REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS OF KIRIBATI GOVERNMENT ANNUAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013.

Part 2: Statement I to XX

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Honourable Taomati Iuta

Speaker of the House of Parliament

Republic of Kiribati

Dear Sir,

I have the honour to transmit herewith the Audit Report on the Government Annual Accounts for 2013 to the House of Parliament, to be laid before the House in accordance with Section 114(3) of the Constitution.

I have included matters, which relate to the performance of my duties and the exercise of my powers under the Public Finance (Control and Audit) Ordinance 1976.

The report comprised of the following parts:

- Part 1: Revenue and expenditure: Government of Kiribati Ministries, and
- Part 2: Statements I to XX

As required by Section 114(3) of the Constitution, I have delivered copies of the reports to His Excellency Te Beretitenti and the Minister of Finance and Economic Development.

Yours faithfully,

Matereta B Raíman

Auditor General

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i) Abbreviations and Acronyms:

ADB–Asian Development Bank

AO–Accountable Officer

BOS–Board of Survey

CPA–Commonwealth Parliamentarian association

DNE – Deceased National Estate

EU–European Union

FR–Financial Regulation

FTC–Fishing Training Centre

GL–General Ledger

GRR–General Receipt

KIT–Kiribati Institute of Technology

KNAO–Kiribati National Audit Office

KPF–Kiribati Provident Fund

KPPS–Kiribati Police and Prison Services

LCDF–Local Contribution to Development Fund

LPO–Local Purchase Order

MCTTD–Ministry of Communication, Tourism and Transport Development

MFAI–Ministry of Foreign Affairs and Immigration

MFED–Ministry of Finance and Economic Development

MFMRD–Ministry of Fisheries and Marine Resources Development

MHMS–Ministry of Health and Medical Services

MISA–Ministry of Internal and Social Affairs

MLHRD–Ministry of Labour and Human Resource Development

MLPID–Ministry of Line and Phoenix Island Development

MOE–Ministry of Education

MPWU–Ministry of Public Works and Utilities

MTC–Marine Training Centre

OAG–Office of the Attorney General

OB–Office of Te Beretitenti

PSC-Public Service Commission

PSO–Public Service Order

PVU–Plant Vehicle Unit

ii) Foreword

The Annual Account of the Republic of Kiribati is normally presented in accordance with section 39 of the Public Finance (Control and Audit) Act 1976 and should be submitted to the Auditor General within six months after the financial year: 31 December. The 2013 Annual Account was submitted on the **25 June 2013**, which is within the statutory timeframe.

The 2013 annual accounts was prepared under the Cash Basis Accounting and comprised of the Balance Sheet (Financial Position) and Statements of Income and Expenditure (Financial Performance). The disclosure of the Annual Accounts follows the requirement of the specific provisions of the Public Finance (Control and Audit) Act, 1976 as amended.

Other disclosure requirements that do not form part of the Annual Account include: Contingent Liability, Arrears of Revenue, Public Debts and Losses of Fund.

As mentioned in my last audit report, the scope of our audit was extended to cover also activities funded by projects: both from Local and Overseas approved by Parliament. This year, we had audited most of the locally funded projects and a few from those funded by our Development partners. Our audit testing revealed the same persisting problem of the lack of proper reconciliation of accounts.

Despite above comments, it was, however, pleasing to note a substantial increase in Government's revenue when compared with last year's total revenue due to the notable improvement in the revenue collection from fishing license. Also a net saving of over $197k was being reported as some ministries reported net savings together with the unused budget provision for Other Government Expenses. Additionally, some of the PAC's recommendation had been implemented as reflected in the annual account under review.

Because of the issues repeatedly detected, the position of the 2013 Annual Account was still far from attaining its objectives of relaying reliable information on the stewardship of the scarce resources of the Republic of Kiribati.

