

# **REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF**



**Kiribati Shipping Services Ltd Financial Statements  
For the year ended 31<sup>st</sup> December 2017**

**Kiribati Audit Office  
April 2021**

## KIRIBATI AUDIT OFFICE



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**Audit for an impact for the public**

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### **INDEPENDENT AUDITOR'S REPORT For Kiribati Shipping Services Ltd Financial Statements For the year ended 31<sup>st</sup> December 2017**

I have audited the Financial Statements of **Kiribati Shipping Services Ltd (KSSL)** for the year ended 31<sup>st</sup> December 2017 in accordance with sec 114 (2) of the Constitution, Part VII, Sec 42(4) of the Public Finances (Control and Audit) 1981, Sec 22(1) of the Kiribati Audit Act, 2017. The Financial Statements comprise of the following:

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cashflows
- Notes to the Accounts

#### **Disclaimer of Opinion:**

**I do not express an opinion** on the accompanying consolidated financial statements for KSSL. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion:**

The following issues formed the basis of our disclaimer opinion:

- Statement of Changes in Equity was not submitted therefore the set of accounts was incomplete.
- Significant variances found between General Ledger and Financial Statements cannot be explained therefore raised doubts as to the accuracy of the Financial Statements.

- Retained Earnings opening balance in 2017 of \$4.06m did not match closing balance for Retained Earnings in 2016 of \$4.86m hence a variance of 797k was noted.
- Addition to Fixed assets as per the schedule did not match the cash outflows from investing activities.
- In addition to the above, KSSL also failed to provide the following documents:
  - Capital expenditure (Budget) break down on the acquisition of Fixed Assets in 2017.
  - Itemised Fixed Assets Register 2017
  - Board Minutes for 2017

I have conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are described in the Auditor's Responsibilities paragraph of my report. I am independent of the **Company** in accordance with the Ethical requirements that are relevant to my audit of the financial statements of the Company and I have fulfilled my other responsibilities in accordance with these requirements.

#### **Board of Directors and Management's responsibilities for the Financial Statements**

The Management and Board of Directors is responsible for preparing the Financial Statements in accordance with International Accounting Standards (IAS). The Financial Statements must give a true and fair view of the Financial Position of KSSL as of 31<sup>st</sup> December 2017 and the results of its operations and cash flows for the period ended on that date. The Board of Directors' responsibilities arise from the Public Finance (Control and Audit) Act 1981 and SOE Act, 2013.

#### **Auditor General's responsibilities for the audit of the financial statements of the Company**

My responsibility is to conduct an audit of the KSSL's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAI) and to express an independent opinion on these Financial Statements and reporting that opinion to you as required under the Public Finance (Control and Audit) Ordinance 1976 and Kiribati Audit Act, 2017. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kiribati and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Communication with those charged with governance**

I communicated with the Board of Directors and Managements 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 identified during my audit.

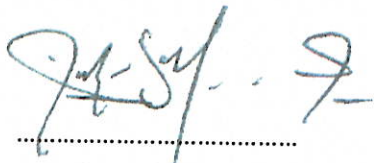
**Reports on Legal and other regulatory requirements.**

KSSL Financial Reports for the year ended 31<sup>st</sup> December 2017 was submitted on 10<sup>th</sup> Oct 2019. This had therefore indicated KSSL's non-compliance with the requirements of Sec.20 of the SOE Act, 2013.

**Independence**

Section 114 (4) of the Kiribati Constitution stipulates that the Auditor General shall not be subject to the direction or control of any other person or authority.

Other than the audit, we have no relationship with or interest in KSSL.



Eriati Tauma Manaima  
Auditor General

Date:28/4/2021

# KIRIBATI NATIONAL SHIPPING LINE LIMITED



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Please address all correspondence to the Chief Executive Officer

Auditor General  
Kiribati National Audit Office  
Bairiki

15<sup>th</sup> August 2019

Mauri,

Re: Submission of 2017 Annual Account

I am pleased to KSSL Annual Account 2017 Financial Report prepared to give a true and fair view of the Company's financial status in line with the International Accounting Standards and practices.

KSSL has submitted 100 copies of 2017 annual reports to the Ministry of Finance (Planning Office) last year 2018 but unfortunately this office is not aware that copies that send does not reached your office. We apologies for this action and hope it does not happen in future.

