

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

**FOR THE YEAR ENDED
31 DECEMBER 2019**

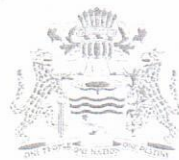
**CONTRACTED AUDITORS: MAURICE SOLOMON & CO.
92 ORONOQUE STREET
QUEENSTOWN
GEORGETOWN**

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

**AUDITED FINANCIAL STATEMENTS OF THE
GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER 2019**

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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>

41/SO:13/2/2021

25 March 2021

Ms. Eondrene Thompson
General Manager
Guyana Gold Board
133 Crown and Albert Streets,
Georgetown.

Dear Ms. Thompson,

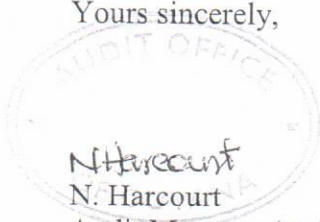
AUDIT OF THE FINANCIAL STATEMENTS OF
THE GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER 2019

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,


N. Harcourt
N. Harcourt
Audit Manager (ag.)



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AG: 20/2021

25 March 2021

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 2019

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 2019, and 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 on pages 4 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 2019 and 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 fifteen million, five hundred and fifty-eight thousand six hundred and thirty-seven dollars (\$15,558,637) 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 expenditure and defined 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 2019**

MSC 01/2021

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 2019, 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, 2019, 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 fifteen million, five hundred and fifty- eight thousand six hundred and thirty-seven dollars (G\$15,558,637) 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 expenditure and defined 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

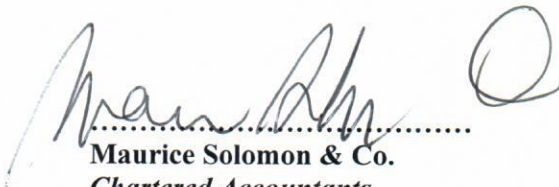
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

A handwritten signature in dark ink, appearing to read 'Maurice Solomon & Co.', is written over a dotted line. To the right of the signature is a large, circular handwritten mark.

Maurice Solomon & Co.
Chartered Accountants
March 23, 2021


GUYANA GOLD BOARD

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

ASSETS	<u>Notes</u>	<u>2019</u> G\$	<u>2018</u> G\$
Non-Current			
Plant and Equipment	8	79,653,021	105,833,032
Current Assets			
Inventories	9	3,472,062,281	4,882,603,015
Accounts Receivable and Prepayments	10	127,882,302	839,093,171
Cash and Bank	11	508,569,180	793,000,200
		<u>4,108,513,763</u>	<u>6,514,696,385</u>
TOTAL ASSETS		<u>4,188,166,783</u>	<u>6,620,529,417</u>
EQUITY AND LIABILITIES			
Equity			
Government Contribution	12	108,577,100	108,577,100
Accumulated Deficit		(10,486,700,338)	(9,678,929,555)
		<u>(10,378,123,238)</u>	<u>(9,570,352,455)</u>
NON-CURRENT LIABILITIES			
Advance from Ministry of Finance	13	8,731,630,794	8,731,630,794
CURRENT LIABILITIES			
Accounts Payable	14	1,330,803,618	1,260,619,707
Bank Overdraft (unsecured)	15	4,503,855,609	6,198,631,371
		<u>5,834,659,227</u>	<u>7,459,251,078</u>
TOTAL EQUITY AND LIABILITIES		<u>4,188,166,783</u>	<u>6,620,529,417</u>

These financial statements were approved by the Board of Directors on **MAR 22 2021** on behalf of the Board:



 Director
 3/22/21



 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 2019

	<u>Notes</u>	<u>2019</u> G\$	<u>2018</u> G\$
Sales	3	23,432,860,424	21,668,249,146
Cost of Sales	4	<u>(24,015,934,050)</u>	<u>(21,085,542,808)</u>
Gross Profit/(Loss)		(583,073,626)	582,706,338
Other Income	5	<u>188,456,251</u>	<u>197,567,148</u>
Operating Profit/(Loss)		(394,617,375)	780,273,486
Administrative Expenses	6	<u>(413,153,408)</u>	<u>(357,954,150)</u>
Profit/(Loss) for the year	7	<u><u>(807,770,783)</u></u>	<u><u>422,319,336</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 2019

