

First Report
of the
Public Accounts
(Enterprises) Committee,
Third Session, 10th Parliament
on the
Caribbean New Media Group
(CNMG) Limited
[Examination of the Audited
Financial Statements for the year
ended December 31, 2008.]

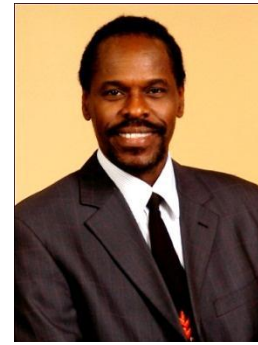
Ordered to be printed in the House of Representatives and Senate

Table of Contents

	Page
Members of the PA(E)C	3
Executive Summary	4
Chapter 1 – The Committee	5
Chapter 2 - Report on Entity Examined	7
Chapter 3 - Specific Recommendations	11
Chapter 4 - General Recommendations	13
Appendix A – Minutes of Meetings	

**MEMBERS OF THE PUBLIC ACCOUNTS
(ENTERPRISES) COMMITTEE –**

TENTH PARLIAMENT,
REPUBLIC OF TRINIDAD AND TOBAGO



Mr. Fitzgerald Hinds
Chairman



Mr. Errol McLeod
Member



Mrs. Paula Gopee-Scoon
Member



Mr. Herbert Volney
Member



Mr. Colm Imbert
Member



Mr. Rudranath Indarsingh
Member



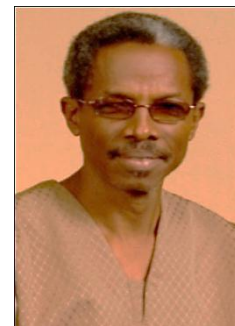
Mr. Fazal Karim
Member



Dr. Bhoendradatt Tewarie
Member



Mr. Basharat Ali
Member



Mr. Embau Moheni
Member

Executive Summary

The First Report of the Public Accounts (Enterprises) Committee (P.A.(E).C) of the Tenth Parliament examines the following entity:

The Caribbean New Media Group Limited on its audited financial statements for the year ended December 31, 2008;

Chapter 1 presents details of the Public Accounts (Enterprises) Committee established in the Tenth Republican Parliament, the Election of Chairman and determination of the Committee's Quorum. It also includes the particulars of Meetings held with the entity under report and the Staff of the Committee.

The work undertaken by your Committee, including the main issues, findings and recommendations of your Committee in respect of the above-named entity are contained within Chapter 2 of this Report.

Based on the general work undertaken by the Public Accounts (Enterprises) Committee, Chapter 3 lists the general recommendations presented by your Committee, for the consideration of the House of Representatives and the Senate.

The supporting Minutes of Meetings and other documents are Appended.

CHAPTER 1

THE COMMITTEE

The Public Accounts (Enterprises) Committee [P.A.(E).C] established under Section 119(5) of the Constitution of the Republic of Trinidad and Tobago is mandated to consider and report to the House of Representatives accordingly on:

“the audited accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by or on behalf of the state; and

the Auditor General’s Report on any such accounts, balance sheets and other financial statements.”

1.1 Establishment, Election of Chairman and Determination of Quorum

The Public Accounts (Enterprises) Committee of the Tenth Republican Parliament was established by resolutions of the House of Representatives and the Senate at sittings held on Friday September 17, 2010 and Tuesday October 12, 2010 respectively.

Your Committee held its first meeting on Tuesday October 26, 2010. At this meeting your Committee elected Mr. Fitzgerald Hinds as Chairman, in accordance with Section 119(6) of the Constitution of the Republic of Trinidad and Tobago.

At that same meeting, your Committee also resolved that its quorum should comprise of six (6) Members, inclusive of the Chairman and any other Opposition Member.

At your Committee’s second meeting, held on Tuesday November 16, 2010, by agreement, the quorum was reduced to five (5) Members, with no change to the composition.

1.2 Change in Membership

Following the establishment of the Committee, by resolution of the House of Representatives made on April 01, 2011, Mrs. Paula Gopee Scoon was appointed to replace Dr. Keith Rowley as a Member of your Committee.

By a similar resolution of the Senate made on September 09, 2011, Dr. Bhoendradatt Tewarie replaced former Senator Mr. Subhas Panday as a Member of your Committee.