For further information on the annual reports, please don't hesitate to contact the undersigned.

Ko raba

  
Rihano Akau  
For CEO

ES Rec'd via email  
10 Oct 2019.

**KIRIBATI SHIPPING SERVICES LTD****Statement of Financial Performance****For the year ended 31 December 2017**

	Note	Consolidated 2017 \$	2016 \$
Revenue:			
Core Operations Revenue	3	\$758,860.67	998,470.93
Non Core Operations Revenue	4	295,297.11	121,899.01
Grant/Subsidy Revenue	5	\$442,184.00	-
Total Revenue		\$1,496,341.78	1,120,369.94
Less Expenses:			
Core Personnel Costs	6	\$638,691.49	379,229.32
Core Operations Expenses	7	\$644,061.64	759,388.45
Non Core Operations Expenses	8	\$100,428.83	79,442.73
Non Core Sundry Expenses	9	\$36,515.53	169,535.89
Total		\$1,419,697.49	1,387,596.39
Gross Profit		\$76,644.29	(267,226.45)
Less Non Cash Expenses			
Annual Depreciation	10	\$551,031.76	-
Prior Period Items	10	\$2,678,505.67	-
Total Expenses		\$3,229,537.43	1,387,596.39
Net Profit/(Loss)		\$-3,152,893.14	(267,226.45)

# KIRIBATI SHIPPING SERVICES LTD

## Statement of Financial Position

As at 31 December 2017

Consolidated

		2017	2016
Current Assets:		\$	\$
Cash & Cash Equivalent	11	\$72,133.98	(39,390.29)
Receivables	12	\$402,802.83	4,805,912.18
Other Current Assets	13	\$3,066.53	14,973.15
<b>Total Current Assets</b>		<b>\$478,003.34</b>	<b>4,781,495.04</b>
Less Current Liabilities:			
Payroll Liabilities	14	155,947.37	-138,988.26
<b>Total Current Liabilities</b>		<b>\$155,947.37</b>	<b>(138,988.26)</b>
<b>Working Capital</b>		<b>\$322,055.97</b>	<b>4,920,483.30</b>
Plus Non-Current Assets:			
Property, Plant & Equipment	15	\$5,755,565.15	681,636.67
Less Non Current Liabilities	16	\$297,358.87	1,003,887.90
<b>Net Worth</b>		<b>\$5,780,262.25</b>	<b>4,598,232.07</b>
Represented by:			
Shareholders' Equity:			
Share Capital			500.00
Assets Grant Aid	17	\$4,864,658.30	-
Retained Earnings	18	\$4,068,496.97	4,862,328.86
Current Year Earnings	19	-3,152,893.14	(267,226.45)
<b>Total Shareholders' Equity</b>		<b>\$5,780,262.13</b>	<b>4,595,602.41</b>

Board Chairman: 

Board Director: 

The accompanying notes form an integral part of these financial statements

# Kirbati Shipping Services Ltd

## Consolidated Cash Flow Statement

For the year ended 31st December 2017

Direct Method

	Note	2017	2016
1. Cash Flows from Operating Activities		\$	\$
Cash Flow from Operating activities		\$102,209.03	-87,946.17
Net Cash Flow from operating activities	1	\$102,209.03	-87,946.17
2. Cash Flows from Investing Activities			
Cash from Investment Activities	2	(\$103,012.38)	-27,118.45
Net Cash from Investment Activities		-103,012.38	-27,118.45
3. Cash Flow from Financing Activities			
Paid Up Capital		(\$500.00)	0
Net Cash Flow from Financing Activities		(\$500.00)	0
Net Increase/Decrease for the period		(\$1,303.35)	(115,064.62)
Cash & Cash Equivalents at beginning of period		\$73,437.33	75,674.33
Cash & Cash Equivalents at ending of period		\$72,133.98	(39,390.29)

Note 1. Cash Balance Represented as follows at 31st December

Note 4	2017	2016
Cash & Cash Equivalent	\$	\$
Undeposited Funds		
Cash at Bank	\$28,835.52	-80,874.21
Petty Cash Imprest	\$1,600.00	1,000.00
Payroll Cheque Account		
Ministry of Finance (VAT)	\$45,959.31	45,644.77
Dishonor Cheque Account	-5,160.85	-5,160.85
	<u>72,133.98</u>	<u>-39,390.29</u>

