KIRIBATI NATIONAL AUDIT OFFICE
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File Ref. **Date:** 30 April 2013

Honorable Taomati Iuta
Speaker of the House of Parliament
Republic of Kiribati

Dear Sir,

I have the honour to transmit herewith the Annual Report on the Public Accounts for 2011 to the House of Parliament, to be laid before the House in accordance with Section 114(3) of the Constitution.

I have included matters, which relate to the performance of my duties and the exercise of my powers under the Public Finance (Control and Audit) Ordinance 1976.

There is a major change in the Part numbering of the Report with effect from 2010 Report, re list hereunder. Part I that normally covers "Statements i to xx" now becomes Part 2 while "Revenue and Expenditure of Government" becomes Part 1 of the Report. This is aligned with the flow of reading the accounts and the manner in which PAC conducted its Inquiry with Government Ministries.

- Part 1: Revenue and expenditure: Government of Kiribati Ministries, and
- Part 2: Statements I to XX

As required by Section 114(3) of the Constitution, I have delivered copies of the reports to His Excellency Te Beretitenti and the Minister of Finance and Economic Development.

Yours faithfully,

Matereta B Raiman
Auditor General

FOREWORD

The audit of the Government Annual Accounts year ended, respectively, 31st December 2011 was finally completed in February 2013, the same completion date as for the 2010 account.

The 2011 Annual accounts was prepared under the Cash Basis Accounting and comprises of the Balance Sheet (Financial Position) and Statements of Income and Expenditure (Financial Performance). The disclosure of the Annual Accounts follows the requirement of the specific provisions of the Public Finance (Control and Audit) Act, 1976 as amended. However the presentation of such annual accounts was not in full compliant with the International Financial Reporting Standard requirements nor any other internationally recognized reporting standard. For instance fixed assets purchased during the year were not accounted for nor reflected in the annual accounts. Outstanding Payments to suppliers and Receipts from customers were also not being properly accounted for.

The scope of our audit was extended to cover also activities funded by projects in which we had started looking into since the audit of 2010 account. Our audit approach basically focused on selecting transactions with colossal sums. The outcome confirms the need for full auditing in the future.

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OPINION OF THE AUDITOR GENERAL
ON THE ACCOUNTS OF THE GOVERNMENT OF THE REPUBLIC OF KIRIBATI
FOR THE YEAR ENDED 31 DECEMBER 2011

Audit Opinion

I have audited the Public Accounts for the years ended 31 December 2011. The preparation and presentation of these accounts are the responsibility of the Accountant General who transmitted them to me in accordance with Cap. 79 Part VI of the Public Finance (Control and Audit) Ordinance 1976. The information contained therein, as well as the existence of internal controls, which should be fully effective for the prevention of error or fraud, are the responsibilities of the Accountant General.

My responsibility is to express an opinion on these accounts based on my audit as required by Section 114 of the Constitution and Para V of the Cap 79 of the Public Finance (Control and Audit) Ordinance 1976.

I conducted my audit in accordance with the provisions of the Ordinance 1976 and Generally Accepted Auditing Standards to provide reasonable assurance as to whether the accounts are free of material mis-statement and errors. My procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the accounts, and the evaluation of accounting policies and significant estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the Public Accounts in accordance with the requirements of the Ordinance 1976 as to present a view of the transactions of the Consolidated Fund, and the other matters which are consistent with my understanding of those operations.

The accounts do not purport to reflect the total activity of Government and, as they are prepared essentially on a cash basis, they do not disclose at year end the unpaid commitments. They also do not disclose Government Assets and Liabilities in the hands of Government Owned Companies and Statutory Corporations, Government Fixed Assets, and project funds received outside of the Government No. 4 Account.

Qualifications

1) Outstanding issues regarding the 2010 Annual report (refer Appendix One, A1.2)
2) Anomalies between MFED and Ministries major revenue figures (refer section 3)
3) Lack of reconciliation and control weaknesses over Other government expenditures account (refer section 4)
4) Unavailable documents for Special fund balance (refer section 5)
5) Lack of bank reconciliation for Cash on hand and at bank account in particular No.1, No.4, No.5 and No.6 (refer section 6)
6) Incorrect advance account balances (refer section 7)

7) Control weaknesses and un-reconciled Deposit account (refer section 9)

8) Absence of monthly reconciliation and unavailability of investment register (refer section 11.1)

9) Incorrect balance for Loan accounts under Public debt (refer section 13.1)

10) Back dated arrears of revenue and unaccounted balances in 2011 (refer section 14)

11) Irregularities in the Cash in transit figure (refer section 18)

12) Un-reconciled items for the No.1 and No.4 accounts not reported under Suspense account instead disclosed under sundry deposits. (refer section 17)

13) Un-reconciled balances of Local Contribution to Development Fund (section 16)

14) Variance of RERF value between Fund Custodian and Fund Manager (HSBC) (section 19)

Qualified Audit Opinion

In our opinion, the financial report of the Government of Kiribati complies with relevant provision of the Public Finance (Control and Audit) Act 1976, however, because of the effect of matters discussed in the qualification paragraphs above, the financial statement for the Government of Kiribati does not present fairly in accordance with the applicable Accounting Standard and other mandatory professional reporting requirements of the financial position of Government Annual Account as at 31 December 2011 and the results of its operations and its cash flows for the year then ended.

Matereta B Raiman
AUDITOR GENERAL

COMPLIANCE WITH LEGISLATIVE REQUIREMENTS

LEGISLATIVE COMPLIANCE SYSTEMS

We reviewed the systems and procedures that are being used to determine the level of compliance with legislative requirements. It was, however, detected there is no formal system in place for monitoring compliance and reporting thereon.

We, therefore, recommend that the government look into putting in place a system to monitor compliance of key legislations and also ensure processes are in place to report breaches in legislation through to the governing body.

BREACHES OF SIGNIFICANT LEGISLATION

During the audit, our main focus is on the Government of Kiribati financial reporting obligations. As part of our planning we identified CAP 79 the Public Finance (Control and Audit) Ordinance 1976 as key legislations and Financial Regulations that all accountable officers should comply with. While our focus is on financial reporting obligations, we do maintain an awareness of other legislations that impact on the entity. We noted the following breaches of legislation:

Non-compliance with CAP 79 Public Finance (Control and Audit Ordinance) 1976

- Section 27 states that *'any deposit which is unclaimed for 5 years shall be paid into the Consolidated Fund for the public purpose of the Government. Provided that if any person entitled thereto shall subsequently prove to the satisfaction of the Chief Accountant his claim to any such deposit the Chief Accountant shall thereupon refund to such person his deposit'.*

This section has not been practiced as according to MFED there were prolonged unclaimed deposits for prior years which are posted under the Prior Period Items (PPI). Refer section 4 Cash on hand and at bank.

2011 ANNUAL ACCOUNT SCORECARD

	ASSETS	**2010**	**2011**	**2010 Rating**	**2011 Rating**
	INVESTMENTS				
XX	Investments with HSBC	298,529,501	294,542,418.28	**C**	**C**
XX	Investments with NICAM	282,387,029	284,396,686.38	**C**	**C**
XI	Other Investments	1,560,037	1,377,385.58	**C**	**C**
		582,476,567	**580,316,490.24**		
	CASH				
VI	Cash on Hand & bank	4,527,937	-5,493,883.07	**D**	**D**
XIX	Cash in transit	248,994	575,762.35	**D**	**D**
		4,776,931	**-4,918,120.72**		
VII	**ADVANCES**				
	Other Governments	7,066	7,066.00	**C**	**C**
	Public Officers	10,067,025	11,104,425.08	**D**	**D**
	Sundry Advances	1,720,727	-627,495.86	**D**	**D**
		11,794,818	**10,483,995.22**		
LESS	**LIABILITIES**				
IX	**DEPOSITS**				
	Deceased Native Estates	-1,134,598	-1,046,476.59	**D**	**D**
	Public Officers	86,956	-33,699.54	**C**	**C**
	Sundry Deposits	8,962,032	7,784,943.95	**D**	**D**
	Telmos	-4,279,481	-5,610,864.23	**E**	**D**
		3,634,909	**1,093,903.59**		
	NET TOTAL ASSETS	**602,683,225**	**586,976,268.33**		
II	Consolidated Fund	8,416,098	-10,237,696.38	**C**	**B**
XVI	Development Fund	13,245,321	16,187,943.33	**C**	**C**
XX	RERF	580,916,530	578,939,104.66	**B**	**B**
V	Stabex	-3,186,006	-3,086,083.38	**D**	**D**
V	Other Special Funds	3,291,282	5,173,000.10	**B**	**B**
	Grand Total	**602,683,225**	**586,976,268.33**		

OVERVIEW

This report is part 2 of the Auditor General report on the Annual account of the Government of Kiribati and it presents the results of audit findings for Statement I to XX which are aligned to the contents of the Annual account 2011 provided by MFED. Recommendations are given in this report in order to improve programs and operations and provide better service to the public are the bottom lines of our audit work.

Most of the issues highlighted in this report keep repeating from previous years indicating a slow improvement in the system thus putting the quality of the information at stake and therefore we would ask management for serious consideration on such issues and past recommendations.

The report focuses mainly on the controlling and safeguarding of cash held at bank and on hand. Given a number of government cash or bank accounts hence the controlling is more diverse and complicated. Bank reconciliation is a key control system for cash therefore the system should be cautiously applied.

In practical terms MFED or management is primarily responsible for resolving and implementing recommendations promptly and effectively. At the same time, we as auditors are responsible for following up to see that action is taken and that intended results are realized.

ACKNOWLEDGEMENT

First of all we would like to take this opportunity to convey our sincere thanks to the Ministry of Finance Economic Development for their contribution to the completion of this Annual Report. Apart from many issues faced during our audit work we noted major improvements in other areas. We are deeply grateful about the work done so in turn we would like to extend our thanks to specially officers from the Accounting division for their tireless times and efforts in providing documents to us.

We would also like to express our sincere thanks to senior officers from each division in the accounting unit for the interview taken and their efforts in tackling some of the questions related to our audit work.

We also sincerely thank the Accountant General Mr. Tekiera Ruaia for his time and efforts to complete and submit the Annual account on a timely manner.

I must also recognize and greatly appreciate the hard work of my staff without whose efforts and dedication I would not have been able to discharge my legislative responsibilities and, of equal importance, completing this report.

1. Statement I: Balance Sheet

1.1. Assets and liabilities

At the end of 31 December 2011 the Government of Kiribati held the following assets and liabilities:-

Stat		**2009**	**2010**	**2011**	**11 Inc/(Dec)**
	ASSETS				
	INVESTMENTS				
XX	Investments with HSBC	289,453,052	298,529,501	294,542,418.28	-3,987,082.72
XX	Investments with NICAM	281,460,435	282,387,029	284,396,686.38	2,009,657.38
XI	Other Investments	823,360	1,560,037	1,377,385.58	-182,651.42
		571,736,847	**582,476,567**	**580,316,490.24**	**-2,160,076.76**
	CASH				
VI	Cash on Hand & bank	17,935,442	4,527,937	-5,493,883.07	-10,021,820.07
XIX	Cash in transit	2,414,343	248,994	575,762.35	326,768.35
		20,349,785	**4,776,931**	**-4,918,120.72**	**-9,695,051.72**
VII	**ADVANCES**				
	Other Governments	7,066	7,066	7,066.00	0.00
	Public Officers	-8,429,837	10,067,025	11,104,425.08	1,037,400.08
	Sundry Advances	1,824,888	1,720,727	-627,495.86	-2,348,222.86
	Total Assets	**-6,597,883**	**11,794,818**	**10,483,995.22**	**-1,310,822.78**
LESS	**LIABILITIES**				
IX	**DEPOSITS**				
	Deceased Native Estates	-905,600	-1,134,598	-1,046,476.59	-88,121.41
	Public Officers	87,460	86,956	-33,699.54	120,655.54
	Sundry Deposits	-3,254,310	8,962,032	7,784,943.95	1,177,088.05
	Telmos	1,529,010	-4,279,481	-5,610,864.23	1,331,383.23
		-2,543,440	**3,634,909**	**1,093,903.59**	**2,541,005.41**
	NET TOTAL ASSETS	**582,945,310**	**602,683,255**	**586,976,268.33**	**-15,706,956.67**

Table 1a: GOK Assets and Liabilities

1.2. Net Total assets

The table below details balances of funds comprising the Realized Net Total Assets.

Title	2008	2009	2010	2011	INC/(DEC)11
Consolidated Fund	9,329,496	7,877,439	8,416,098	-10,237,696.38	-18,653,794.38
Development Fund	9,312,953	3,785,527	13,245,321	16,187,943.33	2,942,622.33
RERF	561,601,101	570,913,487	580,916,530	578,939,104.66	-1,977,425.34
Stabex	-5,430,692	-2,965,782	-3,186,006	-3,086,083.38	99,922.62
Other Special Funds	2,886,418	3,334,639	3,291,282	5,173,000.10	1,881,718.10
Grand Total	**577,699,276**	**582,945,310**	**602,683,225**	**586,976,268.33**	**-15,706,956.67**

Table 1b: GOK Net Total assets

The Realized Net Total Assets has been increased by $5.2 and $19.7 million in 2009 and 2010 respectively while significantly decreased by $15.7 million in 2011. Hence the decline in 2011 relates to a major decrease in value of the consolidated fund by $18.7 million and RERF by $1.9 million.

2. Statement II: Consolidated Fund

2.1. Establishment and Purpose of the Fund

The Constitution of the Republic of Kiribati calls for the creation of the Consolidated Fund. Rules governing its use are to be found in the Public Finance [Control and Audit] Act whose aim is to provide finance for the Recurrent and Development Budgets after Parliament has approved the expenditure level of the public service.

