

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



**Communications Commission of Kiribati
Financial Statements
For the Year Ended 31st December 2020**

**Kiribati Audit Office
April 2022**

KIRIBATI AUDIT OFFICE

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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

**To The Readers Of
Communication Commission of Kiribati Financial Statements
For the year ended 31st December 2020**

I have audited the Financial Statements of Communications Commission of Kiribati (CCK) for the year ended 31st December, 2020 as required under sec 114 (2) of the Constitution, Part VII, Sec 42(4) of the Public Finances (Control and Audit) 1981, Part IV Sec 23 of the SOE Act, 2013 and 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 Cash Flow
- Notes to the Accounts

Qualified Opinion

In my opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Commission as at 31st Dec, 2020, and (of) its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles. (GAAP)

Basis of Opinion

The following formed the basis of our qualified opinion:

- Provision for doubtful debt in the amount of \$48k had remained unchanged for the last three years. From our review there was an increase in the uncollectible debts and a total

of \$735k was confirmed Bad. This indicated that the provision was insufficient and it has not properly reflected a realistic figure for Doubtful Debts.

- Regarding the Bad debts write off, the following are our queries:
 - TSKL debt of \$666k was written off without Boards approval.
 - There were also other significant debts with BPA, CCH, Speed cast and Jaxa being written off however the Boards minutes were not ready for verifications.
- Fixed Assets (FA) issues:
 - We require supporting documents to verify disposal of Motor Vehicle in 2020 but they were not provided.
- Establishment of the Revolving fund was queried as transactions posted to such fund had no connections to the Revolving fund but the Universal Access Fund (UAF). The wrong postings should be corrected to UAF account.
- The revised Cashflow Statement had resolved the issue with Acquisition value, now the operating activities reconciliation note is the problem as it stated an increase in Debtors of \$(287,582.88) when the accounts showed a decrease in Debtors. Because of these differences noted, we doubted the accuracy of the Cashflow Statements.

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 **Commission** in accordance with the Ethical requirements that are relevant to my audit of the financial statements of the Commission and I have fulfilled my other responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors and Management's responsibilities 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 Commissions 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 Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commissions 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 as required under the Public Finance (Control and Audit) Ordinance 1976 and Kiribati Audit Act, 2017. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA/ISSAI 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 & ISSAI, 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 Commission'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 Commission'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 Commission 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 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 we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report

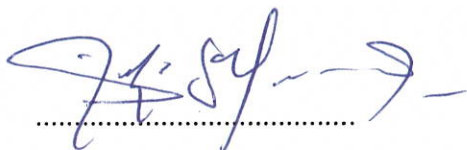
unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the

adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 CCK.



Mr. Eriati Tauma Manaima
Auditor General.

Date: 20/04/2022

Communications Commission of Kiribati
Profit & Loss Statement
For the Year Ended 31 December 2020

NOTES

Income		
Total Income	3	976,994.30
Expenses		
Total Expenses	4	660,872.02
Operating Profit		316,122.28
Other Income		
Total Other Income	5	(12,880.00)
Other Expenses		
Total Other Expenses	6	936,057.86
Net Profit / Loss		<u><u>(607,055.58)</u></u>

SIGNED


Teannaki Tongaua
Officer In Charge


Wayne Reiher
Chairman

Notes to form part of the financial report

NOTES Income

ADMIN & FINANCE SERVICES

IBD Interest	7,281.56
Domain Name fees	275,912.47
Sundries	4,207.30

ENGINEERING

License fees	651,289.18
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REGULATORY

Country code	38,303.79
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3 **Total Income** **976,994.30**

Expenses

Personal Emoluments

Salaries	253,380.37
Extra Duty Allowances	8,201.78
Overtime	31,620.48

Board of Directors Expenses

Sitting Allowances	15,833.25
Snacks & Coffees	3,809.65

General Expenses

Entertainment	5,207.10
Computer Maintenance	118.13
Maintenance & Repair	17,062.53
Promotions	-
Membership Fees - Int'l Orgs	32,995.03
Advertisement	1,872.00
Subscription & Publications	45.95
Office Supplies & Stationeries	\$20,127.57
Training	\$5,298.34
House Rent Subsidy	\$50,314.95
KPF Contribution	\$18,802.34
Service Purchase	\$7,315.00
Donation	\$732.60

Financial Expenses

Audit Fees	-
Bank Charges	\$1,942.01

Travelling & Transport Costs

Local Travel	\$29,192.35
Motor Vehicle Fuel	\$11,034.95
M/V Registration & Toll Fare	\$60.00
M/V Workshop Cost	1,142.30
Overseas Travel	\$56,410.12

