197,000,661</b>	<b>160,503,365</b>
<b><u>Net Book Values</u></b>											
At 31 December 2018	<b>6,702,909</b>	<b>70,499,601</b>	<b>3,830,978</b>	<b>1</b>	<b>-</b>	<b>8,875,892</b>	<b>99,196</b>	<b>1,983,265</b>	<b>13,841,190</b>	<b>105,833,032</b>	<b>-</b>
At 31 December 2017	<b>6,690,420</b>	<b>48,779,514</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>19,882,248</b>	<b>99,196</b>	<b>2,974,901</b>	<b>14,761,022</b>	<b>-</b>	<b>93,187,302</b>



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

9. Inventories	2018	2017
<u>Gold</u>	G\$	G\$
<u>Within Guyana</u>		
Laboratory	111,323,291	190,966,707
Bank of Guyana	418,564,065	16,651,059
Deposit in transit	-	3,199,757,407
Guyana Geology and Mines Commission	25,699,297	3,544,020
Gold available for sale	-	13,219,968
Local Sales - G/Town	20,835,306	-
Scotia Bank	34,954	35,121
Bartica	84,526,974	61,688,050
	<u>660,983,887</u>	<u>3,485,862,333</u>
<u>Outside Guyana</u>		
Royal Canadian Mint	4,221,619,128	-
	<u>4,882,603,015</u>	<u>-</u>
<u>Silver</u>		
Techmet	-	2,698,468
	<u>4,882,603,015</u>	<u>3,488,560,801</u>

- (i) Techmet Trading is acting as a broker for the Guyana Gold Board to sell gold on the international market as per Guyana Gold Board. Techmet Trading does not received a commission from Guyana Gold Board.
- (a) The cost of inventory recognised as expenses during the year amounted to G\$ 21,085,542,808 (2017 G\$ 48,957,538,341).
- (b) There was no write off of inventories during the year.
- (c) All inventories are expected to be recovered within 12 months.



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

	2018	2017
	G\$	G\$
<b>10. Accounts Receivable and Prepayments</b>		
Trade Receivables	822,019,478	38,442,776
Prepayments	17,073,693	2,265,341
	<u><b>839,093,171</b></u>	<u><b>40,708,117</b></u>
<b>11. Cash on Hand and at Bank</b>		
Republic Bank (Guyana) Limited	32,345,368	35,961,401
Citizen's Bank Guyana Limited	388,581,283	396,007,534
Bank of Guyana-US\$ account	367,486,448	415,683,117
Cash on Hand	4,587,101	3,190,659
	<u><b>793,000,200</b></u>	<u><b>850,842,711</b></u>
<b>12. Government Contribution</b>	<u><b>108,577,100</b></u>	<u><b>108,577,100</b></u>
<b>13. Ministry of Finance</b>	<u><b>8,731,630,794</b></u>	<u><b>8,731,630,794</b></u>
<p>This amount is owed to the Ministry of Finance, an agreement showing terms and conditions for repayment is to be determine and formalise by both parties. Discussion was held during the year 2018 between Guyana Gold Board and Ministry of Finance to formalise terms of repayment. The Board of Directors of Guyana Gold Board agreed to favorable counter offer to repay this amount over period of time and is to be submitted to the Ministry of Finance for consideration.</p>		
<b>14. Accounts Payable</b>		
	2018	2017
	G\$	G\$
Trade Payables	143,525,593	142,715,925
Gold Dealers' Tax Payable	349,594,671	221,384,500
Gold Dealers' Royalties Payable	697,826,587	557,288,812
Accruals	16,984,943	23,243,350
Dealers Security Deposit	26,102,625	25,651,840
Others	26,585,288	27,986,386
	<u><b>1,260,619,707</b></u>	<u><b>998,270,813</b></u>



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

	2018 G\$	2017 G\$
<b>15. Bank Overdraft</b>		
Bank of Guyana - Disbursement Account	6,198,631,371	4,729,674,891
Republic Bank - Current Account	-	6,394,224
	<u>6,198,631,371</u>	<u>4,736,069,115</u>

The Guyana Gold Board does not have an overdraft facility with either Republic Bank Limited or the Bank of Guyana. Funds are deposited to the Disbursement Account and transferred via standing orders to the General Account. The balances shown above are due to timing differences that arose from unrepresented cheques drawn that have not been issued or presented.