1.3 Meetings

The Meetings of the Committee leading up to the examination of the Caribbean New Media Group (CNMG) Limited were as follows:

Tuesday October 26, 2010 – *in camera*;
Tuesday November 16, 2010 – *in camera*;
Tuesday February 15, 2011 – *in public*;

- 1.3 At the Meeting held *in public* on Tuesday February 15, 2011, your Committee met with Officials of the Caribbean New Media Group Limited to examine the Company on its Audited Financial Statements for the year ended December 31, 2008. The witnesses attending on behalf of the CNMG Limited were:

<i>Mr. Ken Ali</i>	-	<i>Interim Chief Executive Officer</i>
<i>Ms. Arhlene Young</i>	-	<i>Accountant</i>

1.5 Committee Support Staff

The following members of staff served the Committee through the provision of secretarial, administrative and research support services:

- Mr. Ralph Deonarine, Procedural Clerk - Secretary to the Committee;
- Miss Keiba Jacob, Procedural Clerk Assistant - Assistant Secretary;
- Miss Indira Binda, Research Officer – Research Support
- Mrs. Chinelle Winchester-Birch – Administrative Support

1.6 Requirement to Report

In accordance with Standing Order 79(7)(d) of the House of Representatives and 71 (7)(d) of the Senate, **“each Joint Select Committee shall also have the following powers....(d) to report from time to time”**.

As such, your Committee wishes to present its First Report on the matters considered in the examination of the Caribbean New Media Group Limited and based on its findings, your Committee submits for the consideration of the House of Representatives and the Senate the resulting recommendations.

CHAPTER 2

REPORT ON ENTITY EXAMINED

CARIBBEAN NEW MEDIA GROUP LTD.

2.1 Company Profile:

Caribbean New Media Group (CNMG) Limited is a wholly owned State Enterprise within the Transport and Communication Sector in Trinidad and Tobago. The company controls three radio stations and one television station, C-TV which replaced its government-owned predecessor, Television Channel 4.

The CNMG Limited was registered in accordance with the Company's Act and according to Section 21.4 of its By-Laws, "The Company at each ordinary general meeting shall appoint auditors of the Company to hold office until the next ordinary general meeting." The Company's financials for the year ended December 31, 2008 were audited by the accounting firm of KPMG.

The Company receives government funding by way of an annual subsidy grant to CNMG Ltd. to cover both operations and depreciation.

2.2 Issues arising out of the Examination:

Your Committee met with the Management Officials from CNMG Ltd. on Tuesday February 15, 2011 to examine the Company's Audited Financials for the year ended December 31, 2008.

In the course of its examination, the Committee noted the following issues:

I. Placement within the accounts of "Consulting Fees":

During the course of the examination, Members noted that an inconsistency existed with respect to information relating to the placement of the expenditure head "Consulting fees".

While the audited report for the year ended December 31, 2008 showed Consulting Fees listed as a separate head, Company officials reported that a Trial Balance document they possessed listed this expenditure item under the head "Salaries and Wages". Members sought to have the CNMG Ltd. provide written clarification on the placement of the expenditure head "Consulting Fees".

The Company replied by letter citing in their response that, "We have extensively reviewed the items listed under Administrative Costs in the Audited Financials for 2008 and are please to inform the Committee that we found no inconsistencies as to the categorization of Consultant fees."

II. Increase in Administrative Expenditure:

There was a notable 14% increase in Administrative Expenditure from 2007 to 2008 which the Company claimed to be due to increases in salaries and wages. A further explanation presented the increase mainly as a result of the company having moved to the contractual employment of all employees, as well as due to the hiring of several consultants to assist in various areas of the Company's operations, during the period under review.

Members sought the opinion of the Ministry of Finance Officials on whether such an increase in expenditure was unusual, to which Members were informed that the increase of 14% was not unusual in keeping with company growth.

III. Sharp increase in Cost Of Sales:

Members noted a sharp increase in the Company's Cost Of Sales between 2007 and 2008 and enquired on the reason for this.

Your Committee was informed that in 2008, the CNMG Ltd. partnered with the West Indies Players' Association (WIPA) in providing media coverage for a cricket tournament, which had the result of being a bad investment. This had the resultant effect of contributing to a sharp increase in the cost of sales between 2007 and 2008.

