REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Promoting Transparency and Accountability

KNAO

For the Parliament and the People of Kiribati

Plant and Vehicle Unit
For the Year Ended 31st December 2009

KIRIBATI NATIONAL AUDIT OFFICE

August 2012

For the Parliament and the People of Kiribati
P.O.Box 63
Bairiki Tarawa
Republic of Kiribati
Telephone: (686) 21335
Email: audit@tskl.net.ki

KIRIBATI NATIONAL AUDIT OFFICE

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

Audit Report

To the readers of Plant and Vehicle Unit's financial statements for the year ended 31 December 2009

The Auditor-General, Mrs Matereta B Raiman, is the auditor of Plant and Vehicle Unit (PVU).

The audit covered the Special fund's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1981 and PVU Act 95A 1979 that apply to the financial statements of the PVU for the year ended 31 December 2009.

Qualification

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:

- The PVU has deviated from the Act as it operates on a commercial basis rather than Hiring of Plant and Vehicles.
- Completeness of revenue could not be verified due to the following:
  - Deposit books for January to September were missing.
  - Missing receipt book numbered 15601 - 15800.
  - Five selected receipts totalling $38,411 were not obtained to us for checking.
- Four payment vouchers out of five vouchers totalling $234,528 selected for testing were not available.

- Debtors reconciliation statements covering the audit period were not made available for audit.
- Adjustment of negative $15,053 reflected in the debtors listing could not be verified to the supporting documentation.

Adverse Opinion

In view of the **limitation of scope** as outlined above, in our opinion, the financial statements of the Plant and Vehicle Unit **DO NOT** give a true and fair view, in accordance with Generally Accepted Accounting practice in Kiribati. An adverse opinion was issued on the financial statements due to the limitation of scope and the following balances being materially misstated:

- Valuation for stock as at 31 December 2009 could be misleading due to:
  - stocktake at Head quarter was carried out in 2010 within different months and the last count was in November 2010.
  - Stock value for Kiritimati branch was negative of $212,686.
- Unable to verify the accuracy of cash balance as no regular bank reconciliation performed from January to September. This weakness could lead to the following:
  - Deposit in transit value $23,310 related to year 2002 still outstanding in the Bank reconciliation statement.
  - Shortage of $11,494.37 not detected on a timely manner..
- Disposal of fixed assets was processed without considering the committee's approval.
- Adjustment recommended of $130,807 was not made without given explanation.
- General ledger not updated during the audit but just updated later.

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

The audit was completed on 22 August 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;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Committee;
- 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 Committee 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 Special Fund as at 31 December 2009 and the results of its operations and cash flows for the year ended on that date. The Committees' responsibilities arise from the Public Finance (Control and Audit) Act 1981 and PVU Acts 95A 1979.

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 Special Fund.

Mrs Matereta. Raiman
Auditor General
Kiribati National Audit Office

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GOVERNMENT PLANT AND VEHICLE UNIT

FINANCIAL STATEMENTS
FOR THE YEARS ENDED, 31ST OF DECEMBER
2009

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Permanent Secretary – MPWU General Manager - PVU

1. Principal Accounting Policies

The Financial Statements are prepared in accordance with the historical cost convention including certain fixed assets taken over at valuation and in accordance with the International Accounting Standard. The following is a summary of the more important accounting policies used by the fund.

(a) Revenue
Revenue consists mainly of receipts for the Permanent Hire, Casual Hire and Rental Charges of vehicles and plants and workshop Service charges.

(b) Depreciation
Depreciation is calculated to write off the cost or amount of valuation of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal amount rates used for this purpose which are consistent with those of the previous years are:-

Pickups, Light vehicles saws and welding sets

Medium trucks, folk lifts, pumps, compressor, land rovers

Tractors, Trailers, Heavy equipment and concrete mixers

Buildings

c. Grant in Aid
Grants received in kind are recorded at fair valuation and are taken to Deferred Income and credited to revenue over the useful life or usage of the related asset. Aid in kinds are amortised at a rate of 14.4% annually.

(d) Stock
Stock is stated at the lower of cost and net reliasable value on a first in first out basis.

2. The Special Fund

The Special Fund was set up in accordance with Section 13 of the Public Finance (Control and Audit) Act 1976 and Special Fund (Plant and Vehicle Act 1980) to finance the provision and maintenance of Government Plant and Vehicles.