Certainly, again I have to reiterate that the remedial actions to the above issues would be the professional implementation of audit recommendations. The public audit by definition is not only an expression of opinion on financial statement but also to bring about reform to government financial operations and reporting so that the public are well informed on how well their scarce resources have been managed and whether public funds appropriated have been used as intended.

iii) Audit Opinion

I have audited the Government Annual Account for the year ended 31 December 2013. The preparation and presentation of the accounts are the responsibility of the Accountant General who transmitted them to Audit Office in accordance with Cap. 79 Part VI of the Public Finance (Control and Audit) Ordinance 1976. It is also the responsibility of the Accountant General to ensure the information contained therein, as well as the existence of internal controls, should be fully effective for the prevention of error or fraud.

My responsibility is to express an opinion on the account based on my audit as required by Section 114 of the Constitution and Part V and VI of the Cap 79 of the Public Finance (Control and Audit) Ordinance 1976 as amended.

I conducted my audit in accordance with the provisions of the Ordinance 1976 to provide reasonable assurance together with relevant statutory and normally accepted auditing standards as to whether the accounts are free of material miss-statements and errors. My procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the accounts and ensuring that operations are delivered within the appropriated funds. These procedures have been undertaken to form an opinion as to whether, in all material respects, the Public Accounts, in accordance with the requirements of the Ordinance 1976, present a fair view of the transactions of the Consolidated Fund including other matters and are in consistence with my understanding of those operations.

The accounts, however, does not purport to reflect the total activity of Government and, as it is prepared essentially on a modified cash basis, it does not disclose at year end the unpaid commitments. Further it also does not disclose Government Fixed Assets and Liabilities or project funds received outside of the Government No. 4 bank account neither opening balances of such at the beginning of the year 2013.

Qualifications

1) Outstanding audit recommendations for 2012, 2011, 2010, and 2009 Annual Accounts
2) Absence of proper financial statements of Special Fund Accounts (Refer to section 3.3)
3) The unreconciled or huge overstatement of bank balances in respect of Government No. 5 and Kiribati High Commission (KHC) bank account (Sections 3.4 refers)
4) The Advance Account balance of over $6.8 m was incorrect (Refer to Section 3.5)
5) The understatement of DNE account by over $199k, unreconciled Bank Agency Account and the significant irregularity detected in the Telmo account (Refer to section 3.7)
6) The amount of $432,611.33 from the total Other Investment balance of over $2m was unrealistic (Refer to Section 3.9.1)
7) The value of the Development Fund of $11,392,047.36 was not the correct figure (Refer to Sec. 3.14)

Qualified Audit Opinion

In our opinion, the financial report of the Government of Kiribati complies with relevant provision of the Public Finance (Control and Audit) Act 1976, however, because of the effect of matters discussed in the qualification paragraphs above, the annual account for the Government of Kiribati does not present fairly in accordance with the applicable Accounting Standard and other mandatory professional reporting requirements of the financial position of Government as at 31 December 2013 and the results of its operations and its cash flows for the year then ended.

Other issues highlighted below but which are Excluded from the Qualification list above are those highlighted under the RERF which relate to: i) the discrepancy of the RERF record maintained by the two divisions (NEPO and Accounting) within MFED amounted to $13,871,793.58, re Section 3.17.5, and ii) the tax deduction appearing in the RERF statement, section 3.17.7 refers.

Matereta B Raiman

Auditor General

V) Compliance with Legal Requirements

A) LEGISLATIVE COMPLIANCE SYSTEMS

We noted not much attention was paid to the provisions of governing legislations and regulations by accountable /accounting officer therefore we highly recommend that all supervisors should make sure their accounting officers have on hand and observe governing legislations to guide them when managing public funds.

B) BREACHES OF SIGNIFICANT LEGISLATION

During the audit, one of our main focuses is on the Government of Kiribati financial reporting obligations. As part of our planning process we identified CAP 79 the Public Finance (Control and Audit) Ordinance 1976 as key legislation and Financial Regulations with which Accountable Officers should comply. While our focus is on financial reporting obligations, we do maintain an awareness of other legislations that impact on the annual account. We noted the following breaches of legislation:

Non-compliance with CAP 79Public Finance (Control and Audit Ordinance) 1976

- Section 27 states that:

  'any deposit which is unclaimed for 5 years shall be paid into the Consolidated Fund for the public purpose of the Government. Provided that if any person entitled thereto shall subsequently prove to the satisfaction of the Chief Accountant his claim to any such deposit the Chief Accountant shall thereupon refund to such person his deposit'.