Operating Activities	2019	2018
	G\$	G\$
Profit for the year	(807,770,783)	422,319,336
Adjustment for:		
Loss on Disposal of Plant & Equipment	18	6,256
Depreciation	30,631,923	36,661,213
Operating profit before working capital changes	(777,138,842)	458,986,805
Decrease/ (Increase) in inventories	1,410,540,734	(1,394,042,215)
(Increase)/decrease in accounts receivable and prepayments	711,210,869	(798,385,054)
Increase in accounts payable	70,183,911	262,348,894
Net cash used in operating activities	<u>1,414,796,673</u>	<u>(1,471,091,569)</u>
Investing Activities		
Purchase of plant and equipment	(4,451,930)	(49,313,198)
Net cash used in investing activities	<u>(4,451,930)</u>	<u>(49,313,198)</u>
Net decrease in cash and cash equivalents	1,410,344,743	(1,520,404,767)
Cash and cash equivalents at the beginning of the year	(5,405,631,171)	(3,885,226,404)
Cash and cash equivalents at the end of the year	<u>(3,995,286,429)</u>	<u>(5,405,631,171)</u>
Cash and cash equivalents comprise of:		
Cash on hand and at bank	508,569,180	793,000,200
Bank overdraft - unsecured	(4,503,855,609)	(6,198,631,371)
	<u>(3,995,286,429)</u>	<u>(5,405,631,171)</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 2019

	Government Contribution G\$	Accumulated Deficit G\$	Total G\$
Balance at 1 January 2018	108,577,100	(10,101,248,891)	(9,992,671,791)
Changes in Equity 2018			
Profit for the year	-	422,319,336	422,319,336
Balance as at 31st December 2018	<u>108,577,100</u>	<u>(9,678,929,555)</u>	<u>(9,570,352,455)</u>
Changes in Equity 2019			
Loss for the year	-	(807,770,783)	(807,770,783)
Balance as at 31st December 2019	<u><u>108,577,100</u></u>	<u><u>(10,486,700,338)</u></u>	<u><u>(10,378,123,238)</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 2019

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 2019 - nine (9) - 2018-eight (8) 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 2019

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 2019

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 2019

	2019 G\$	2018 G\$
3. Sales		
Local Sales	150,442,958	113,490,132
Foreign Sales	<u>23,282,417,466</u>	<u>21,554,759,014</u>
	<u>23,432,860,424</u>	<u>21,668,249,146</u>
4. Cost of Sales		
Inventory at 1 January	4,882,603,015	3,488,560,801
Purchases	22,542,015,379	22,433,099,816
Shipping and refining costs	<u>63,377,937</u>	<u>46,485,206</u>
	27,487,996,331	25,968,145,823
Inventory at 31 December	<u>(3,472,062,281)</u>	<u>(4,882,603,015)</u>
	<u>24,015,934,050</u>	<u>21,085,542,808</u>
5. Other Income		
Sale of silver	11,210,001	17,320,876
Lease income	1,790,696	3,263,767
Miscellaneous income	74,227,254	63,099,396
Exporter's licence Fee (Dealers)	18,000,000	16,000,000
Processing Fees	83,228,300	91,841,700
Option premium	-	6,041,409
	<u>188,456,251</u>	<u>197,567,148</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