### 16. Related Party Transactions

- (a) Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

#### (i) Government Related Entities

	2018 G\$	2017 G\$
<b>Guyana Geology and Mines Commission (GGMC)</b>		
Royalties collected and remitted during the year	4,410,489,159	5,024,759,698
Assay testing	3,952,560	9,085,500
Balance at year end - inventory	25,699,297	3,544,000
Balance at year end - assay	19,717,000	20,789,500
Royalties payable	697,826,587	557,288,812
<b>Guyana Revenue Authority (GRA)</b>		
Taxes collected and remitted during the year	2,214,436,730	1,886,562,599
Taxes payable	349,594,671	221,384,500
<b>Bank of Guyana - Note 15</b>	6,198,631,371	4,729,674,891
Balance at year end - cash at bank	367,486,448	415,683,117
Balance at year end - inventory	418,564,065	16,651,059
<b>Ministry of Finance - Note 13</b>	8,731,630,794	8,731,630,794

- (a) During the year 2018, the Guyana Gold Board entered into contractual arrangement to rent building situated on Crown and Albert streets for its head office. The previous office located on Brickdam (GGMC building) is also being used by the Board. There is no rental charges or fees payable to GGMC with regards to the building.



## GUYANA GOLD BOARD

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 16. (ii) Key Management Personnel

The company's key management personnel comprised of its Directors, the Secretary to the Board/Legal Officer, General Manager(ag), Asst. General Manager, the Finance Manager, the Station Manager - Bartica, the Internal Auditor and the Head of Laboratory. During the year remunerations paid to key management personnel was as follows:

	2018	2017
	G\$	G\$
Short- term employee benefits	45,347,415	54,624,319
Directors emoluments	1,782,000	1,940,000
	<u>47,129,415</u>	<u>56,564,319</u>

#### 17. Financial Risk Management

##### Financial Risk Management Objectives

The Board's management monitors and manages the financial risks relating to the operations of the Board through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Board seeks to minimise the effects of these risks by the use of techniques that are governed by management policies on foreign exchange risk, interest rate risk and credit risk which are approved by the board of directors.

The Board's management reports at statutory meetings to the Board of Directors on matters relating to risk and management of risk.

##### (a) Market Risk

The Board's activities expose it to the financial risks of changes in foreign currency exchange rates. The Board uses interest rate sensitivity to financial instruments to manage its exposure to foreign currency risk. There has been no change in the Board's exposure to market risks or the manner in which it manages these risks.



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 17. Financial Risk Management - (Cont'd)

#### (i) Interest Rate Risk

The Board is exposed to various risks that are associated with the effects of variations in interest rates. This impacts directly on its cash flows.

	Average Interest Rate %	Maturing 2018		
		Within 1 Year	Non-Interest Bearing	Total
		G\$	G\$	G\$
<b>Assets</b>				
Accounts Receivable and Prepayments	-	-	839,093,171	839,093,171
Cash and Bank	-	388,581,283	404,418,917	793,000,200
		388,581,283	1,243,512,088	1,632,093,371
<b>Liabilities</b>				
Bank Overdraft (unsecured)	-	-	6,198,631,371	6,198,631,371
Advance from Ministry of Finance	-	-	8,731,630,794	8,731,630,794
Accounts Payable	-	-	1,260,619,707	1,260,619,707
		-	16,190,881,872	16,190,881,872
Interest Sensitivity Gap		388,581,283		