The CNMG Ltd. officials advised that since then the Company had instituted the necessary systems and measures to reduce its cost of sales and to prevent similar future occurrence.

IV. Revenue decline of \$3,800,000.00:

The examination of the financials revealed a significant revenue decline of \$3,800,000.00 by CNMG Ltd. between 2007 and 2008.

The Company ascribed the apparent shortfall due to surplus advertising revenue generated relative to campaign advertising leading to the 2007 General Elections, thereby making the revenue figures for 2008 seem comparatively less.

V. Trade receivables of \$6,000,000.00:

Arising from the examination, it was revealed that the Company had receivables in the region of \$6 million. Of this amount, approximately \$1million was owed by the government; however the Company reported that there was a challenge in locating the documentation to support this claim for payment.

To assist in the recovery of the \$6, 000,000.00 sum owed to the Company, the CNMG Ltd. Officials reported that they engaged the services of a debt collecting agency.

VI. Absence of a Board of Directors:

The Company officials reported that CNMG Ltd. was at that time, without a Board of Directors. The explanation presented to the P.A.(E).C was that while Board Members had already been named, the Directors had not yet received their Instruments of Appointment.

The Company officials went on record to state that absence of a Board (then) posed a hindrance to the Management of CNMG Ltd.

VII. Implementation of a Fixed Asset Capitalization Policy:

The Management Letter arising out of the Audit Report for 2007 cited the lack of Fixed Asset Capitalization Policy which would articulate the criteria for the recognition of depreciable fixed assets for maintenance of the fixed assets register.

The Company informed Members that since then a Policy was adopted which allowed for greater capitalization of Fixed Assets purchased stating however that some work was still needed for the older items (fixed assets) that were entered ad hoc. Notwithstanding this, the Company officials claimed that the Fixed Asset Register provided significantly more detail than before.

VIII. Absence of Management Letters for 2005, 2006 and 2008:

PA(E)C Members noted that based on a report from the Ministry of Finance, formal Management Letters were not issued by the Auditors for the financial years ended December 31, 2005, 2006 and 2008 and sought an explanation from the CNMG Ltd. Officials on this in writing.

2.3 Following its examination of CNMG Limited, your Committee wrote to the Company requesting particular information arising out of the discussions held. The information requested is presented at paragraphs **a-i** below.

2.4 Based on the communication sent requesting specific information, your Committee received a reply by correspondence dated April 29, 2011 from CNMG Limited. Your Committee notes those matters marked in bold for possible further examination/inquiry.

- a. A job description of all Consultancies performed for the year ended 31/12/08 detailing the awardee, cost and scope of the consultancy, deliverables and whether they were revenue-generating;
- b. Details as to why some consultancies were placed under separate headings in the Company's books;
- c. Manpower levels between 2007 and 2008 at the Company and whether based on these levels, there is an appropriate fit;

NOTE: While the Manpower level information was provided, no conclusion was presented as to whether there is an appropriate fit;

- d. A list of the payables as at 31/12/ 2008 and their respective due dates;
- e. A list of the receivables as at 31/12/2008, for how long have they been outstanding and the amounts;
- f. What systems have been implemented to ensure the safekeeping of original and supporting documents;
NOTE: The response provided outlined the process for filing of Original Sales Orders, Cheques/Receipts and "Other Contracts in the absence of the legal department are now the responsibility of the Secretary to the CEO".
- g. What systems have been implemented for checking, reviewing and authorizing journals;
NOTE: The response provided stated that the journals are checked, reviewed and authorized by the Head of the Finance Department and are then entered into the records by said person.
- h. What procedures are in place to trigger a systems check to ensure that the insurance coverage of assets is increased as additions are made;
NOTE: The response outlined a system where periodic comparisons are made between the WDV of assets and the insured value of same. Any required adjustments are then communicated to the insurance broker/insurer for endorsement.
- i. Why formal management letters were not issued to the Company for the years 2005, 2006 and 2008;
NOTE: The response indicated that while management letters were not formally communicated for the years in question, the auditors held informal discussions with management concerning any issues arising from the respective audits.

