

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



**Public Utilities Boards Financial Statements
For the year ended 31st December 2019**

**Kiribati Audit Office
April 2022**



PUBLIC UTILITIES BOARD

ANNUAL FINANCIAL STATEMENTS FOR 2019
SUBMITTED TO KIRIBATI NATIONAL AUDIT OFFICE
- 26 JUNE 2020


PUBLIC UTILITIES BOARD STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019				
	Actual YTD Dec 2019	Revised Budget YTD Dec 2019	Variance Favourable/ Unfavourable	Actual YTD Dec 2018
INCOME:				
Electricity Sales	11,435,871	11,688,539	(252,667)	11,589,732
Internal Electricity Sales - PUB Water&Sew & Others	365,576	380,199	(14,623)	365,576
Water Sales	786,424	855,000	(68,576)	843,266
Sewerage Revenue	-	50,000	(50,000)	-
Government Subsidy/CSO	1,282,258	1,282,258	(0)	1,474,590
Other Income	298,638	485,076	(186,438)	280,670
TOTAL INCOME	14,168,768	14,741,073	(572,305)	14,553,834
EXPENDITURE:				
Fuel & Lubricant	9,609,760	8,612,236	(997,524)	9,333,665
Chlorination & Laboratory	-	60,000	60,000	112,974
Operating & Office Supplies	137,667	184,000	46,333	-
Employee Expenses	2,693,911	2,836,093	142,182	2,483,411
Repairs & Maintenance	550,630	480,053	(70,577)	260,482
Bank Charges & Loan Interest	9,427	20,000	10,573	11,473
Depreciation	3,086,968	3,954,100	867,132	2,888,539
Internal Electricity Consumption	365,576	380,199	14,623	365,576
Other Expenses	648,118	907,855	259,737	920,046
TOTAL EXPENDITURE	17,102,057	17,434,536	332,479	16,376,167
OPERATING PROFIT / (LOSS)	(2,933,290)	(2,693,463)	(239,826)	(1,822,333)
ABNORMAL ITEMS:				
Bad/Doubtful Debts - Electricity	(6,082)	(120,110)	114,027	(11,955)
Bad/Doubtful Debts - Water	(4,478)	(15,090)	10,612	(111,478)
Deduct Prior Period Items (PPI)	5,379	-	5,379	(75,843)
Add / Deduct Gain/Loss from Disposal of F/Assets	(23,911)	-	(23,911)	-
Amortisation - Aid Reserve	2,331,928	2,855,823	(523,895)	2,245,637
NET PROFIT / (LOSS) BEFORE TAX	(630,454)	27,159	(657,613)	224,028
Less: Taxations	-	-	-	-
NET PROFIT / (LOSS) AFTER TAX	(630,454)	27,159	(657,613)	224,028

PUBLIC UTILITIES BOARD
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Actual 30-Jun-19	Actual 31-Dec-18
Share Capital 1 January 2019	47,140,180	47,615,643
Less Amortisation and Release of Capital Reserve	(2,331,928)	(2,245,637)
Received from GoK for High Voltage (HV) Electricity Rehabilitation Project	-	259,955
Capital Aid Reserve NZ MFAT Water Security / RO Project	-	1,089,980
Capital Aid Reserve NZ MFAT Repair & Maint - Power Generators	320,613	-
Received from GoK/NZMFAT - Dai Nippon Causeway Water Piping System	-	301,699
Received from GoK/NZMFAT - Dai Nippon Causeway Cable	-	118,540
Share Capital 30 June 2019	45,128,865	47,140,180
Retained Earnings 1 January 2019	(5,963,334)	(6,187,363)
Plus Net Profit/(Loss)	(630,454)	224,028
Less Dividends Paid	-	-
Retained Earnings 30 June 2019	(6,593,788)	(5,963,334)

PUBLIC UTILITIES BOARD**FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2019**