2.2. Balance of the Fund

The table below shows the balance of the fund over the past several years.

Title	2008	2009	2010	2011
	$	$	$	$
Balance Brought Forward	15,677,968	9,329,496	7,877,439	8,416,098
Add:				
Total revenue collected	92,359,787	87,580,090	95,736,073	81,560,123
Sub-total	**108,037,754**	**96,909,587**	**103,613,512**	**89,976,221**
Less:				
Total Expenditure incurred	98,708,258	89,032,148	95,197,414	100,213,917
Excess/(Deficit) of Actual Revenue Over Expenditure	**9,329,496**	**7,877,438**	**8,416,098**	**-10,237,696**
RERF drawdown	**25,000,000**	**18,000,000**	**17,300,000**	**19,700,000**
Adjusted Revenue	**67,359,787**	**69,580,090**	**78,436,073**	**61,860,123**
Adjusted Deficit	**-31,349,258**	**-19,452,148**	**-16,761,414**	**-38,353,917**

Table 2a: Consolidated Fund balances 2007-2010

The above table shows balances in the consolidated fund for the years 2008 to 2011. The 2011 account reflects an overall deficit of expenditures over revenues which include the RERF drawdown[1].

[1] The amount withdrawn from the RERF should be kept to a minimum and just sufficient enough to cover the Government annual budget deficit

SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for management to consider:

3. Statement III: Government Major Revenues

Recommendations

- It is recommended that the MFED and the concerned Ministries do monthly reconciliation of their revenue accounts and maintain adequate supporting records.
- Greater effort should be seriously taken by concern Ministries with under collection revenues
- Revenue projections should be more realistic particularly on major revenue items and, for other minor revenue streams, only those to be realized, should be included in the projection.
- (3.3.3.) Taxation office has to ensure that there should be a backup system for tax revenue record maintained separately to avoid loss of data
- (3.3.3.) MFED and Tax office needs to implement a network system to enable link connections between Attaché and tax office Access database in order to improve reconciliations and tax balances obtained are correct

Findings and analysis

3.1 Estimate against actual revenues 2010 & 2011

Revenue	2010		2011		2011 Variance
Title	**Estimate**	**Actual**	**Estimate**	**Actual**	**Act vs. Estimate**
Fishing License	30,500,000.00	41,707,580.00	31,508,550.00	29,070,251.00	-2,438,299.00
Import Duty	17,798,909.00	14,799,253.00	17,960,000.00	15,427,920.00	-2,532,080.00
RERF	15,000,000.00	17,300,000.00	0.00	19,700,000.00	19,700,000.00
Company taxation	7,000,000.00	7,345,675.00	7,228,000.00	5,679,001.00	-1,548,999.00
Hotel tax	100,000.00	77,601.00	58,089.00	65,600.00	7,511.00
Dividends	1,300,000.00	2,672,160.00	1,300,000.00	1,702,885.00	402,885.00
Interest on Consolidated Fund		219,299.00	0.00	0.00	0.00
Personal tax	5,355,000.00	6,053,389.00	5,555,000.00	6,090,686.00	535,686.00
NASDA	1,600,000.00	1,453,389.00	0.00	0.00	0.00
Cruise Line Revenue	206,000.00	0.00	206,000.00	0.00	-206,000.00
Java Downrange	0.00	0.00	604,077.00	0.00	-604,077.00
Java Air Service	0.00	0.00	995,923.00	0.00	-995,923.00
Open ship Registration	0.00	0.00	400,000.00	518,251.00	118,251.00
Air Space usage fee	400,000.00	632,694.00	150,000.00	0.00	-150,000.00
Sub- Total	**79,259,909.00**	**92,261,040.00**	**65,965,639.00**	**78,254,594.00**	**12,288,955.00**

Misc Revenue	4,340,728.00	3,475,033.00	4,401,800.00	3,305,529.00	-1,096,271.00
Total	**83,600,637.00**	**95,736,073.00**	**70,367,439.00**	**81,560,123.00**	**11,192,684.00**
Adjusted less RERF		**78,436,073.00**		**61,860,123.00**	

Table 3a Revenue Estimate against Actual 2010 & 2011

The figures reflect an overall revenue result for the past three years. Actual Revenues excluding RERF drawdown of $78.4 million in 2010 had decreased by 21% to $61.9 million in 2011. Fishing License, Import duty and company tax are not achieving targets (refer table above) indicating a slack in collecting of revenues by concern divisions.

3.2 Actual Revenues from 2009 to 2011

	2009 Actual	2010 Actual	2011 Actual	Change
Fishing License	29,516,146	41,707,580	29,070,251	-12,637,329
Import Duty	15,466,470	14,799,253	15,427,920	628,667
Personal tax	6,157,307	6,053,389	6,090,686	37,297
Company tax	7,007,670	7,345,675	5,679,001	-1,666,674

Table 3b Actual Revenues 2009-11

Reported in 2011 actual Fishing License and company tax revenue were significantly down by $12.6 and $1.7 million respectively while actual import duty and personal tax had increased by respective amounts.

According to an explanation from the Fisheries division the decline in fishing license revenue in 2011 of $12.6m relates mainly to the non-fishing season in our ocean hence few fishing vessels renewing licenses during the year. In addition to that the audit noted there are other factors that contributed to the decline of license revenues, two of which are high license fees and the unsuccessful negotiation on the agreements.

3.3 Revenue Reconciliation 2011

Highlighted in the table below is the comparison of revenue records as at 2011 between MFED and concerned ministries or divisions.

Major Revenues	MFED	Min Balance[2]	Variance
Fishing License	29,070,251	26,968,945.94	-2,101,305.06
Import Duty	15,427,920	14,775,938.64	-651,981.36
Company taxation	5,679,001	5,641,772.48	-37,228.52
Hotel tax	65,600	85,231.72	19,631.72
Personal tax	6,090,686	6,595,006.62	504,320.62
Java Downrange	0.00	N/A	N/A
Java Air Service	0.00	N/A	N/A
Open Ship registration	518,251	N/A	N/A
Air Space	0.00	N/A	N/A

[2] Refer to Appendix 1, Major revenues summary 2011 (extracted from divisions record)

Cruise Line Revenue	00.00	17,570	N/A
Total	**56,851,709**	**54,066,895**	**-2,266,563**

3.3.1. Fishing License

There is a variance of $2.1 million found between Ministry of Finance ($29m) and Ministry of Fisheries ($26.9m). The above significant variance relates mainly to a lack of reconciliation between these two parties therefore improvement is required.

Import Duty

The audit noted a variance of some $651,983 between custom ($14.8m) and MFED ($15.7m). The variance was due mainly to the following issues:

- Lack of reconciliation between Custom and MFED
- Again cash book for Bonriki Custom is not yet updated therefore we could not confirm the accuracy of custom collection at the airport
- The audit also noted an issue with cash receipt book for Betio custom where deposit consists of other revenues such as accounting fees and import levy.

3.3.2. Taxation Revenue

The above table revealed small variances for Hotel and company taxes while personal tax had a huge variance of $504,320.62. The audit noted that the main reason of this huge variance is due to a lack of revenue reconciliation and the mis-posting of personal tax under company tax.

After a thorough review of the controls in place the audit noted the following weaknesses:

- There is no backup system been maintained by the tax office to store tax revenue records
- Access database used to keep taxation income is not connected via network system to Finance. Tax income records were extracted from the cashier's book at Finance or Attaché system. Without a network system reconciliation would be a problem resulting to incorrect balance obtained from the system. The reconciliation process between Taxation office and Finance has been performed in previous years but never been successful as the records between these two offices never been agreed.

3.3.3. Java Downrange & Air Service

The above revenue accounts are known before as NASDA fees, however the audit is unable to perform testing due to a nil balance disclosed and the unavailability of records by the concern Ministry.

The response from MCTTD reads: "T*he Revenues for JAXA (Downrange) and JAXA (Air service) was never collected in 2011 and this was caused from the long unsigned Agreement which in the process should be the Honorable Minister. The signing of the agreement was never made in 2011 and this was affected from the election of the new Parliament members. The new Minister was just started towards the end of that year and delaying the process again due to insertion of some amendments. As of such situations, the agreement was just finalized in 2012 where the revenues for 2011 appeared in the 2012 account report".*

"Airspace Usage fees were also uncollected in 2011 but were also paid in 2012"

3.3.4. Cruise Line Revenues

This revenue refers to fees collected from each passenger on cruise lines for the Line group islands at $10.00 per head. The audit noted that there is no balance disclosed in the account for 2011 while the available record from Ministry of Tourism reported that $17,570 was collected from one ship. This amount was less than the collection in 2010 & 2009. Although we still believed that the ministry record is not up to date and no returns have been submitted to Finance.

Management Comment

4. Statement IV: Expenditures

Recommendations

Reconciliations should be a priority between MFED and respective ministry divisions or companies and supporting documents should be kept safely and provided during auditing for verification of account balances.

Specific Recommendations:

- 4.1. Local Contribution to the Development fund should be well managed and properly recorded/or reconciled, showing previous years remaining balances.
- 4.3. A responsible officer needs to submit returns or remaining cash on hand on a timely manner so to comply with Financial Regulations chap 12.
- 4.3.1. MISA needs to maintain and update its cashbook for Support grants in order to have correct account balance
- 4.3.3. On an annual basis Land department needs to review the annual amount of land rents prior payments to land owners or beneficiaries

Findings and analysis

	2009	2009	2010	2010	2011	2011	2011	
Title	Estimate	Actual	Estimate	Actual	Estimate	Actual	Over	Under
Con. D-Fund	30,000	0	7,111,067	1,424,145	7,455,687	7,424,679		31,008
OB	1,107,353	1,120,686	1,040,790	1,064,690	1,024,737	1,315,423	(290,686)	

PSO	1,064,281	1,084,064	648,918	647,918	631,019	598,112		32,907
Judiciary	1,462,396	1,478,011	1,455,221	1,477,883	1,409,097	1,454,680	(45,583)	
KPS	6,719,915	6,705,689	6,755,810	7,232,178	6,773,422	7,160,239	(386,817)	
PSC	217,923	204,895	208,424	243,044	204,546	225,515	(20,969)	
FA	1,127,964	1,203,715	1,153,473	1,222,957	840,562	931,447	(90,885)	
MISA	2,830,033	2,801,857	2,658,588	2,615,055	2,766,518	2,762,582		3,936
MELAD	2,733,389	2,707,950	2,754,554	2,707,646	2,675,813	2,655,750		20,063
Parliament	2,360,475	2,812,012	2,412,759	2,570,464	2,182,870	2,280,802	(97,932)	
MCIC	1,117,259	1,053,836	1,084,542	1,188,921	1,052,812	1,070,568	(17,756)	
KNAO	603,182	592,939	592,582	603,684	574,200	575,038	(838)	
OAG	466,779	423,099	471,275	477,596	459,226	498,450	(39,224)	
MFMRD	1,942,970	1,885,989	1,851,366	1,794,694	1,795,462	1,875,815	(80,353)	
MHFP	14,606,800	14,715,799	14,537,255	14,311,376	14,802,718	14,309,843		492,875
MOE	21,532,278	21,634,323	16,901,716	16,920,584	17,158,020	18,294,094	(1,136,074)	
MICT	3,443,606	3,285,478	3,473,173	3,481,664	3,340,678	3,274,321		66,357
MFEP	2,541,401	2,624,340	2,257,508	2,606,476	2,124,528	2,389,819	(265,291)	
MWE	2,811,911	2,697,314	2,543,688	2,463,920	2,473,272	2,439,342		33,930
MLHRD	3,210,164	3,073,034	3,130,978	3,178,146	3,165,520	3,449,139	(283,619)	
MLPID	3,403,741	3,397,085	3,349,881	3,312,874	3,278,756	3,600,521	(321,765)	
Debt Serv	2,532,998	2,940,796	2,283,929	9,764,545	1,425,579	4,433,029	(3,007,450)	
Other G. Exp	12,434,080	13,206,535	13,724,109	13,887,791	17,519,572	17,194,709		324,863
Total	**90,300,898**	**91,649,446**	**92,401,606**	**95,197,414**	**95,134,613**	**100,213,917**	**(6,085,242)**	**1,005,939**

Table 4a Ministry Expenditures 09-11

The above table summarises government expenditures for the year ending 2009 up to 2011. At the end of 31 December 2011, it was reported that total actual expenditures had a balance of $100,213,917 right above estimated amount of $95,134,613. The reason for the overpaid amount of expenditures was mainly due to the over budget by a number of government Ministries. (For further details on Ministry, Refer Part 1 of this report)

4.1 Contribution to Development Fund

The contribution to the Development Fund was financed from the No.1 Bank Account, following the approval of te Maneaba ni Maungatabu and as per Schedule 2 of Cap 79. The actual expenditure as per table 4a above represented the actual withdrawal from the No1 Bank Account which should also match with the receipt of the Kiribati Government local contribution to development fund. However the actual expenditure and the receipt of Kiribati Government[3] differed by $3,366,265 (i.e. $10,790,944.11-$7,424,679). Further, the actual expenditure of $9,338,162.11[4] exceeded the total receipt by $1,913,483 ($9,338,162-$7,424,679).

[3] Refer to page 72 of 2010 Annual Account
[4] Refer to page 110 of 2010 Annual Account

As had been analysed, included in the $10.8 m were those injections from the Gov't No. 1 of more than $4.4m which were either related to previous years or from the Minister's approval sought during the year. These included: Abemama Fish centre, Butaritari Fish centre, Observer Fund, Kiribati Adaptation project, SOE Reform and others not mentioned in 2011 Approved Budget.