IB: Please note that 2016 Annual Account submitted is different from MYOB system.  
Therefore 2017 Annual Account is based on MYOB data which is not related  
to 2016 Annual Account submitted



**KIRIBATI SHIPPING SERVICES LTD**  
**NOTES TO AND PARTS FORMING THE ACCOUNTS**  
**FOR THE PERIOD ENDING 31ST DECEMBER 2016**

**1. The Company**

The Kiribati Shipping Services Ltd (KSSL) Company was incorporated on the 9th of July 1990 with the primary objective of providing affordable shipping transportation to the General Public in all the Islands of the Republic of Kiribati.

**2. Principal Accounting policies**

The Financial Statements are prepared under the historical cost convention and in accordance with the International Accounting Standards. The following is a summary of the more important policies used by the Company:

**(a) Depreciation**

Depreciation is calculated to write off the cost of long term assets on straight line basis over their expected useful lives. The scrap value of 10% to be calculated from the original cost. The rates of depreciation and useful lives are as follows:

	% p.a
(i) Office Equipment	20.00%
(ii) Furniture & Fittings	10.00%
(iii) Motor Vehicles	20.00%
(iv) Land & Buildings	5.00%
(v) Vechiles	10.00%
(vi) Plant & Machinery	10.00%
(vii) Tools	Lost & Broken

**(b) Foreign Currencies**

Assets and Liabilities expressed in foreign currencies are converted into Australian dollars at the rate of exchange ruling at the end of the financial year.

**(c) Aid Items**

Items received in aid have been capitalised under the Assets Grant Aid and released to profit and loss at the rate of an applicable depreciation charge.

**(d) Provision for doubtful debts**

It is provided by 5% of the outstanding debtors at the year ended. The rate does not apply this year as we still working on substantiated receivables

**(e) Revenue**

Revenue represents the amounts received from the sales of freight, handling, charter and others.

### 3. Core Operations Revenue

	2017	2016
	\$	\$
Pax Fare Out	\$123,610.40	34,654.35
Pax Fare In	\$19,598.61	4,664.00
KSSL Xmas Branch	\$38,997.11	
Cargo Freight Out	\$212,347.57	525,189.92
Cargo Freight In	\$48,839.95	19,238.36
Cargo Handling Out	\$42,612.31	87,251.82
Cargo Handling In	\$6,830.58	5,993.13
Capra Freight In	\$39,794.68	138,379.51
Capra Handling In	\$9,954.35	15,454.35
Charter/Diversiott	\$216,275.11	160,000.00
Canteen Sales	0	7,643.49
<b>Total Core Operations Revenue</b>	<b>\$758,860.57</b>	<b>998,470.93</b>

### 4. Non Core Revenue

	2017	2016
	\$	\$
Floating Freight		
Floating Commission		
Vehicles Hire	\$280.00	1,895.26
Welding	\$5,573.10	1,136.32
Rental Container & Others	\$1,250.00	7,935.00
Rental Office	\$18,769.25	28,086.06
Commission for refund	\$6,469.37	9,960.19
Commission on Stevedoring	\$181.17	
Rental Electricity Charges	\$2,239.40	2,849.11
Canteen Supplies-Butimari		19,070.33
Warehouse Sales	\$9,749.00	36,456.75
Document Fee	\$1,015.00	2,239.25
Tools Box Sales Rev.	\$320.00	20.00
Vat Collected Rev.	\$0.00	
Returned Salaries		
Other Rev.	\$249,450.82	12,250.74
<b>Total Non Core Revenue</b>	<b>295,297.11</b>	<b>121,899.01</b>

### 5. Gov't Grant/Subsidy

	2017	2016
	\$	\$
Gov't Subsidy	\$442,184.00	
<b>Total</b>	<b>\$1,496,341.78</b>	<b>\$1,420,369.94</b>

**6. Core Personnel Costs**

	2017	2016
	\$	\$
Wages & Salaries	\$493,209.01	280,109.98
KPF Subsidy	\$44,964.83	20,706.47
Overtime	\$34,978.72	12,994.17
Leave Grant	\$49,575.90	18,504.67
Staff Allowances	\$15,963.01	46,914.03
Leave Commutation	0	
<b>Total Core Personnel Costs</b>	<b>\$638,691.47</b>	<b>379,229.32</b>