	Average Interest Rate %	Maturing 2017		
		Within 1 Year	Non-Interest Bearing	Total
		G\$	G\$	G\$
<b>Assets</b>				
Accounts receivable and prepayments	-	-	40,708,117	40,708,117
Cash and Bank	-	396,007,534	454,835,177	850,842,711
		396,007,534	495,543,294	891,550,828
<b>Liabilities</b>				
Bank overdraft (unsecured)	-	-	4,736,069,115	4,736,069,115
Advance from Ministry of Finance	-	-	8,731,630,794	8,731,630,794
Accounts payable	-	-	998,270,813	998,270,813
		-	14,465,970,722	14,465,970,722
Interest Sensitivity Gap		396,007,534		



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 17. Financial Risk Management - (Cont'd)

#### (b) Liquidity Risk

Liquidity risk is the risk that the Board will encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The Board manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form.

The following table shows the distribution of assets and liabilities by maturity:

Maturing				
2018				
	On demand	Within 1 -5 years	Over 5 years	Total
	G\$	G\$		G\$
Assets				
Accounts Receivable and Prepayments	-	839,093,171	-	839,093,171
Cash and Bank	793,000,200	-	-	793,000,200
	793,000,200	839,093,171	-	1,632,093,371
Liabilities				
Bank Overdraft (unsecured)	-	6,198,631,371	-	6,198,631,371
Advance from Ministry of Finance	-	-	8,731,630,794	8,731,630,794
Accounts Payable	-	1,260,619,707	-	1,260,619,707
	-	7,459,251,078	8,731,630,794	16,190,881,872
Net Liabilities	793,000,200	(6,620,157,907)	(8,731,630,794)	(14,558,788,501)
Maturing				
2017				
	On demand	Within 1-5 years	Over 5 years	Total
	G\$	G\$		G\$
Assets				
Accounts receivable and prepayments	-	40,708,117	-	40,708,117
Cash on hand and at bank	850,842,711	-	-	850,842,711.00
	850,842,711	40,708,117	-	891,550,828
Liabilities				
Bank overdraft (unsecured)	-	4,736,067,115	-	4,736,067,115
Advance from Ministry of Finance	-	-	8,731,630,794	-
Accounts payable	-	998,270,813	-	998,270,813
	-	5,734,337,928	8,731,630,794	5,734,337,928
Net Liabilities	850,842,711	(5,693,629,811)	8,731,630,794	(4,842,787,100)



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 17. Financial Risk Management - (Cont'd)

#### (c) Credit Risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Board.

The Board faces credit risk in respect of its cash and cash equivalents and its accounts receivables. However, this risk is controlled by close monitoring of these balances by the Board. The maximum credit risk faced by the Board is the balance reflected in the financial statements.

Cash and cash equivalent are held by Central and Commercial banks. These banks have been assessed by the Directors as being credit worthy, with very strong capacity to meet their obligations as they fall due.

The related risk is therefore considered very low.

Accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable on a regular basis.

Inventory (gold and silver) held by third party.

The table below shows the company's maximum exposure to credit risk:

	<u>2018</u>	<u>2017</u>
	G\$	G\$
Cash at Bank	793,000,200	847,652,052
Accounts Receivable (excluding prepayments)	822,019,478	38,442,776
Inventory held with third party (i)	4,695,917,444	3,222,693,076
Total credit risk exposure	<u>6,310,937,122</u>	<u>4,108,787,904</u>

The accounts receivable balances are classified as follows:

Current	784,324,119	14,029,879
Past due but not impaired	37,695,359	24,412,897
	<u>822,019,478</u>	<u>38,442,776</u>

#### Ageing of accounts receivable which was past due but not impaired

365+ days	<u>37,695,359</u>	<u>24,412,897</u>
-----------	-------------------	-------------------

(i) Inventory held with third parties were adequately insured at 31 December 2018 as such this will reduce the credit risk.