Notes forming part of the Account	2009	2008
3. Cash Account		
Cash at Bank	105,437.11	75,459.95
Cash at Bank - Kiritimati Branch	3,607.35	5,055.37
Interest Bearing Deposit	-	-
	109,044.46	80,515.32

4. Trade Debtors

	2009	2008
Headquarter - TRW	4,455,216.32	4,379,264.16
Kiritimati Branch	518,251.35	572,754.70
	4,973,467.67	4,952,018.86
Provision for BDD	(2,328,967)	(2,328,967)
	2,644,501	2,623,052

5. Stock

	2009	2008
Stock of Spares	605,620.57	496,844.75
Less: Provision for stock Obsolescences	(438,488.77)	(438,488.77)
Kiritimati Branch	(129,028.18)	(212,686.58)
	38,104	(154,331)

6. Sundry Debtors

	2009	2008
Opening balances	(1,575.76)	3,009.15
Sundry debtors	170,533.86	(10,653.89)
Tax Deductions Control	(1,459.03)	1,459.03
Tax Withholdings		
Tax Arrears	(706.66)	(1,792.95)
Life Insurance - Salary Deductions	(190.00)	
Rent Deductions	(165.96)	
KPF Deductions	-	
Net Wages Control	6,632.59	6,402.90
House Loan Scheme - Salary deductions	(0.01)	
Housing Hire Purchases		
Reversal		
Sub-Total Sundry Debtors HQ	173,069.03	(1,575.76)
Kiritimati Branch	5,667.24	27,714.11
	178,736	26,138

7. Sundry Creditors

	2009	2008
Opening Balance	131,307.17	25,500.57
Creditors		130,807.17
Accrued Expenses/Arrears	576,248.70	(424.98)
Upfront Payment from Ministries	-	
Net Wages Control		
PVU Canteen	1,046.90	(1,046.50)
Save as You Earn	(799.96)	500.00
Service Charges	78.73	
Court Order	172.00	
Cents Adjustments	1.31	-
Reversal		(24,029.09)
Sub Total - Sundry Creditors	708,054.85	131,307.17
Kiritimati Branch	395,114.29	-
	1,103,169	131,307

8. **Fixed Assets**

FIXED ASSETS & DEPRECIATION SCHEDULE 2008 AND 2009
(last page)

9. Retained Earnings	2009	2008
Balance b/fwd	3,154,643.13	2,822,564.00
Current Earnings	598,493.06	308,050.04
Reversal		24,029.09
Sub total - Retained Earnings	3,753,136.19	3,154,643.13
Kiritimati Branch	(943,359.32)	(668,657.77)
Prior Year Adjustment	9,662.74	101,048.19
	2,819,440	2,587,034

10. Deferred Income Aid Reserve	2009	2008
Opening Balance	309,824.23	361,944.20
Aid in Kind		
Released/Amortised	(44,614.68)	(52,119.97)
Kiritimati Branch	113,637.22	113,637.22
	378,847	423,461

11. Revenue	2009	2008
Permanent Hire	1,244,504.16	1,287,135.77
Casual Hire	225,012.50	56,654.19
Sales of Spare Parts	156,890.29	146,395.05
Maintenance or Workshop Income	213,732.90	139,933.69
Other Revenue	225,519.24	95,314.63
Kiritimati Branch	786,465.80	809,838.09
	2,852,125	2,535,271

12. Employees Expenses	2009	2008
Salaries/Wages - Workshop	166,583.85	167,862.18
Overtime/Bonuses/Allowance - Workshop	25,157.90	19,459.61
Tools Allowance - workshop	52.37	99.87
Temporaries - workshop	1,142.25	376.00
Dirt Bonus - workshop	2,776.62	905.47
Paint Bonus - workshop	776.01	2,038.80
Salaries/Wages - Transports	31,861.31	29,661.56
Overtime and Allowances - Transport	19,563.44	14,680.03
Dirt Bonuses - Transport	585.00	
Salaries/Wages - General Office	70,198.59	60,335.68
Overtime and Allowances - General Office	19,989.69	11,728.94
Sewerage Bonus - General Office	1,206.59	298.62
Salaries/Wages - Account Section	48,182.68	47,139.65
Overtime/Bonuses/Allowance - Account Section	4,067.15	9,786.73
Salaries/Wages - Technical Stores	31,582.15	33,631.98
Overtime/Bonuses/Allowance - Technical Stores	7,785.89	5,395.38
KPF Expenses	25,894.26	25,396.90
Leave Passage and Home Island Travel	5,640.00	2,280.00
Leave Grant	10,958.30	16,250.00
Sub Total-Employees Expenses PVU Trw	474,004.05	446,327.40
Kiritimati Branch	246,234.98	218,637.78
	720,239	664,965