CHAPTER 3

SPECIFIC RECOMMENDATIONS

- 3.1 From the Examination of the Audited Financials as at December 31, 2008, the request for information, the responses provided to Your Committee and the resulting deliberations, your Committee makes the following recommendations concerning the CNMG Limited:
- i. Relative to Issues II and III at paragraph 2.2 above, there is a need to adopt necessary measures in order to curb rising administrative costs for example, measures relating to the terms of employment of staff on contract, terms of contractual engagement of consultants, prudent examination of the credit-worthiness of clients etc.*
 - ii. Relative to the Issue outlined at paragraph 2.2 sub V, there is need for implementation of a Records Management System to identify and store information for future use, for instance, information/documentation relating to Trade Receivables;*
 - iii. Relative to the Issue stated at paragraph 2.2 sub VI, expediting the process of appointing the Board of Directors to allow for greater efficiency in policy implementation and to ease whatever constraints placed on the Company's Management.*
 - iv. Relative to the Issue at paragraph 2.2 sub VII, your Committee recommends the Operationalization of a comprehensive Fixed Assets Capitalization Policy that allows for the proper maintenance of a detailed Fixed Asset Register.*
 - v. Relative to the Issue at paragraph 2.2 sub VIII, your Committee strongly advises that there is the need for written (formal) management letters to be sent to the Company by the Auditors annually, notwithstanding any informal discussions that may take place, and recommends that a policy be implemented by the CNMG Ltd. forthwith to prevent such a reoccurrence.*
 - vi. Following the Examination on February 15, 2011, your Committee has since received the Audited Financial Statements for the CNMG Limited for the financial year 2009 only. As a result, your Committee notes with a fair amount of concern the non-receipt of the audited financial statements for 2010 and 2011 and has written to the CNMG Limited requesting an explanation for the delay.*

Your Committee therefore recommends that the Minister of Finance and the Minister with responsibility for CNMG Limited (Minister of Foreign Affairs

and Communications) employ the necessary measures to have these outstanding audited financial statements laid in Parliament post-haste.

- vii. Your Committee further recommends that the Minister of Finance and the Minister of Foreign Affairs and Communications take appropriate action to implement all recommendations listed at 1 - 6 above.*

CHAPTER 4

GENERAL RECOMMENDATIONS

- 4.1 Further to the specific recommendations at paragraph 2.5 above, your Committee submits the following for the consideration and action of the House and Senate accordingly:

Non-receipt of up-to-date audited financial statements by State Enterprises:

The non-submission of up-to-date audited financial statements is recognized as the most severe impediment to your Committee at present in being able to effectively execute its Constitutional mandate.

In February 2011, your Committee wrote to the Heads of all State Enterprises by circular letter, asking that their respective audited reports be updated and submitted to the Parliament as a matter of urgency.

Your Committee received responses from less than 10% of the number of State Enterprises on file.

Your Committee is also at this time in communication with the Investments Division of the Ministry of Finance to explore definitive and effective measures to address this difficulty of outstanding financial reports.

Your Committee has agreed to in the first instance, again write to those State Companies whose accounts are in arrears, and forward a copy of such letters of communication to the respective Ministers with responsibility for those State Enterprises.

Notwithstanding this decision, your Committee recommends that the Minister of Finance take affirmative action to implement measures to ensure the timely submission of audited financial statements by all State Enterprises to Parliament.

Sgd.

.....
Mr. Fitzgerald Hinds
Chairman

Sgd.

.....
Mr. Errol McLeod
Member

Sgd.

.....
Mrs. Paula Gopee-Scoon
Member

Sgd.

.....
Mr. Herbert Volney
Member

Sgd.

.....
Mr. Colm Imbert
Member

Sgd.

.....
Mr. Rudranath Indarsingh
Member

Sgd.

.....
Mr. Fazal Karim
Member

Sgd.

.....
Dr. Bhoendradatt Tewarie
Member

Sgd.

.....
Mr. Basharat Ali
Member

Sgd.