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 17. Financial Risk Management - (Cont'd)

#### (d) Currency Risk

The Company's exposure to the effects of fluctuations in foreign currency exchange rates arise mainly from inventory. The currency which the Company is mainly exposed to is United States Dollar (USD\$)

The aggregate amounts of assets denominated in United States are as shown:

	<u>Total</u> G\$
<b>31 December 2018</b>	
Assets	<u>4,589,105,576</u>
<b>31 December 2017</b>	
Assets	<u>3,904,243,918</u>

#### Foreign Currency Sensitivity Analysis

The following table details the Company's sensitivity to a 2.5% /1.5% increase or decrease in the Guyana dollar (GYD) against the United States dollar (US\$).

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2.5%/1.5% change in foreign currency rates. A positive number indicates an increase in profit where the US\$ strengthens 2.5%/1.5% against the GY\$. For a 2.5% weakening of the US\$ against G\$ there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	<b>2018</b> <b>G\$</b>	<b>2017</b> <b>G\$</b>
Profit	<u>68,836,584</u>	<u>97,606,098</u>

#### **Price Risk**

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market.



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 18. Analysis of Financial Assets and Liabilities by Measurement Basis

	<u>Loans and Receivables</u>	<u>Financial Assets and Liabilities at Amortised Cost</u>	<u>Total</u>
	G\$	G\$	G\$
<b>2018</b>			
<b>Assets</b>			
Accounts receivable and prepayments	839,093,171	-	839,093,171
Cash on hand and at bank	-	793,000,200	793,000,200
	<u>839,093,171</u>	<u>793,000,200</u>	<u>1,632,093,371</u>
<b>Liabilities</b>			
Bank overdraft (unsecured)	-	6,198,631,371	6,198,631,371
Advance from Ministry of Finance	-	8,731,630,794	8,731,630,794
Accounts payable	-	1,260,619,707	1,260,619,707
	<u>-</u>	<u>16,190,881,872</u>	<u>16,190,881,872</u>
	<u>Loans and Receivables</u>	<u>Financial Assets and Liabilities at Amortised Cost</u>	<u>Total</u>
	G\$	G\$	G\$
<b>2017</b>			
<b>Assets</b>			
Accounts receivable and prepayments	40,708,117	-	40,708,117
Cash on hand and at bank	-	850,842,711	850,842,711
	<u>40,708,117</u>	<u>850,842,711</u>	<u>891,550,828</u>
<b>Liabilities</b>			
Bank overdraft (unsecured)	-	4,736,069,115	18,932,012,512
Advance from Ministry of Finance	-	8,731,630,794	8,731,630,794
Accounts payable	-	998,270,813	818,486,500
	<u>-</u>	<u>14,465,970,722</u>	<u>14,465,970,722</u>



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 19. Fair Value Estimation

Fair value measurement recognised in the statement of financial position

Level 1 - Fair value determination is with reference to quoted prices in active markets for identical assets and liabilities. Quotation from recognised stock exchange was used to value investments under this ranking.

Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices).

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The following table details the carrying cost of assets and liabilities at amortised cost. However their fair values are stated for disclosure purpose.

	IFRS 13 Levels	2018	
		<u>Carrying Amount</u> G\$	<u>Fair Value</u> G\$
<b>ASSETS</b>			
Plant and equipment	2	105,833,032	105,833,032
Accounts receivables and prepayments	2	839,093,171	839,093,171
Cash and bank	1	793,000,200	793,000,200
		<u>1,737,926,403</u>	<u>1,737,926,403</u>
<b>LIABILITIES</b>			
Advance from Ministry of Finance	2	8,731,630,794	8,731,630,794
Bank overdraft	1	6,198,631,371	6,198,631,371
Accounts payable	2	1,260,619,707	1,260,619,707
		<u>16,190,881,872</u>	<u>16,190,881,872</u>



# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 19. Fair Value Estimation (Cont'd)

The following table details the carrying cost of assets and liabilities at amortised cost. However their fair values are stated for disclosure purpose.