According to audit checks, more than $6.7 million were the total departmental warrant issued to ministries when it should be $7.4 m. In other words, another $0.66m[5], which should be injected to the local contribution for development projects, was without supporting document.

As confirmed, the MOH recorded a total receipt/payment for such project of $1.3m, while MFED recorded a total receipt and payment of $715,472.27 and $259,405.68 respectively. Thus the "N"[6] and "H"[7] accounts had been understated by $600,515 ($1,315,987-715472.27) and $1,056,582 ($1,315,987-$259,405.68), respectively.

The above differences/irregularities had significantly distorted the overall actual position of the Local Contribution to Development Fund account at the year ended 31 December 2011.

4.2 Debt Servicing

Highlighted in the table above actual debt servicing between 2010 & 2011 has been significantly reduced by $5.3 million hence this shows a good improvement over the management of expenses. However during a review of the account the audit noted the following issues:

- Unavailable Payment Voucher amounted $74,602.56
- Variances found between GL and Payment Voucher
- A responsible officer did not return the cash on a timely manner but kept it on hand for such a long time **resulting to the non-compliance with the financial duties and responsibilities of a public officer as prescribed in the FR chapter 2**.

4.3 Other Government expenditures

In comparison to the 2010 account Actual other government expenditures had increased by $3.3 million in 2011. The following table highlighted some significant accounts for other government expenditures.

Expenditures	Budget	Bal per MFED	Bal per Division	(Over)/Under Bud vs. MFED	Variance MFED vs. Division
Support Grants	1,220,000	1,197,666	1,009,305	22,334	(188,361)
Council charges	99,000	465,107	?	53,893	?
Senior Citizens Benefits	1,433,820	1,436,470	1,455,800	(2,650)	19,330
Land Rent	2,427,782	2,276,452	2,327,009	151,330	50,557

[5] Refer to section 16.4
[6] Refer to page 71 of 2011 Annual Account
[7] Refer to page 108 of 2011 Annual Account

4.3.1. Support Grants

Support grant refers to total budgeted amount granted to island councils by the government at a particular given year. The amount of grant varies amongst island councils as this depends on the number of population each island has. During the year there is a change in procedure of payment like there are four installment payments compared to only two last year.

- The audit noted that in 2011 Payment on support grant is not consistent with the listing (schedule for distributions) as we could not follow using the formula for distributions twice a year (1st and 2nd half).
- A balance of $1,009,305 per confirmed from MISA is not reliable given that the cash book is still not complete as there are some payments not found which is the same issue as in 2010.
- Per explanation by the officer in charge at MISA, the amount of grant should not be changed over years since the same basis or formula is used to calculate the grant unless there is a change in population.

4.3.2. Senior Citizens Benefits (SCB)

In comparison to 2010, SCB allowance increased by 28% and this is caused by the inclusion of elderly people aged 67 to 79 years with an allowance of $40 a month while 70 years received an allowance of $50.00 a month which is effective in 1st June 2011.

Other issues:

- Of the unlisted warranted amount of $85,680.00, $6,790.00 have no supporting returns. A responsible officer explained that she had followed-up these Unreturned warranted amounts to MFED but no records of existence. An explanation by the responsible officer they do not have such records for warranted amounts
- Since there is not enough evidence to prove whether the $6k actually retuned or not, we conclude that the control and Follow-up procedure within the Ministry is lacking.

4.3.3. Land Rent

According to an explanation from the Land division the under-payment of Land rent in 2011 of $151,330 against the budget could possibly be some of Land owners did not claim their money for inconvenience personal reasons. The increase in land rent expense by 6% from 2010 to 2011 was caused mainly by Prior years unclaimed land rent which were claimed and paid for in 2011. Since it is a cash-basis accounting system then prior year expenses were accounted for and recognized as 2011 expenses.

The variance of $50,557 between MFED and Land Division was due to the absence of proper reconciliation undertaken by these two Ministries. This can be evident by unreturned documents from Teraina and Fiji. (Same issues as in 2010)

Management comment

5. Statement V: Other Special Fund balances

Recommendation

- MFED should clear off or not reflect the amount of Coinage from Special fund balances
- Supporting documents should be provided during the audit for verification of account balances
- (5.4.) Controls over the management of copra fund should be strengthened by the concern division to reduce the chances of mismanagement of fund.

Findings and analysis

Special Funds balance[8] as at 31 December 2010 and 2011 are credit balances of $105,277 and 2,086,918, respectively, as detailed in the table below.

Title	2008	2009	2010	2011	Variance2011 Inc/(Dec)
Coinage	-312,863	-318,983	-342,436	-351,696	9,260
Kaoki Mange	-222,446	-149,816	-105,844	-83,840	(22,004)
Import Levy	319,636	-40,040	-146,290	-1,612,169	1,465,875
Stabex	-184,929	-188,649	-60,816	-60,816	0
No.6 Stabex Fund	1,465,785	-512,506	-376,314	-411,641	35,327
Local Stabex Fund	4,149,837	3,666,937	3,623,136	3,558,539	64,597
Leper Trust	-5425	-6,496	-9,996	-9,996	0
Dai Nippon Causeway	-2,306,944	-2,460,926	-2,620,180	-2,517,511	(102,669)
Escrow Account	-358,377	-358,377	-66,537	-66,537	0
Civil Aviation				-531,251	531,251
Grand Total	**-2,544,274**	**-368,858**	**-105,277**	**-2,086,918**	**1,981,641**

Table 5a Special fund balances 2008-11

The value of the Fund as at December 2011 increased significantly by $1.98 million when compared with 2010. This is caused mainly by the introduction of a new special fund account (Civil aviation) and the drastic increase in the Import Levy fund. **COINAGE**

As agreed and per recommended in prior years audit findings, this balance should be cleared off and not be reflected in the account yet still appeared in the 2011 account.

5.2 Kaoki Mange

In comparison to 2010 account the credit balance for Kaoki Mange fund was decreased by 21% in 2011. The decrease relates mainly to the increase in payment for recycled materials during the year.

[8] Refer Appendix 7 for carried down Special fund balances.

After testing a number of PVs and RVs the audit noted the following issues:

- Unavailable PVs amounted to $50,236.65
- Some receipt vouchers have different amounts from those in the Import Entry and General ledger
- Unsupported financial statement returns submitted by the system operator to Finance

5.3 Import Levy[9]

In 2011 Import Levy fund disclosed a remaining balance of $1.61 million which included total receipts of $3.54 million and payments of $2.07m throughout the year.

Total receipts of $3.54 million included a disbursement amount of $2 million from the World Bank through Kiribati Food Crisis Response (KFCR) project in support of any claims related to ILF especially on freighting food items. During the year number of payments or claims made by businesses as a result of the increase in transporting of goods to outer islands. The audit noted that a number of PVs with total amounts $145,259.53 were not available on hand during the audit.

5.4 Stabex Fund

From our review of the Stabex fund the audit found out that there are control weaknesses in the system for managing copra fund. Such weaknesses are clearly indicated by the following issues:

5.4.1. XX State Fund- October

- Lack of Segregation of duties whereas one staff performs various duties and no proper review performed by the officer in Charge
- There was is a shortage of $3,000.00 found. The remaining cash of copra fund returned to the treasurer amounted to $3,424.00 was receipted but the concern officer only entered $424.00 in the cash book.
- It is confirmed that there is no checking between the cash book and the receipts and payment vouchers.

Management comment

[9] To be detailed in KFCR Project report based on Performance auditing.

6. Statement VI: Cash on hand and at bank

Recommendations

- Bank reconciliations should be implemented as a priority for each individual bank account & supporting documentations should be provided during the audit for verification purposes
- (6.2.) MFED should again follow up with Taiwan embassy about this $1 million to find out any explanation about this amount. An adjusting entry should be made to cancel or clear out this amount from those deposits in transit
- (6.4.) an adjusting entry should be made in regard to a variance found for Cash local account.

Findings and analysis

In 2011 Cash on hand and at Bank balance had a negative balance of $5.49 million. It is good to note Bank reconciliations have been completed for years 2009 to 2011.

	2010	2011	11 Inc /(Dec)	Last complete Reconciliation
BANK OF KIRIBATI				
Betio PO Reimburse clearing	-			
NO 1 A/C	(3,206,853.94)	(15,150,230.4)	(11,943,376.46)	2011
IBDs with BOK Ltd	-	-	-	N/A
Kiribati Charter Operations	(1,673.43)	(1,673.43)	No change	N/A
Kiribati High Com Bank a/c	284,668.63	640,480.73	355,812.10	Never
KPF Clearing Account	-	-	-	N/A
Met Office A/C 819328	20,075.00	20,075.00	No change	N/A
No. 4 Account	3,224,096.74	4,968,213.52	1,744,116.78	2011
No. 5 Account (Kiritimati)	4,093,828.96	3,569,689.96	(524,139.00)	2011
No. 6 Account (Stabex)	4,938.91	40,039.68	35,100.77	2011
Xmas No.5 Account	-	-	-	N/A
	4,419,080.87	**(5,913,404.94)**	**(10,332,485.81)**	
OTHER				
Sub-Accountants	250.00	4,250.00	4,000.00	
Cash - Local Gov	71,635.92	378,301.31	306,665.39	
Agents	36,970.56	36,970.56	No change	
	108,856.48	**419,5211.87**	**4,086,355.39**	
TOTAL per Balance Sheet	**4,527,937.35**	**(5,493,883.07)**	**(10,021,820.42)**	

Table 6a Cash on hand and at bank 2010 & 2011

6.1. Government of Kiribati No. 1 account

As per balance above, the Overdraft level in 2011 has dramatically rose by $11.9 million. This was mainly due to the decrease in revenue collection to $81 m ($95m in 2010), including RERF drawdown of $14 million during the year. The main cause of the drop in net cash by $10,02m was the abrupt increase in overdraft level from $3.2m in 2010 to $15.15m which resulted from, as evidently noted on pages 15 and 19 above, the excess spending of $6.1m by Ministries and under collection of various revenue items by same in the sum of $10.4m.

Despite having prepared the bank reconciliation 2011 by MFED the audit noted with concern the following issues:

i. The preparation of the Bank Reconciliation statement was being done on annual basis, and not on a monthly basis. Given the volume of the bank transactions, annual bank reconciliation statement would not therefore assist in showing correct reconciled cash or bank balance, hence the need to prepare a **bank reconciliation statement on a monthly basis**.

ii. The audit is concerned that there are related source documents for some selected key items not submitted for audit verifications. For instance total unpresented cheques of $102,238 and outstanding deposits of $533,821 which need to be audited but somehow unavailable during the audit and therefore we could not go further in testing such balances.

6.2. No.4 account

The reconciliation process had been performed on a monthly basis however the following issues were noted:

i. An outstanding deposit of $1 million received from Taiwan for short term repair for Cassidy Air-port Xmas has still not appeared in the bank statement 2011 nor credited to the No. 4 account. As per explanation by the responsible officer, MFED had traced the receipt of this fund with Taiwan embassy but no reply until date. However this amount was recorded as an outstanding deposit not yet credited in the Bank account.

ii. There was an outstanding withdrawal stated in the Bank Reconciliation Statement for January to December total up to $478,512.44. This amount has not yet appeared in the bank statement so we cannot verify and there was no explanation obtained from MFED.

iii. Again the 2011 GL consist of the PPI amount of **$20,794,390.54 brought forward from 2010** and this amount had no break down to support the balance. .

6.3. No. 6 account

The No.6 account is also known as the Stabex account for copra fund. The audit noted that the cash balance at year-end of $40,039.68 per record on GL agrees to bank audit certificate hence this is an indication of improvement in the reconciliation process for stabex fund. However there are control weaknesses which have been discussed earlier for Stabex account. (Refer Section 5.4 Stabex fund under Other Special fund)

6.4. Cash Local government

Cash local balance at year-end 2011 rapidly increased by $306,665.39 in comparison to 2010. After a thorough examination of 16 selected cash local accounts the audit found that there was a variance of $293,363.65 between Cash book and General Ledger balances. (Refer to table below)

Island	Balance per General Ledger	Balance per cash Book 31/12/2011	Difference
Abaiang (State fund)	26,144.99	26,144.99	0.00
Abemama (State fund)	17,894.44	17,894.40	-0.04
Aranuka (State fund)	16,393.96	6,329.75	-10,064.21
Arorae (State fund)	37,341.78	37,341.80	0.02
Beru (State fund)	36,988.40	37,104.00	115.60
Butaritari (State fund)	41,425.00	41,965.00	540.00
Kuria (State fund)	18,491.33	18,500.55	9.22
Makin (State fund)	63,331.43	63,331.40	-0.03
Marakei (State fund)	1,174.50	1,174.50	0.00
Nikunau (State fund)	32,632.66	34,112.20	1,479.54
Nonouti (State fund)	23,973.80	24,019.55	45.75
Onotoa (State fund)	61,009.82	15,213.40	-45,796.42
Tab Sth (State fund)	28,808.29	28,995.00	186.71
Tamana (State fund)	5,011.83	5,007.60	-4.23
Banaba (State fund)	-346,492.37	359.11	346,851.48
Abaokoro (State fund)	33,854.38	33,854.64	0.26
TOTAL	**97,984.24**	**391,347.89**	**293,363.65**

Due to the unavailability of state fund accounts for the month of December, further audit testings could not be performed.

