REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

For the Parliament and the People of Kiribati

KIRIBATI PORT AUTHORITY
For The Year Ended 31st December 2008

KIRIBATI NATIONAL AUDIT OFFICE

April 2012

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

Audit Report

**To the readers of
Kiribati Ports Authority financial statements
for the year ended 31 December 2008**

The Auditor-General is the auditor of Kiribati Ports Authority.

Qualification – limitation of scope

In our opinion, there was a limitation of scope from lack of documentation and explanations to support the balances in the financial statements and further more the significant mis-postings which were found to exist in the financial statements.

Specifically the matters are detailed below:

- Bank balance cannot be verified due to the following:
    - Had an unexplained variance of $202,054 between the bank confirmation and the draft account balance.
    - Bank reconciliations were not available.
- Unable to verify Debtors balance due to the following:
    - Inconsistency of the debtor's record as per the MYOB and the financial statements, thus reporting a variance of more than $400,000.
    - Debtors confirmations received depicted significant differences between the KPA record and that of theirs with an amount of more than $500,000.
    - Debtor's reconciliation was not performed. Mis-management of debtors may have drastic impact on the overdraft level.
- Expenditures could not be verified due to the following:
    - Inadequacy of proper supporting documents.
    - Payment control procedures were not strictly followed.
- Fixed assets physical counting records were missing.
- Payment vouchers and breakdown, relating to Capitalised expenditures of $400,000 were not available for verification.

- Original copies for Cancelled invoices with a total of $44,801.57 were missing.
- A charge to MS South Islander Voyage 3 was wrongly made twice on Invoice # 8208 of $50,575 and invoice # 8288 of $49,806.
- Payment received from Great Bali Hai of $337,535 was wrongly credited to Chief Container Services account.
- Mis-postings of dishonoured cheques from debtors and KPA repayments in the amount of $35,149 and $57,875 were not adjusted.
- There were several unadjusted variances relating to $28,649 Staff tax liability and Staff KPF Liabilities of $110,873, Payroll expenses of $56,968 and Fixed Assets of $87,250.
- Wages clearing account had unexplained negative balances of $132,129.

Qualification - Adverse opinion

In view of the **limitation of scope** and **the effect of the failure to adjust significant variances, and mis-postings to several accounts** as outlined above, in our opinion, the financial statements of the Kiribati Ports Authority **DO NOT** give a true and fair view, in accordance with Generally Accepted accounting practice. An adverse opinion was issued on the financial statement of the Authority as at 31st December 2008.

Based on our examination the Authority has not kept proper accounting records for the year ended 31 December 2008.

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 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;

- 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 KPA 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 Authority as at 31 December 2008 and the results of its operations and cash flows for the year ended on that date. The Board of Directors responsibilities were clearly specified in the Public Finance (Control and Audit) Act 1981 and Kiribati Ports Authority Act.

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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Our Ref.: KPA/9/2/9 Date: 07/10/10

Mr. Raimon Taake,
Auditor General,
Kiribati National Audit Office,
Bairiki.

Dear Raimon,

Unaudited Financial Statements of the Kiribati Ports Authority
For Twelve months ending 31st December 2009

For your audit, please find enclosed our un-audited financial statements for the year ended 31st December 2009 and we are now inviting your audit team to proceed with such audit at their earliest convenience.

It had been our greatest pleasure to work with your team of auditors and we hope that the upcoming audit visit would be even more efficient, effective for the continued ongoing operation of the Kiribati Ports Authority within the near future.

Best regards,

[illegible] Tabi,
Finance Manager
for General Manager.

Original sent
to KNAO
today 11/10
[illegible]

Kiribati Ports Authority
Income Statement
Year ended 31st December 2008

	(Note)		31/12/2008	31/12/2007
Operating revenue for the year	3	$	4,151,880	$5,416,405
Operating profit (loss) for the year	3	-$	442,309	(171,499)
Amortisation of Aid Reserve	5	$	738,813	738,813
Other Items		-$	382,888	(227,938)
Net profit for the year		-$	86,384	$339,376
Retained earnings at start of the year		$	3,023,344	$2,683,968
Retained earnings at end of the year		$	2,936,960	$3,023,344

Chairman. Member

Kiribati Ports Authority
Balance Sheet
As at 31st December 2008

	(Note)		31/12/2008		31/12/2007
Current Assets					
Cash and Cash Equivalents		$	66,512	$	584,456
Works in Progress		$	-	$	-
Debtors		$	2,204,762	$	1,877,650
Stock		$	-	$	13,715
		$	2,271,274	$	2,475,821
Current Liabilities					
Creditors		$	496,812	$	338,137
		$	496,812	$	338,137
Working Capital		$	1,774,462	$	2,137,684
Long Term Assets					
Fixed Assets	$ 4	$	30,476,850	$	30,938,825
		$	30,476,850	$	30,938,825
Long Term Liabilites					
Loan - KSSL	$ 6	$	-	$	-
Loan - ANZ Bank		$	-	$	-
		$	-	$	-
Net Worth		$	32,251,312	$	33,076,509
Equity					
Capital		$	655,255	$	655,255
Aid Reserve - Japan	$ 5	$	28,659,096	$	29,397,909
Retained Earnings		$	2,936,960		$3,023,344
		$	32,251,312	$	33,076,509

Chairman.