	IFRS 13 Levels	2017	
		<u>Carrying Amount</u>	<u>Fair Value</u>
ASSETS		G\$	G\$
Plant and equipment	2	93,187,302	93,187,302
Accounts receivables and prepayments	2	40,708,117	40,708,117
Cash and bank	1	850,842,711	850,842,711
		<u>984,738,130</u>	<u>984,738,130</u>
LIABILITIES			
Advance from Ministry of Finance	2	8,731,630,794	8,731,630,794
Bank overdraft	1	4,736,069,115	4,736,069,115
Accounts payable	2	998,270,813	998,270,813
		<u>14,465,970,722</u>	<u>14,465,970,722</u>

### Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

(i) Financial instruments where the carrying amounts are equal to fair values:- Due to their short-term maturity, the carrying amounts of certain financial instruments are assumed to approximate their fair values. These include accounts receivables and prepayments, cash on hand and at bank, advance from Ministry of Finance, accounts payables and bank overdraft.

(ii) Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Management determines depreciation rates sufficient to write off the costs of assets over their useful lives.





July 19<sup>th</sup>, 2019

**Ms. Eondrene Thompson**  
**General Manager**  
**Guyana Gold Board**  
**68 Upper Brickdam**  
**Georgetown**  
**Guyana.**

Dear Ms. Thompson

**AUDIT OF THE FINANCIAL STATEMENTS OF**  
**GUYANA GOLD BOARD**  
**FOR THE YEAR ENDED 31 DECEMBER, 2018**

The audit of the books and accounts of Guyana Gold Board for the year ended 31 December 2018, has resulted in the following report which is forwarded for the comments and such actions as considered necessary.

We have examined certain aspects of the company's system of internal accounting controls and made recommendations on possible ways in which the system might be improved to overcome the weaknesses which we observed during the examination.

It must be appreciated that the matters dealt with in this report came to our notice during conduct of our normal audit which was designed primarily to enable us to express an opinion on the company's financial statements. Our comments cannot, therefore, be expected to include all possible improvements in the internal control which a more extensive special examination may develop.

The audit was conducted in accordance with the International Standards on Auditing, issued by the International Federation of Accountants (IFAC). These standards required that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement.



## **Background**

The Guyana Gold Board was formed under the Act of Parliament which is referred to as the Guyana Gold Board Act 1981.

Its principal activities as defined in Section 4 are as follows :-

- ✓ To carry on the business of trading in gold ;
- ✓ To secure at all times an adequate supply of gold and to ensure its equitable distribution in Guyana at fair prices.
- ✓ To purchase all gold produced in Guyana;
- ✓ To sell all gold in and out of Guyana;
- ✓ To engage in other related commercial or industrial activities.

Under regulation 4 of 1997 made under the Guyana Gold Board Act 1981, the Board may issue an authorization to possess, sell or export gold produced in Guyana. The gold held by dealers can either be exported or sold to the Board directly.

## **Scope and Methodology**

In conducting financial and compliance audits, our office examined in such manner as we deemed necessary the relevant financial statements and accounts to ascertain whether:

- The financial statements have been properly prepared in accordance with applicable accounting standards and properly present the operations and affairs of Guyana Gold Board.
- The accounts have been faithfully and properly kept.
- The rules, procedures and internal management controls are sufficient to secure effective control on the assessment, collection and proper allocation of revenues and valuation and security of inventories held by the Board.
- All monies expended and charged to an account have been applied to the purpose or purposes for which they were intended.
- Essential records are maintained and the internal controls and the rules and procedures established and applied were sufficient to safeguard the control of current assets of the Board.