.....
Mr. Embau Moheni
Member

**THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE –
FIRST SESSION, TENTH PARLIAMENT**

**MINUTES OF THE FIRST MEETING HELD ON TUESDAY, OCTOBER 26, 2010 AT 11:54 A.M.
IN COMMITTEE ROOM #2, OFFICE OF THE PARLIAMENT, THE RED HOUSE,
ABERCROMBY STREET, PORT OF SPAIN.**

Present were:

Sen. the Hon. Timothy Hamel-Smith	-	President of the Senate
Mr. Rudranath Indarsingh	-	Member
Mr. Errol McLeod	-	Member
Mr. Herbert Volney	-	Member
Mr. Colm Imbert	-	Member
Mr. Subhas Panday	-	Member
Mr. Fazal Karim	-	Member
Mr. Embau Moheni	-	Member
Mr. Fitzgerald Hinds	-	Member
Mr. Basharat Ali	-	Member
Mrs. Jacqui Sampson-Meiguel	-	Clerk of the House
Mr. Ralph Deonarine	-	Secretary
Mrs. Lily Broomes	-	Procedural Clerk

Absent was:

Dr. Keith Rowley	-	Member (excused)
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COMMENCEMENT

- 1.1 At 11:54 a.m. the President of the Senate called the meeting to order.
- 1.2 He welcomed the Committee and explained that according to the relevant Standing Orders, his purpose was to facilitate the election of a Chairman. Members were also asked to note the provisions of Section 119(6) of the Constitution, as it related to the election of a Chairman of the PA(E)C.

ELECTION OF CHAIRMAN

- 2.1 Mr. President invited nominations for the post of Chairman. Mr. Fitzgerald Hinds was nominated on a motion moved by Mr. Basharat Ali and seconded by Mr. Colm Imbert.
- 2.2 There being no further nominations, Mr. Fitzgerald Hinds was declared the duly elected Chairman of the Committee.
- 2.3 The President congratulated the Chairman on his appointment.
- 2.4 The President then wished the entire Committee every success in its deliberations and informed Members of a Workshop on the "Operation of Parliamentary Oversight Committees" planned for Monday November 08, 2010 from approximately 9:00 a.m. to 2:00 p.m. He advised Members that the details of the date and time of this Workshop were still being confirmed, subject to the availability of resource persons. He informed Members that should the details be altered, the Secretariat would advise Members accordingly.
- 2.5 The President then invited Mr. Hinds to take the Chair and excused himself from the Meeting.

CHAIRMAN'S REMARKS

- 3.1 The Chairman thanked Members for electing him to the Chair.
- 3.2 Apologies were read on behalf of Dr. Keith Rowley, Member.

DETERMINATION OF A QUORUM

- 4.1 The Committee established a quorum of six (6) Members with the proviso that its composition includes at least two (2) Opposition Members.

OTHER BUSINESS

- 5.1 The Chairman reminded the Committee of its mandate and informed Members of the Parliamentary Officers assigned to the Committee.
- 5.2 The Secretary was asked to prepare a list of the various entities for whom reports were received, stating if and when the entities were examined by previous Public Accounts (Enterprises) Committees.
- 5.3 The Committee agreed that at the next meeting, matters such as the work programme and meeting days would be discussed.
- 5.4 It was also agreed that the Committee would next meet on Tuesday November 16, 2010 at 11a.m.

ADJOURNMENT

5.1 There being no further business, the Chairman adjourned the meeting to **Tuesday November 16, 2010 at 11.00 a.m.**

5.2 The adjournment was taken at 12:15 p.m.

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

November 03, 2010

**THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE –
FIRST SESSION, TENTH PARLIAMENT**

**MINUTES OF THE SECOND MEETING HELD ON TUESDAY, NOVEMBER 16, 2010 AT 12:00
NOON IN COMMITTEE ROOM #2, OFFICE OF THE PARLIAMENT, THE RED HOUSE,
ABERCROMBY STREET, PORT OF SPAIN.**

Present were:

Mr. Fitzgerald Hinds	-	Chairman
Mr. Rudranath Indarsingh	-	Member
Mr. Herbert Volney	-	Member
Dr. Keith Rowley	-	Member
Mr. Colm Imbert	-	Member
Mr. Subhas Panday	-	Member
Mr. Fazal Karim	-	Member
Mr. Basharat Ali	-	Member
Mr. Ralph Deonarine	-	Secretary
Ms. Keiba Jacob	-	Assistant Secretary

Absent was:

Mr. Errol McLeod	-	Member (excused)
Mr. Embau Moheni	-	Member (excused)

COMMENCEMENT

- 1.1 The Chairman called the Meeting to order at 12 noon, when a quorum was attained.
- 1.2 The Chairman informed Members that Mr. Errol McLeod and Mr. Embau Moheni had both asked to be excused from the meeting.