6. Administrative Expenses	2019 G\$	2018 G\$
Insurance	18,458,193	18,495,130
Employment costs	186,502,447	143,039,829
Depreciation	30,631,923	36,661,213
Audit Fee	2,820,420	2,700,000
Security	41,945,205	34,793,036
Motor vehicle maintenance	977,231	977,452
Sample tests	-	1,285,500
Stationery and supplies	8,611,813	6,843,269
Others	63,141,121	39,210,324
Gold burning	4,923,347	3,711,001
Office maintenance	3,112,872	2,084,097
Meal allowances	3,330,545	3,573,145
Staff welfare and training	1,952,970	4,391,334
Telephone, internet and telex	6,430,650	6,569,554
Gifts, donations and hospitality	4,290,934	3,656,462
Stamp expenses	5,474,392	4,650,389
Advertisement	504,336	1,058,942
Repairs to equipment and furniture	1,256,267	2,498,836
Bank charges	1,728,423	1,333,243
Entertainment-others	2,125,071	3,155,817
Medical expenses	5,880,490	5,162,905
Admin Exp-NRE	15,558,637	10,835,668
Repairs & maintenance-office	-	272,002
Directors' fees	2,619,420	1,782,000
Relocation	-	16,322,463
Health and Safety	-	81,092
Special Projects	876,701	2,809,447
	<u>413,153,408</u>	<u>357,954,150</u>
 7. Net Profit/(Loss) for the year	 (807,770,783)	 422,319,336
After charging:		
Depreciation	30,631,923	36,661,213
Directors fees (see note 6)	2,619,420	1,782,000
Auditor's Remuneration	<u>2,820,420</u>	<u>2,700,000</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

8. Plant and Equipment

	<u>Furniture, Fixtures & Fittings</u> G\$	<u>Office Equipment</u> G\$	<u>Computer & Short Life Assets</u> G\$	<u>Motor Vehicles</u> G\$	<u>Firearms</u> G\$	<u>Computer Software</u> G\$	<u>Lab & Smelting Room</u> G\$	<u>Charity Office</u> G\$	<u>Renovation of Office Space</u> G\$	<u>Total 2019</u> G\$	<u>Total 2018</u> G\$
<u>Cost/Valuation</u>											
At 1 January 2019	13,392,986	173,309,949	9,026,461.00	20,350,001	489,016	47,402,940	12,532,602	7,933,080	18,396,658	302,833,693	253,690,667
Additions	732,091	1,164,125	2,555,714	-	-	-	-	-	-	4,451,930	49,313,198
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	(72,500)	-	-	-	-	-	-	-	(72,500)	(170,172)
At 31 December 2019	14,125,077	174,401,574	11,582,175	20,350,001	489,016	47,402,940	12,532,602	7,933,080	18,396,658	307,213,123	302,833,693
<u>Depreciation</u>											
At 1 January 2019	6,690,077	102,810,348	5,195,483	20,350,000	489,016	38,527,048	12,433,406	5,949,815	4,555,468	197,000,661	160,503,365
Charges for the Year	1,353,623	20,854,841	2,000,041	-	-	4,511,950	-	991,636	919,832	30,631,923	36,661,212
Charges Written Back	-	(72,482)	-	-	-	-	-	-	-	(72,482)	(163,916)
Transfer	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	8,043,700	123,592,707	7,195,524	20,350,000	489,016	43,038,998	12,433,406	6,941,451	5,475,300	227,560,102	197,000,661
<u>Net Book Values</u>											
At 31 December 2019	6,081,377	50,808,867	4,386,651	1	-	4,363,942	99,196	991,629	12,921,358	79,653,021	-
At 31 December 2018	6,702,909	70,499,601	3,830,978	1	-	8,875,892	99,196	1,983,265	13,841,190	-	105,833,032

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

9. Inventories	2019	2018
<u>Gold</u>	G\$	G\$
<u>Within Guyana</u>		
Laboratory	118,784,789	111,323,291
Bank of Guyana	574,104,612	418,564,065
Deposit in transit	-	-
Guyana Geology and Mines Commission	28,520,894	25,699,297
Gold available for sale	-	-
Local Sales - G/Town	16,475,041	20,835,306
Scotia Bank	-	34,954
Bartica	250,149,878	84,526,974
	<u>988,035,214</u>	<u>660,983,887</u>
<u>Outside Guyana</u>		
Techmet	2,462,352,960	
Royal Canadian Mint	15,393,346	4,221,619,128
	<u>3,465,781,520</u>	<u>4,882,603,015</u>
<u>Silver</u>		
Techmet	6,280,760	-
	<u><u>3,472,062,281</u></u>	<u><u>4,882,603,015</u></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\$ 24,012,699,018 (2018 G\$ 21,085,542,808).
- (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 2019