## **FINDINGS AND RECOMMENDATIONS**

### **PRIOR YEAR MATTERS NOT RESOLVED**

#### **1. ADMINISTRATIVE EXPENSES - NRE**

##### **Finding**

During the year under review, the Board expended the sum of ten million eight hundred and thirty five thousand six hundred and sixty eight dollars (\$10,835,668) as payroll expenses on behalf of the Ministry of Natural Resources as shown in note 6 of the financial statements. According to our examination, the related expenses were not solely and exclusively incurred on the operations of the Board and as such deemed ineligible expenditure.

Further, audit inquiry revealed there is no share agreement between Guyana Gold Board and Ministry of Natural Resources for such expenditure which has been recurring since 2012.

This matter was discussed previously by the Board of Directors.

##### **Effect**

Profits may be overstated in the financial statements.

##### **Recommendation**

We recommend that management ensure that expenditures incurred and paid by Guyana Gold Board are solely and exclusively for the generation of income as previously mentioned in our reports.

##### **Management Response**

This situation is in existence since 2012 where then Minister of Natural Resources instructed the Board of Directors to facilitate same.

The General Manager has requested the Board of Directors intervention in getting the Ministry to reverse the decision and have the employees remove off GGB's payroll. There is ongoing discussion on this issue, however as at December 31, 2018 there has been no positive outcome.



## **2. TAXATION**

### **Finding**

Our inquiry from management indicated that the Guyana Gold Board is exempt from Corporation and Property taxes. However, we were unable to ascertain this from the Governing Act. The Guyana Gold Board has not paid nor accrued for taxes in the financial statements since its formation.

It should be noted that this matter was mentioned in previous reports of the auditors.

Management promised to write the Commissioner General of Guyana Revenue Authority on this matter. To date, we have not received copy of communication between the Guyana Gold Board and the Guyana Revenue Authority.

### **Effect**

Profits and liabilities may be overstated/understated in the financial statements.

### **Recommendation**

We recommend that senior management carry out urgent dialogue with the Guyana Revenue Authority to finalise the critical matter as soon as possible.

### **Management Responses**

No correspondence was sent, instead this matter was raised at a meeting between the General Manager and one of the Deputy Commissioners of GRA to clarify the issue of GGB's exemption from Corporation Tax. The matter was adequately explained, however GRA officer promised to present GGB with a document to substantiate same. Efforts would be made to receive that document.



### **3. DISPOSAL OF NON – CURRENT ASSETS**

#### **Finding**

The Board disposed non- current assets totaling twenty one million, nine hundred and eighteen thousand six hundred and ninety one dollars (\$21,918,691) and one hundred and seventy thousand and one hundred and seventy two dollars (\$170,172) for the year ended 31 December 2017 & 2018 respectively. However, based on audit review such disposals were not approved by the Board of Directors.

#### **Effect**

There could be loss of income from unauthorized disposals.

#### **Recommendation**

We recommend that management ensure that assets to be written off are approved by the Board of Directors. Further, standard operating procedures should be implemented as soon as possible.

#### **Management Response**

The Board has knowledge of all disposal of assets, since they are reflected in the Financial Statements submitted to the Board for review and discussion.



## **CURRENT YEAR MATTERS NOW REPORTED**

### **1. RECRUITMENT**

During the period under review, the company's Legal and Compliance Officer proceeded on scholarship in the United Kingdom with the position being vacant. The Guyana Gold Board requested assistance from the Attorney's General Chambers to have this position filled in shortest possible time. According to the terms of reference (TOR), minimum qualifications for this post were:-

- A law degree, successful completion of bar examinations plus five (5) years' experience practicing law.
- Certification in Association of Certified Money Laundering Specialist (ACAMS).

The Board subsequently appointed Ms. Tessa Oudkerk as the Legal and Compliance Officer in November 2018.

### **Findings**

Audit checks revealed that:

- Copies of certificates of achievement and membership in associations were not maintained in employee personnel file.
- No documentation to substantiate duties performed at previous employment was seen in the file.
- We were unable to determine if Ms. Oudkerk was admitted to practice by the High Court as required by the Terms of Reference (TOR).