INCOME	NOTES	2019	2018
Electricity Sales		11,435,871	11,589,732
Internal Electricity Sales		365,576	365,576
Water Sales		786,424	843,266
Government Subsidy / CSO*	7	1,282,258	1,474,590
Other Income		298,638	280,670
Total Income		14,168,768	14,553,834
EXPENDITURE			
Fuel & Lubricant		9,609,760	9,333,665
Fuel - Motor Vehicles		77,597	77,017
New Connections & Installations		29,546	28,209
Postage, Printing & Stationeries		68,802	61,151
Operating & Other Supplies		92,043	101,976
Personal and Protective Equipment		14,751	18,477
KPF Contributions		113,800	108,339
Leave Grants & Passages		217,310	220,000
Salaries, Overtime & Allowances		2,277,184	2,128,262
Staff Subsidised Rent		85,617	26,810
Repairs & Maintenance		550,630	260,482
Depreciation		3,086,968	2,888,539
Overseas Travel & Training		71,832	78,656
Travelling & Transport*		111,901	135,184
Telecom Charges		145,276	146,832
Chlorination		-	112,974
Insurance & Subscriptions		4,321	68,192
Advertising and Awareness Program		9,357	10,151
Board Expenses		21,553	23,754
Audit Fees		2,500	2,500
Land Lease & Compensation		5,584	5,832
Bank Charges		9,427	11,473
Other Expenses		496,296	527,691
Total Expenditure		17,102,057	16,376,167
OPERATING PROFIT/(LOSS)		(2,933,290)	(1,822,333)
ABNORMAL ITEMS			
Bad/Doubtful Debts - Trade Debtors	12	(10,560)	(123,433)
Prior Period Items (PPI)	8	5,379	(75,843)
Gain/Loss from Disposal of F/Assets		(23,911)	
Amortisation-Aid Reserve Released as Income		2,331,928	2,245,637
NET PROFIT/(LOSS)		(630,454)	224,028

Confirmed:
Chairlady
Saitofi Mika
Officer In Charge
Teitibwebwe Kaberiera
Ag Finance Manager
Biriaam Kirata


PUBLIC UTILITIES BOARD
FINANCIAL POSITION AS AT 31 DECEMBER, 2019

	NOTES	2019	2018
CURRENT ASSETS			
Trade Debtors*	11	9,767,164	9,322,129
Provision for Bad/Doubtful Debts - Trade Debtors		(7,842,637)	(7,832,077)
Provision for Bad/Doubtful Staff Debts		(121,391)	(121,391)
Sundry Debtors		123,849	122,294
Prepayment		607,652	1,325,909
Staff Debts		136,201	136,868
Cash at Bank	5	89,412	548,624.98
Stock		1,749,787	1,824,300
Total Current Assets		4,510,037	5,326,658
CURRENT LIABILITIES			
Trade Creditors	9	7,678,203	7,760,477
Prov. For Trade Creditors - Local	9	(7,708,644)	(7,708,644)
Sundry Creditors		515,241	540,968
VAT Collected / Payable	10	830,339	817,746
Total Current Liabilities		1,315,140	1,410,546
WORKING CAPITAL		3,194,897	3,916,112
NON-CURRENT ASSETS			
Buildings		1,414,776	1,407,971
Plants & Machineries		68,522,065	67,386,670
Furniture, Fittings & Equipment		973,433	946,094
Motor Vehicles		2,579,147	2,665,962
Accumulated Depreciation		(37,139,040)	(34,135,761)
Total Non-Current Assets	2	36,350,381	38,270,936
LONG-TERM LIABILITIES			
ADB Loan	3	1,010,202	1,010,202
Total Long-Term Liabilities		1,010,202	1,010,202
NET WORTH		38,535,077	41,176,845
SHAREHOLDER'S EQUITY			
Capital Reserve	4	45,128,865	47,140,180
Accumulated Profits/(Losses)	6	(6,593,788)	(5,963,334)
TOTAL SHAREHOLDER'S EQUITY		38,535,077	41,176,845

Confirmed:


Chairlady
Saitofi Mika


Officer In Charge
Teitibwebwe Kaberiera


Ag Finance Manager
Biriaam Kirata

PUBLIC UTILITIES BOARD

CASH FLOW STATEMENTS AS AT 31 DECEMBER, 2019

	Notes	2019	Revised 2018
Cash Flows from Operating Activities			
Cash Receipts from Customers, CSO & Reserve Transfers		14,504,715	14,681,514
Cash Paid to Suppliers, Employees, etc		(14,918,580)	(13,819,202)
Net Cash Flows from Operating Activities	(A)	(413,865)	862,313
Cash Flows from Financing Activities			
		-	-
Net Cash Flows from Financing Activities		-	-
Cash Flows from Investing Activities			
Proceeds from Capital Aid/Grants - Commissioned Projects			680,194
Proceeds from Capital Aid/Grants - On-going Projects		320,613	1,089,980
Payments from Capital Aid/Grants - Commissioned Projects			(1,683,482)
Payments from Capital Aid/Grants - On-going Projects		(366,871)	(952,799)
Purchase of Property, plant and equipment			(956,033)
Net Cash Flows from Investing Activities		(46,258)	(1,822,140)
Net Increase / (Decrease) for the Period		-460,123	-959,828
Add Cash Balances & Cash equivalent at Beginning		548,625	1,508,453
Cash Balance & Cash equivalent at the End of the Period		88,502	548,625
Cash & Cash Equivalents			
Cash at Bank - Cheque Account		-21,015	343,569
PUB Reserve Funds		41	6
Kiribati Government Funds - Water & Wastewater CSO		17,508	99,784
Kiribati Government Assistance - High Voltage Project			-32,960
NZ MFAT Water Security Support RO Funds		12,597	137,181
NZ MFAT R&M Power Generators		78,326	
NZ MFAT Clean-up Funds		145	145
Petty Cash		900	900
Total	5	88,502	548,625

(A) Reconciliation of Net Profit / (Loss) to Net Cash Provided (Used) by Operating Activities

Net Profit/(Loss) for the Year	(630,454)	224,028
Non-Cash Items and Cash used by Investing and Financing Activities		
Add back depreciation for the period	3,086,968	2,888,409
Less Amortisation of Aid Reserve for the period	(2,331,928)	(2,245,637)
Add Prov for Doubtful Trade Debtors		123,433
Less Capitalized stock issued out during the year		(46,246)
Add Cash used for Un-capitalized/On-going Projects	366,871	952,799
Change in Current Assets and Current Liabilities		
Decrease/-Increase in Current Assets	346,848	(1,321,444)
Increase/-Decrease in Current Liabilities	(714)	286,970
Adjustment to Fixed Assets	(193,693)	-
Adjustment to Project and Capital Aid Reserve		-
Cash Flows from Operating Activities	643,899	862,313

Confirmed:

Chairlady
Saiton MikaOfficer In Charge
Teitibwebwe KaberieraAg Finance Manager
Biriaam Kirata

PUBLIC UTILITIES BOARD

NOTES TO AND FORMING PART OF THE ACCOUNTS YEAR ENDED 31 DECEMBER 2019

(1) Statement of Accounting Policies

The accounts of the Board have been drawn up in accordance with Generally Accepted Accounting Principles and International Accounting Standards and the requirements of the Law of the Republic of Kiribati. They have been prepared under the Historical Cost Convention and the Accrual Basis of Accounting has been used.

The Accounting Policies have been consistently applied unless otherwise stated. Set out below is a summary of the significant Accounting Policies adopted by the Board in the preparation of the Accounts.

(a) Depreciation of Fixed Assets

Fixed Assets, including donated assets are depreciated over their estimated useful lives using the Straight Line Method.

(b) Stock

Stock is valued at the Lower of Cost and Net Realizable Value and includes expenditure incurred in acquiring the stock and bringing it to the existing condition and location.

(c) Grants and Subsidies

Grants received for Capital Assets are recorded in the Balance Sheet as either Deferred Income only if it is acquired under a loan or treated as Capital Reserve/Equity Injection; and amortized as Income for subsequent periods at a Rate of Depreciation applied for the Capital Assets acquired under a grant.

Payments for Community Service Obligations (CSOs) are provided to compensate PUB for expenses incurred in providing non-economic or other special services during the year for the Government. These are recorded as income in the year to match the expenses incurred in providing the services.

Other grants or subsidies from the Government are recognized as income, otherwise as necessary to treat them as Capital Injection/Reserve.

(d) Foreign Currency

A Foreign Currency Transaction is recorded at its Local Currency (Australian Dollar) equivalent at a rate in use when the transaction occurs. Gains and losses arising from Foreign Currency Transactions are treated as gains or losses for the period when the transactions occur.

(e) Long –Term Debt

The Current Portion of Long-Term Debt is recorded as a Current Liability according to the Repayment Terms of the relevant Loan Agreement.