Reflected in the 2011 annual account the level of bank overdraft was rapidly increased therefore the irregularities stated in 6.1, 6.2, 6.3 and 6.4 should be adequately addressed in future to avoid further cash flow problem.

Management comment

7. Statement VII: Advances from the Consolidated Fund

Recommendations

7.4.1. Advance

- MFED should assign someone to review personal advance accounts prior finalizing a decision to charge an employee or treasurer involved
- Notification letters should be sent to treasurers in respect of any charges made to ensure that they agreed with such charges against them
- MFED should strictly monitor the recovery of personal advances against treasurers

7.1.2. Imprest Travel

As per my last audit report I have to reiterate the following recommendations:

- Each Ministry, through Senior Accountants, should have a list of officers travelling the records of which would greatly assist in updating all travels accomplished.
- Special rules need be established for issuing Imprests. E.g. fully funded/partially funded ones would only be entitled to $300 while locally funded trips would only be issued per diems and incidentals to be claimed upon return.
- To change the Imprest issued for travels to Kiritimati from accountable to non-accountable.
- MFED has to come up with a balance for deceased and retired cases for write off as these staff had all traveled unless proved otherwise.
- MFED should review imprest and to ensure that only one imprest account per employee or imprest holder

7.1.4. Others (J0044)*

- MFED has to provide a list of adjustments for those corrections made in regard to the above account

7.2.1. Returned cheques

- MFED should provide supporting documents for the offset payments for bounced Cheques.

Findings and Analysis

Advance account comprises of the followings sub accounts:

Title	2008	2009	2010	2011	Inc/(Dec)'11'
Other Government	7,066.00	7,066.00	7,066.00	7,066.00	-
Public Officers	10,140,865.50	-8,429,836.54	10,067,025.25	11,104,425.08	1,037,399.83
Sundry Advance	1,465,080.13	1,824,887.79	1,720,726.56	-627,495.86	-2,348,222.42
Total	**11,613,011.63**	**-6,597,882.75**	**11,794,817.81**	**10,483,995.22**	**-1,310,822.59**

Table 7a Advance account 2008-11

The level of advances (net variance) had significantly decreased by $1.3 million in 2011. This relates predominantly to a significant decrease of Sundry Advance account from a positive balance of $1.7 million (amount due to or receivable by government) in 2010 to a negative balance of 627,495 (becomes amount owed or a payable by government) in 2011. As detailed and recommended in my previous audit reports amounts appearing under "Other Government" should be written off.

7.1. Public Officers

Title	2008	2009	2010	2011	Inc/(Dec)'11'
Advances	2,776,181.66	2,948,848.44	4,968,959.44	6,044,206.07	1,075,246.63
Imprests	2,126,392.16	2,728,187.19	2,410,601.98	2,370,386.08	-40,215.90
Stabex Imprest	4,604,318.15	4,807,955.85	4,807,955.85	4,807,955.85	0.00
Standing Imprest	633,973.53	19,633.43	19,633.43	21,329.03	1,695.60
Other (J0044*)		-18,934,461.45	-2,140,125.45	-2,139,451.95	673.50
Total	**10,140,865.50**	**-8,429,836.54**	**10,067,025.25**	**11,104,425.08**	**1,037,399.83**

Table 7b Public officers 2008-11

7.1.1. Advances

The account balance has increased during the years and covers both Salary and Personal advance. Salary advance is noted satisfactory given that salary division has a strict control over the account by deducting employees' salaries to recover such advance. The audit concerned that personal advance had kept increasing over years and no recovery action had been made. The following issues for personal advance are noted after performing a walkthrough test.

- A total amount of $184,651 was charged to three island treasurers for being having no supporting documents to PVs and DW returns. We confirmed that such surcharges against these treasurers are substantial in amount and would be miserable for them to recover. Therefore the accuracy of the amount should be cautiously determined prior finalizing to charge an employee.
- From a review of the system in place it is noted that no one is checking or reviewing the accuracy of surcharges although the officer in charge was the only personnel to just simply charge treasurers advance account whenever there is an issue with returns.
- The audit also confirmed that there is no notification letter sent to these employees however they are not aware of such surcharges under their account. Without a notification to an employee on being charges on these matters queries may arise thus can cause disagreement between the two parties.

7.1.2. Imprest Travel

The balance of Imprest-travel had decreased by only 2% in 2011. The audit confirmed that the same issues for 2010 occurred this year such as:

- Imprest division still unable to determine the actual balance for deceased and retired people of which could not be recovered.
- The audit found out that there are some imprest holders held more than one account and is increasing this year compared to last year.

7.1.3. Stabex Imprest (L300A): $4,807,955.85 (2011)*

Nothing has changed since my last audit report. The transactions should be charged to Local Stabex Fund.

7.1.4. Others (J0044): -$2,139,451.95 (2011)*

A negative balance for this account had decreased only by $673.50 in 2011. The decrease relates to only two adjustments made for those unidentified Cheques dumped under the No.1 and No.4 accounts. This shows a lack of control over adjustments to post them to the right allocation. The audit would have been agreed if supporting documentations for such adjustment s are provided.

7.2. Advances Miscellaneous

The three accounts CFTC, Crane South and Naruai should be written off as recommended by PAC and yet still appear in the 2011 account.

Title	2008	2009	2010	2011	Inc/(Dec)'11'
CFTC Advance	1,366.00	1,366.00	1,366.00	1,366.00	N/Change
Crane South	2,407.83	2,407.83	2,407.83	2,407.83	N/change
Naruai A.	196.15	196.15	196.15	196.15	N/Change
Ret. Cheques	1,461,110.15	1,820,917.81	1,716,756.58	-631,465.84	-2,348,222.42
Total	**1,465,080.13**	**1,824,887.79**	**1,720,726.56**	**-627,495.86**	**-2,348,222.42**

Table 7c Advances Miscellaneous

7.2.1. Returned Cheques -$631,465 (2011)

The account had a negative balance of $631,465 compared to a positive of $1.7 million last year. A negative balance as shown above simply indicates a great improvement over the recovery of bounced cheque **however** it is unrealistic in nature meaning that more offset payments have been made during the year. The audit would have been agreed once supporting documents for the above balance are provided.

Management Comment

8. Statement VIII: Advances from Deposits

No Advances were made from Deposits in 2011.

9. Statement IX: Deposits accounts

Recommendations

Overall immediate attention must be given in improving and strengthening the discipline of reconciliations and review process and procedures. The Accountant General must ensure that these review of processes and procedures are undertaken.

- (9.1.1.) Bank arrangement on the outer islands should be revised between government and the bank in order to outline related policies that should be consistently used by outer island treasurers.
- (9.1.2.) Telmo balances needs to be reconciled and cleared off otherwise they will accumulate to a point where MFED will no longer be able to substantiate them.

Findings and Analysis

Section 24 of the Public Finance (Control and Audit) Act allows that moneys, not raised or received for the purpose of government may be deposited with the Accountant General (or any officer authorized by him). Additionally under section 27 any deposit which is unclaimed for 5 years apart from DNE shall be paid back into the Consolidated Fund for public purposes of the Government. Those deposits are detailed in the table below.

Title	2008	2009	2010	2011	Inc/(Dec)'11'
Deceased Native Estate	-1,121,502	-905,600	-1,134,597.63	-1,046,476.59	-88,121.04
Public Officer	-22,233	87,460	86,955.97	-33,699.54	120,655.51
Sundry	-2,888,646	-3,254,310	8,962,031.58	7,784,943.95	1,177,087.63
Telmos	-644,482	1,529,010	-4,279,480.88	-5,610,864.23	1,331,383.35
Total	**-4,676,865**	**-2,543,440**	**3,634,909.04**	**1,093,903.59**	**2,541,005.45**

Table 9a Deposits account 2008-11

At the end of 2011 the Accounts had a net balance of $1.09 million which includes huge un-reconciled balances such as Deceased Native Estate accounts, Sundry deposit and Telmos.

9.1. Sundry Deposits

Deposits are amounts due to be paid back to owners and these appear as debits in the Liability side of the 2011 Balance Sheet of the Government Annual Account. When such becomes negative, the liability reverses; negative amounts indicate such sums become funds of and therefore are owed to Government.

A balance for Sundry Deposit of $7.7 million during the year indicated that such amount was due to be paid back to owners. However, the bulk of such amount related to huge un-reconciled balances for most of the government bank accounts brought forward from 2010, including a significant un-reconciled balance of $20.79 million for the No.4. This is believed to be one of the main reasons for having this account ended up with such huge positive balance.

Following is one major sub-account for sundry deposit:

9.1.1. Bank Agency Arrangement: $2,885,652.99

This account should be credit in nature thus a reported balance of positive $2.8 million in 2011 showed an amount to be paid by the bank to the government. Such amount owed by ANZ had increased by only 1% in comparison to 2010 account of $2,854,327.44. In any case where this balance is correct MFED should have followed up with the Bank to settle such amounts. However due to lack of reconciliation between MFED and ANZ bank the audit could not place any reliance on the balance disclosed in the account. (Same issues noted from 2010 findings)

9.1.2. Telmos -$5,610,864.23

In comparison to last year the same control weaknesses for Telmo account occurred in 2011. The disclosed balance in 2011 had increased by $1.3 million however is not realistic given that a number of issues are found in the system as follows:

- Lack of reconciliation between the Issue Telmo (PF25) and the Paid Telmo (PF27)
- The posting of PF25 and PF27 is not yet updated by the concerned officer
- Unavailability of accounting records and supporting documents for Telmo account
- Misallocation of telmo account posted under the wrong state fund by the concern officer

Management Comments

10. Statement X: Contingent Liabilities

Recommendations

MFED needs to include a balance of contingent liability for BPA amounting to $117,000 as per confirmed by ANZ bank.

Findings and Analysis

Contingent liabilities have no effect on the consolidated Annual account or balance sheet however it is part of the requirement under CAP 79 part VI section 39 (i) to disclose such information.

10.1. Bank of Kiribati

The Bank of Kiribati was approached to confirm balances. These balances vary considerably to those reflected in the 2011 annual accounts.

		ANZ Bank info @ 31 Dec 2011		
	2011 accounts	Overdraft limit	Utilized amount on OD	Term Loan balance
Kiribati Gov't				
BKL	2,100,000			
KCM	368,000			
CPPL	300,000	300,000	-297,691.97	Nil
TSKL	6,747,000			
KCSL	450,000			
KOIL	9,000,000			
KSSL	5,200,000			
PUB	2,939,000			
Total	**$28,503,265**			

Table 10a Contingent liabilities summary Dec 2011

In comparison to 2010 account Government guarantee liabilities for SOEs had decreased by $816,735 in 2011 (2010: $29,320,000). Since the above figure could not be supported by MFED therefore we had requested the bank to provide audit certificates. We had received audit certificates for the year ending 2011 only for CPPL and BPA while the remaining balances are not yet submitted by ANZ bank. We agreed that such amount of guarantee liability with CPPL is correct however we found out that MFED did not disclose the details of BPA contingent liability amounted $117,000 as per confirmed by Bank audit certificate.

Management Comment

11. Statement XI: Investments

Recommendations

- MFED is required to give an appropriate explanation over the change in values of other investments.
- MFED has to ensure that a monthly reconciliation is performed for other investments and to maintain an investment register for control purposes.

Findings and Analysis

The Statement details two investments: RERF valued at $578,939,104[10] and other Investments totaling $1,377,385.58

11.1. Other Investments: $1.38 million

Other Investments	2011	2010	Movement
World Bank	18,336.12	18,336.12	0.00
Rothschild &Sons Investment	174,884.44	168,214.21	6,670.23
Investment with CBA-Stabex	0.00	0.00	0.00
Investment with CBA-Coinage	223,471.64	214,211.91	9,259.73
International Development Asso	11,693.05	11,693.05	0.00
IMF N0.2	292,186.50	292,186.50	0.00
IFC Subscription	11,308.50	11,308.50	0.00
Esrow Investment	66,536.76	66,536.76	0.00
CBA Investment-Con Fund	546,418.17	744,999.60	-198,581.43
Aud A/c 56-0449. 10th Annivers	8,731.00	8,731.00	0.00
AUd A/c 55-1999 5th Anniversary	23,819.40	23,819.40	0.00
Total	**1,377,385.58**	**1,560,037.05**	**-182,651.47**

Table 11a Movement of Other investments between 2010 & 2011

Overall the above table shows the movement of other investments as at December 2011. The total value declined by some $182,651.47 in comparison to last year. The decrease relates mainly to the downfall in value of CBA Consolidated Fund investment of $198,581.43 during the year. Due to lack of supporting documents the audit is unable to confirm the reason being for the down in value. (Finance is required to give an explanation on this). Consequently Rothschild and CBA coinage investment had increased in value by respective amounts noted above.

In addition a number of investment accounts never change in values for more than three years meaning that no interest gains generated from these investments. The audit concerned whether these investments exist or not, nor the government has the right of ownership.

Note: The increase in investment relates to interest gains while the decrease refers to withdrawal, bank charges or others made during the year.

[10] RERF would be discussed in detail at Section

Although after reviewing the system in place for other investment the audit noted that there is no monthly reconciliation and the investment register had not been maintained by the responsible officer to record all the details and movements of investments.

Management Comment

12. Statement XII: Loans from the Consolidated Fund & others

Recommendations:

2008 Recommendation- It is recommended that all overdue loans from the Consolidated and Development Fund be written off or converted to Grants.

With the ADB loans the GOK may seek renegotiation of the terms and conditions, for either cancellation or conversion of the debt into a grant with the ADB.