EXAMINATION OF MINUTES OF THE FIRST MEETING

- 2.1 The Committee examined the Minutes of the First meeting held on Tuesday October 26, 2010.
- 2.2 There being no omissions or corrections, the Minutes were confirmed on a Motion moved by Mr. Basharat Ali and seconded by Mr. Subhas Panday.

MATTERS ARISING FROM THE MINUTES

Re-consideration of the Committee's Quorum:

- 3.1 The Chairman proposed, with the support of those present, that given the constraints placed on some Members of the Committee, the Committee should re-examine its quorum.
- 3.2 The Committee deliberated on the composition of its current quorum of six (6) Members. There was a general sentiment that there may be a difficulty in consistently attaining this and therefore, with due consideration to the Committee's mandate, the Committee agreed that the quorum be reduced to five (5) Members including the Chairman and another Opposition Member.

Committee Work Programme

- 3.3 Discussions were held on how the Committee would proceed with its work programme.
- 3.4 Mention was made that National Flour Mills was missing from the circulated list of entities falling under the purview of the PA(E)C. The Clerk was asked to investigate the reason for this and report when the Committee next meets. A similar request was made with respect to Evolving Tecknologies and Development Company Ltd (e Teck) and Property and Industrial Development Company of Trinidad and Tobago Ltd. (PIDCOTT).
- 3.5 It was noted from the Status Report document (circulated) that several entities were well behind in their submission of audited accounts. The Committee instructed the Clerk to write to all entities falling under the purview of the Committee, advising them of their reporting obligation and explaining the exigent need to submit these reports to Parliament in a timely manner.
- 3.6 Members discussed the chronology of reports submitted by entities for examination by the Committee. It was agreed that the Committee would examine the audited reports of entities starting from 2008 then forward. However, should there be any circumstances warranting investigation antecedent to the stipulated time frame, the Committee would recede into the records as required.
- 3.7 The Committee prioritized several entities for investigation. These were:
 - Caribbean New Media Group (CNMG)
 - Caribbean Airlines
 - Agricultural Development Bank (ADB)
 - Estate Management & Business Development Company (EMBDC)
 - Rural Development Company of Trinidad & Tobago (RUDECOTT)
- 3.8 The Committee agreed that the first entity for investigation should be Caribbean New Media Group Ltd. (CNMG) and instructed the Clerk to make the necessary

arrangements for this meeting. This meeting would take place on Tuesday December 14, 2010 at 11am in the Parliament Chamber.

- 3.9 The Committee also agreed that the Auditor General or a representative should be invited to the next meeting of the Committee to discuss the role and functions of the Auditor General with respect to the Committee's mandate according to Section 119 (8) and (9) of the Constitution of the Republic of Trinidad and Tobago and also in relation to Section 10 of the Exchequer and Audit Act, Chap. 69:01.

OTHER BUSINESS

- 4.1 The Chairman raised the following matters for the Committee's consideration and decision:

Verbatim Reporting of Meetings

- 4.2 The Committee agreed that with the exception of meetings where evidence is to be taken, that Verbatim Reporters would not be required for meetings.

Live Broadcast of Proceedings

- 4.3 The Committee unanimously decided that all meetings of the Committee held in public will be broadcast live via the Parliament Channel.

E-correspondence

- 4.4 Members agreed that in addition to receiving Committee documents in hardcopy, that as far as possible, a softcopy duplicate should be sent to Members.

Parliamentary Committees Workshop (reminder)

- 4.5 The Chairman harkened to Members their invitation to attend a Parliamentary Committees Workshop, carded for Wednesday November 17, 2010, to be held at La Boucan, Hilton Trinidad from 10:30 a.m. to 3:30 p.m.

ADJOURNMENT

- 5.1 There being no further business, the Chairman adjourned the meeting to **Tuesday December 14, 2010 at 10.30 a.m.**
- 5.2 The adjournment was taken at 12:54 p.m.