	2019 G\$	2018 G\$
10. Accounts Receivable and Prepayments		
Trade Receivables	37,322,963	822,019,478
Prepayments	90,559,339	17,073,693
	<u>127,882,302</u>	<u>839,093,171</u>
11. Cash on Hand and at Bank		
Republic Bank (Guyana) Limited	44,837,328	32,345,368
Citizen's Bank Guyana Limited	132,258,364	388,581,283
Bank of Guyana-US\$ account	326,974,037	367,486,448
Cash on Hand	4,499,451	4,587,101
	<u>508,569,180</u>	<u>793,000,200</u>
12. Government Contribution	<u>108,577,100</u>	<u>108,577,100</u>
13. Ministry of Finance	<u>8,731,630,794</u>	<u>8,731,630,794</u>
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.		
14. Accounts Payable		
	2019 G\$	2018 G\$
Trade Payables	133,583,999	143,525,593
Tax Payable	424,270,128	349,594,671
Royalties Payable	707,850,836	697,826,587
Accruals	8,902,096	16,984,943
Dealers Security Deposit	21,635,609	26,102,625
Others	34,560,950	26,585,288
	<u>1,330,803,618</u>	<u>1,260,619,707</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

	2019 G\$	2018 G\$
15. Bank Overdraft		
Bank of Guyana - Disbursement Account	4,503,855,609	6,198,631,371
Republic Bank - Current Account	-	-
	<u>4,503,855,609</u>	<u>6,198,631,371</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 un-presented 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

	2019 G\$	2018 G\$
Guyana Geology and Mines Commission (GGMC)		
Royalties collected and remitted during the year	6,083,334,530	4,410,489,159
Assay testing	-	3,952,560
Balance at year end - inventory	28,520,894	25,699,297
Balance at year end - assay	18,475,500	19,717,000
Royalties payable	707,857,686	697,826,587
Guyana Revenue Authority (GRA)		
Taxes collected and remitted during the year	3,509,064,344	2,214,436,730
Taxes payable	424,270,128	349,594,671
Bank of Guyana - Note 15	4,503,855,609	6,198,631,371
Balance at year end - cash at bank	326,974,037	367,486,448
Balance at year end - inventory	574,104,612	418,564,065
Ministry of Finance - Note 13	8,731,630,794	8,731,630,794

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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:

	2019	2018
	G\$	G\$
Short- term employee benefits	49,815,579	45,347,415
Directors emoluments	2,619,420	1,782,000
	<u>52,434,999</u>	<u>47,129,415</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 2019

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.

		Maturing 2019		
	Average Interest Rate %	Within 1 Year	Non-Interest Bearing	Total
		G\$	G\$	G\$
Assets				
Accounts Receivable and Prepayments	-	-	127,882,302	127,882,302
Cash and Bank	-	132,258,364	376,310,816	508,569,180
		132,258,364	504,193,118	636,451,482
Liabilities				
Bank Overdraft (unsecured)	-	-	4,503,855,609	4,503,855,609
Advance from Ministry of Finance	-	-	8,731,630,794	8,731,630,794
Accounts Payable	-	-	1,330,803,618	1,330,803,618
		-	14,566,290,021	14,566,290,021
Interest Sensitivity Gap		132,258,364		

		Maturing 2018		
	Average Interest Rate %	Within 1 Year	Non-Interest Bearing	Total
		G\$	G\$	G\$
Assets				
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
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
		-	16,190,881,872	16,190,881,872
Interest Sensitivity Gap		388,581,283		