Findings & Analysis

12.1. Overall Total Outstanding Loan: $7 million

Section 39(1) (XII) of the Public Finance (Control & Audit) Act stipulates that the statement of outstanding loans is to be submitted together with the annual accounts. The statement below provided a summary of outstanding loan as at the end of 2010.

Borrower	Financed From	Year	Principal	Outstanding	Recommendation
DBK	Cons Fund	1962	100,000	10,000	Converted to grants
DBK	Cons Fund	1977	20,000	20,000	Converted to grants
KCWS	Cons Fund	1977	1,000,000	794,653	Write off
Air Tungaru Corporation	Develop Fund	1980/81	199,900	480,700	Write off
DBK	Develop Fund	1971	64,000	64,000	Converted to grants
Te Mautari Ltd	Develop Fund	1981	250,000	250,000	Write off
Housing Corporation	Develop Fund	1983	100,000	100,000	Write off
KCWS	Stabex Fund	1986	500,000	415,000	Write off
PUB	ADB	1988	2,279,470	2,860,797	Inactive
Betio Shipyard Ltd	ADB		894,962	894,962	Inactive
DBK	ADB	1990	1,059,252	1,180,071	Inactive
			6,467,585	**7,070,185**	

Table 12a Loan financed from the Consolidated and Development Fund

The corresponding repayments on the loans have been neglected for some time[11] and as the total outstanding amount is substantial these should be cleared in the manner as noted above.

Management Comment

13. Statement XIII: Public Debts

Recommendations

2008 Recommendation- the GOK should formally write to ADB and seek clarification in relation to this debt. If there is an expectation that the debt is still payable the terms and conditions of the loan should be renegotiated. If not then the GOK should seek for cancellation or conversion of the debt into a grant.

It is further recommended that MFED should review loan repayments for Public debts and adjust them accordingly.

Findings & Analysis

Reported in 2011 Public debts are still inactive however in comparison the total outstanding of 14,048,208.11 in 2010 was significantly decreased by 4% in 2011 (was down to 13,463,778.88).

13.1. Public Debt as at 31st December 2011

The audit concerns that the outstanding balance disclosed in the account is not reliable as there is a variance of $40,150 between the account $13,463,778.88 and audit calculation of $13,503,928.89. The variance is due to the differences in amount of repayments between Management report or General Ledger and Payment Voucher amounts. Adjustments to these repayments have been raised by an auditor and the concerned officer had agreed. In addition, the audit also noted unavailable payment vouchers amounted to $74,650.40.

Management Comments

[11] Most of loans are long outstanding for more than 20 years.

14. Statement XIV: Arrears of Revenue

Recommendations

MFED should as quickly as possible fix the problem with attaché system in regards to arrears of revenues and to ensure that those unaccounted arrears of revenues are reported in 2012.

Findings & Analysis

The Arrears of Revenue is part of the statutory reporting requirement specified under section 40 of Cap 79, but does not form part of the Annual Account. The annual balance for the arrears of revenue is summarized below:

Year	Balance	Year	Balance
1972 - 1998	8,677,026	2005	2,880
1999	541,622	2006	2,880
2000	699,245	2007	2,880
2001	547,876	2008	4080
2002	10,749	2009	496,506.54
2003	352,385	2010	13,715.00
2004	265,133	2011	0.00
		Grand Total	**11,094,039.22**

Table 14a Arrears of revenue for years 1972-2011

Arrears of revenue for years 2005 up to 2011 are nil balances in the account while in comparison to prior years there are balances up to 2010 (refer table above) totalling $522,942 which are not accounted for in the system in 2011. Consequently a balance of $657,916.90 should be reported in 2011 instead of a nil balance. According to our interview with the responsible officer a nil balance for Arrears of revenue 2005-11 had been resulted from the failure of the database system where it is unable to convert the inserted data to the Attaché system. Assurance was given by the responsible officer that these unreported arrears in 2011 will be reported and included in the 2012 account.

Of concern are the outstanding arrears of revenues as shown in the table above which dated back to 1972. These are all time barred and therefore need be written off.

Management Comment

There were arrears of revenue in 2011; however, there was a problem with the posting. I posted the above in the wrong database so when the final run was done, the arrears of revenue which I already posted was not recognized, thus, unable to convert. But the 2011 arrears of revenue would be posted along with 2012 arrears of revenue. It should appear in the 2012 Annual Account.

15. Statement XV: Unallocated Stores & Manufacturing

Recommendations

2010 Recommendation: Officers responsible for the losses and not found guilty by the court should be disciplined in accordance to FR 324 (1) (d). The most appropriate punishment to be considered is either dismissal or demotion and persons concerned, if were to continue employment, must be prevented from handling of cash.

Findings & Analysis

The Unallocated Stores of Manufacturing accounts are also parts of the statutory reporting requirement under section 40 of Cap 79, but they do not form part of the Annual Account. However, this section has been used to detail losses of public funds and stores as appended below:

15.1. Total amount of Losses $562,730.28

The value of losses of Public Funds as at 31 December 2011 was $562,730.28 with some of these cases dating back to 1987. Many of these cases are either awaiting outcome of investigation or court decision. There is invariably a substantial delay in dealing with these cases and in most cases, employees are laid off on half pay until their case is finalized which may take a year or longer. This exercise is quite costly to Government especially in cases where the employee is proven guilty. Disciplinary matters should be reviewed and actions on cases involving losses of public funds and stores should be expedited.

15.2. Age Analysis of Losses of Funds and Stores

Refer Appendix 3, Losses of Public funds 1994 to 2011.

Management Response

16. Statement XVI: Development Fund

Recommendations:

MFED should perform Reconciliation as a priority for government projects and to ensure that funds are utilized in accordance to budget.

Findings & Analysis

16.1. Establishment and Purpose of the Fund

The Development Fund is a special fund as defined by section 107(2) and (3) of the Constitution and is used to finance development projects from donors'. The Fund consists of cash and `in - kind` aid provided by various external aid donor countries and aid agencies.

16.2. Overall Position of the Fund

The value of the Development Fund as at 31 December 2011 disclosed in Statement XVI was $16,187,943.33. This figure was incorrect and did not agree with the balance as per Statement VI nor includes amounts paid or received directly to individual Ministries. In kind aid is also not included contrary to contemporary accounting practices.

16.3. Bank Reconciliation

As in previous years the account could not be verified due to the absence of bank reconciliations.

16.4. Irregularities of Local Contribution to Development Fund

The total balance of the budget for the local contribution to development fund was over $7.4m. However, during the year what was actually withdrawn from No.1 Gov't bank account and injected into the N0.4 A/C was over $10.7 m (please refer to page 72 of the annual account). In other words, the breakdown of the $7.4m did not match with the actual receipt of the local development fund as disclosed on page 72. For instance, the provision for Secondary Mission Schools was $2,382,000 while the annual account showed the actual receipt from Government of $2,332.000 *(p.71 of the 2011 Annual Account),* showing a variance or understatement of $50,000. Also included in this provision were those already catered for in the recurrent budget such as: In-country tertiary support and Secondary Mission schools.

Of great concern was the locally funded project namely: Nonouti Fish centre. The approved amount for this project was more than $177k. It was noted, however, that the injection[12] from the Gov't No. 1 to No. 4 for Nonouti Fish Centre was more than $2.2 m, which comprised

[12] Refer to page 70 of the 2011 Annual Account

of various local funded development projects[13], including unsupported project payment for MOE referred to in section 4.1 above.

In view of the above, the position or the balance of the Development Fund for 2011 was incorrect.

Management Comments

17. Statement XVII: Suspense account

Recommendation

MFED should post any unallocated revenue and expense under suspense account to await corrections or adjustment instead of posting them under i.e. Sundry deposits and distorting the balance.

Findings & Analysis

There were a number of Suspense Accounts in 2011, but they had been posted to other accounts. For instance, the PPI un-reconciled bank balances account was posted under Sundry Deposit Account. The amounts involved were: ***-$13, 795,670 and $20,794,390.54.*** **These amounts had been wrongly posted to Sundry Deposit, when they should be posted to Suspense account.**

Management Comment

18. Statement XIX: Cash in Transit

Recommendations

- MFED should perform regular cash in transit reconciliation in order to detect and clear any discrepancies as soon as possible
- MFED needs to establish a standard Register as required in the FR section 249 (1), chapter 12.

Findings and Analysis

The account represents the internal movement of cash between MFED and the designated sub-accountants, local government and other agents on outer islands. In principle, the balance of this account at the end of the financial year should be nil, as codes debited by the paying station will also be credited by the receiving station. However, in practice a balance will exist due to the time factor from when the money was paid in and the time it was paid out. At the end of year 2011 Cash in Transit had been significantly increased by 326,768.35 with a net balance of $ $575,762.35 compared to 2010 figure of $248,994.00 ($2,414,343.00:

[13] Refer to WP T2_6_1

2009, $7,261,907 2008). After a review of the account the audit noted the same issues as in 2010 as follows:

i. RBC Inward and Outwards Register are not well maintained in accordance to the standard format of the Register stated in the FR section 249 (1), chapter 12
ii. The processing of reconciliation was very poor to investigate any apparent delay in the receipt of any sum remitted, or in the receipt of document of acknowledgment and acquaintance. No hard copies provided during the auditing to review who sign and check the RBC reconciliation.
iii. Outstanding remittances amounted $372,276.00 during the year.

Management Comment

19. Statement XX: RERF

19.1 Overview[14]

The economic importance of the Revenue Equalization Reserve Fund (RERF) to the people of Kiribati cannot be over-emphasized. It constitutes the largest single asset of Kiribati and the only means for future generations to be able to deal with an abrupt withdrawal of financial assistance from aid-giving countries. The RERF is therefore, a balancing factor in the economic development of Kiribati. The way in which the RERF ought to be managed is, needless to say, of paramount importance, not only to the policy makers but to every I-Kiribati as well.

19.2 Background

The fund was established in 1956 and capitalized using phosphate mining royalties. Under a conservative policy, the fund's asset grew steadily until 1979 when phosphate deposits were exhausted. Until recently, conservative policies have protected the RERF. Since independence Governments have generally been reluctant to draw on the RERF, preferring to accumulate funds against an uncertain future.

For the past five years 2007 to 2011 the overall drawdowns from the RERF is $125 million, and the funding of persistent budget deficits brings into sharper focus the question of the sustainable level of drawdown from the RERF. Furthermore the opportunity cost of using RERF funds now is future investment income foregone.

19.3 Legal Status:

The legal status of the fund is that of a Special Fund under the Public Finance (Control and Audit) Act, with rules for operating the fund made by the Minister subject to parliamentary approval.

19.4 RERF Analysis[15]

[14] Atoll Politics: *The Republic of Kiribati Google books*- Chapter 14, Mr. Teuea Toatu
[15]MFED, *Republic of Kiribati Annual account for the year ended 31st December 2011*, p.143.

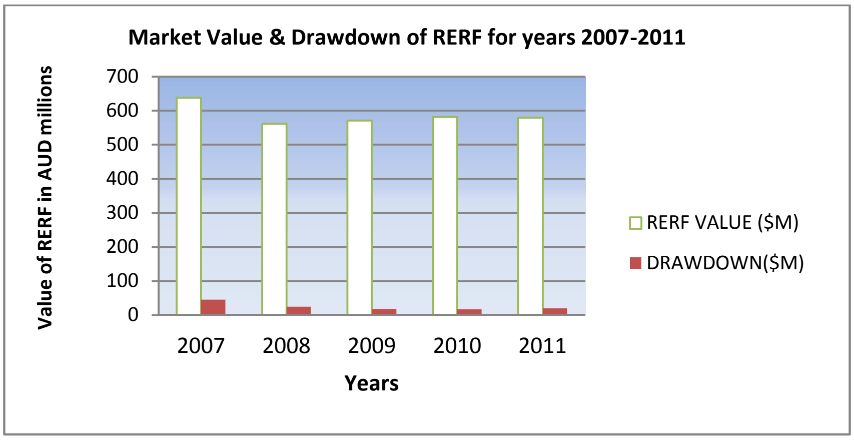

Fig. 19a RERF Analysis 2007-11

The above bar chart (Fig. 19a) shows the trend of market value and drawdown of the RERF for the past five years. The market value of the RERF as at 31 December 2011 and 2010 are $578.94 & $580.92 million respectively.

19.4.1. Value of the Fund

As clearly indicated the value of the RERF for 2007 was some $637.34 million which is the highest value compared to other years. The value of RERF slightly decreased by 12% percent in 2008 and gradually increased by only 2% in 2009 and 2010. In 2011 the value of fund decreased by some $1.98 million.

19.4.1 (a) Variances in the Value of the Fund between Fund Custodian and Fund Managers' record

In 2011 the value of the fund according to the Custodian (State Street) and Manager (HSBC) were differed as detailed below

	Date	Bond (HSBC)	Equity (HSBC)	Total
Custodian	31/12/11	137,373,793.37	157,168,624.91	294,542,418.28
Manager (HSBC)	31/12/11	136,568,234.00	156,232,494.00	292,800,728.00
Variance		805,559.37	936,130.91	1,741,690.28

Since the detail of difference of $1.7m (1.2m: 2010) could not be provided and that the Fund Manager was dealing with the trading of the portfolio of the fund, we intend to opt for the value of RERF provided by HSBC, meaning the value of RERF was deemed overstated. Unfortunately, the record for the other Fund Manager: NICAM had not been provided to us, but this WOULD be the same case and should add more to the overstatement.

19.4.2. Drawdown.

The approved sum for drawdown was $15 million and the total draw down from the RERF during the year was $19.7 million.

