REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

KIRIBATI INSURANCE CORPORATION
For The Year Ended 31 December 2006

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 Insurance Corporation's financial statements for the year ended 31 December 2006

The Auditor-General is the auditor of Kiribati Insurance Corporation (KIC).

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:

- No separate accounts submitted for the year ending 2006 as the Corporation used the comparative figures in the 2007 accounts as for 2006.
- No documentation available for review relating to balances for Kiritimati branch financial statements.
- No documentation available to confirm revenue balances in the financial performance statement.
- Variance explanations for the Statement of financial performance and position could not be provided.
- An accurate bank confirmation could not be obtained from the ANZ bank Kiribati.
- Insufficient documentation to allow us to determine an accurate and complete amount of IBD.
- Expenditure could not be fully verified due to missing documentation relating to $54,634 of total expenditure
- Unable to verify the validity of charge allowance due to lack of documentation provided.

Qualification - Adverse opinion

After considering the limitation of scope as outlined above, in our opinion, the financial statements of the company are not fairly stated. An adverse opinion has been issued on the financial statement of the company due to the limitation of scope and the following balances being materially misstated.

- Audit was unable to identify fixed assets as the suppliers was written in the fixed asset register instead of the name of the assets acquired.
- Could not confirm the life premium balance due to no reconciliation performed between the Underwriting department and the Account department.
- No reconciliation being done for the debtors control account and individual accounts.
- Interest due on IBD is not determined.

Based on our examination the company has not kept proper accounting records for the year ended 31 December 2006.

The audit was completed on 25 March 2012, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors 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 Board of Directors and the Auditor

The Board of Directors 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 company as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from 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 corporation.

Mrs. Matereta B Raiman
Auditor General
Kiribati National Audit Office