Insurance & Utilities Costs

Insurance	\$2,611.63
Power & Electricity	\$17,049.20

Telephone Expenses

Internet Usage	\$12,658.45
Telephone & Fax charges	\$11,377.26

Other Expenses

Depreciation exp.	\$44,656.68
Doubtful Debt Expenses	-

4 **Total Expenses** **660,872.02**

Operating Profit 316,122.28

5 **Other Income** **(12,880.00)**

6 Other Expenses 936,057.86

Communications Commission of Kiribati
Comparative Profit & Loss Statement
For the Year Ended 31 December 2020

	2020	2019	2018	\$ Difference	% Difference
Income					
ADMIN & FINANCE SERVICES					
IBD Interest	7,281.56	7,183.86	7,676.92	97.70	99%
Domain Name fees	275,912.47	342,730.00	365,110.78	(66,817.53)	124%
Sundries	4,207.30	8,067.34	(1,835.57)	(3,860.04)	192%
ENGINEERING					
License fees	651,289.18	691,332.23	510,424.18	(40,043.05)	106%
REGULATORY					
Country code	38,303.79	31,136.23	17,723.96	7,167.56	81%
Total Income	976,994.30	1,080,449.66	899,100.27	(103,455.36)	111%
Expenses					
Personal Emoluments					
Salaries	253,380.37	233,318.36	231,941.91	20,062.01	92%
Extra Duty Allowances	8,201.78	10,058.13	8,563.89	(1,856.35)	123%
Overtime	31,620.48	30,808.39	26,199.91	812.09	97%
Board of Directors Expenses					
Sitting Allowances	15,833.25	11,656.75	13,518.75	4,176.50	74%
Snacks & Coffees	3,809.65	4,577.35	1,997.45	(767.70)	120%
General Expenses					
Entertainment	5,207.10	8,381.13	4,154.00	(3,174.03)	161%
Computer Maintenance	118.13	-	-	118.13	0%
Maintenance & Repair	17,062.53	4,657.89	5,822.25	12,404.64	27%
Promotions	-	-	1,428.60	-	-
Membership Fees - Int'l Orgs	32,995.03	29,951.24	102,072.46	3,043.79	91%
Advertisement	1,872.00	1,665.00	1,902.20	207.00	89%
Subscription & Publications	45.95	-	-	45.95	0%
Office Supplies & Stationeries	\$20,127.57	\$14,031.85	7,872.48	6,095.72	70%
Training	\$5,298.34	\$5,816.34	19,932.90	(518.00)	110%
House Rent Subsidy	\$50,314.95	\$46,052.55	12,805.87	4,262.40	92%
KPF Contribution	\$18,802.34	\$17,270.45	17,355.90	1,531.89	92%
Service Purchase	\$7,315.00	\$3,811.50	22,638.70	3,503.50	52%
Donation	\$732.60	\$1,431.00	559.28	(698.40)	195%
Financial Expenses					
Audit Fees	-	-	2,500.00	-	-
Bank Charges	\$1,942.01	\$1,727.70	1,542.80	214.31	89%
Travelling & Transport Costs					
Local Travel	\$29,192.35	\$42,487.91	57,229.94	(13,295.56)	146%
Motor Vehicle Fuel	\$11,034.95	\$9,885.89	10,598.21	1,149.06	90%
M/V Registration & Toll Fare	\$60.00	\$22.50	-	37.50	38%
M/V Workshop Cost	1,142.30	3,106.73	3,639.55	(1,964.43)	272%
Overseas Travel	\$56,410.12	\$129,724.28	109,784.58	(73,314.16)	230%
Insurance & Utilities Costs					
Insurance	\$2,611.63	\$5,551.07	4,213.84	(2,939.44)	213%
Power & Electricity	\$17,049.20	\$15,608.35	15,913.80	1,440.85	92%
Telephone Expenses					
Internet Usage	\$12,658.45	\$10,910.47	12,569.84	1,747.98	86%
Telephone & Fax charges	\$11,377.26	\$9,263.23	8,828.89	2,114.03	81%
Other Expenses					
Depreciation exp.	\$44,656.68	\$44,835.60	36,150.63	(178.92)	100%
Doubtful Debt Expenses	-	-	-	-	-
Total Expenses	660,872.02	696,611.66	741,738.63	(35,739.64)	99%
Operating Profit	316,122.28	383,838.00	157,361.64	(67,715.72)	99%
Other Income	(12,880.00)	-	-	(12,880.00)	0%
Other Expenses	936,057.86	196,559.15	42,567.26	104,960.47	48%
Net Profit / (Loss)	(607,055.58)	187,278.85	114,794.38	(159,796.19)	99%

SIGNED



Teannaki Tongaua
Officer In Charge



Wayne Reiher
Chairman

Communications Commission of Kiribati
Comparative Balance Sheet
As at 31 December 2020