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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			
	2019			
	On demand	Within 1 -5 years	Over 5 years	Total
Assets	G\$	G\$		G\$
Accounts Receivable and Prepayments	-	127,882,302	-	127,882,302
Cash and Bank	508,569,180	-	-	508,569,180
	508,569,180	127,882,302	-	636,451,482
Liabilities				
Bank Overdraft (unsecured)	-	4,503,855,609	-	4,503,855,609
Advance from Ministry of Finance	-	-	8,731,630,794	8,731,630,794
Accounts Payable	-	1,330,803,618	-	1,330,803,618
	-	5,834,659,227	8,731,630,794	14,566,290,021
Net Liabilities	508,569,180	(5,706,776,925)	(8,731,630,794)	(13,929,838,539)

	Maturing			
	2018			
	On demand	Within 1 year	Over 5 years	Total
Assets	G\$	G\$		G\$
Accounts receivable and prepayments	-	839,093,171	-	839,093,171
Cash on hand and at 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)

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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>2019</u>	<u>2018</u>
	G\$	G\$
Cash at Bank	504,069,729	793,000,200
Accounts Receivable (excluding prepayments)	37,322,963	822,019,478
Inventory held with third party (i)	3,086,652,572	4,695,917,444
Total credit risk exposure	<u>3,628,045,264</u>	<u>6,310,937,122</u>

The accounts receivable balances are classified as follows:

Current	3,018,771	784,324,119
Past due but not impaired	34,304,192	37,695,359
	<u>37,322,963</u>	<u>822,019,478</u>

Ageing of accounts receivable which was past due but not impaired

365+ days	<u>34,304,192</u>	<u>37,695,359</u>
-----------	-------------------	-------------------

(i) Inventory held with third parties were adequately insured at 31 December 2019 as such this will reduce the credit risk.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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\$
31 December 2019	
Assets	<u>2,811,001,103</u>
31 December 2018	
Assets	<u>4,589,105,576</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.

	2019 G\$	2018 G\$
Profit	<u>42,165,017</u>	<u>68,836,584</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 2019

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\$
2019			
Assets			
Accounts receivable and prepayments	127,882,302	-	127,882,302
Cash on hand and at bank	-	508,569,180	508,569,180
	<u>127,882,302</u>	<u>508,569,180</u>	<u>636,451,482</u>
Liabilities			
Bank overdraft (unsecured)	-	4,503,855,609	4,503,855,609
Advance from Ministry of Finance	-	8,731,630,794	8,731,630,794
Accounts payable	-	1,330,803,618	1,330,803,618
	<u>-</u>	<u>14,566,290,021</u>	<u>14,566,290,021</u>
	<u>Loans and Receivables</u>	<u>Financial Assets and Liabilities at Amortised Cost</u>	<u>Total</u>
	G\$	G\$	G\$
2018			
Assets			
Accounts receivable and prepayments	839,093,171	-	839,093,171
Cash on hand and at bank	-	793,000,200	850,842,711
	<u>839,093,171</u>	<u>793,000,200</u>	<u>1,632,093,371</u>
Liabilities			
Bank overdraft (unsecured)	-	6,198,631,371	18,932,012,512
Advance from Ministry of Finance	-	8,731,630,794	8,731,630,794
Accounts payable	-	1,260,619,707	818,486,500
	<u>-</u>	<u>16,190,881,872</u>	<u>16,190,881,872</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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	2019	
		<u>Carrying Amount</u>	<u>Fair Value</u>
		G\$	G\$
ASSETS			
Plant and equipment	2	79,653,021	79,653,021
Accounts receivables and prepayments	2	127,882,302	127,882,302
Cash and bank	1	508,569,180	508,569,180
		<u>716,104,503</u>	<u>716,104,503</u>
LIABILITIES			
Advance from Ministry of Finance	2	8,731,630,794	8,731,630,794
Bank overdraft	1	4,503,855,609	4,503,855,609
Accounts payable	2	1,330,803,618	1,330,803,618
		<u>14,566,290,021</u>	<u>14,566,290,021</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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	2018	
		<u>Carrying Amount</u>	<u>Fair Value</u>
		G\$	G\$
ASSETS			
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>
LIABILITIES			
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>

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.



March 18, 2021

Mr. Gobind Ganga
Chairman
Board of Directors
Guyana Gold Board
133 Crown and Albert Streets
Guyana.