**7. Core Operating Expenses**

	2017	2016
Telecom Licence		
Port Charges	\$20,188.34	26,597.43
Survey Charges	14,705.25	600.00
Fuel, Oil & Water	\$226,243.63	280,492.33
Victualling/Ration	\$37,804.43	27,355.30
Repairs & Maint on Vessels	\$69,538.83	32,873.16
Repairs & Maint - Motor Vehicles	\$2,903.99	2,433.60
Stevedoring	\$42,231.16	82,622.71
Canteen Supplies	0	
Cargo Claim	\$2,533.95	19,207.09
Spare Parts	\$33,915.59	26,203.23
Overseas Travel	\$193,996.47	20,781.10
Vessel Lease Fees		240,000.00
Paid Vat Expenses	\$0.00	222.50
<b>Total Core Operating Expenses</b>	<b>\$644,061.64</b>	<b>750,388.45</b>

**8. Non Core-Operating Expenses**

	2017	2016
Cleaning Supplies	\$358.75	220.70
Printing & Stationery	\$6,181.54	2,969.02
Telecom Licence	\$116.00	1,653.69
Security Charges	\$4,947.05	9,971.50
Board Refreshment	\$2,347.00	1,913.25
Board Allowances	\$10,620.00	7,065.00
Local Travel	\$15,045.22	4,417.95
Housing Subsidy	\$1,695.00	1,188.00
BPA Charges	\$4,516.70	663.40
PUB Electricity	\$23,338.53	34,315.58
PUB Fresh Water	\$2,826.51	1,380.00
Lawyer's Fee	\$773.73	
Accountancy Fee	\$3,000.00	
Local Training	\$3,884.80	745.80

Computer Supplies & Repairs	\$7,077.60	2,537.60
Telecom Charges	\$11,074.47	6,778.83
Toll Fare/Registration Fee	\$487.30	972.80
Cheque Account Charges		
Bank Transfer Charges		
Registration Fee		
Postage Charges		
Agency Services		
Restraunt Supplies	\$401.45	380.50
Management Entertainment	\$1,787.18	2,269.11
Bank & Cheques Charges	\$0.00	
Vat Expenses	\$100,428.83	79,442.73
<b>Total Operating Expenses</b>		

#### 9. Non Core Sundry Expenses

	2017	2016
Gov't Redundancy Exp.		
KSSL Redundancy Exp.		
Other Expenses	\$36,515.53	6,760.31
<b>Total Non Core Sundry Expenses</b>	<b>\$36,515.53</b>	<b>6,760.31</b>

#### 10. Sundry Expenses

	2017	2016
Discount Allowed	0	
Annual Depreciation	\$551,031.76	162,775.58
Prior Period Items	\$2,678,505.67	
	\$3,229,537.43	162,775.58
<b>Total Expenses</b>	<b>\$3,649,234.92</b>	<b>1,387,596.39</b>

#### NET PROFIT/LOSS

	<b>3,152,893.14</b>	<b>(267,226.45)</b>
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KIRIBATI SHIPPING SERVICES LTD  
NOTES TO AND PARTS FORMING THE ACCOUNTS  
FOR THE PERIOD ENDING 31 st December 2017

#### 11. Cash & Cash Equivalent:

	2017	2016
Petty Cash Imprest	1,500.00	1,000.00
Cash on Hand/Undeposit Fund	0	
General Cheque Account	\$28,835.52	-80,874.21
Payroll Cheque Account	0	
Ministry of Finance (VAT)	\$46,959.31	45,644.77
Dishonored Cheque Account	(\$5,160.85)	-5,160.85
<b>Total Cash &amp; Cash Equivalent</b>	<b>72,133.98</b>	<b>39,390.29</b>

**12. Receivables:**

Trade Debtors	\$402,802.71	4,805,912.18
Less Prov. For doubtful debts		
Receivables	\$402,802.71	4,805,912.18