This section has not been practiced as according to MFED there were prolonged unclaimed deposits for prior years which are posted under the Prior Period Items (PPI). Refer to section 9 subsection 9.1 on Sundry Deposits: Statement IX.

V) Annual Account Scorecard - 2013.

SECTION	ASSETS	2012	2013	2012 RATING	2013 RATING
	INVESTMENTS				
XX	Investments with HSBC	309,517,188.31	372,962,691.36	C	C
XX	Investments with NICAM	304,358,195.01	287,944,401.22	C	D
XI	Other Investments	2,339,118.77	35,362,647.10	C	B
		616,214,502.09	**696,269,739.68**		
	CASH				
VI	Cash on Hand &bank	15,069,139.53	11,493,761.89	D	D
XIX	Cash in transit	643,130.35	601,812.23	D	D
		15,712,269.88	**12,095,574.12**		
VII	**ADVANCES**				
	Other Governments	7,066.00	0.00	C	B
	Public Officers	11,780,926.43	9,037,051.57	D	D
	Sundry Advances	-507,207.17	-426,586.53	D	D
		11,280,785.26	**8,610,465.04**		
XVII	**SUSPENSE**		**4,885,005.56**		D
LESS	**LIABILITIES**				
IX	**DEPOSITS**				
	Deceased Native Estates	-1,128,790.64	-1,030,032.14	D	D
	Public Officers	-24,856.54	-28,892.75	C	C
	Sundry Deposits	7,346,993.27	3,819,000.90	D	D
	Telmos	-5,154,460.72	-4,366,246.35	E	E
		1,038,885.37	**-1,606,170.34**		
	NET TOTAL ASSETS	**644,246,442.60**	**720,254,614.06**		
II	Consolidated Fund	11,282,176.52	39,461,269.92	B	B
XVI	Development Fund	15,016,044.24	11,392,047.36	D	D
XX	RERF	613,875,383.32	663,530,316.58	B	B
V	Stabex	-2,617,508.35	-2,176,390.40	D	D
V	Other Special Funds	6,690,346.87	8,047,370.60	B	B
	Grand Total	**644,246,442.60**	**720,254,614.06**		

VI) Overview

This report[1] is part 2 of the Auditor General report on the Annual account of the Government of Kiribati and it presents the results of audit findings for Statements I to XX aligned with the contents of the Annual account 2013 provided by MFED (Balance Sheet). Recommendations given in this report which aimed at improving programs and operations and lend to providing better services to the public are the bottom lines of our audit work.

Most of the issues highlighted in this report were still repetitive indicating a slow improvement in the system. We are concerned of the effect the poor status of the Annual Accounts would have on high level management and economic decision. I am glad to see that a few of our recommendations had been considered as reflected in the 2013 Annual Account.

As government is operating on cash basis there has to be an effective system in place for control and management of cash and bank accounts coupled with constant reconciliation the absence of which would result in drastic drain in government coffer.

MFED or management is primarily responsible for resolving and implementing recommendations promptly and effectively. At the same time we, as auditors, with the assistance of the PAC (Public Accounts Committee), are responsible for following up to see that actions are taken by ministries and offices and intended results are realized.

[1] At the time of completion and tabling of this audit report, PAC's enquiry on the 2012 Part 2 Audit report has yet to be convened.

1) Statement I – Balance Sheet

1.1 Assets and Liabilities:

As stipulated under Cap 79, Section 39(i), yet the Accountant General was required to submit the Balance sheet as part of the annual account within six months after 31 December to the Auditor General for scrutiny purpose. At the end of the fiscal year 2013, the Accountant General reported the assets and liabilities of the Government of Kiribati (GOK) as per table below:

Table 1 A: GOK Assets and Liabilities (2011-13).