19.4.3. Total income

The income for the year 2011 achieved by HSBC was $9.33 while NICAM had $11.18 million thus amounted to Au$ 20.51 million.

19.4.4. Overall return

The overall return of the fund for the year 2011 was 3.34 % which was under performed compared with 4.05% in the year 2010.

20. Outstanding Accounts for Statutory Owned Enterprises

Outstanding accounts as at 24/04/2013

Agency	Report Date	Overdue Accounts
Air Kiribati Limited	31-Dec	
Betio Shipyard Limited	31-Aug	2010 - 2012
Bobotin Kiribati Limited	31-Dec	
Broadcating Publication Authority.	31-Dec	2011
Captain Cook Hotel	31-Dec	
Development Bank of Kiribati	31-Dec	
Kiribati Central Pacific Producers	30-Apr	
Kiribati Copra Mill	31-Dec	2011
Kiribati Copra Society	31-Dec	
Kiribati Handicrafts	31-Dec	
Kiribati Housing Corporation	31-Dec	2010-2011
Kiribati Insurance Corporation	31-Dec	
Kiribati Oil Company Ltd	31-Dec	
Kiribati Port Authority	31-Dec	
Kiribati Provident Fund	31-Dec	
Kiribati Shipping Services Limited	31-Aug	2008-2012
Kiribati Solar Energy Company	31-Dec	2010-2011
Otintaai Hotel Limited	31-Dec	
Plant & Vehicle Unit	31-Dec	2011
Public Utilities Board (PUB)	31-Dec	
Telecom Authority of Kiribati	31-Dec	
Telecom Services Kiribati Ltd.	31-Dec	2009 - 2011
Television Kiribati Limited	30-Jun	2011- 2012

Table 20a: Outstanding 2011 Account

STATUS OF MATTERS RAISED IN PREVIOUS MANAGEMENT REPORTS

Appendix one outlines the matters that have been discussed in previous Annual report issued to you. Table A1.1 identifies the matters that have been resolved during the year. Table A1.2 details matters that remain outstanding.

STATEMENT OF AUDITOR INDEPENDENCE

Independence

We confirm that, for the audit of Government of Kiribati Annual account for the year ended 31st December 2011 we have maintained our independence in accordance with the provisions of the CAP 79.

In addition, we have no relationships with, or interests in, the GOK Annual account (MFED).

Unresolved disagreements

We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.

APPENDIX ONE: STATUS OF PRIOR MANAGEMENT LETTER ITEMS

Table A1.1: Matters cleared

NIL

Table A1.2: Matters outstanding

Summary of issue	Audit risk	Management Response
Outstanding issues regarding the 2009 Annual report.	High	
Audit issues in 2010:		
1. Anomalies between MFED & ministries major revenue figures and missing cash book for custom at Airport Bonriki & Post office	High	
2. Lack of reconciliation and control weaknesses over Other government expenditures account	High	
3. Unavailable documents for Special fund balance	Medium	

Summary of issue	Audit risk	Management Response
4. Poor Bank reconciliation which lead to disclosing incorrect cash on hand and at bank balances in the account in particular No.1, No.4, No.5 and No.6	High	
5. Incorrect advance account balances	Medium	
6. Unrealistic balance for sundry deposit reported as positive $8.9 million	High	
7. Non-availability of bank audit certificate to support Contingent Liability balances	Low	
8. Misallocation of interest gains for Rothschild and sons investment posted under consolidated fund	Medium	
9. Incorrect brought down balance for Loan account under Public Debt	Medium	
10. Control weaknesses and incorrect balance for Arrears of Revenue	Medium	
11. Un-reconciled items for the No.1 & No.4 accounts not reported under Suspense account instead disclosed under sundry deposits	High	
12. Irregularities in the Cash in transit figure	Medium	
13. Irregularities in the Local Contribution to the Development fund	High	
14. Irregularities in the value of RERF as at 31st December 2010	High	

APPENDIX TWO: LOSSES OF PUBLIC FUNDS 1994-2011

Ministry of Finance & Economic Development

Year	Details		Remarks
2003	Cheques collected and cash by unidentified person	378.00	AG recommends written off
2005	Shortage of revenue at customs office	1,499.97	Shortage was $999.97 and paid. No further action required
2007	Suspected fraud at Salary section	7,270.10	Case still with Police
2007	Alleged fraud at MFED	504.00	Case still with Police
2007	Alleged fraud at MFED	1,232.50	Case still with Police
		10,884.57	

Ministry of Natural Resource and Development

Year	Details		Remarks
2000	Loss of revenue collection at fish farm	874.30	Place under officer's personal advance
2001	Loss of revenue collection at Agriculture division	1,645.80	Officer imprisoned on 21/11/05 therefore should be written off
2010	Cash shortage & unauthorized opening of government safe FMRD Tanaea	455.70	
		2,975.8	

Ministry of Transport, Communication & Tourism

Year	Details		Remarks
1987	Bairiki Post office	2,758.09	Write off action requested
	Payment of telmo to unauthorized payee	600.00	Write off action requested
1988	Onotoa Post office- loss of cash	1,741.38	Write off action requested
	Serious irregularities in Shipyards Betio	1,420.00	Write off action requested
	Loss of Public funds Post office Makin	347.20	Write off action requested
	Cash shortage April 1988 account Washington	324.03	Write off action requested
1989	Telmo Discrepancies	9,936.75	Write off action requested
	Invalid stamp sales- Post Master	915.34	Write off action requested
1991	Improper use of Philatelic Funds	1,807.22	Write off action requested
1992	Loss of Public Fund KVP	733.35	Write off action requested
2000	Loss of 3 mails bags- ex Air Nauru 2/9	-	
2005	Suspected fraud at Post office Betio	31,500	Requested for suspension on 50% pay set today. AG never receive the case
2005	Suspected fraud at Post Office Betio	7,584.90	$4,500 has been repaid, remaining $1,026.10 should be recovered from the person concerned
2005	Discrepancy on Abaokoro stamp imprest	300.00	Further information be obtained from the responsible Ministry
2010	Alleged fraud at Bikenibeu Post office	7,419.10	
		67,387.36	

Ministry of Works & Energy

Year	Details		Remarks
1998	Alleged misuse of PWD materials by the Chief Engineer	3,202.80	Write off action requested
2007	Alleged misuse of Public fund by Ag DS	31,200	
2008	Alleged fraud at MPWD		Case still with Police
		34,402.80	

Ministry of Labour, Employment & Cooperative

Year	Details		Remarks
1997	Fisheries Training Centre	468.15	Write off action requested
	Misuse of Korean Fund as Special Imprest	2,000.00	Write off action requested
2000	Alleged misuse of Public Funds at FTC	581.85	Write off action requested
2001	Misuse of Public fund at FTC		Write off action requested
2006	Misuse of Public fund		Suspect in PNG, file returned to Police. AG awaits a response
2008	Misuse of Public fund		
		3,050.00	

Judiciary

Year	Details		Remarks
1989	Misuse of Bus tickets	142.95	Write off action requested
1996	Loss of Public funds at Chief registrar office	828.68	Write off action requested
		971.63	

Police & Prisons

Year	Details		Remarks
1991	Double payment of Pension (Gratuity)	6,272.91	Write off action requested
2009	Improper payment of Leave Grant (Temporary Account Clerk)	13,874.35	AG's office
		20,147.91	

Ministry of Internal and Social Affairs

Year	Details		Remarks
2003	Shortage of Abaiang state fund a/c	52,855.14	Reported to Police 16/01/03
2006	Shortage of Aranuka state fund a/c	5,408.05	Case for 2004, suspect convicted in Feb 2006, imprisoned for 3 months
	Loss of Abaiang state & Island fund	8,913.39	AG's office recommends a write off
	Loss of Butaritari Copra fund	21,637.70	AG's office recommends a write off
	Loss of Abaiang island fund	396.47	AG's recommends a write off
		89,210.75	

Ministry of Health and Medical Services

Year	Details		Remarks
2001	Misappropriation of entertainment funds	3,476.65	Write off action requested
2004	Misappropriation of project funds	81,151.53	Suspect in the US, Extradition considered given the amount involved
2008	Shortage of student nurses pocket money	1,056.00	
2009	Alleged fraud at MHMS Revenue section	1,860.50	
2010	Suspected fraud at MHMS	3,844.85	
		91,389.53	

Ministry of Education, Youth & Sport

Year	Details		Remarks

1993	Misuse of government property and public fund		Write off action requested
2004	Alleged fraud and abuse of office at TTI	2,761.09	Court dismissed the case, long delay in bringing the case to court ok
2005	Alleged fraud at Kiribati Technical Institute	2,495.23	Suspect imprisoned amount recovered
2008	Alleged fraud at Kiribati Technical Institute	5,137.50	
		10,393.82	

Ministry of Environment and Social Development

Year	Details		Remarks
1996	Alleged misappropriation of public funds- sale of sport equipment	440.00	Write off action requested
		440.00	

Ministry of Line Phoenix Group

Year	Details		Remarks
2003	Alleged fraud of Public funds	2,501.23	Reported to Police on 16/01/03
2004	Alleged embezzlement of Public funds	92,247.00	Officer imprisoned for ten years
2005	Loss of cash at wildlife unit	3,135.00	Officer imprisoned for 1 year, repay $50 each pay day
		97,883.23	

Public Service of Commission

Year	Details		Remarks
2004	Alleged misappropriation of Public funds at PSC	4,720.00	Reported to Commissioner of Police 13/01/05
		4,720.00	

Ministry of Commerce, Industry and Cooperative

Year	Details		Remarks
2005-2011	Alleged misappropriation of KCMCL Funds by former CEO and other KCMCL Staff	121,519.38	
		121,519.38	

Office of Te Beretitenti

Year	Details		Remarks
2008	Loss of Public fund at OB office	7,353.50	
		7,353.50	

TOTAL	**LOSSES OF PUBLIC FUNDS**	**562,730.28**	

APPENDIX THREE: COPIES OF SIGNED 2011 ANNUAL ACCOUNTS

Development Fund

During the year the Development Fund received $29,277,880 and the amount spent was $26,335,258 Taking into account the balance brought forward from 2010 of $13,245,321 there is an overall credit balance of $16,187,943

Advances

The level of advances in 2011 is again escalates mainly as a result of Personal advances, Special Imprests including imprests issued to Assistant Treasures for the purchase of copra on Outer Islands and unaccounted direct debit and credit in the number four (4) and six (6) bank accounts.

I suspect that there are some mispostings and miscoding over above advance accounts. It is also noted with concern that the personal advances account has dramatically increased due to surcharges imposed against some Island Treasurers for making payment without supporting documents. A continues effort by the Accounting staff in reconciling the above mentioned accounts is still ongoing with the objective to try and clear all outstanding for 2011 and prior years.

Revenue Equalization Reserve Fund (RERF)

The value of the fund as at 31st December 2011 was $578,939,105 credit. At the end of December 2010 the balance was $580,916,530 therefore the fund balance had decreased by $1,977,425 or 0.34%. The decrease in value of the fund was mainly due to the poor performance of the equity component of the Fund. A full detail of RERF is depicted per Statement No.XX.

Please kindly note that issues raised in the Auditor General's report in 2008 and 2009 account which were not addressed in the 2010 annual account and in this report will be handled separately.

Conclusion

This 2011 account is dedicated to all staff in the Accountancy Cadre who have given times and effort in producing it in one way or another

KAM BATI N RABWA AO AMI BWAI TE MAURI, TE RAOI AO TE TABOMOA

Tekiera Ruaia
Accountant General.

3

GOVERNMENT OF KIRIBATI - STATEMENT No. I

Balance Sheet
as at 31st December 2011

2010 $	Statement No		2011 $	$
		FUNDS IN HANDS OF CHIEF ACCOUNTANT		
		INVESTMENTS		
298,529,501.15	XX	Investments with HSBC	294,542,418.28	
282,387,029.12	XX	Investments with NICAM	284,396,686.38	
1,560,037.05	XI	Other Investments	1,377,385.58	
582,476,567.32				580,316,490.24
		CASH		
4,527,937.35	VI	Cash at Bank and on Hand	-5,493,883.07	
248,993.85	XIX	Cash in Transit	575,762.35	
4,776,931.20				-4,918,120.72
	VII	**ADVANCES**		
7,066.00		Other Governments	7,066.00	
10,067,025.25		Public Officers	11,104,425.08	
1,720,726.56		Sundry Advances	-627,495.86	
11,794,817.81				10,483,995.22
LESS				
	IX	**DEPOSITS**		
-1,134,597.63		Deceased Native Estates	-1,046,476.59	
86,955.97		Public Officers	-33,699.54	
8,962,031.58		Sundry Deposits	7,784,943.95	
-4,279,480.88		Telmos	-5,610,864.23	
3,634,909.04				1,093,903.59
602,683,225.37				586,976,268.33
		ATTRIBUTABLE TO		
8,416,097.83	II	Consolidated Fund	-10,237,696.38	
13,245,320.98	XVI	Development Fund	16,187,943.33	
580,916,530.27	XX	Revenue Equalisation Reserve Fund	578,939,104.66	
-3,186,005.97	V	Stabex Special Fund	-3,086,083.38	
3,291,282.26	V	Other Special Funds	5,173,000.10	
602,683,225.37				586,976,268.33

Ag/Accountant General

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GOVERNMENT OF KIRIBATI - STATEMENT No. II