(2) Schedule of Fixed Assets - as at 31 December 2019

		PLANTS & MACHINERIES				TOTAL	BUILDINGS	FURNITURE FITTINGS & EQUIPMENT	MOTOR VEHICLES	GRAND TOTAL
		WATER	SEWERAGE	ELECTRICAL						
Cost Valuation Total Cost	As at 1/01/19	8,568,776	2,196,087	46,547,163		57,312,026	889,471	946,094	2,665,962	61,813,553
		1,308,722	6,376,000	2,389,922		10,074,644	518,500	-	-	10,593,144
		9,877,498	8,572,087	48,937,085		67,386,670	1,407,971	946,094	2,665,962	72,406,697
	Additions	1,009,897	-	125,498		1,135,395	6,805	27,340	(86,815)	1,082,724
	As at 31/12/19	10,887,395	8,572,087	49,062,584		68,522,065	1,414,776	973,434	2,579,147	73,489,422
Accumulated Depreciation	As at 1/01/19	5,556,210	6,652,928	18,055,475		30,264,613	923,224	735,555	2,212,369	34,135,762
	Depreciation Charge	701,954	205,061	1,811,548		2,718,563	35,210	89,260	160,246	3,003,279
	As at 31/12/19	6,258,163	6,857,989	19,867,024		32,983,176	958,434	824,815	2,372,615	37,139,041
Net Book Value	As at 1/01/19	4,321,288	1,919,159	30,881,610		37,122,057	507,638	269,343	713,979	38,613,017
	As at 31/12/19	4,629,231	1,714,097	29,195,560		35,538,888	456,342	148,619	206,532	36,350,381

(3) Asian Development Bank (ADB) Loan**(a) Loan No. 786 - Wartsila Generator**

Principal advanced US\$700,000 @ 0.65 AUD \$1,076,923.00

15 years @ interest 7.65% semi-annually wef June 1990

	Current Liability	Long Term Liability		Total
		Principal	Interest	
Balance 1/01/19	-	851,021	874,653	1,725,674
Adjustment	-	-	-	(1,353,308)
Balance 31/12/19	-	851,021	874,653	372,366

(b) Loan No. 922 - Power Distribution Project

Principal advanced SDR 666,970 @ 0.5546 AUD \$1,202,547.00

20 years @ Interest 6.53% semi-annually wef Sept 1992

	Current Liability	Long Term Liability		Total
		Principal	Interest	
Balance 1/01/19	-	1,172,487	1,070,300	2,242,787
Adjustment	-	-	-	(1,604,951)
Balance 31/12/19	-	1,172,487	1,070,300	637,836

Total ADB Loan

	Current Liability	Long Term Liability		Total
		Principal	Interest	
Balance 1/01/19	-	2,023,508	1,944,953	3,968,461
Adjustment	-	-	-	(2,958,259)
Balance 31/12/19	-	2,023,508	1,944,953	1,010,202

Disclosing Note 3:

ADB Loan #786 and #922 have been adjusted according to SOEMAU's balances per email dd 23 January 2017.

Notes to and Forming Part of the Accounts (Con'd)

(4) Capital Reserve

	2019	2018
Grant Reserve		
Balance 1/01/19	12,095,640	14,341,277
Amortised as Income	(2,331,928)	(2,245,637)
Balance 31/12/19	9,763,711	12,095,640
Revaluation Reserve		
Balance 1/01/19	3,494,046	3,494,046
Balance 31/12/19*	35,365,153	35,044,540
Total	45,128,865	47,140,180

Disclosing Note 4:

*Total amount of \$320,613.25 was received in 2019 from NZMFAT for Repair & Maintenance for Power Generators

1. NZMFAT Water Security / RO (Reverse Osmosis) Project		1,089,980
2. GoK - HV Electricity Rehabilitation Project		259,955
3. GoK - Water Piping Rehabilitation Project at Nippon Causeway		301,699
4. GoK - Electrical Cabling Rehabilitation Project at Nippon Causeway		118,540
5. GoK - NZMFAT Repair & Maint for Power Generators	320,613	
	320,613	1,770,174

(5) Cash at Bank

	2019	2018
Cheque Account No. 298142	(20,105)	343,569
Petty Cash Imprest	900	900
NZ MFAT Clean-up Fund	145	145
NZ MFAT Water Security/RO Support F	12,597	137,181
NZ MFAT - R&M Power Generators	78,326	
PUB Reserve Fund	41	6
Kiribati Gov't Assistance - HV Project	-	(32,960)
PUB Water & Wastewater CSO A/c	17,508	99,784
Total	89,412	548,625

Notes to and Forming Part of the Accounts (Con'd)

(6) Accumulated Loss:

	2019	2018
Balance 1/01/19	(5,963,334)	(6,187,363)
Net Profit/Loss (-) for the year*	(630,454)	224,028
Balance 31/12/19	(6,593,788)	(5,963,334)

Disclosing Note 6 :

*Electricity Debtors and Provision for Doubtful Debts are computed as follows:

	2019	2018
Electricity Debtors Control Account / GL Balance as at 31/12/2019	8,265,523	8,277,120
Incr / (Decr) in Elec Debtors treated as (PPI) and other Adjustments	154,058	29,266
Balance per Electricity Debtors Listing as at 31/12/2019	8,419,582	8,306,385
Prov for Bad and Doubtful Debts accounted for in B/S:		
Domestic		6,753,246
Commercial		258,962
Industrial (Ministries)		226,413
Industrial (SOEs)		470,023
Total Prov. For Doubtful Debts for Electricity Debtors per Financial Position as at 31/12/2018	7,832,077	7,708,644
Add Prov for Bad and D/Debts - Water	4,478	111,478
Add Prov for Bad and D/Debts - Electricity	6,082	11,955
Doubtful Debts for Water and Electricity Debtors as included in P&L Statement for the year ending 31/12/2019	10,560	123,432.81
Acc. Prov. For Doubtful Debts per Balance Sheet as at 31/12/2018	7,842,637	7,832,077

*Provision for Bad and Doubtful Staff Debts as at 31/12/2019 remains at \$121,391

	2019	2018
(7) Government Subsidy/CSO		
Water & Wastewater CSO	1,282,258	1,474,590
Sewerage Operations	-	-
Power Supply	-	-
Other Grants	-	-
Total	1,282,258	1,474,590

(8) Prior Period Items/Adjustments

	2019	2018
a) Difference between the Electricity Debtors Control Account in the GL and the listing as disclosed in Note (6) above treated as PPI	(5,379)	29,266
b) Long Outstanding Debt with KOIL anticipated to set-off against Electricity Doubtful Debts	-	-
c) Other Prior Year Expenses and Income	-	46,577
d) Audit Fees for prior years	-	-
	(5,379)	75,843

Notes to and Forming Part of the Accounts (Con'd)

(9) Trade Creditors

	2019	2018
Trade Creditors - Local - KOIL	7,748,104	7,748,104
Trade Creditors - Overseas	12,372	12,372
Total Trade Creditors	7,760,477	7,760,477

Disclosing Note 9: Trade Creditors

a) Trade Creditors - Local

* According to PUB's books, PUB owes KOIL \$7,748,104.42 as at 31/12/2016. It is anticipated that a set-off against PUB's Elec Debtors for \$7,708,644.17 will be taken into account upon approval. This results also in accounting for Provision for Trade Creditors -Local, which has been set aside to set-off against the Elec Debtors once approved by Board/Cabinet.

b) Trade Creditors - Overseas

	2019	2018
** Daikai Engineering Pty Ltd., Singapore as at 31/12/2019	-	12,372
*** Northpower Ltd., NZ	-	-
	-	12,372

(10) VAT Payable

Adjustment on Vat Payable is to be reconsidered based on further advise from AG's and Tax Office.

(11) Trade Debtors

Trade Debtors as at 31/12/2019 comprise of:

	2019	2018
Electricity Debtors	8,306,385	8,306,385
Water Debtors	1,015,744	1,015,744
Total Trade Debtors	9,322,129	9,322,129

Confirmed:


Chairlady
Saitofi Mika


Officer In Charge
Teitibwebwe Kaberiera


Ag Finance Manager
Biriaam Kirata

KIRIBATI AUDIT OFFICE



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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

**To The Readers Of
Public Utilities Boards Financial Statements
For the year ended 31st December 2019**

I have audited the Financial Statements of Public Utilities Board (PUB) for the year ended 31st December, 2019 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 Changes in Equity
- 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 Company as at 31st Dec, 2019, 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

1. We were unable to verify Fixed assets balance due to the following:

- i. The following capital payments for Furniture & Fittings and Plant and Machineries had no PVs available.
 - PV 196/02 – Payments for 2 air-conditioner for Bikenibeu Powerhouse Control room (Tema Cool) pf \$3,282.50 on 28/2/2019.
 - Payments for Building Materials including tools and fittings as per General Journal Ref: GJ000242 of \$2,459.85 on 31/12/2019.
- ii. There were few missing/unavailable payment vouchers from those provided to support the capital expenditure as per General Journal reference GJ000355 (31/12/2019) of \$945,705.13. The balance of payment vouchers not provided for this capital expenditure totaled to \$6,198.60.
- iii. There were also few missing/unavailable payment vouchers from those provided to support the capital expenditure as per General Journal reference GJ000356 (31/12/2019) of \$128,343.86. These unavailable PVs are as follows:
 - PV08/01b 30.01.2019 Uaine & Others \$709.80
 - PV10/02 01.02.2019 Mauritino & Others \$2,269.35
 - PV15/02 15.02.2019 Casual Labors \$2,105.25
- iv. No supporting documents on the adjustment of bank salaries payable wrongly capitalized to Plant & Machineries for Water Department at end of 2018.

