REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Kiribati Copra Cooperative Society Ltd
For The Year Ended 31st December 2009

KIRIBATI NATIONAL AUDIT OFFICE

April 2012

KNAO

For the Parliament and the People of Kiribati

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KIRIBATI NATIONAL AUDIT OFFICE

Promoting Transparency and accountability for the Parliament and the People of Kiribati

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Audit Report

To the readers of Kiribati Copra Cooperative Society Ltd financial statements for the year ended 31 December 2009

The Auditor-General is the auditor of Kiribati Copra Cooperative Society Ltd.

Qualification – limitation of scope

In our opinion, there was a severe limitation of scope from lack of documentation and explanations to support the following balances in the financial statements.

Specifically the limitation of scope was due to the following matters:

- Supporting documents for disposal of fixed assets in the amount of $23,340 were not available.
- Most of the monthly bank reconciliations were not available.
- Documentation relating to $11,975 worth of unpresented cheques since 2005 could not be located.
- Debtors could not be verified due to the following:
  - Documentation relating to significant adjustments of $272,865 made to Debtors account were missing
  - No reconciliation performed on debtors account.
  - Debtors aging report was not provided.
- Expenditures could not be verified due to the following:
  - Inadequacy of proper supporting documents.
  - Staff list in 2009 was not available
  - Committee meeting minutes in 2009 were missing.

- Stock was not disclosed in the financial statements when in fact it should be reported as one of the Cooperative's Current Assets.

Adverse opinion

In view of the **limitation of scope** and **the effect of the failure to report stock purchased from outer islands** as outlined above, in our opinion, the financial statements of the Kiribati Copra Cooperative Society **DO NOT** give a true and fair view, in accordance with Generally Accepted accounting practice. An adverse opinion was issued on the financial statements of the Cooperative as at 31st December 2009.

Based on our examination the cooperative has not kept proper accounting records for the year ended 31 December 2009.

The audit was completed on 22 April 2012, and was the date at which our opinion was expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the KCCS Committee and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Organisation of Supreme Audit Institution's (INTOSAI) Auditing Standards, which incorporate the International Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and

- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the KCCS Committee and the Auditor

The Committe is responsible for preparing the financial statements in accordance with generally accepted accounting practice. The financial statements must give a true and fair view of the financial position of the Cooperative as at 31 December 2009 and the results of its operations and cash flows for the year ended on that date. The committee's responsibilities were clearly specified in the Public Finance (Control and Audit) Act 1981.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from the Public Finance (Control and Audit) Act 1981.

Independence

When carrying out the audit we followed the independence requirements of the Kiribati National Audit Office, which incorporate the independence requirements of the International Standards of Auditing.

Other than the audit, we have no relationship with or interests in the company.

Mrs. Matereta. Raiman.
Auditor General
Kiribati National Audit Office

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Kiribati Copra Co-operative Society Limited (KCCS)
PO Box 489, Betio, Tarawa, Republic of Kiribati, Tel: (686) 26534, 26535, Fax No: (686) 26391,
Email: coprasociety@tskl.net.ki

9th July 2010

Auditor General
KNAO
Bairiki

2008 and 2009 FINANCIAL STATEMENTS

Please find attached herewith the 2008 and 2009 Financial Statements for the Kiribati Copra Cooperative Society Ltd.

NOTES TO THE FINANCIAL STATEMENT

General
The Kiribati Copra Cooperative Society Ltd was incorporated under the Co–Operative Societies' Ordinance 1977 for the economic interest of member societies and the purchase and export of copra.

Accounting Polices:

- The Financial Statements are prepared under the historical cost convention,
- The Financial Statements are expressed in Australian dollars
- Depreciation is calculated to write down values of the asset in equal instalments, using the straight line method over their expected useful lifes.

- Leasehold buildings	3%
- Furniture & Office Equipment	10%
- Plant & Vehicle	10%

- Stock of copra in store (Betio) and outer islands is subsidised by the Government
- Foreign currency transactions are converted to Australian currency at the rate of exchange ruling at the date of transactions and profit or losses which arise from currency conversion are credited to or charged against revenue.
- Cash Receipts for Sales is deposited in the Stabex Account and released upon request to KCCS by the MFED

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Depweh Kanono
Chief Executive Officer

Kiribati Copra Cooperative Society Ltd
Draft Income Statement
for the year ended 2009