Consolidated Fund
as at 31st December 2011

	Expenditure					Revenue				
	Budget					Budget				
	Org. $'000	Revised $'000	Pro Rata $'000	Actual $'000	(Over)/Under $'000	Org. $'000	Revised $'000	Pro Rata $'000	Actual $'000	Over/(Under) $'000
01 Government of Kiribati Revenue	0	0	0	0	0	0	0	0	0	0
02 Contribution to Development Fund	7,455,687	7,455,687	7,455,687	7,424,679	31,008	0	0	0	0	0
03 Contribution to RERF	0	0	0	0	0	0	0	0	0	0
09 Support to the Beretitenti	1,024,737	1,024,737	1,024,737	1,315,423	-290,686	0	0	0	0	0
10 Public Service Office	831,019	831,019	831,019	798,112	32,907	0	0	[illegible]	0	0
11 Judiciary	1,409,097	1,409,097	1,409,097	1,454,680	-45,583	-209,340	-209,340	-209,340	-750,595	541,255
12 Police and Prisons	6,523,422	6,773,422	6,773,422	7,160,239	-386,817	-69,900	-69,900	-69,900	-118,192	48,292
13 Public Service Commission	204,546	204,546	204,546	225,515	-20,969	0	0	0	0	0
14 Foreign Affairs	840,562	840,562	840,562	931,447	-90,885	-89,751	-89,751	-89,751	-93,527	3,776
15 Ministry of Home Affairs and Rural D	2,565,518	2,766,518	2,766,518	2,762,582	3,936	-58,160	-58,160	-58,160	-75,406	17,246
16 Ministry Of Environment and Social D	2,675,813	2,675,813	2,675,813	2,655,750	20,063	-595,960	-595,960	-595,960	-132,794	-463,166
17 Maneaba ni Maungatabu	2,182,870	2,182,870	2,182,870	2,280,802	-97,932	-4,600	-4,600	-4,600	-11,315	6,715
18 Ministry Of Commerce, Industry and T	1,052,812	1,052,812	1,052,812	1,070,568	-17,756	-44,116	-44,116	-44,116	-97,994	53,878
19 Kiribati National Audit Office	574,200	574,200	574,200	575,038	-839	-62,500	-62,500	-62,500	-50,250	-12,250
20 Office of the Attorney General	459,226	459,226	459,226	498,450	-39,224	-1,020	-1,020	-1,020	-505	-515
21 Ministry of Natural Resources Develo	1,795,462	1,795,462	1,795,462	1,875,815	-80,354	-31,675,050	-31,675,050	-31,675,050	-29,197,021	-2,478,029
22 Ministry of Health and Family Planni	14,802,717	14,802,718	14,802,718	14,309,843	492,875	-112,750	-112,750	-112,750	-106,023	-6,727
23 Ministry of Education, Training and	17,085,629	17,158,020	17,158,020	18,294,094	-1,136,074	-157,384	-157,384	-157,384	-141,639	-15,745
24 Ministry of Information, Communicati	3,262,714	3,340,678	3,340,678	3,274,321	66,357	-3,670,015	-3,670,015	-3,670,015	-1,214,207	-2,455,807
25 Ministry of Finance and Economic Pla	2,124,528	2,124,528	2,124,528	2,389,819	-265,291	-33,064,213	-33,064,213	-33,064,213	-48,985,579	15,921,366
27 Ministry of Works and Energy	2,473,272	2,473,272	2,473,272	2,439,342	33,930	-36,700	-36,700	-36,700	-85,514	48,814
28 Ministry of Labour, Employment and	3,065,520	3,165,520	3,165,520	3,449,139	-283,619	-54,480	-54,480	-54,480	-107,631	53,151
29 Ministry of Line and Phoenix Develop	3,278,756	3,278,756	3,278,756	3,600,521	-321,765	-461,500	-461,500	-461,500	-391,932	-69,568
30 Debt Servicing	1,425,579	1,425,579	1,425,579	4,433,029	-3,007,450	0	0	0	0	0
31 Other Government Expenses	12,453,752	17,519,572	17,519,572	17,194,709	324,863	0	0	0	0	0
Grand Total	89,367,438	95,134,613	95,134,613	100,213,917	-5,079,304	-70,367,439	-70,367,439	-70,367,439	-81,560,123	11,192,685

Add Consolidated Fund Brought Forward	-8,416,098
	-89,976,221
Less Expenditure	100,213,917
Consolidated Fund carried Forward	10,237,696

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Accountant General

Printed on: 29-Jun-12

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APPENDIX FOUR: SCHEDULE 2 OF CAP 79

SCHEDULE 2
(Section 11)

RULES FOR THE OPERATION OF THE DEVELOPMENT FUND

1. In these Rules "Fund" means the Development Fund.

2. (1) No moneys shall be issued from the Fund for the purpose of meeting any expenditure except in accordance with a warrant under the hand of the Minister authorising the Accountant General to issue those moneys.

(2) Subject to the rules 4, 5, 6 and 7 no warrant shall be issued under paragraph (i) unless the expenditure in question has been authorised by the Maneaba ni Maungatabu by resolution or in accordance with these Rules.

3. (1) The Minister shall cause to be prepared in each financial year estimated of the revenue and expenditure of the Fund for the next following financial year.

(2) The proposals for all expenditure contained in the estimates shall be submitted to the Maneaba ni Maungatabu and a statement showing the estimated balance of the Fund at the commencement of the financial year and the anticipated revenue accruing to and total expenditure from the Fund during the financial year shall also be furnished to the Maneaba ni Maungatabu.

4. (1) If the Maneaba ni Maungatabu has not yet authorised for any financial year expenditure of sums necessary to finance the continued construction and provision of development works for which provision was made from the Fund in the previous financial year the Minister may by warrant authorise the issue from the Fund of such sums as are necessary to finance the continued construction and provision of such works to enable such works to be carried out for a period of 4 months or until the expenditure of sums necessary to finance the continued construction and provision of such works has been approved by the Maneaba ni Maungatabu whichever is the shorter period.

(2) Notwithstanding paragraph (1) no sum may be issued under this rule in respect of any subhead where such sum would be in excess of 20 per cent of the estimate of the total cost for such subhead as it appears in the development estimates or supplementary development estimates approved by the Maneaba ni Maungatabu.

5. (1) When in any financial year the development estimates or supplementary development estimates for that year include an estimate of total cost for any subhead over any period which is in excess of the total sum appropriated for that subhead for the current year the Minister may by warrant authorise the expenditure of any sum which, when added to the expenditure incurred on the corresponding subhead in previous years and to the expenditure already authorised for the same subhead for the current year, does not cause to be exceeded the latest estimate of total cost for that subhead included in the development estimates or supplementary development estimates approved by the Maneaba ni Maungatabu for that year.

(2) When at the commencement of any financial year the provision included for any subhead in the development estimates or supplementary development estimates of the immediately preceding financial year has been only partially expended the Minister may by warrant authorise the expenditure of the unspent balance of such provision under a corresponding subhead in the current financial year:

Provided that the amount so authorised shall not when added to the expenditure incurred in previous years and to the provision already made in the current year, exceed the latest overall estimate of total cost for the subhead included in any development estimates or supplementary development estimates approved by the Maneaba ni Maungatabu.

(3) No warrant under this rule shall authorise the issue of an amount which if it were expended at once would exceed the balance of the Fund remaining after all other expenditure authorised for the year has been provided for.

6. The Minister may with the approval of he Cabinet by warrant authorise the issue from the Fund of such sum as may be necessary for expenditure under any subhead of a special character which is not provided for to the expenditure already authorised by the Maneaba ni Maungatabu for the year and which cannot or cannot without serious injury to the public interest be postponed until adequate provision can be made by the Maneaba ni Maungatabu:

Provided that no such warrant shall authorise the issue of an amount which if it were expended at once would exceed the balance of the Fund remaining after all other expenditure authorised for that year has been provided for.

7. {1) The Minister may in any year by warrant authorise the issue from the Fund of such additional sum as may be necessary for expenditure under any subhead which has been authorised by the Maneaba ni Maungatabu for that year and the issue of which cannot or cannot,

APPENDIX FIVE: GOVERNMENT OF KIRIBATI- STATEMENT NO. XX

COMPUTATION OF NET ASSET VALUE AS AT 31ST DEC 2011	HSBC Q4G1 $	HSBC Q4G2 $	NICAM Q4G3 $	TOTAL
INCOME - CURRENT PERIOD				
APPLICATION COST EXERCISED OPTIONS	0.00	0.00	0.00	0.00
AVERAGE CURRENCY GAIN / LOSS	-7,253,610.51	-3,513,552.83	-216,082.56	-10,983,245.90
AVERAGE GN/LS ON CURRENCY DISPOSAL	10,509.57	27,199.74	-306,242.60	-268,533.29
AVERAGE SECURITY GAIN / LOSS	3,820,432.93	493,191.57	403,056.00	4,716,680.50
CURRENCY GN/LS ON DIVIDEND RECEIVED	-14,977.18	0.00	0.00	-14,977.18
CURRENCY GN/LS ON FX SETTLEMENTS	-98,314.15	5,350,961.14	-1,518,506.19	3,734,140.80
CURRENCY GN/LS ON INTERST RECEIVED	-0.01	871.24	12.09	883.32
CURRENCY GN/LS ON MARGIN VARIATION	0.00	0.00	0.00	0.00
CURRENCY GN/LS ON SECURITY SETTLEMENTS	-8,161.26	-19,311.80	-51,316.03	-78,789.09
CURRENCY GN/LS ON TAX REFUND RECEIVED	0.00	0.00	0.00	0.00
DISTRIBUTION INCOME	0.00	0.00	0.00	0.00
DIVIDEND INCOME	5,034,896.99	0.00	0.00	5,034,896.99
DTC REFUND INCOME	0.00	0.00	0.00	0.00
INTEREST INCOME	26,309.24	5,247,081.85	12,871,371.84	18,144,742.93
MARGIN VARIATION	0.00	0.00	0.00	0.00
OPTION INCOME	0.00	0.00	0.00	0.00
OTHER INCOME	225,193.02	0.00	0.00	225,193.02
SETTLEMENT VARIANCE	0.00	0.00	0.00	0.00
STOCK LOAN INCOME	0.00	0.00	0.00	0.00
UNDERWRITING COMMISSION	0.00	0.00	0.00	0.00
UNIT TRUST INCOME - TAX DEFFERRED	0.00	0.00	0.00	0.00
UNIT TRUST INCOME - TAX FREE	0.00	0.00	0.00	0.00
UNIT TRUST INCOME - TAXABLE	0.00	0.00	0.00	0.00
UNIT TRUST INCOME - UNALLOCATED	0.00	0.00	0.00	0.00
TOTAL INCOME	**1,742,278.64**	**7,586,420.91**	**11,182,292.55**	**20,510,992.10**
EXPENSES - CURRENT PERIOD				
ADVANCE CORPORATION TAX EXPENSE	0.00	0.00	0.00	0.00
ANALYTICS FEES	0.00	0.00	0.00	0.00
BANK CHARGES	0.00	0.00	0.00	0.00
CAPITAL GAIN - KOREA	0.00	0.00	0.00	0.00
CAPITAL GAINS TAX THAILAND	0.00	0.00	0.00	0.00
CUSTODIAN FEES	199,516.64	66,118.08	122,229.87	387,864.59
DIVIDEND WITHHOLDING TAX EXPENSE	264,162.13	0.00	0.00	264,162.13
DIVIDENT EXPENSE - SHORT SELL	0.00	0.00	0.00	0.00
FINANCIAL INSTITUTIONS DUTY	0.00	0.00	0.00	0.00
INTEREST WITHOLDING TAX EXPENSE	0.00	4,696.59	0.00	4,696.59
MALAYSIAN NEGATIVE INTEREST	0.00	0.00	0.00	0.00
MANAGEMENT FEES	321,045.61	272,858.93	337,191.31	931,095.85
OPTION EXPENSE	0.00	0.00	0.00	0.00
OTH EXPENSES	1,351.97	0.00	767.52	2,119.49
STAMP DUTY	0.00	0.00	0.00	0.00
TOTAL EXPENSES	**786,076.35**	**343,673.60**	**460,188.70**	**1,589,938.65**
NET INCOME - CURRENT PERIOD	**956,202.29**	**7,242,747.31**	**10,722,103.85**	**18,921,053.45**
CAPITAL				

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CLASS OR INVESTMENTS / FUND MANAGERS	Q4G1 EQUITIES HSBC	Q4G2 BONDS HSBC	Q4G1/Q4G2 EQUITY/BOND HSBC	Q4G3 EQUITY/BOND NICAM	TOTAL FUNDS INVESTED WITH NICAM/HSBC
	157,168,624.91	137,373,793.37	294,542,418.28	284,396,686.38	578,939,104.66
VARIANCE NOTE 1: Rounding	0.00	0.00	0.00	0.00	0.00
TOTAL as at 31/12/2011	157,168,624.91	137,373,793.37	294,542,418.28	284,396,686.38	578,939,104.66

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GOVERNMENT OF KIRIBATI - STATEMENT No. XX