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

November 24, 2010

**THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE –
FIRST SESSION, TENTH PARLIAMENT**

**MINUTES OF THE THIRD MEETING HELD ON TUESDAY, FEBRUARY 15, 2011 AT 11:07AM
IN COMMITTEE ROOM #2, AND 11:20AM IN THE PARLIAMENT CHAMBER, OFFICE OF
THE PARLIAMENT, THE RED HOUSE, ABERCROMBY STREET, PORT OF SPAIN.**

Present were:

Mr. Fitzgerald Hinds	-	Chairman
Mr. Rudranath Indarsingh	-	Member
Mr. Herbert Volney	-	Member
Mr. Errol McLeod	-	Member
Mr. Colm Imbert	-	Member
Mr. Subhas Panday	-	Member
Mr. Fazal Karim	-	Member
Mr. Basharat Ali	-	Member
Mr. Ralph Deonarine	-	Secretary
Ms. Keiba Jacob	-	Assistant Secretary

Absent were:

Dr. Keith Rowley	-	Member
Mr. Embau Moheni	-	Member (excused)

Also present:

Mr. Ken Ali	-	Interim CEO, CNMG Ltd.
Ms. Arhlene Young	-	Accountant, CNMG Ltd.
Ms. Sharman Ottley	-	Auditor General
Ms. Savitry Ramsaran	-	Ministry of Finance (Investments Division)
Ms. Naleisha Bally	-	Comptroller of Accounts Division

COMMENCEMENT

- 1.3 The Chairman called the Meeting to order at 11:07am, noting the presence of a quorum.
- 1.4 The Chairman informed Members that Mr. Embau Moheni had asked to be excused from the meeting.

EXAMINATION OF MINUTES OF THE SECOND MEETING

- 2.1 The Committee examined the Minutes of the Second meeting held on Tuesday November 16, 2010.
- 2.2 There being no omissions or corrections, the Minutes were confirmed on a Motion moved by Mr. Subhas Panday and seconded by Mr. Herbert Volney.

MATTERS ARISING FROM THE MINUTES

- 3.1 On item 3.4 the Chairman informed Members that the initial list of entities did not represent subsidiary companies, but a complete list was thereafter circulated by the Secretary.
- 3.2 On that same item, it was further noted that during 2003 and 2004, PIDCOTT evolved into ETek, as evidenced by the Financial Statements as at September 2004.
- 3.3 In response to item 3.5, the Chairman informed Members that a circular letter which was drafted by the Secretary and approved by the Chairman was subsequently dispatched to all Heads of State Enterprises and Statutory Bodies under the Committee's purview, asking them to update their financials. The Secretary reported that some entities had already started presenting feedback. The Chairman asked the Secretary to prepare an update on the matter for the next meeting.
- 3.4 The Chairman noted that at the last Meeting, the Committee resolved to meet with Officials from the Caribbean New Media Group (CNMG) Limited to discuss their 2008 audited financials. The Chairman informed Members that the CNMG Officials responded in the positive and both the CEO and Accountant would be present in the Parliament Chamber for 11am.
- 3.5 Members were informed that although the new CNMG Board was chosen, they had not received their instruments and as a consequence, would not be eligible to appear before the Committee. The Chairman noted the time and suspended the *in camera* Meeting to resume in the Parliament Chamber in public.

DISCUSSION WITH THE AUDITOR GENERAL REGARDING ROLE AND FUNCTION RELATED TO THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE

- 4.1 Discussions were held with the Auditor General as to the role and function of that Office as it related to the work of the Public Accounts (Enterprises) Committee.

MEETING WITH THE CARIBBEAN NEW MEDIA GROUP LIMITED (IN PUBLIC)

- 5.1 The Chairman called the Meeting (in Public) to order at 11:20AM and welcomed the officials from the CNMG Ltd. Introductions were made by Members as well as the invited officials from the CNMG Ltd, the Comptroller of Accounts and the Ministry of Finance (Investments Division).

5.2 The Chairman explained that the purpose of the meeting was to discuss the 2008 Audited Accounts of CNMG Ltd. and invited Members to pose their questions to the CNMG representatives.

5.3 The following issues arose from the discussions held:

Inconsistency of Financial Reporting

An inconsistency exists in the financials of CNMG Ltd with respect to the placement of the Expenditure head "Consulting fees". While the CNMG Officials reported that consultancies had been listed according to their records, under the head "Salaries and Wages", the audited report for the year ended December 31, 2008 shows Consulting fees listed as a separate head.

COST RELATED:

Rise in Administrative Expenditure

A 14% increase in Administrative Expenditure from 2007 to 2008 was noted. This was said to be due to increases in salaries and wages, which was noted by the Ministry of Finance as not unusual in keeping with company growth.