Member.

Kiribati Ports Authority
Cash Flow Statement
Year ended 31st December 2008

	(Note)		31/12/08		31/12/07
Cash flow from operating activites					
Receipts from customers and debtors		$	3,441,881	$	4,849,843
Interest Income from IBD		$	-	$	-
Subsidy from Government		$	-	$	-
Payments to suppliers and employees		-$	3,313,755	-$	4,096,483
	(B)	$	**128,126**	$	**753,360**
Cash flow from financing activities					
Loan received from ANZ Bank		$	-	$	-
Loan Repayment to ANZ Bank		$	-	$	-
Loan Repayment to KSSL		$	-	$	-
Cash flow from investing activites					
Purchase of fixed assets		-$	659,785	-$	561,627
Purchase of stocks		$	13,715	-$	13,715
		-$	646,070	-$	575,342
Net Cash Flow		-$	517,944	$	178,018
Opening Cash/Cash Equivalents		$	584,456	$	406,438
Closing Cash/Cash Equivalents	(A)	$	**66,512**	$	584,456
(A) - Details of Cash and Cash Equivalents					
Cash Float		$	500	$	500
Undeposited Cash - TRW		$	38,336	$	34,890
Cheque Account No.1 - TRW		-$	903,313	-$	338,223
Cheque Account No.2 - TRW		$	-	$	37,597
Interest Bearing Deposit (IBD) - TRW		$	930,333	$	838,741
Cash Float - XMS		$	500	$	500
Undeposited Cash - XMS		$	3,915	$	-
Cheque Account - XMS		-$	3,759	$	10,450
		$	66,512	$	584,456

Chairman. Member.

(B) - Reconciliation of cash flow from operations

Net profit for the year	-$	86,384	$	339,376
Depreciation for the year	$	1,121,759	$	1,339,910
Doubtful Debts	$	-	$	-
Amortisàtion of aid reserve	-$	738,813	-$	738,813
Increase/Decrease in debtors	-$	327,111	-$	361,753
Decrease/Increase in Work in Progress	$	-	$	-13,715
Increase /Decrease in creditors	$	158,675	$	274,437
Adjustment to Debtors			-$	90,381
Adjustment to Creditors			-$	14,796
Adjustment to Fixed Assets	$	-	-$	8,335
	$	128,126	$	753,360

Chairman.

Member.

Kiribati Ports Authority
Notes to the Accounts
As at 31st December 2008

1. General

The Kiribati Ports Authority, hereinafter referred to as the Authority, was established under the Kiribati Port Authority Act 1990 and began operation from January 2000. As stated in the Act, the Authority is charged with the responsibility of providing port and navigational services within any waters and land contiguous thereto in Kiribati declared by the Minister to be a port.

The financial year for the Authority is from January to December each year. The currency used in the accounts is the Australian currency which is the official currency in Kiribati.

2. Accounting Policy

The accounts of the Authority are prepared under the historical cost convention in accordance with generally accepted accounting principles, standards and statutory requirements in Kiribati. The principal accounting policies adopted by the Authority are provided below.

(a). Depreciation

Fixed assets are depreciated over their useful lives using the straight line method.

(b). Long Term Loan Interest

Interest on long term loan is recognised at the end of each month or as mutually agreed or determined by the lender.

(c). Amortisation of Aid Reserve

Reserve arising from aid in kinds is amortised annually at a rate equivalent to the depreciation rates for the fixed assets concerned.

Chairman

Member

3. Operating Performance

	Year 2008	Year 2007	Year 2006
Revenues:			
Stevedoring & Lighterage	$ 1,420,850	1,778,216	1,479,020
Pilot & Agency Services	$ 529,733	695,959	932,390
Dockage & Wharfage	$ 1,679,887	696,019	452,734
Accounting & Finance	$ 136,934	54,920	60,201
Storage and Warehousing	$ 143,452	1,761,093	1,436,493
Kiritimati Branch	$ 242,024	480,997	449,015
	$ 4,151,880	5,415,406	4,509,870
Expenses:			
Stevedoring & Lighterage	$ 310,516	432,600	334,515
Pilot & Agency Services	$ 347,216	374,071	287,597
Dockage & Wharfage	$ 370,717	902,763	876,537
Technical	$ 500,900	711,442	772,002
Human Resources Admin.	$ 892,740	850,340	901,070
Port Security	$ 218,159	209,847	179,391
Accounting & Finance	$ 302,451	262,802	1,391,505
Storage and warehousing	$ 243,985	255,517	230,903
Kiritimati Branch	$ 287,735	3465,779	3537,770
Depreciation	$ 1,121,760	1,107,524	1,161,599
Loan Interest & Charges	$ -	0	- 0
	$ 4,594,189	5,445,519	6,493,796
Operating Profit (Loss)	-$ 442,309	-29,113	-1,983,926

Chairman.

Member.