Dear Mr. Ganga,

AUDIT OF THE FINANCIAL STATEMENTS OF
GUYANA GOLD BOARD
FOR THE YEAR ENDED 31 DECEMBER, 2019

The audit of the books and accounts of Guyana Gold Board for the year ended 31 December 2019, 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 Board'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 **fifteen million five hundred and and fifty eight thousand six hundred and thirty seven dollars (\$15,558,637)** as payroll expenses on behalf of the Ministry of Natural Resources as shown in note 6 of the financial statements. This payment represent employment costs for three (3) employees of the Ministry of Natural Resources.

In this regard, we unable to determine whether the Guyana Gold Board obtained benefits from three employees since directives are coming from the Ministry of Natural Resources. As such, the related expense could not be solely and exclusively incurred on the operations of the Board and therefore 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 and to date, no further actions taken to date.

Effect

Profits may be understated in the financial statements.

Recommendations

- i. 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.
- ii. Both agencies agreed to a Memorandum of Understanding transferring three (3) employees under the directives of Guyana Gold Board since the annual costs already incurred by the Board.

Management's response

This situation is in existence since 2012 where the then Minister of Natural Resources instructed the Board of Directors to facilitate same. The now General Manager has requested the Board of Directors intervention in getting the Ministry of Natural Resources to reverse the decision and have the employees off GGB's payroll. There is ongoing discussion on the issue, however as at December 31, 2019 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.

Recommendations

- i. This matter should be raised with the current Board of Directors and a formal letter should be address to the Minister of Natural Resources for information and any necessary action.
- ii. We also recommend that senior management carry out urgent dialogue with the Guyana Revenue Authority to finalise this critical matter as soon as possible.

Management's response

No correspondence was sent, instead this matter was raised at the 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, the GRA officer promised to present GGB with a document to substantiate same. Efforts would be made to receive that document.

- ii. We were unable to determine whether the Board followed any established procurement practice in the selection for architectural consultancy services based on the value and scope of works required for the implementation of this project. It came to our attention that a previous architect consultant, Rodriques Architects Ltd, was recruited by the Guyana Gold Board and his findings did not meet the approval of the Board of the Directors. Subsequently, KNA Construction was invited to make their presentation to the Guyana Gold Board and this was well received by the Board of Directors.
- iii. Further checks on the background of KNA Construction revealed the company registered on 31st May 2019 as a sole trader under the Business Registration Act of Guyana and after less than month received a contract for significant sum of money without adequate experience.
Kindly refer to Appendix 1
- iv. At the time of this report, a site visit made in February 2021 to the location at Lilliendaal, East Coast Demerara indicated that construction work had not commenced. The auditors made several calls to the Office of the Permanent Secretary of Ministry of Health for an update status on the construction of Guyana Gold Board/Ministry of Public Health offices but up to date of this report, no response was forthcoming. **Kindly refer to pictures below:**

Picture 1



Further, a detailed review of the evaluation report only shows three (3) of seven (7) bids were considered for technical and financial evaluation, thus we were unable to determine reason(s) for disqualification of the other four (4) bids. It should be noted three of four disqualified bids were below the engineer's estimate by approx. G\$195.5M.

- vi. Payment amounting to \$10,397,200 made by the Guyana Gold Board to KNA Construction was not recovered from the Ministry of Health. This amount represents the proportion that relates to the construction of the proposed building of the Ministry of Health at Liliendaal, East Coast Demerara.

Recommendation

Recover outstanding monies totaling \$10,397,200 from the Ministry of Health as soon as possible

Management's responses

Rodriques Architect Ltd and KNA Construction were both invited to submit to the Board of Directors their architectural plans to fit the Guyana Gold Board and Ministry of Public Health buildings on the Plot of land located at Lilliendaal, East Coast Demerara.

Only KNA Construction submitted a proposal to the Board of Directors and same was well received. This led to their initial selection to complete the architectural drawings for the Guyana Gold Board/Ministry of Public Health buildings and for which payments were made. Additionally it must be understood that any architect providing quotes to the Board would have charge for it, since it would have involved some amount of labour hours to provide drawings of some sort or the other.