		As at 31 December 2020			
NOTE		2020	2019	\$ Difference	% Difference
	Assets				
	Current Assets				
	Cheque Account	617,565.76	1,182,989.12	270,741.35	192%
	Cheque Account UAF	625,810.80	22,302.37	(16,012.98)	4%
	Petty Cash Fund	200.00	200.00	(1,800.00)	100%
	IBD No. 680256	542,690.72	535,409.16	7,183.86	99%
	Undeposited Funds	-	-	-	
	Accounts Receivable	96,251.90	819,276.29	(232,526.32)	851%
1	Provision for Doubtful Debts	(48,999.96)	(48,999.96)	-	100%
	Imprest Account-MCTTD Officer	2,355.00	2,355.00	-	100%
	Imprest Account - Chairman	1,145.84	1,145.84	1,145.84	100%
	Prepaid Expense	-	14,049.00	14,049.00	
	Advance Account - MR	0.04	177.14	-	442850%
	Sundry Receivable	-	-	(8,400.25)	
	Revolving Fund	96,195.76	8,400.25	8,400.25	9%
	Advance Account - TO	-	-	(131.50)	
	Advance Account - STO	(144.55)	(144.55)	(1,600.84)	100%
	Advance Account - CEO	-	-	(823.12)	
	Imprest Account Ioteba - UAF	980.00	-	-	0%
	Non-Current Assets				
	Loan - BPA	55,005.00	55,005.00	-	100%
	Property, Plant & Equipment				
	Office Equipment- at cost	113,346.08	74,439.49	20,694.41	66%
	Acc. Deprn - Office Equipment	(44,711.23)	(24,389.83)	(11,098.20)	55%
	Furniture & Fittings - at cost	5,295.85	5,295.85	-	100%
	Acc. Deprn - Furniture & Fitting	(3,140.08)	(2,355.04)	(785.04)	75%
	Motor Vehicles - at cost	130,288.00	186,313.00	14,500.00	143%
	Acc. Deprn - Motor Vehicles	(31,307.92)	(72,052.96)	(26,484.96)	230%
	Buildings & Premises 2 - cost	66,913.72	65,110.86	12,228.86	97%
	Acc Dprn - Building & Prem 2	(26,449.68)	(18,179.40)	(6,467.40)	69%
	Total Assets	2,199,291.05	2,806,346.63	42,812.96	128%
	Liabilities				
	Dot Ki Trust	227,849.48	227,849.48	-	100%
	Prepaid Revenue	105,534.11	105,534.11	(144,465.89)	100%
	Total Liabilities	333,383.59	333,383.59	(144,465.89)	100%
		-			
		-			
		1,865,907.46	2,472,963.04	187,278.85	133%
	Equity				
2	Retained Earnings	\$2,214,098.74	2,026,819.89	114,794.38	92%
	Current Years Earnings	(607,055.58)	187,278.85	72,484.47	-31%
	Equity - Gov'ts Contribution	\$258,864.30	258,864.30	-	100%
	Total Equity	1,865,907.46	2,472,963.04	187,278.85	133%

SIGNED



Teannaki Tongaua
 Officer In Charge



Mr Wayne Reiher
 Chairman

Communications Commission of Kiribati
Cash flow Statement
As at 31 December 2020

	2020	2019
Cashflow from Operating activities		
Receipt from Customers	882,948.11	1,047,985.48
less payments to Staff and Suppliers	817,033.59	747,633.84
	65,914.52	300,351.64
Cashflow from Investing activities		
Interest Income	7,281.56	7,183.86
Sale of Fixed Asset	12,880.00	-
less Purchase of Fixed Asset	(40,709.45)	(47,423.27)
	(20,547.89)	(40,239.41)
Cashflow from Financing activities		
Net Increase in cash and cash equivalent	45,366.63	260,112.23
Cash and cash equivalent at beginning of period	1,740,900.65	1,480,788.42
Cash and cash equivalent at end of period	1,786,267.28	1,740,900.65
Note 1 Cash and cash equivalent		
Cheque Account	617,565.76	1,182,989.12
Cheque Account UAF	625,810.80	22,302.37
Petty Cash Fund	200.00	200.00
IBD No. 680256	542,690.72	535,409.16
Total cash and cash equivalent	1,786,267.28	1,740,900.65
Note 2 Reconciliation of Net Profit to Cash flow from Operating Activities		
Net Profit	(607,055.58)	187,278.85
Add back non cashflow expenses		
Depreciation	44,656.68	44,835.60
Bad Debts and other Expenses	936,057.86	196,559.15
Less non operating activity income		
Interest on IBD	(7,281.56)	(7,183.86)
Sale of Assets	(12,880.00)	-
Less Increase in Account Receivables	(287,582.88)	23,327.79
Less Decrease in Liabilities	-	(144,465.89)
Cash flow from Operating Activities	65,914.52	300,351.64

SIGNED


Teannaki Tongaua
Officer In Charge


Wayne Reiher
Chairman