4. Fixed Assets- For Tarawa & Xmas

	Wharf and Structures	Buildings	Furniture Equipment	Vehicles & Machinery	Boats, Tugs & Barges	Barges	Transport Veh&Traile	Other fixed asset	Xmas Fixed assets	Total
Cost / Valuation										
At start	22,724,006.74	5,408,022.60	360,927.69	2,881,378.65	805,943.09	651,663.61	921,097.63	195,512.97	5,519,593.24	40,369,050.12
Adjustn	$0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Addition	380,000.00	1,014.45	26,231.44	228,109.18	0.00	0.00	22,000.00	2,430.00	0.00	650,785.10
At end	23,104,906.77	5,402,637.05	387,159.13	3,109,487.83	805,943.09	651,655.61	943,097.63	197,942.97	5,519,593.24	41,073,435.32
Depreciation										
At start	2,446,251.44	1,684,397.16	280,707.03	2,238,721.26	216,114.01	477,956.15	294,405.84	575,448.95	1,214,781.28	9,430,928.16
Adjustn	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Charge	374,924.30	219,444.60	35,380.05	124,026.36	14,626.32	107,381.24	13,528.60	92,356.75	140,105.87	1,121,769.77
At end	2,823,175.72	1,903,841.76	316,088.08	2,362,747.62	230,740.33	585,337.39	307,934.44	667,807.70	1,354,887.15	10,552,698.92
NBV at	20,278,552.30	3,724,225.44	80,220.66	642,657.39	589,829.33	373,007.00	626,691.79	320,064.02	4,304,814.96	30,938,824.07
NBV at	20,281,728.05	3,605,795.29	71,069.05	746,740.21	575,203.51	266,306.42	635,162.99	230,135.27	4,164,709.11	30,478,849.30

5. Aid Reserve - Japan	Tarawa	Xmas	Total
Balance at start of the year	25,285,052.28	4,112,857	29,397,909
Add Adjustment			0
less Amortisation for the year	641,670.24	97,143	738,813
Balance at end of the year	24,643,382.04	4,015,714	28,659,096

6. Long Term Loan	O/Balance	Receipt	Interest	Payment	C/Balance
6.1 XSSL Loan, $310,000 @ 1% per a	68,200	0	1,364	69,564	0
6.2 ANZ Loan, $450,000 @ 10% per a	360,000	0	0	360,000	0
	428,200	0	1,364	429,564	0

Chairman

Member.

7 Prior Period Items

	Xmas	Tarawa	Total
Jan PPI			
Adjustment for end of 2007			
Incorrect charge made by Bank (refer chq # 107019,105930,105931)	104.32		
Refund to Dai Nippon (refer PV 13162)	2,405.30		
Cancellation of Debit note # 5189 wrongly charged		103,041.23	
Cancellation of invoice # 5176 wrongly charged		263.44	
Cancellation of invoice# 7212 dated 03/05/07		2,447.60	
Additional refundable amount to Dai Nippon (refer Pv # 13274)		798.90	
		106,397.12	
Feb PPI			
Adjustment on wrong allocation for agency account		303.30	
Paid Public Utilities Board for long outstanding KPA debt		5,000.00	
March PPI			
Additional payment to PUB stated as above		30,000.00	
Credit note issued to clear invoice # 7208 wrongly charged		225.30	
Cancellation of invoice # 5696 wrongly allocated		140.00	
Additional payment to PUB stated as above		5,000.00	
Adjustment to payment made by KCCS on rr # 045207 for invoice # 0000947	9,000.00		
April			
Additional payment to PUB stated as above		5,000.00	
Additional payment to PUB stated as above		5,000.00	
Correction on rr# 027569 wrongly settled invoice # 5291		204.14	
Correction on rr# 027569 wrongly settled invoice # 5291		-204.14	
May PPI			
Additional payment to PUB as stated above		5,000.00	
Additional payment to PUB as stated above		5,000.00	
Additional payment to PUB as stated above		5,000.00	
June PPI			
Additional payment to PUB as stated above		5,000.00	

Chairman.

Member.

August PPI			
Adjustment on Incorrect posting (salary advance for two xmas staff)	-403.50		
Adjustment for payment on mf 045306 dated 28/09/07 for achorage and no pilotage	4,707.42		
November PPI			
Adjustment on wrong posting for King Holdings ltd		40,000.00	
Cancellation on Invoice # 4329 dated 01/10/04		502.90	
Cancellation of Invoice # 5678 dated 30/12/05		2,075.00	
December PPI			
Audit adjustment for last audit recommendation		13,716.00	
Retirement for Mouata imprest as for the last last years trip		2,553.71	
Adjustment to Invoice # 0300 dated 29/03/07	60.00		
Adjustment to incorrect of the overcharge as per Invoice # 0805 dated 24/07/06	4,400.85		
Adjustment to Invoice # 0603 which was already cleared by MLC marine through Bank	8,976.20		
Adjustment to Invoice # 0700 which was already cleared on rr # 01852 dated 07/02/06	7,220.17		
Total PPI	31,721.19	351,100.50	352,887.69

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Chairman.

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Member.