2. Trade Debtors:

- i. We noted that the following debtors' account items have been brought forward from years that are now beyond the legislated statute of limitation of 6 years. We would like to highlight the significance of these prolonged debtors' balances. We also noted that the balance of provision for bad/doubtful debts of \$6,082.00 is low as per Balance Sheet.
 - **Unallocated – Other Staff Debts of \$23k** –accounts of ex-employees who have deceased or are unreachable, and which pre-dates 2009.
 - **Staff Debt Utilities of \$22k** – accounts of former staff of PUB who are no longer working for PUB and which pre-dates many years now.
 - **Other Receivables of \$8k** is a brought forward balance from previous years, even prior 2011.
- ii. The listing of sundry debtors identifying individual clients for water, sewerage, electrical, and other forms of debtors' streams was not available.

- iii. The balance of trade debtors on the Balance Sheet is \$9,767,164 meanwhile on the Notes 11 (which refers to further details) the balance of trade creditors (electricity and water) totaled to \$9,322,129.

3. Kiribati Govt Assistance – HV account has a negative balance although it is not normal for an asset account to have a negative balance.

4. Prior Period Items (PPI)

- i. We cannot verify if the following PPI adjustments were proper without their supporting documentation and explanations to variances detected.
 - General Journal reference GJ000042 of \$55,110.75 on 31/3/2019 – adjustments for high readings (2016-2018) iro Teteiera Eritai & other 33 customers.
 - General Journal reference GJ000049 of \$11,562.55 on 31/3/2019 – adjustments for high readings (2017-2018) iro Arobete Anterea & other 17 customers.
 - General Journal reference GJ000107 of \$2,095.46cr on 30/6/2019 – adjustment of opening balance in billing system for Temeta Naunta (A/C 897838) and Arete Eteri (A/C 312377)
 - JV of \$63,047 in the PPI – Income Account related to Amortization of donated water assets.
 - JV of \$84k in the PPI – Income Account related to the PUB's truck being disposed off per shipwreck of LC Super Carrier in May 2019.
 - Variance of \$1,075 between JV under New Installation and its supporting documents.
 - Variance of \$3,082.80 between JVno GJ000251 and its supporting documents.
 - Variance detected in JVno 110 which amounted to \$5,614.55 and does not match supporting documents.

5. Revised Cashflow Statement

- i. Cashflow from Investing activities, in particular Purchase of Property, Plant & Equipment of \$114,179 and Payments from Capital Aid/grants – Commissioned Projects of \$124,584 had a total of \$238,763. However, the additions as per the Financial Statements Fixed Assets Schedule was \$1,082,724. The significant mismatch of the two balances had caused doubts as to the accuracy of the Cashflow Statement as presented.
- ii. Breakdown of Cash receipt from Customers of \$14,471,684 and Cash payments to Suppliers, Employees, etc. of \$14,770,461 were not provided therefore we could not verify if these cashflow items from operating activities were correct.

6. Provision for Trade Creditors

- i. We noted that there still a provision for Trade Creditors of \$7.7m in PUB's 2019 financials when we have raised in our previous audit that this had not followed the accounting for Liabilities.
- ii. The Note 9 for Trade Creditors – Local was incorrect therefore require necessary corrections.

7. CSO/Subsidy

- i. We were unable to verify PUB's 2019 CSO as documents were not available.

8. Payroll - the nominal roll for September & October 2019 was not provided therefore hindered the audit verification of payroll for the period stated.

9. Procurement /Purchasing Process

- i. The process and controls in place for Purchasing sometimes not followed as revealed from our testing carried out. This issue is a weakness in the internal control for purchases and could lead to misappropriation of funds.

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.

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 GAAPs, 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 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 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 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.

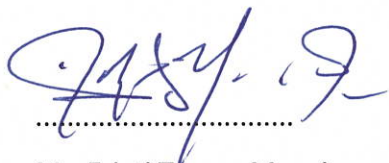
Report on other Legal and Regulatory Requirements

PUB lodged its Financial Statement for the year 2019 on 20th Oct 2020 therefore indicating PUB's non-compliance with sec.20 of 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 PUB.



Mr. Eriati Tauma Manaima
Auditor General.

Date: 25/04/2022