13. Spares

	2009	2008
Opening Stock	496,844.75	538,541.10
Plus: Purchases of Spares	329,110.26	335,610.23
Kiritimati Branch	17,473.35	50,874.39
Spares/Parts available for use or sale	843,428.36	925,025.72
Less: Closing Stock	605,620.57	(496,844.75)
Cost of Spares and Parts Sold/Used	237,808	428,181

14. Fuel and Petrol

	2009	2008
Tarawa - HQ	35,288.94	29,873.55
Kiritimati Branch	407,023.55	382,769.55
	442,312	**412,643**

15. Sundry Expenses

	2009	2008
Bank Charges	2,176.05	2,469.00
Cost of Training	-	176.80
House rent - Subsidy	13,346.77	8,288.21
Administrative & Accounting	-	-
Advertising and Publication	38.00	391.00
Board & Management Expenses	-	53.00
Entertainments	1,343.80	362.95
Safety Equipments and Uniforms	7,059.54	6,100.00
Tools	2,384.47	-
Donations & Charity	-	-
Travelling Claim Expenses	-	-
Kiritimati Branch	(79,162.40)	24,435.77
	(52,814)	**42,277**

Government of Kiribati Plant and Vehicle Unit
Consolidated Balance Sheet
For the Year Ended 31 December 2009

	Notes	2009 $	2008 $
CURRENT ASSETS			
Cash Account	3	109,044.46	80,515.32
Imprest Account		4,483.07	4,024.30
Advance		10,075.35	13,722.48
Trade Debtors	4	2,644,500.95	2,623,052.14
Stock	5	38,103.62	(154,330.60)
Sundry Debtors	6	178,736.27	26,138.76
Prepayments		25,000.00	-
Adv. Payment of FA		22,481.41	
		3,032,425.13	2,593,122.40
CURRENT LIABILITIES			
Accrued Expenses/Payable	7	1,103,169.14	131,307.17
		1,103,169.14	131,307.17
WORKING CAPITAL		1,929,255.99	2,461,815.23
ADD: Non Current Asset	8	2,950,678.45	2,230,327.83
		4,879,934.44	4,692,143.06
REPRESENTED BY:			
Capital Reserve		1,681,648.79	1,681,648.79
Retained Earnings	9	2,819,438.87	2,587,032.81
Deferred Income Aid	10	378,846.78	423,461.46
		4,879,934.44	4,692,143.06

Government of Kiribati Plant and Vehicle Unit
Consolidated Income Statement
For the Year Ended 31st December 2009

	Notes	2009	2008
REVENUE		$	$
Total Operating Revenue	11	**2,852,124.89**	**2,535,321.42**
OPERATING EXPENSES			
Employees' Expenses	12	720,239.03	664,953.06
Electricity and Water		35,842.50	38,608.10
Cost of Spares Used/Sold	13	237,807.79	428,180.97
Consumable Stores		18,542.37	2,919.05
Transport Cost		6,100.60	7,223.10
Fuel	14	442,312.49	412,643.10
Maintenance and repairs		22,166.63	12,460.50
Office Supplies and Sundries		15,451.70	14,352.06
Industries gases		4,907.64	2,538.00
Workshop expenses		18,652.77	1,429.55
Lube oils		44,937.17	23,686.44
Overseas Travelling Expenses		20,845.20	22,469.90
Telephone Charges		27,543.51	35,990.49
Sundry expenses	15	(52,813.77)	42,276.73
Depreciation	8	685,743.21	605,532.82
		2,248,278.84	**2,315,263.87**
OPERATING PROFIT/(LOSS)		**603,846.05**	**220,057.55**
OTHER INCOME/(EXPENSES)			
Interest		-	15.83
Deferred Income Aid (Amortised)	10	44,614.68	52,119.97
Prior Items		(1,557.82)	-
Total Other Income		43,056.86	52,135.80
Net Profit/(Loss)		**646,902.91**	**272,193.35**