### **Effect**

We were unable to determine whether employee possessed the required qualifications and experience as required under the TOR due to absence of records on file.

### **Recommendation**

We recommend that management ensure that all requisite records of achievements and qualifications including testimonials from previous employer are maintained on employee's personnel file.



## **Management Response**

GGB's Legal/Compliance Officer, Ms. Stacy Weever left at a very short notice since she was an awardee of the British Chevening scholarship. The Board was advised to seek a possible replacement from the Attorney General's Chambers, which was done.

The transition was not quite smooth since initially it was intended to be a secondment. While Ms. Tessa Oudkerk's appointment was made in November 2018, GGB was still in process of compiling her file when the Admin manager proceeded on maternity leave. Moreover owing to the fact that Ms. Oudkerk came from AG's chambers, it was only a matter of requesting her file.

There are correspondences in the personal file requesting final payment certification.

## **2. DEALERS' LICENSES**

During the year 2018, the Guyana Gold Board approved eight (8) dealers' licenses to buy and sell gold including export of gold. We examined all of the eight (8) files of 2018 together with nine (9) approved dealers' licenses files for the year 2019.

### **For the Year 2018**

Based on our audit review Dealers' files contained all basic requirements such as business plans, financial statements, forecast, NIS and GRA compliances, incorporation documents and identification of directors.

However, no checklist was seen.

### **For the Year 2019**

This year, a basic checklist was implemented to ensure that all required documentations were maintained on dealers' files. Standard documentations required as per the checklist are proof of address, identification, financial statements, business plans maintained on file.



## **Findings**

- There were no documented standard operating procedures offering guidance for approval and issuing of dealers' licenses.
- There was no documented evidence of interviews conducted by the Board of Directors of Guyana Gold Board prior to issuance of dealers' licenses in 2018. Moreover, in year 2019, no objection was sought from the Honorable Minister of Natural Resources as required, except in one (1) of the nine (9) dealers' files, evidence of no objection was on file.
- Most of the Dealers' licenses were renewed within two (2) months of preceding year after the life of license comes to an end on 31 December, each year. Based on audit checks, transactions of significant values were processed for both purchases and export of gold by dealers before the formal renewal of licenses. Such transactions took place before renewals have effected for 2018 and 2019.

**Please refer to Appendix 1**

- There were two (2) instances where compliance officer employed by dealers were performing dual roles.

**Please refer to Appendix 2**

## **Effects**

- A Compliance Officer should be independent from management, as the functions are different in nature.
- Absence of standard operating procedures and record keeping could affect transparency in the process of approving dealers' licenses.

## **Recommendations**

We recommend that Management implement the following:

- i. a follow up on current efforts being made by the legal and compliance officer of the Board, on a regular basis inform and sensitize dealers' on the requirements of AML/CFT Act 2009 and regulations 2010.
- ii. temporary permissions issued to dealers' before formal renewals of licenses.
- iii. efforts should be made to maintain adequate documentations to support the review and approval of dealers' licenses.



## **Management Response**

It has been the norm to give the criteria checklist to the prospective dealers along with the application form, however for enhanced record keeping it was advised that the checklist be posted in the individual files denoting the date the documents were submitted.

### **3. ACQUISITION OF NON-CURRENT ASSETS**

#### **Findings**

For the period under review, the company acquired non-current assets totaling G\$49,313,198 as shown in note 8 of the financial statements. Of this amount, the sum of G\$ 8,145,930 for the purchase of generator set of G\$7,665,930 and the supply and installation of CCTV cameras of G\$480,000 respectively, were acquired using sole sourcing method of procurement together with the absence of quotations for comparability of prices and terms and conditions of purchase.

Included in the total amount mentioned above, the sum of G\$16,831,000 for electrical works at the new location in Queenstown and acquisition of mercury abatement system was carried by a contractor without an official contract document between the contractor and Gold Board.