Impressed with their work, the Board of Directors decided to retain the services of KNA and they were awarded the contract to be GGB's building consultant on the project which included preparation of the architectural drawings for which payment were already made.

The initial payments made to KNA Construction for preparation of the architectural drawings were agreed to by both GGB and KNA to form part of the payment under the new contract, Hence it would appear the sums paid before the signing of the contract.

KNA Construction was registered on May 31, 2019 in Guyana, however Mr. Stephens has another similar company in Barbados which was founded in 2008 (KNA Construction and Investment Inc.). Listed below are a few projects Mr. Stephens has completed in Guyana within recent years.

- Repsol Building in Duke Street
- Eddie Grant's home on Two Brothers Island
- Aruwai Resort
- New Modern Hotel in Bartica

Big Boss Transportation: Provision for clearing and cleaning services (reference to point c above)

The findings were as follows:

The Guyana Gold Board awarded a contract valued \$4m to Big Boss Transportation Service for the clearing of land for the construction of head office at Liliendaal, East Coast Demerara. Audit examination revealed the Board did not follow any established procurement practice such as using three quotes system before the selection of contractor, Big Boss Transportation Service.

Recommendation

Develop a procurement manual for Goods, Works and Services outlining contract values, procedures and authorization. This manual should reflect similar conditions set out in national Procurement Act of 2003 and its amendments.

Management's responses

The awarding of the contract for clearing of the construction site at Lilliendaal, East Coast Demerara was undertaken by the Ministry of Natural Resources. The Ministry of Natural Resources was at said time undertaking a project of a similar nature and had received quotes from several different contractors. Big Boss Transportation submitted the lowest quote and hence he was selected.

Integrated Networks: Provision of network and infrastructure, development, installation and implementation services (reference d above)

The findings were as follows:

- i. The contractor (Integrated Networks) entered into a formal contract dated June 12, 2019 with the Guyana Gold Board for the supply of computer servers, networking, installation, testing and training for a total value of G\$16,660,800. The terms and conditions of the contract were properly administered by the management, however, we were unable to determine whether management followed established procurement practice such as using three quotes system or competitive bidding before the selection of the contractor, Integrated Networks.

Recommendation

Develop a procurement manual for Goods, Works and Services outlining contract values, procedures and authorization. This manual should reflect similar conditions set out in national Procurement Act of 2003 and its amendments.

Management's responses

Quotes were received from G4S, Compudel Business & IT Solutions and Integrated Networks and Integrated Networks. Integrated Network was selected as it submitted the lowest quote and was also local company. Compudel in 2018 had completed work for the GGB of a similar nature, however they were found to be unreliable. G4S was not selected as they were more expensive and preference was given to local content.

Axis Guyana Inc: Provision of a regulatory compliance management system for natural resource sector (reference to point a above)

The findings were as follows:

- i. During the year 2019, acting on the instruction of a Cabinet instruction on March 14, 2019, the Guyana Gold Board entered into formal contract on 8th August 2019 with Axis Guyana Inc. for the implementation of a Regulatory Compliance System for the Natural Resources Sector which included the following agencies: E/Gov/Tech, Guyana Gold Board, Guyana Geology and Mines Commission, Guyana Revenue Authority, Bank of Guyana, Financial Intelligence Unit, Forestry Commission, State Asset Recovery Agency and Special Organised Crime Unit.

According to the contract, the amount of US\$288,000 represented one year cost for subscription payable in quarterly installments. At the time of this report, total payments of US\$100,800/G\$20,964,384 paid to Axis Guyana Inc. where management had nothing in their possession to show the benefits derived from total payments made.

