REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Promoting Transparency and Accountability

KNAO

For the Parliament and the People of Kiribati

PUBLIC UTILITIES BOARD (PUB)
For the Year Ended 31st December 2008

KIRIBATI NATIONAL AUDIT OFFICE
August 2010

For the Parliament and the People of Kiribati
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Kiribati National Audit Office

Promoting Transparency and Accountablilit for the Parliament and the People of the Republic of Kiribati

Audit Report

To the readers of Public Utilities Board's financial statements for the year ended 31 December 2008

The Auditor-General is the auditor of Public Utilities Board (the company).

The audit covers the company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1981 that apply to the financial statements of the Public Utilities Board for year ended 31 December 2008.

Qualification

In our opinion:

The financial statements of the Public Utilities Board for the year ended 31 December 2008:

- Comply with generally accepted accounting practice as they apply in Kiribati;
- Fairly reflect the results of its operations and cash flows for the year ended on 31 December 2008;
- Does not fairly reflect the company's financial position as at 31 December 2008 due to the following matters:

    - Variance existed between the Debtors listing and the draft account in the amount of $408,420.
    - Inadequate record of the fixed assets disposals.
    - Missing supporting documentation of fixed assets purchases.
    - Unavailability of supporting documentation for Staff debts.
    - Significant variance found between the creditors listing and the draft account in the amount of $88,858.

- A difference of $20,036 is noted between the Stock balance figure as per the account with the stock summary sheet.

- No provision for Audit fee liability since 2002 in the value of $11,200.

- Provision for obsolete stock amounted to $65,000 has not been reversed.

The audit was completed on 23 August 2010, 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 December 2008 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 company.

Mrs Maketara Iotua Metutera.
For Auditor General
Kiribati National Audit Office

Public Utilities Board

Financial Statements For Year Ended 31 December 2008

PUBLIC UTILITIES BOARD
BALANCE SHEET AS AT 31 DECEMBER, 2008

	Notes	2007	2008
Current Assets			
Trade Debtors		4,196,486	4,354,356
Sundry Debtors		746,957	477
Staff Debts		216,058	191,043
Provision for Bad Debts		(1,709,236)	(961,030)
Cash at Bank	5	(963,168)	(1,128,816)
Project Account		18,933	18,753
IBD		63,734	65,354
Stock		1,150,289	1,383,966
Provision for Obsolete Stock		(65,000)	(65,000)
Total Current Assets		**3,655,053**	**3,859,103**
Current Liabilities			
Current Portion of L/Term Loan	3	204,614	144,487
Trade Creditors		2,517,747	2,452,284
Sundry Creditors		(95,335)	(34,757)
Total Current Liabilities		**2,627,026**	**2,562,014**
Working Capital		**1,028,027**	**1,297,089**
Long Term Assets			
Buildings		1,234,340	1,234,340
Plants & Machinery		41,461,702	41,461,702
Furniture & Fittings		374,008	396,434
Motor Vehicles		931,754	943,754
Accumulated Depreciation		(16,368,489)	(17,592,933)
Other Non-Current Assets			
Total Long Term Assets	2	**27,633,315**	**26,443,297**
Long Term Liabilities			
ADB - Loans	3	3,666,668	3,755,261
Total Long Term Liabilities		3,666,668	**3,755,261**
NET WORTH		**24,994,674**	**23,985,125**
Represented by:			
Proprietorship			
Capital Reserve	4	29,819,679	28,731,841
Accumulated Profits/(Losses)	6	(4,825,005)	(4,746,716)
Total		**24,994,674**	**23,985,125**

Confirmed:

...irman Board of Directors
30/12/09

Ch... Executive Officer 30/12/09

PUBLIC UTILITIES BOARD
PROFIT AND LOSS ACCOUNT
FOR YEAR ENDED 31 DECEMBER, 2008

	Notes	2007	2008
INCOME			
Electricity Sales		7,828,194	9,772,643
Water Sales		447,949	570,404
Government Subsidy	7	1,898,933	600,000
Other Income		131,942	135,830
Total		**10,307,018**	**11,078,877**
EXPENDITURE			
Fuel & Lubricant		7,208,114	7,875,948
Chlorination		20,850	3,551
Fuel - Vehicles		83,299	88,616
New Connections & Installations		72,862	45,053
Postage, Printing & Stationeries		34,824	20,346
Operating & Other Supplies		117,845	61,177
KPF Contributions		89,858	89,105
Leave Grant & Passages		92,594	95,049
Overseas Travel		12,302	16,084
Wages, Overtime & Allowances		2,067,111	1,987,241
Repairs & Maintenance		84,153	56,400
Depreciation		1,409,148	1,224,444
Travelling & Transport		42,023	49,630
Telecom Charges		118,436	82,857
Insurance & Subscriptions		9,052	6,300
Workmen Compensation		0	0
Public Notices & Advertising		19,905	5,027
Board Expenses		17,218	17,974
Land Leases & Compensation		3,542	6,247
Staff House Rent Subsidy		22,373	20,181
Interest Expense		32,393	28,466
Bank Charges		209,751	286,694
Other Expenses		70,200	14,414
Total		**11,837,853**	**12,080,804**
Operating Profit/(Loss)		**(1,530,835)**	**(1,001,927)**
ABNORMAL ITEMS			
Prior Period Items	8	(453,717)	(7,622)
Amortisation - Aid Reserve		1,217,440	1,087,838
		763,723	**1,080,216**
NET PROFIT/(LOSS)		**(767,112)**	**78,289**

PUBLIC UTILITIES BOARD
CASH FLOW STATEMENT
AS AT 31 DECEMBER, 2008

	Notes	2007	2008	Opening Balance	Closing Balance	2008
Cash Flows from Operating Activities						
Cash Receipts from Customers & Other Income		9,492,053	11,078,877	4,600,536	5,365,153	10,314,260
Cash Paid to Suppliers, Employees etc.		9,934,810	11,063,998	2,422,412	2,322,548	11,163,862
Cash Flows from Operating Activites	(a)	**(442,757)**				**(849,602)**
Cash Flows from Financing Activities						
Government Subsidy		480,000				719,180
Cash Flows from Investing Activities						
Purchase of Long Term Assets		(431,507)				(34,426)
		(431,507)				**(34,426)**
Total Cash Flows		(394,264)				(164,208)
Add Opening Balance of Cash & Cash equivalent		(486,237)				(880,501)
Closing Balance of Cash & Cash equivalent		**(880,501)**				**(1,044,709)**
Cash & Cash Equivalents						
Cash at Bank	5	(963,168)				(1,128,816)
Project Account		18,933				18,753
IBD		63,734				65,354
Total		**(880,501)**				**(1,044,709)**
(a) Reconciliation of Cash Flow from Operation						
Operating Loss for Year		(1,530,835)				(1,001,927)
Add Depreciation		1,409,148				1,224,444
Interest on ADB Loan		32,393				28,466
Government Subsidy/Amortisation		(1,217,440)				(600,000)
Prior Period Items		(453,717)				7,622
Increase (Decrease) in Trade Debtors		474,347				157,870
Increase (Decrease) in Sundry Debtors		1,525				(748,686)
Increase (Decrease) in Staff Debts		(13,384)				25,015
Increase (Decrease) in Stock		(325,727)				233,677
Increase (Decrease) in Trade Creditors		1,014,899				(65,463)
Increase (Decrease) in Sundry Creditors		99,680				(110,620)
Increase in Sundry Creditors - Current Loan		66,354				
Cash Flows from Operating Activites		**(442,757)**				**(849,602)**

(1) Statement of Accounting Policies

The accounts of the Board have been drawn up in accordance with generally accepted accounting principles and International Accounting Standards and the requirements of the law of the Republic of Kiribati. They have been prepared under the historical cost convention and the accrual basis of accounting has been used.

The accounting policies have been consistently applied unless otherwise stated. Set out below is a summary of the significant accounting policies adopted by the Board in the preparation of the accounts

(a) Depreciation of Fixed Assets

Fixed assets, including donated assets, are depreciated over their estimated useful lives using the straight line method.