		2008 Amount ($)	2009 Amount ($)
Revenue:			
Income	1	2,899,014	2,451,203
Total Revenue		**2,899,014**	**2,451,203**
Less: Cost of sales:			
Sacks Purchase		34,126	23,625
Twine & Needle purchase		18,725	5,863
Weighing scale purchase		9,312	
Copra Freight & Handling		1,028,177	1,129,571
Charter		197,375	127,500
Agency Fee		216,600	176,087
Sacks/Twine Freight & Handling		28,934	69,046
Draft Survey		3,345	500
Copra sheds rent		16,990	9,913
Overseas Handling		150,276	45,772
Copra storage - outer Is		21,708	
Phyto. Forms/Other Forms		200	200
S/generator/Fumigator			
Outer island expense		294,159	191,616
Rebagging		6,448	12,406
Copra inspector's cost		27,595	26,611
Casual Labour		86,312	80,942
Land Lease		31,844	2,800
Total Cost of Sales		**2,172,126**	**1,902,451**
Gross Profit		**726,888**	**548,752**
Administrative Expenses:			
Subscription			2,422
Audit /professional fees		2,500	4,403
Advertisement		2,319	1,651
Bank Charge		17,126	6,230
BTC Service charges		3,268	3,268
Directors Expenses		7,769	7,947
Electricity		6,376	8,730
Entertainment		1,365	960
KPF contibution		22,458	16,615
Leave Grant		10,950	8,598
Motor Vehicle Expense		9,556	6,812
Stationery		6,091	5,814
Repair & Maintenance		8,084	8,057
Staff overtime & Allowances		24,706	18,401
Salaries		281,526	242,248
Telecom expenses		19,926	22,177
Travelling - staff		24,658	43,081
Training		220	
Bad & doubtful debts			
Interest Expense		41,401	43,761
Office expense		1,044	1,083
Depreciation		8,211	5,824
Total Admin Expenses		**499,554**	**458,081**
OPERATING INCOME(LOSS)		**227,334**	**90,671**
Plus Non- Operating Income		30,099	938
Profit/(loss) before abnormal items		**257,433**	**91,609**
Add/(less) abnormal items:			
Other			
- Prior period items	9	1,343,335	22,319
Net Income/(Loss) after abnormal items		-1,085,902	69,289

Kiribati Copra Cooperative Society Ltd			
Draft Balance Sheet			
as at 31st December 2009			
		2008	2009
CURRENT ASSETS	Notes		
Cash	2	(436,681)	(269,454)
Receivables	3	227,726	315,292
Sundry Debtors	4	461,141	280,981
Total Current Assets		**252,186**	**326,820**
CURRENT LIABILITIES			
Trade Creditors	5	44,450	48,766
Sundry Creditors	6	(14,297)	(18,717)
		30,153	**30,049**
WORKING CAPITAL		**222,033**	**296,771**
NON CURRENT ASSETS			
Long term Assets	7	68,959	63,510
NET WORTH		**290,992**	**360,281**
EQUITY			
Opening balance		1,376,893	290,992
Profit/(Loss)		(1,085,902)	69,289
Total Equity	8	**290,991**	**360,281**

Kiribati Copra Coopertive Society Ltd			
Notes to the Financial Statements			
for the year ended 31/12/2009			
			Amount ($)
1 Income			
KCMCL			2,004,178
Overseas			447,025
			2,451,203
2 Cash			
Cash at Bank			(406,204) OD·
Petty Cash Imprest			300
Stabex			136,451
			(269,454)
3 Receivables			
Current Assets			
Trade Debtors			-
KCMCL			**315,292**
4 Sundry Debtors			
MCIC			270,000 ?
Atanimango			106
Waysang Kum Kee			10,875 ?
			280,981
5 Creditors			
Trade Creditors			**48,766** listing?
6 Sundry Creditors			
Accrued expenses			5,032
Accrued Telephone			1,134
Payroll Liabilities	BOK	1,482	
	DBK	195	
	KCCS Social Club	3,111	
	KCWS	(238)	
	KHC	(410)	
	KIC	289	
	KPF	(28,718)	
	MCIC	(1,647)	
	MLEC	207	
	Social Club	(2,672)	
	PAYE	2,310	
	TSKL	(25)	(26,115)
Tax refund			1,232
			(18,717)

7	**Long term Assets refer Annex 1**			
	Air Conditioner	950		
	Acc Depn	(190)	760	
	Motor Vehicle	25,212		
	Acc Depn	(5,784)	19,428	
	Office Building	32,119		
	Acc Depn	(4,964)	27,155	
	Office Equipment	15,864		
	Acc Depn	(2,916)	12,948	
	Office Furniture and Fit	3,401		
	Acc Depn	(182)	3,220	
				63,510
8	**EQUITY**			
	Opening Balance		(224,454)	
	Retained Earnings		515,446	290,992
	Net Income after abnormal items			69,289
				360,281

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Accrual Basis

KIRBATI COPRA CO-OPERATIVE SOCIETY LTD
Transaction Detail By Account
January through December 2009