- ii. The General Manager expressed her discomfort at a previous Board of Directors meeting held on October 16, 2019 with the exorbitant contract price and how this cost can be burdensome for the Guyana Gold Board. The then Chairman of the Board of Directors insist that this project should move forward and Head of Agencies must accomplish goal of task assigned. During the audit, it came to our attention that processing of further payments were placed on hold by the instruction dated August 21, 2020 by the Honorable Minister, Mr. Vickram Bharat, Ministry of Natural Resources.
- iii. Further review of this contract, revealed several inconsistencies that infringed our tax Laws of Guyana:-
 - There is a provision for exemption of taxes and duties on the importation of two off-road and two one-road vehicles. Similarly, under this contract, the company also requested exemption of corporation taxes for the first three years of operations.
 - Audit enquiry was made to the Guyana Office for Investment (GO-INVEST) to determine whether Axis Guyana Inc. sought approval for tax exemptions and waiver of duties. However such recommendations for approval was not made by GO-INVEST.

Effects

- i. The Board did not comply with established procurement practice such as three quotes system nor competitive open tender process for the supply of services.
- ii. The Guyana Gold Board did not receive value for money with regards to the provision of deliverables set out in contract between Axis Guyana Inc. and Guyana Gold Board.

Recommendation

We recommend that this matter should be raised with the current Board of Directors and a formal letter should be addressed to the Minister of Natural Resources for a resolution.

Management's responses

The Axis project was in its infancy stage where information regarding the GGB's reporting needs and expectations of the Regulatory Compliance System were discussed with Axis Guyana Inc. It is therefore premature to expect any fiscal benefit at this stage.

Further, during the last consultation held in February, 2020 between Axis and management of GGB, they presented had the features and functionalities discussed during previous consultations with minor changes requested to make the system even more user friendly.

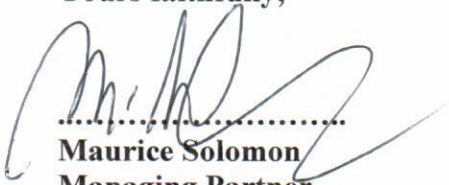
The changes requested were supposed to be made and an adjusted system presented to be management of GGB on Axis next consultation visit, however this did not materialize due to the unstable political environment and the COVID 19 shut down in 2020. GGB is currently exploring the possibility of Axis Guyana Inc. developing a system specifically for the GGB based on the positive feedback received from the management team.

3. 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,



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Maurice Solomon
Managing Partner

2019

GUYANA

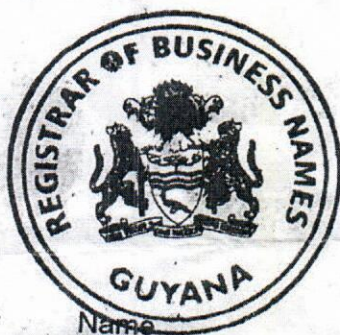


CERTIFICATE NO.: 170886

BUSINESS NAMES (REGISTRATION ACT, CHAPTER 90:05)

CERTIFICATE OF REGISTRATION

I HEREBY CERTIFY that a statement containing the prescribed particulars for registration furnished by K.N.A CONSTRUCTION of LOT 64, HADFIELD STREET , WERK-EN-RUST , GEORGETOWN , 4, GUYANA pursuant of Section 5 of the above-mentioned Act was registered on the 30th day of May, 2019.



Dated this 31st day of May, 2019

[Signature]
Registrar of Business Names
Office of Registrar of Business Names,
Georgetown, Demerara.

Name
GILLES STEPHEN

Address

LOT 64, HADFIELD STREET , WERK-EN-RUST ,
GEORGETOWN , GUYANA

Attention is drawn to Section 8 of the Business Names (Registration) Act, Chapter 90:05.

8. Whenever a change is made or occurs in any of the particulars registered in respect of any firm or person that firm or person shall within fourteen days after the change or any longer period allowed by the Registrar on application made in any particular case, whether before or after the expiration of the fourteen days, furnish by sending by post or delivery to the Registrar in the Country in which the aforesaid particulars are registered a statement in writing in the prescribed form specifying the nature and date of the change signed and where necessary verify, in like manner is the statement required on registration.

Pursuant to the Business Name (Registration) (Amendment) Act No. 3 of 2013. This registration ceases on 30th May 2020. If this registration is renewed on the 30th May 2020 or not later than 30th May 2020.