INVESTMENT WITH HSBC AND NICAM ASSET MANAGEMENT FOR THE

YEAR ENDED 31ST DECEMBER, 2011

COMPUTATION OF NET ASSET VALUE AS AT 31ST DEC 2011	HSBC Q4G1 $	HSBC Q4G2 $	NICAM Q4G3 $	TOTAL
ASSET				
AVERAGE COST OF EQUITIES	158,888,160.90	0.00	0.00	158,888,160.90
AVERAGE COST OF FIXED INCOME	0.00	129,768,213.48	268,744,865.28	398,513,078.76
AVERAGE COST OF SHORT TERM INVESTMENTS	0.00	0.00	30,761,592.21	30,761,592.21
CASH BALANCE	4,815,786.40	1,699,803.35	4,457,925.22	10,983,514.97
DIVIDEND TAX REFUND RECEIVABLE	8,314.43	0.00	5,165.56	13,479.99
DIVIDENDS RECEIVABLE	231,209.40	0.00	0.00	231,209.40
INTEREST RECEIVABLE	0.00	1,590,958.75	6,105,857.89	7,696,816.64
INTEREST TAX REFUND RECEIVABLE	0.00	0.00	0.00	0.00
OTHER ASSETS	14,625.70	374.83	0.00	15,000.53
RECEIVABLE FOR CURRENCY EXCHANGED	0.00	86,723,308.55	121,353,117.52	208,076,426.07
RECEIVABLE FOR INVESTMENTS - OPTIONS	0.00	0.00	0.00	0.00
RECEIVABLE FOR INVESTMENTS SOLD	2,527,451.92	0.00	824,169.25	3,351,621.17
STOCK LENDING RECEIVABLES	0.00	0.00	0.00	0.00
TOTAL ASSETS	**166,485,548.75**	**219,782,658.96**	**432,262,692.93**	**818,530,900.64**
LIABILITIES				
DIVIDEND PAYABLE - SHORT POSITION	0.00	0.00	0.00	0.00
DIVIDEND TAX WITHHELD LIABILITY	0.00	0.00	0.00	0.00
INTEREST TAX WITHHELD LIABILITY	0.00	0.00	0.00	0.00
MARGIN VARIATION PAYABLE	0.00	0.00	0.00	0.00
OTHER LIABILITIES	0.00	0.00	0.00	0.00
PAYABLE FOR CURRENCY EXCHANGED	0.00	86,723,308.55	121,353,117.52	208,076,426.07
PAYABLE FOR CUSTODIAN FEE	0.00	0.00	0.00	0.00
PAYABLE FOR INVESTMENT - OPTIONS	0.00	0.00	0.00	0.00
PAYABLE FOR INVESTMENTS PURCHASED	0.00	0.00	0.00	0.00
PAYABLE FOR MANAGEMENT FEE -EXPENSE	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	**0.00**	**86,723,308.55**	**121,353,117.52**	**208,076,426.07**
NET ASSETS EXCLUDING MARKET	**166,485,548.75**	**133,059,350.41**	**310,909,575.41**	**610,454,474.57**
UNREALIZED APPRECIATION / DEPRECIATION				
ON FOREIGN CASH POSITIONS	-57,688.37	-56,214.63	-7,760.55	-121,663.55
ON FORWARDS CONTRACTS	0.00	1,618,691.76	101,372.09	1,720,063.85
ON FUTURES	0.00	0.00	0.00	0.00
ON INCOME RECEIVABLES	-1,319.14	-3,480.50	0.00	-4,799.64
ON INVESTMENT & FX RECEIVABLES	-11,890.96	0.00	0.00	-11,890.96
ON INVESTMENTS	-9,246,025.37	2,755,446.33	-26,606,500.57	-33,097,079.61
ON INVESTMENTS & FX PAYABLE	0.00	0.00	0.00	0.00
ON OPTIONS	0.00	0.00	0.00	0.00
TOTAL UNREALIZED SEC CUR APPR/DEP	**-9,316,923.84**	**4,314,442.96**	**-26,512,889.03**	**-31,515,369.91**
TOTAL NET ASSETS AT MARKET	**157,168,624.91**	**137,373,793.37**	**284,396,686.38**	**578,939,104.66**

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COMPUTATION OF NET ASSET VALUE AS AT 31ST DEC 2011	HSBC Q4G1 $	HSBC Q4G2 $	NICAM Q4G3 $	TOTAL
INCOME - CURRENT PERIOD				
APPLICATION COST EXERCISED OPTIONS	0.00	0.00	0.00	0.00
AVERAGE CURRENCY GAIN / LOSS	-7,253,610.51	-3,513,552.83	-216,082.56	-10,983,245.90
AVERAGE GN/LS ON CURRENCY DISPOSAL	10,509.57	27,199.74	-306,242.60	-268,533.29
AVERAGE SECURITY GAIN / LOSS	3,820,432.93	493,191.57	403,056.00	4,716,680.50
CURRENCY GN/LS ON DIVIDEND RECEIVED	-14,977.18	0.00	0.00	-14,977.18
CURRENCY GN/LS ON FX SETTLEMENTS	-98,314.15	5,350,961.14	-1,518,506.19	3,734,140.80
CURRENCY GN/LS ON INTERST RECEIVED	-0.01	871.24	12.09	883.32
CURRENCY GN/LS ON MARGIN VARIATION	0.00	0.00	0.00	0.00
CURRENCY GN/LS ON SECURITY SETTLEMENTS	-8,161.26	-19,311.80	-51,316.03	-78,789.09
CURRENCY GN/LS ON TAX REFUND RECEIVED	0.00	0.00	0.00	0.00
DISTRIBUTION INCOME	0.00	0.00	0.00	0.00
DIVIDEND INCOME	5,034,896.99	0.00	0.00	5,034,896.99
DTC REFUND INCOME	0.00	0.00	0.00	0.00
INTEREST INCOME	26,309.24	5,247,061.85	12,871,371.84	18,144,742.93
MARGIN VARIATION	0.00	0.00	0.00	0.00
OPTION INCOME	0.00	0.00	0.00	0.00
OTHER INCOME	225,193.02	0.00	0.00	225,193.02
SETTLEMENT VARIANCE	0.00	0.00	0.00	0.00
STOCK LOAN INCOME	0.00	0.00	0.00	0.00
UNDERWRITING COMMISSION	0.00	0.00	0.00	0.00
UNIT TRUST INCOME - TAX DEFFERRED	0.00	0.00	0.00	0.00
UNIT TRUST INCOME - TAX FREE	0.00	0.00	0.00	0.00
UNIT TRUST INCOME - TAXABLE	0.00	0.00	0.00	0.00
UNIT TRUST INCOME - UNALLOCATED	0.00	0.00	0.00	0.00
TOTAL INCOME	**1,742,278.64**	**7,586,420.91**	**11,182,292.55**	**20,510,992.10**
EXPENSES - CURRENT PERIOD				
ADVANCE CORPORATION TAX EXPENSE	0.00	0.00	0.00	0.00
ANALYTICS FEES	0.00	0.00	0.00	0.00
BANK CHARGES	0.00	0.00	0.00	0.00
CAPITAL GAIN - KOREA	0.00	0.00	0.00	0.00
CAPITAL GAINS TAX THAILAND	0.00	0.00	0.00	0.00
CUSTODIAN FEES	199,516.64	66,118.08	122,229.87	387,864.59
DIVIDEND WITHHOLDING TAX EXPENSE	264,162.13	0.00	0.00	264,162.13
DIVIDENT EXPENSE - SHORT SELL	0.00	0.00	0.00	0.00
FINANCIAL INSTITUTIONS DUTY	0.00	0.00	0.00	0.00
INTEREST WITHOLDING TAX EXPENSE	0.00	4,696.59	0.00	4,696.59
MALAYSIAN NEGATIVE INTEREST	0.00	0.00	0.00	0.00
MANAGEMENT FEES	321,045.61	272,858.93	337,191.31	931,095.85
OPTION EXPENSE	0.00	0.00	0.00	0.00
OTH EXPENSES	1,351.97	0.00	767.52	2,119.49
STAMP DUTY	0.00	0.00	0.00	0.00
TOTAL EXPENSES	**786,076.35**	**343,673.60**	**460,188.70**	**1,589,938.65**
NET INCOME - CURRENT PERIOD	**956,202.29**	**7,242,747.31**	**10,722,103.85**	**18,921,053.45**
CAPITAL				

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COMPUTATION OF NET ASSET VALUE AS AT 31ST DEC 2011	HSBC Q4G1 $	HSBC Q4G2 $	NICAM Q4G3 $	TOTAL
ASSET TRANSFERS IN	0.00	0.00	0.00	0.00
ASSET TRANSFERS OUT	0.00	0.00	0.00	0.00
CALL PAYMENT/REDEMPTION	0.00	0.00	0.00	0.00
CASH TRANSFERS IN	13,000,000.00	0.00	0.00	13,000,000.00
CASH TRANSFERS OUT	0.00	-13,000,000.00	0.00	-13,000,000.00
CONTRIBUTIONS	0.00	0.00	0.00	0.00
INTERLEDGER CURRENCY TRABSFERS OUT	-168,048,413.57	-972,112,215.82	-1,493,058,760.50	-2,633,219,389.89
INTERLEDGER CURRENCY TRANSFERS IN	159,048,413.57	981,112,215.82	1,493,058,760.50	2,633,219,389.89
NET INCOME - CURRENT YEAR	956,202.29	7,242,747.31	10,722,103.85	18,921,053.45
NET INTERLEDGER TRANSFERS	0.00	0.00	0.00	0.00
PRIOR YEARS AT COST	165,029,346.46	137,166,603.10	309,861,096.91	612,057,046.47
WITHDRAWALS	-3,500,000.00	-7,350,000.00	-8,850,000.00	-19,700,000.00
TOTAL CAPITAL	**166,485,548.75**	**133,059,350.41**	**311,733,200.76**	**611,278,099.92**
UNREALIZED APPRECIATION/DEPRECIATION	-9,316,923.84	4,314,442.96	-26,512,889.03	-31,515,369.91
NET CAPITAL AT MARKET:	**157,168,624.91**	**137,373,793.37**	**285,220,311.73**	**579,762,730.01**

APPENDIX SIX: MAJOR GOVERNMENT REVENUES 2011 (extracted from divisions records)

Month	Custom duty	Fishing license	Business tax	Paye tax	Hotel tax	Sub-total
January	742,284.04	792,841.89	536,503.73	552,785.44	4,172.91	2,628,588.01
February	1,007,985.46	1,722,725.62	103,515.85	480,274.02	5,880.76	3,320,381.71
March	1,444,139.98	2,030,814.75	573,530.18	525,386.35	8,274.77	4,582,146.03
April	769,836.70	775,905.31	550,675.26	521,383.20	10,146.25	2,627,946.72
May	1,475,491.37	2,164,277.25	265,482.30	525,242.00	6,158.58	4,436,651.50
June	1,348,171.41	4,079,498.23	1,291,765.05	488,216.11	7,827.77	7,215,478.57
July	1,312,949.04	705,641.86	71,418.84	735,568.69	6,786.35	2,832,364.78
August	1,528,150.93	1,200,327.82	230,751.94	594,503.95	8,594.99	3,562,329.63
September	1,104,297.70	1,958,200.89	719,544.30	550,498.26	9,722.52	4,342,263.67
October	1,167,653.78	970,233.93	78,442.57	488,441.65	4,760.14	2,709,532.07
November	1,201,497.71	2,265,753.81	234,520.81	550,004.14	4,920.87	4,256,697.34
December	1,673,480.52	8,302,724.59	985,621.65	582,702.81	7,985.81	11,552,515.38
Total	**14,775,938.64**	**26,968,945.95**	**5,641,772.48**	**6,595,006.62**	**85,231.72**	**54,066,895.41**

APPENDIX SEVEN: SPECIAL FUND BALANCES- STATEMENT NO.V

GOVERNMENT OF KIRIBATI - STATEMENT No. V

Statement of Other Special Fund Balances

as at 31st December 2011

FUNDS IN HANDS OF ACCOUNTANT GENERA

FUNDS		*Balance per Balance Sheet at 2010*	*Receipts Year Ending 2011*	*Payments Year Ending 2011*	*Balance per Balance Sheet at Year End 2011*	*Represented By*		
						Stabex	*Other*	*Total*
Coinage Security Special Fund	F0070000010A	-342,436.11	-9666.54	406.81	-351,695.84	0.00	-351,695.84	-351,695.84
Kauki Mange Special Fund	F0070000030A	-105,844.44	-177476.94	199481.4	-83,839.98	0.00	-83,839.98	-83,839.98
Import Levy Fund	F0070000061A	-146,288.61	-3541513.47	2075633.03	-1,612,169.05	0.00	-1,612,169.05	-1,612,169.05
Stabex Special Fund	F0070000062A	-60,815.55	0	0	-60,815.55	-60,815.55	0.00	-60,815.55
No 6 Stabex Fund	F0070000063A	-376,314.32	-2537326.97	2502000	-411,641.29	-411,641.29	0.00	-411,641.29
Local Stabex Fund	F0070000064A	3,623,135.84	-9310203.66	9245606.84	3,558,539.02	3,558,540.02	0.00	3,558,540.02
Leper Trust Board	F0070000066A	-9,996.47	0	0	-9,996.47	0.00	-9,996.47	-9,996.47
Dai Nippon Causeway Fund	F0070000067A	-2,620,179.87	-255090.55	357758.95	-2,517,511.47	0.00	-2,517,511.35	-2,517,511.35
Esrow Fund	F0070000068A	-66,536.76	0	0	-66,536.76	0.00	-66,536.76	-66,536.76
CIVIL AVIATION SPECIAL FUND	F0070000069A	0.00	-646776.85	115526.2	-531,250.65	0.00	-531,250.65	-531,250.65
TOTAL per Balance Sheet (Statement I)		-105,276.29	-16,478,054.98	14,496,413.23	-2,086,918.04	3,086,083.18	-5,173,000.10	-2,086,916.92

FUNDS NOT IN HANDS OF ACCOUNTANT GENERAL

Plant and Vehicle Unit (Note1)	17,865	2,061,003	2,078,558	310	N/A	N/A	N/A

Accountant General

Note(1) : The Plant and Vehicle Special Fund operate on a seperate bank account, hence it is reported seperately from above special funds

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