Attached Notes form part of the Financial Statement

FIXED ASSETS AND DEPRECIATION SCHEDULE
2008 AND 2009

2008-Fixed Asset	VEHICLES					
Costs/Valuation	Light	Medium	Heavy	Other	Buildings	Total
As at 01.01.08	3,763,028	2,501,623	5,708,739	617,728	581,985	13,17
Additional Costs	234,026	359,648	343,539	3,780		94
Sold Out	(31,479)	(57,615)				(8
Released						
Disposed Off	(122,380)	(84,665)	(259,975)	(7,030)		(47
Total	**3,843,195**	**2,718,991**	**5,792,303**	**614,478**	**581,985**	**13,55**
Depreciation						
As at 01.01.08	3,181,549	1,906,593	5,502,454	604,514	410,760	**11,60**
Change for the year	200,278	174,053	92,687	11,209	24,356	**50**
Sold out	(31,479)	(57,615)				**(8**
Released						
Disposed off	(122,381)	(84,665)	(259,975)	(7,030)		**(47**
	3,227,968	**1,938,366**	**5,335,166**	**608,693**	**435,116**	**11,54**
Net Book Value	615,227	780,625	457,137	5,785	146,869	**2,00**
NBV-Kiritimati						**2**
As at 31.12.08						**2,2**

2009-Fixed Asset	VEHICLES					
Costs/Valuation	Light	Medium	Heavy	Other	Buildings	Total
As at 01.01.09	3,843,194.77	2,718,991.22	5,792,303.29	614,477.53	581,985.02	13,550,
Additional Costs	114,769.94	345,610.85	836,518.75	8,764.75	12,288.55	1,317,
Sold Out	(35,801.72)	(41,509.51)	(835,518.75)			(912,
Released						
Disposed Off	(87,596.53)	(65,925.11)	-	(3,388.00)		(156,
Total	**3,834,566.46**	**2,957,167.45**	**5,793,303.29**	**619,854.28**	**594,273.57**	**13,799,**

Depreciation						
As at 01.01.09	3,227,967.54	1,938,365.19	5,335,165.70	608,693.23	435,116.41	**11,545,308.07**
Change for the year	229,346.31	220,072.21	97,647.28	7,822.98	24,996.83	**579,885.61**
Sold out	(35,801.72)	(41,509.51)	(835,518.75)			**(912,829.98)**
Released						**-**
Disposed off	(87,596.53)	(65,925.11)	-	(3,388.00)	-	**(156,909.64)**
	3,333,915.60	**2,051,002.78**	**4,597,294.23**	**613,128.21**	**460,113.24**	**11,055,454.06**
Net Book Value	500,650.86	906,164.67	1,196,009.06	6,726.07	134,160.33	**2,743,710.99**
NBV-Kiritimati						**206,967.46**
As at 31.12.09						**2,950,678.45**

Government of Kiribati Plant and Vehicle Unit
Consolidated Cashflow Statement
For the Year Ended 31 December 2009

	2009 $	2008 $
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash received from Operations	2,528,195.44	1,977,391.12
Cash spend on operating expenses	(1,093,570.47)	(1,007,787.23)
Net Cash Inflow/Outflow from Operating Activities	1,434,625	969,603.89
CASHFLOWS FROM INVESTING ACTIVITIES		
Acquisition of non-current assets	(1,406,093.83)	(940,992.67)
Proceed from sales of non-current assets		
Interest Received		15.83
Net Cashflows from Investing Activities	(1,406,094)	(940,977)
Net Increase/(Decrease) in cash held	28,529	28,627
Net Increase /(decrease) in cash held	28,529	28,627
Cash at the beginning of the year	80,515	51,888
Cash as of 31 December 2009	**109,044**	**80,515**

Reconcialiation of net cashflows from Operating Activities

	2009 $	2008 $
Net Increase /(Decrease)	629,967.88	220,058.00
Add Depreciation and Other Non Cash Item	685,743.21	533,952.82
Less increase/(Add Decrease) in Advance	(3,647.13)	10,960.34
Less Increase/(Add Decrease) in Trade Debtors	(350,051.28)	(559,009.06)
Less Increase/(Add Decrease) in Stock	(192,434.22)	(254,382.93)
Less Increase/(Add Decrease) in Sundry Debtors	(193,243.19)	23,129.61
Less Increase/(Add Decrease) in Account Payable	858,289.70	105,806.80
	1,434,625	**80,515**