Stat	Description	2011	2012	2013	13 inc/(dec)	*12 inc/dec*
	ASSETS					
	INVESTMENT					
XI	investment with HSBC	294,542,418.28	309,517,188.31	372,962,691.36	63,445,503.05	*14,974,770.03*
XI	investment with NICAM	284,396,686.38	304,358,195.01	287,944,401.22	- 16,413,793.79	*19,961,508.63*
XI	Land in Fiji	-	930,180.00	930,180.00	-	*930,180.00*
XI	PIPA Trust fund	-	-	2,623,224.00	2,623,224.00	*-*
XI	Other investment	1,377,385.58	2,339,118.77	31,809,243.10	29,470,124.33	*961,733.19*
		580,316,490.24	**617,144,682.09**	**696,269,739.68**	**79,125,057.59**	***36,828,191.85***
	CASH					
VI	Cash at bank and on hand	- 5,493,883.07	15,069,139.50	11,493,761.89	- 3,575,377.61	*20,563,022.57*
XIX	Cash in transit	575,762.35	643,130.35	601,812.23	- 41,318.12	*67,368.00*
		- 4,918,120.72	**15,712,269.85**	**12,095,574.12**	**- 3,616,695.73**	**20,630,390.57**
VII	**ADVANCES**					
	other Government	7,066.00	7,066.00	-	- 7,066.00	*-*
	Public Officers	11,104,425.08	11,780,926.43	9,037,051.57	- 2,743,874.86	*676,501.35*
	Sundry advances	- 627,495.86	- 507,207.17	- 426,586.53	80,620.64	*120,288.69*
		10,483,995.22	**11,280,785.26**	**8,610,465.04**	**- 2,670,320.22**	**796,790.04**
XVII	**SUSPENSE**	**-**	**-**	**4,885,005.56**	**4,885,005.56**	*-*
	TOTAL ASSETS	**585,882,364.74**	**644,137,737.20**	**721,860,784.40**	**77,723,047.20**	***58,255,372.46***
LESS	**LIABILITIES**					
IX	**DEPOSITS**					
	Deceased Native Estates	- 1,046,476.59	- 1,128,790.64	- 1,030,032.14	98,758.50	*- 82,314.05*
	Public Officers	- 33,699.54	- 24,856.54	- 28,892.75	- 4,036.21	*8,843.00*
	Sundry deposits	7,784,943.95	7,346,993.27	3,819,000.90	- 3,527,992.37	*- 437,950.68*
	Telmos	- 5,610,864.23	- 5,154,460.72	- 4,366,246.35	788,214.37	*456,403.51*
	Total	**1,093,903.59**	**1,038,885.37**	**- 1,606,170.34**	**- 2,645,055.71**	***- 55,018.22***
	NET TOTAL ASSETS	**586,976,268.33**	**645,176,622.57**	**720,254,614.06**	**75,077,991.49**	***58,200,354.24***

(Source: GOK Annual accounts: 2011-2013)

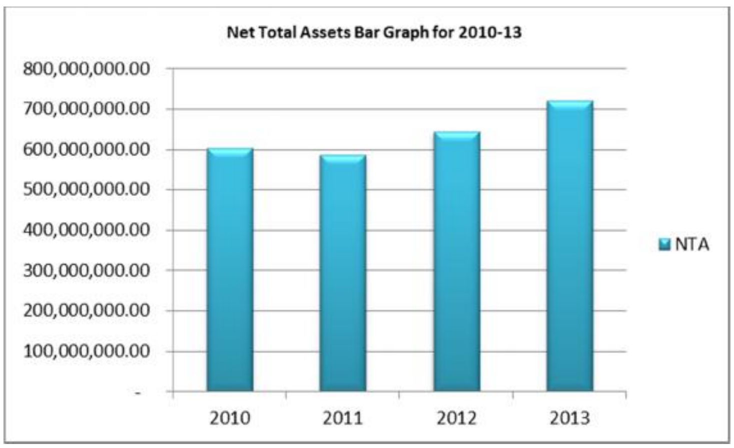
1.2 Net Total Assets:

The table below details balances of funds that represent the Government assets and liabilities and comprise the Realized Net Total Assets (2010-13).

Table 1B: GOK Net Total Assets.