Type	Date	Num	Name	Memo	Debit	Credit	Balance
PPI							
Check	3/02/2009	170031	Tab north Island Co...	pv:139/09 Rental for 2007 & 2008	3,840.00		3,840.00
Check	7/05/2009	580443	Marawa Kiakia	pv:540/09 copra shed rent for aug 2008	30.00		3,870.00
General ...	31/12/2009	411		ref PV623/09 amt shd be 427.80	107.00		3,977.00
General ...	31/12/2009	423		Source doc not found, adjusted	1,375.77		5,352.77
General ...	31/12/2009	424		Transferred to Holland Commodities	144,955.31		150,308.08
General ...	31/12/2009	425	Holland Commoditi...	Adjusted as per recon no o/s by Holland		127,988.64	22,319.44
Total PPI					150,308.08	127,988.64	22,319.44
TOTAL					150,308.08	127,988.64	22,319.44

(Note 9)

Annex 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2009

RECONCILIATION OF PROPERTY, FURNITURE AND EQUIPMENT

Reconciliations of the carrying amounts of total Assets at the beginning and end of the current financial year are set out below.

	Building	Furniture	Equipment	Air Condition	Motor Vehicle	Totals
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Op balances	32,119.30	3,026.25	15,863.51	950.00	25,211.77	77,170.83
Prior Period Adjustment						
Revised amount at start	32,119.30	3,026.25	15,863.51	950.00	25,211.77	77,170.83
Additions		375.00				375.00
Disposals	14,600.00				8,740.25	23,340.25
Transferred to non-current assets held for disposal						
Value 2009.	17,519.30	3,401.25	15,863.51	950.00	16,471.52	54,205.58
Impairment losses						
Depreciation	1,751.93	90.79	1,485.32	95.00	2,400.93	5,823.97
Transfers/Adjustments						
Closing balances	15,767.37	3,310.46	14,378.19	855.00	14,070.59	160,915.63

47

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KIRBATI COPRA CO-OPERATIVE SOCIETY LTD
Profit & Loss
January through December 2009

		Jan - Dec 09
Ordinary Income/Expense		
Income		
Non Operating Income		
Interest received&other Income	40.28	
Rent received	927.50	
Total Non Operating Income		967.78
Operating Income		
Copra Sales	2,451,202.76	
Total Operating Income		2,451,202.76
Total Income		2,452,170.54
Cost of Goods Sold		
Agency fee		176,087.01
Casual		80,941.55
Charter Cost		127,500.00
Copra Freight & Handling		1,129,571.09
Outer Islands exp		191,615.56
Overseas handling		45,772.09
Phytosanitory		200.00
Purchases		
Sacks	23,625.00	
Total Purchases		23,625.00
Rebagging		12,405.50
Sacks freight & handling		69,046.06
Surveyor Fee		500.00
Twine		5,863.00
Total COGS		1,863,126.86
Gross Profit		589,043.68
Expense		
Advertisement		1,651.10
BTC		3,268.00
Copra Inspector's Cost		
KCMCL	99.35	
Overtime	5,324.08	
Sea fare	4,156.50	
Sub allowance	16,975.00	
Wishing Star	55.80	
Total Copra Inspector's Cost		26,610.73
Copra shed rent		9,913.00
Directors Expense		
Meal	1,480.35	
Sitting Allowance	6,516.25	
Directors Expense - Other	-50.00	
Total Directors Expense		7,946.60
Electricity		8,729.70
Entertainment		959.60
Exchange rate loss		
Loss	29.76	
Total Exchange rate loss		29.76
KPF		16,615.28
Land Lease		2,800.00
Leave Commutation		3,172.60
Leave Grant		
Head Quater	5,975.00	
Outer Island	1,941.63	
Leave Grant - Other	681.15	
Total Leave Grant		8,597.78

KIRBATI COPRA CO-OPERATIVE SOCIETY LTD
Profit & Loss
January through December 2009