Currently, the Board is experiencing significant delays with the contractor in the completion and handing over of the mercury abatement system with 50% of the amount due remain unpaid.

#### **Effects**

- i. In the absence of a signed contract defining specific terms and standards of performance applicable, it may be difficult to impose upon the contractor penalties to carry out remedial works as required.
- ii. In the absence of standard operating procedures for the procurement of Goods, Services and Works, the Board may not benefit from best price and quality from suppliers/contractors.

#### **Recommendation**

We recommend that management prepare standard operating procedures for procurement of Goods, Services and Works to be approved by the Board of Directors and such procedures to be followed as a matter of course.



### **Management Responses**

1. Contractor Whyte has completed a number of Government projects and is known, and trusted for quality and timely delivery.
2. Security concerns due to the nature of GGB's operations were the main reason why Whyte was contracted.
3. MNR had on two separate contracts approved by NPTAB for electrical generators to be supplied by Farm Supplies hence the decision to source the generator from there.
4. All civil and electrical works were certified by independent Government engineers.
5. Pursuant to Section 28 subsection 'C' pg 24 of the procurement Act. Single sourcing is permitted under emergency circumstances – March 24, 2018 GGB was facing a catastrophic set of circumstances that necessitated single sourcing.
6. The CCTV Cameras were just relocated from the GGMC compound where GGB was once located. Since the Offices occupies more space that was used up in the GGMC's compound a few additional 'eyes' had to be purchased.

### **4. CONCLUSION**

This report is intended for the information and use of the management of Guyana Gold Board and is not intended to be and should not be used by anyone else.

We wish to express our gratitude for the cooperation given to our staff during the course of the audit.

**Yours faithfully,**

  
.....  
**Maurice Solomon**  
**Managing Partner**



## Appendix 1

<u>Dealer's Name</u>	<u>2018</u>		<u>2019</u>	
	<u>Date license approved.</u>	<u>Value of transactions occurred after 31 December 2017 to date of license approved.</u>	<u>Date license approved.</u>	<u>Value of transactions occurred after 31 December 2018 to date of license approved.</u>
1. GBTI Property Holdings	January 29, 2018	Local purchase: G\$45,360,469 Export: USD\$803,036.56	January 9, 2019	Local purchase: G\$2,712,360
2. Excel Minerals Incorporated	February 8, 2018	Local purchase: G\$117,799,071 Export: USD \$496,173.84	January 30, 2019	Local purchase: G\$70,413,382
3. Dinar Trading	January 29, 2018	Local purchase: G\$300,886,861 Export: USD\$1,232,961.57	January 9, 2019	Local purchase: G\$65,966,361 Export: USD:\$1,237,528.65
4. Gold Bar Development and Consulting Inc.	January 29, 2018	Nil	February 1, 2019	Nil
5. Pure Diamond Inc.	January 31, 2018	G\$212,457,889	January 9, 2019	Local Purchase: G\$70,929,21
6. Mohamed's Enterprise	March 1, 2018	Local purchase: G\$1,685,716,030 Export USD:\$26,339,068.28	January 9, 2019	Local purchase: G\$592,807,589
7. Eldorado Trading	January 31, 2018	Local Purchase: G\$2,617,897,677 Export: USD:\$4,942,159	January 11, 2019	Local purchase: G\$273,865,710 Export: USD:\$5,168,800
8. Aldophus Mining Inc.	-	-	March 26, 2019	Nil
9. Adamantium Metals	January 31, 2018	Nil	January 9, 2019	Local Purchase G\$68,661,686



## Appendix 2

Based on audit examination of Dealers' Organisation structures, the compliance officer was performing other management functions.

<b>Dealer's Name</b>	<b>Acting as well as Compliance Officer</b>
1. Dinar Trading	Accountant
2. Excel Mineral Incorporation	Mr Vanderson Alves De Alencar – Beneficial Owner
3. Pure Diamond Inc.	Chief Accountant