Title	2010	2011	2012	2013	inc/(dec) 12	*inc/(dec) 13*
Consolidated Fund	8,416,098.00	- 10,237,696.38	11,282,176.52	39,461,269.92	21,519,872.90	***28,179,093.40***
Development Fund	13,245,321.00	16,187,943.33	15,016,044.24	11,392,047.36	- 1,171,899.09	***- 3,623,996.88***
RERF	580,916,530.00	578,939,104.66	613,875,383.32	663,530,316.58	34,936,278.66	***49,654,933.26***
Stabex	- 3,186,006.00	- 3,086,083.38	- 2,617,508.35	- 2,176,390.40	468,575.03	***441,117.95***
Other Special Funds	3,291,282.00	5,173,000.10	6,690,346.87	8,047,370.60	1,517,346.77	***1,357,023.73***
Total	**602,683,225.00**	**586,976,268.33**	**644,246,442.60**	**720,254,614.06**	**57,270,174.27**	***76,008,171.46***

Figure 1A: Bar Graph for year's ended 2010-13 NTA



The level of Realised Net Total Assets for the past few years as per details above had kept increasing over the fiscal years. That is, the Net Total Assets had been increased by over $56m in 2012 to $76m in year 2013, showing a progressive increase of 26%. This was due predominantly by the increase in the value of Consolidated Fund and RERF [2]in 2013 by $28m and $49m respectively.

[2] Consolidated Fund would be discussed further in Section II following this whereas RERF in Section XX

2) Statement II – Consolidated Fund

2.1. Establishment and Purpose of the Fund

The Constitution of the Republic of Kiribati calls for the creation of the Consolidated Fund. Rules governing its use are to be found in the Public Finance [Control and Audit] Ordinance whose aim is to provide finance for the Recurrent and Development Budgets after Parliament has approved the expenditure level of the public service. Under Section 39(1) (ii) of the Cap 79 Consolidated Fund or Statement II could also be referred to as the Statements of Receipts and Payments required under such provisions as discussed in Part 1 and summarised in the Table 2A hereunder:

2.2 Balance of the fund as at 31/12/2013.

Table 2A: Consolidated balances as at 31/12/2013

Description (Title)	Amount ($)
Balance brought forward	11,282,177.00
Add:	
Total Revenue collected	133,764,604.95
Sub total	145,046,781.95
Less	
Total Expenditure incurred	(105,585,564.42)
Consolidated balance at end of year	**$ 39,461,217.53**

(Source: Annual account 2013)

The table above displayed the balance of the consolidated fund for the year ended 31/12/2013 as per detailed in the annual account 2013 pg13. It is imperative to note that the accuracy and details of the consolidated fund would be discussed further in detail in the following sub sections.

3) Significant Matters Arising from the Audit

3.1) Statement III: Government Major Revenue.

Findings and Analysis:

3.1.1 Estimate against Actual Revenue for year ending 2012-2013.

Table 3A: Comparative Estimate against Actual – (2012-2013)

REVENUE	2012		2013		13 Variance
Title	**Estimate**	**Actual**	**Estimate**	**Actual**	**Act. vs Est.**
Fishing license	30,000,000.00	58,329,770.00	37,000,000.00	88,999,096.67	51,999,096.67
Import duty	17,960,000.00	15,215,553.00	17,560,000.00	17,355,654.69	- 204,345.31
RERF	22,500,000.00	37,500,000.00	22,288,806.00	7,000,000.00	- 15,288,806.00
Company taxation	7,500,000.00	4,734,410.00	7,500,000.00	4,885,592.52	- 2,614,407.48
Hotel tax	85,000.00	91,708.00	84,000.00	68,286.81	- 15,713.19
Personal tax	7,000,000.00	7,300,639.00	7,000,000.00	7,309,914.63	309,914.63
Dividends	1,850,000.00	871,791.00	1,700,000.00	1,125,369.00	- 574,631.00
Interest on Consolidated Fund	11,300.00	110,638.00	-	474,247.08	474,247.08
Nasda (Downrange)	2,700,000.00	1,391,953.00	600,000.00	1,418,566.87	818,566.87
Open ship registration fee	-	-	500,000.00	662,220.53	162,220.53
Nasda (Jaxa Air Service)	-	-	700,000.00	1,427,455.16	727,455.16
Sub Total	**89,606,300.00**	**125,546,462.00**	**94,932,806.00**	**130,726,403.96**	35,793,597.96
Ministry Revenue	3,663,158.00	3,292,690.00	2,154,477.00	3,038,200.99	883,723.99
Loan – Financing	2,019,551.00	-			
Total	**95,289,009.00**	**128,839,152.00**	**97,087,283.00**	**133,764,604.95**	**36,677,321.95**
Adjusted Balance (excluding RERF)		**91,339,152.00**		**126,764,604.95**	