	Jan - Dec 09
Motor vehicle running cost	
Motorcycle	553.20
Other	3.00
Salloon for CEO	2,569.24
Saloon BTC 6959	1,282.72
Truck Exp	2,050.29
Motor vehicle running cost - Other	253.71
Total Motor vehicle running cost	6,812.16 ✓
Office Expense	1,082.60 ✓
Repair & Maintenance	
Copra Shed	207.00
Dwelling house Henry	142.00
Dwelling house Teibaba	245.65
Dwelling house Tokintekai	103.00
Motor vehicle	3,479.30
Office Building	514.20
Office Equipment	2,072.10
Saloon TUC6959	50.00
Weighbridge	641.00
Repair & Maintenance - Other	603.10
Total Repair & Maintenance	8,057.35 ✓
Staff overtime & Allowance	
Acting Allowances CEO,FM,OM,Acc	3,380.63
Overtime HQ,Temp,Xmas,O.island	12,715.07
Staff overtime & Allowance - Other	2,304.95
Total Staff overtime & Allowance	18,400.65 ✓
Stationary	5,814.00 ✓
Subscription	2,422.45 ✓
Telecom expenses	
Modem	1,075.00
Telecom expenses - Other	0.00
Total Telecom expenses	1,075.00 ✓
Travelling	
Local	11,987.40
Staff Busfare	58.00
Travelling - Other	2,406.00
Total Travelling	14,451.40 ✓
Travelling Expenses	
O/seas sales contract marketing	17,762.70
staff bus fare	401.80
Travelling Expenses - Other	10,464.99
Total Travelling Expenses	28,629.49 ✓
6120 · Bank Service Charges	
Cheque books	60.00
Collection fee	26.40
Interest	43,760.59 ✗
Ledger fee	237.40
Line fee	505.00
Over draft charges	4,500.00
Payposted charge	107.50
Statement fee	8.00
Transaction fee	566.00
Unarranged charge	15.00
6120 · Bank Service Charges - Other	205.00
Total 6120 · Bank Service Charges	49,990.89 ✓
6150 · Depreciation Expense	5,823.97 ✓
6230 · Licenses and Permits	600.00 ✓
6250 · Postage and Delivery	
Postal Commisssion	186.02
6250 · Postage and Delivery - Other	2,705.65
Total 6250 · Postage and Delivery	2,891.67 ✓
6270 · Professional Fees	4,403.00 ✓
6340 · Telephone	17,610.49 ✓

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KIRBATI COPRA CO-OPERATIVE SOCIETY LTD
Profit & Loss
January through December 2009

	Jan - Dec 09
6560 · Payroll Expenses	
Head Quater Wages	128,892.73
Kiritimati Staff Salary	28,539.30
Outer Islands wages	81,445.00
Relieving wages	198.47
6560 · Payroll Expenses - Other	0.00
Total 6560 · Payroll Expenses	239,075.50 ✓
Total Expense	497,434.77
Net Ordinary Income	91,608.91
Other Income/Expense	
Other Expense	
PPI	22,319.44
Total Other Expense	22,319.44
Net Other Income	-22,319.44
Net Income	69,289.47

rual Basis

KIRBATI COPRA CO-OPERATIVE SOCIETY LTD
Balance Sheet
As of December 31, 2009

	Dec 31, 09
ASSETS	
Current Assets	
Checking/Savings	
Cash at Bank	-406,204.21
Petty Cash Imprest	300.00
STABEX	136,450.70
Total Checking/Savings	-269,453.51
Accounts Receivable	
Kiribati Copra Mill	315,292.26
Total Accounts Receivable	315,292.26
Other Current Assets	
Copra subsidy MCIC	270,000.00
Sundry Debtors	
Atanimango Boata	105.93
Waysang Kum Kee	10,875.10
Total Sundry Debtors	10,981.03
Tax refund	-1,231.88
Total Other Current Assets	279,749.15
Total Current Assets	325,587.90
Fixed Assets	
Air Conditioner	
Acc Depn Office Air Con	-190.00
Air Conditioner - Other	950.00
Total Air Conditioner	760.00
Motor Vehicle	
Acc Depn MVeh	-5,784.11
Motor Vehicle - Other	25,211.77
Total Motor Vehicle	19,427.66
Office building	
Acc Depn Office Build	-4,963.86
Office building - Other	32,119.30
Total Office building	27,155.44
Office Equipment	
Acc Depn Office Equip	-2,915.84
Office Equipment - Other	15,863.51
Total Office Equipment	12,947.67
Office Furniture & Fittings	
Acc Depn Office Furn	-181.58
Office Furniture & Fittings - Other	3,401.25
Total Office Furniture & Fittings	3,219.67
Total Fixed Assets	63,510.44
TOTAL ASSETS	389,098.34
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Trade Creditors	48,766.43
Total Accounts Payable	48,766.43
Other Current Liabilities	
Accrued Expense	5,032.10
Accrued Telephone	1,133.94

KIRBATI COPRA CO-OPERATIVE SOCIETY LTD
Balance Sheet
As of December 31, 2009

	Dec 31, 09
2100 · Payroll Liabilities	
BOK loan repayment	1,482.45
DBK	195.00
KCCS Social Club	3,110.65
KCWS	-237.50
Kiribati housing Corporation	-410.00
Kiribati Insurance Corporation	288.51
KPF	-28,718.33
MCIC	-1,646.50
Mlec house rent	207.00
Social Club	-2,671.96
Staff Payee	2,310.31
TSKL	-25.00
Total 2100 · Payroll Liabilities	-26,115.37 ✓
Total Other Current Liabilities	-19,949.33
Total Current Liabilities	28,817.10
Total Liabilities	28,817.10
Equity	
3000 · Opening Bal Equity	-224,454.45
3900 · Retained Earnings	515,446.22
Net Income	69,289.47
Total Equity	360,281.24
TOTAL LIABILITIES & EQUITY	389,098.34