**13. Other Current Assets:**

Staff Imprest		
Master Imprest	750.00	2,500.00
Staff Advance		-583.60
Staff Debtors	2,316.53	8,797.20
Cashier's Shortage Receivable		92.95
Canteen Supplies Working Fund		4,166.60
Sundry Debtors		
Total Other Current Assets	\$3,066.53	14,973.15

Total Current Assets	478,003.22	4,781,495.04
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**14. Current Liabilities:**

Staff Tax Payable	\$50,357.35	26,051.60
Staff KPF Payable	\$39,647.59	7,622.12
House Rent Payable		-391.39
Council Surcharge Payable		-263.20
Staff Canteen Payable		6,874.45
Staff Contribution		-12,636.00
Voluntary KPF Contribution	\$1,015.00	605.00
House Loan Payable		-520.28
KPF Loan Payable	\$245.77	-4,620.52
ANZ Bank Staff Loan	\$90.10	-1,939.46
ANZ Bank Staff Salaries		-11,440.05
AGT Staff Loan		65.38
Social Club Payable		-2,399.65
Wages & Salaries Payable	\$111.20	-7,073.35
Accrued Expense		-100,000.00
Current Overtime Payable	\$17,402.31	3,362.09
Historical Overtime Payable		6,776.08
Historical Staff Tax Payable		
Historical staff KPF Payable		-61.57
Historical Payables- Others		-470.00
Refund Payables - Pax Fare Out		-31,200.79
Refund Payables - Cargo Handling Out		92.28
Refund Payables - Freight Out		-75,065.29
Sundry Creditors		5,047.23
Vat Collected & Paid	\$47,078.05	52,597.06

Total Other Current Liabilities	\$155,947.37	198,988.26
Total Liabilities	\$155,947.37	864,899.64
Working Capital	322,058.85	3,916,595.40

#### 15. Property, Plant & Equipment

Non Current Assets	NBV 1-1-2017	NBV 1-1-2016
Furniture & Fittings	19,853.81	\$36,091.40
Land & Buildings	65,917.67	\$88,253.61
Plant & Machinery	28,900.69	\$16,430.46
Vessels	5,550,501.24	\$471,355.07
Motor Vehicles	55,887.50	\$19,575.00
Office Equipment	10,737.49	\$22,262.12
Tools	23,766.75	\$27,669.00
Total	5,755,565.15	\$ 681,636.67

#### 16. Non Current Liabilities:

Trade Creditors	\$0.00	42,117.77
Public Utilities Board		-1,835.66
Tekabiauua Holding Ltd		840,000.00
Customer Floating Deposit	\$0.00	-6,082.46
Bounced Cheques to KOIL	\$129,688.25	129,688.25
Other Creditors	\$167,670.62	-
Total Payables	\$297,358.87	1,003,887.90
Net Worth	5,780,262.13	4,598,132.07

#### 17. Paid Up Capital

	2017	2016
Issued and full paid		
Ordinary shares of \$1.00 each		500.00

#### 18. Capital Reserve:

Opening Balance		
Asset Grant Aid	\$4,864,658.30	
Closing Balance	4,864,658.30	

#### 18. Retained Earnings:

Opening Balance	\$4,068,496.97	4,866,432.42
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Adjustments		-
Plus Net Profit/(Loss)	-3,152,893.14	-
Closing Balance	915,603.83	4,866,932.42

Total Share Holder's Equity	5,780,262.13	4,866,932.42
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KIRIBATI NATIONAL SHIPPING LINE LTD

FIXED ASSET REGISTER 2017

Costing	Land & Building	Vessels	Vehicles	Plant and Machinery	Furniture & Fittings	Office Equipment	Tools
Initial Cost	222,558.00	1,602,900.00	174,000.00	34,858.00	49,651.18	45,823.25	27,669.00
Adjustment	(10,000.00)	-	-	-	(9,301.18)	(19,375.75)	(4,313.50)
Total	212,558.00	1,602,900.00	174,000.00	34,858.00	40,350.00	26,447.50	23,355.50
Addition for the year	-	4,929,300.30	42,500.00	34,500.00	2,560.56	1,389.00	411.25
Less Acc Dep	146,640.33	981,699.06	160,612.50	40,457.31	23,056.75	17,099.01	-
NBV 31-12-17	359,198.33	5,550,501.24	53,887.50	28,900.69	19,853.81	10,737.49	23,766.75