All employees of CNMG are presently employed on a contractual basis of one, two or three-year terms, which also contributed to the rise in administrative costs.

There were also cost increases due to the hiring of several consultants, to assist in various areas of the Company's operations, during the period under review.

Accruals

The Company's accruals consist of broadcast licenses etc. However, no outstanding bills were brought forward from 2008; all bills having been settled in that year.

Cost incurred due to WIPA cricket tournament

The company in 2008 partnered with the West Indies Players' Association (WIPA) in covering a cricket tournament which had the result of a bad investment, and therefore contributed to the sharp increase in the cost of sales from 2007 to 2008.

Cost of Sales

The company has adopted some systems and measures to reduce its costs associated with selling.

Other cost-cutting measures

The company reported that it was currently implementing cost-cutting measures such as contracting short term staff (thereby reducing freelance costs) and other measures aimed at curtailing administrative costs, which were above acceptable industry standards.

REVENUE RELATED:

Government funding

The government provides a subsidy grant to CNMG Ltd. to cover both operations and depreciation. This amount has decreased over time and for the current fiscal year, was in the region of \$10million.

Decrease in Revenue

Revenue generated by CNMG Ltd. declined by \$3.8 million between 2007 and 2008. It was suggested that the shortfall was due to surplus revenue generated by advertising related to the General Elections held in 2007.

Receivables

The company had receivables in the region of \$6 million for which a debt collecting agency was contracted to deal with the matter. Approximately \$1million was owing by the government, however there was a challenge in locating the documentation to support this claim for payment.

Rent received

CNMG Ltd. generates income from renting to tenants on its transmitter sites.

OTHER ISSUES:

Absence of a Board of Directors

The Company is currently without a Board of Directors. While Board Members have been named, Directors have not yet received their instruments of appointment. This absence of a Board is a hindrance to the Management of CNMG Ltd.

Fixed Asset Capitalization Policy

The Company has implemented a Fixed Asset Register. Work is ongoing as older items had been entered in an ad hoc manner.

REQUESTED INFORMATION:

The following information was requested from the CNMG Officials, to be provided in writing:

- Clarification on the inconsistencies found in the audit regarding “Administrative Costs” and “Consultant Fees”;
- A job description of all Consultancies performed for the year ended 31/12/08 detailing the awardee, cost and scope of the consultancy, deliverables and whether they were revenue-generating;
- Details as to why some consultancies were placed under separate headings in the Company’s books;

- Manpower levels between 2007 and 2008 at the Company and whether based on these levels, there is an appropriate fit;
- A list of the payables as at 31/12/ 2008 and their respective due dates;
- A list of the receivables as at 31/12/2008, for how long have they been outstanding and the amounts;
- What systems have been implemented to ensure the safekeeping of original and supporting documents;
- What systems have been implemented for checking, reviewing and authorizing journals;
- What procedures are in place to trigger a systems check to ensure that the insurance coverage of assets is increased as additions are made;
- Why formal management letters were not issued to the Company for the years 2005, 2006 and 2008;

ADJOURNMENT

- 6.1 The Chairman thanked the Officials from CNMG Ltd, the Ministry of Finance, the Comptroller of Accounts and the Auditor General for their presence and advised that the Secretary to the Committee would present the CNMG Officials in writing, all the questions and issues which the Committee required a response to. Based on this, the CNMG Officials would if necessary, be called to meet again with the Committee.
- 6.2 The Chairman indicated that he will consult with the Secretary and advise Members of the date and time of the next meeting. The adjournment was taken at 12.43pm.

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

February 24, 2011

Appendix B

Members Attendance:

Name of Member	1st Meeting 26.10.10	2nd Meeting 16.11.10	3rd Meeting 15.02.11
Mr. Fitzgerald Hinds (Chairman)	Present	Present	Present
Mr. Rudranath Indarsingh	Present	Present	Present
Mr. Herbert Volney	Present	Present	Present
Mr. Errol McLeod	Present	Excused	Present
Mr. Colm Imbert	Present	Present	Present
Mr. Subhas Panday	Present	Present	Present
Mr. Fazal Karim	Present	Present	Present
Dr. Keith Rowley	Excused	Present	Excused
Mr. Embau Moheni	Present	Excused	Excused
Mr. Basharat Ali	Present	Present	Present