(b) Stock

Stock is valued at the lower of cost and net relisable value and includes expenditure incurred in acquiring the stock and bringing it to the existing condition and location.

(c) Grants and Subsidies

Grants received for capital assets are recorded in the balance sheet as deferred income and amortised as income for subsequent periods at a rate of depreciation applied for the capital assets acquired under a grant

Subsidies received specifically for meeting operating costs are recorded in the income statement as operating revenue for the period

(d) Foreign Currency

A foreign currency transaction is recorded at its local currency (Australian dollar) equivalent at a rate in use when the transaction occurs. Gains and losses arising from foreign currency transactions are treated as gains or losses for the period when the transactions occur

(e) Long Term Debt

The current portion of long term debt is recorded as a current liability according to the repayment terms of the relevant loan agreement

Notes to and Forming Part of the Accounts (Cont'd)

(2) Schedule of Fixed Assets - 2008

			PLANTS & MACHINERIES				FURNITURE	MOTOR	
		BUILDINGS	WATER	SEWERAGE	ELECTRICAL	TOTAL	& FITTINGS	VEHICLES	TOTAL
		$	$	$	$	$	$	$	$
Cost	As at 1/01/08	715,840	6,010,588	2,171,919	23,204,551	31,387,058	374,008	931,754	33,408,660
Valuation		518,500	1,308,722	6,376,000	2,389,922	10,074,644			10,593,144
		1,234,340	7,319,310	8,547,919	25,594,473	41,461,702	374,008	931,754	44,001,804
Cost	Additions						22,426	12,000	34,426
		1,234,340	7,319,310	8,547,919	25,594,473	41,461,702	396,434	943,754	44,036,230
	Adjustments								
	As at 31/12/08	**1,234,340**	**7,319,310**	**8,547,919**	**25,594,473**	**41,461,702**	**396,434**	**943,754**	**44,036,230**
	Rate pa	3%	5%	2.5-10%	2-10%		10%	10%	
	As at 1/01/08	669,460	1,721,606	4,348,054	8,610,061	14,679,721	311,968	707,340	16,368,489
DEPN	Annual Charge	19,691	337,259	217,578	487,668	1,042,505	25,374	136,874	1,224,444
	Adjustments								
	As at 31/12/08	**689,151**	**2,058,865**	**4,565,632**	**9,097,729**	**15,722,226**	**337,342**	**844,214**	**17,592,933**
NBV	As at 1/01/08	564,880	5,597,704	4,199,865	16,984,412	26,781,981	62,040	224,414	27,633,315
	As at 31/12/08	**545,189**	**5,260,445**	**3,982,287**	**16,496,744**	**25,739,476**	**59,092**	**99,540**	**26,443,297**

Notes to and Forming Part of the Accounts (Cont'd)

(3) Asian Development Bank (ADB) Loans

Loan No. 786 - Wartsila

Principal advanced US700,000 @ 0.65 AUD $1,076,923.00

30 years @ interest 7.65% wef June 1990

	Current Liability	Long Term Liability Principal	Long Term Liability Interest	Total
Balance 1/01/08	(35,898)	886,919	874,653	1,761,572
Adjustment	0	0	0	0
Balance 31/12/08	**(35,898)**	**886,919**	**874,653**	**1,761,572**

Loan No. 922 - Power Distribution

Principal advanced SDR 666,970 @ 0.5546 AUD $1,202,547.00

40 years @ Interest 6.53% wef Sept 1992

	Current Liability	Long Term Liability Principal	Long Term Liability Interest	Total
Balance 1/01/08	240,511	931,974	973,121	1,905,095
Adjustment	60,127	60,127	28,466	88,593
Balance 31/12/08	**180,384**	**992,101**	**1,001,587**	**1,993,688**

Total ADB Loans

AUD $2,279,470.00

	Current Liability	Long Term Liability Principal	Long Term Liability Interest	Total
Balance 1/01/08	204,614	1,818,893	1,847,775	3,666,668
Adjustment	60,127	60,127	28,466	88,593
Balance 31/12/08	**144,487**	**1,879,020**	**1,876,241**	**3,755,261**