(Source: 2013 Annual Account)

The level of revenues as shown in the table above for the past two years had encouragingly increased from $128.8m in 2012 to $133.8m in 2013 respectively, with the RERF drawdown and without the RERF the actual revenue was $91.3m in 2012 and increased to $126.7m in 2013, an increase of $35.4m in real terms. The increase of Gov't revenues was mainly due to the increase in the number of fishing vessels in our EEZ and this had contributed a lot in generating the government revenue for financial year 2013. Additionally, other major revenue items which had also contributed to the increase in government revenue as follows:

- Import duty $17.5m
- Company tax $4.8m,
- Personal tax $7.3m,
- NASDA (downrange & air service) $2.8m
- Dividends $1.1m

3.1.2 Under-collection of Revenues – 2013

As could be noted from the table below there was huge shortfall in revenue by $3.4m from four major revenue outputs as listed below. It is of paramount importance all estimates should be met by major revenue collectors so lesser RERF drawdown would result and government would realise spill over effects. Therefore major revenue collectors should be urged to exercise full powers in collecting the revenue including any arrears that are accruing to their respective accounts.

Table 3B: Under-collected of Revenues 2013 (extracted from Annual Account 2013)

Title (Revenue)	Estimates	Actual	Over/(Under)
Import duty	17,560,000.00	17,355,654.69	- 204,345.31
Company taxation	7,500,000.00	4,885,592.52	- 2,614,407.48
Hotel tax	84,000.00	68,286.81	- 15,713.19
Dividends	1,700,000.00	1,125,369.02	- 574,630.98
Total	26,844,000.00	23,434,903.04	- 3,409,096.96

3.1.3 Import duty:

Finding and Analysis:

Item	Finance Balance	Custom Balance	Variance
Import duty	$17,355,654.69	$17,361,146.6	$5,491.91

As highlighted in the above table, the variance of over $5k was a clear indication of a lack of proper and regular reconciliation being performed by these divisions within the MFED: i.e. Finance and Custom Division.

In comparing actual collections of Import Duty for 2013 and 2012, an increase in the sum of $2,140,101 was noted (i.e., actual collection: $17,355,654.69 (2013) less $15,215,553.00 (2012)).

Although an increase of over $2m was reported, the concerned Ministry still failed to generate revenue as per approved estimate (budget) even after the cut in the 2013[3]revenue budget by $400k (2012:$17,960,000).

There were reported cases on unpaid custom duty or settlement of custom duty was made on business bounced cheques and other imported items were reportedly released after working hours.

Recommendations:

The MFED should regularly monitor the collecting performance of this division and establish a reporting mechanism for its major revenue collecting divisions to report the revenue due, amount collected and that owing at end of each month including recovery actions been instigated on arrears of revenue.

Management should also ensure to:

[3] The Budget had decreased for Import Duty from year 2012 to 2013 by $400k (17,960,000 - 17,560,000). Refer to Budget 2013.

1) Strictly enforce it revenue collection in order to exceed/maximize it estimates (budget) or otherwise should give more realistic budget figure to avoid an under collection of revenue for each financial operation.
2) Strengthen the customs duty collection procedures and to ensure no imported items released by the Kiribati Port Authority designated areas or from Bonriki customs office unpaid for.
3) Ensure that confirmation from ANZ bank for all cheque payments for customs duty made by businesses have been received before granting approval for the release of goods.
4) Policy regarding the release of goods which should be arranged during working hours only, regardless.

3.1.4 Taxation Revenue - Reconciliation

Major Revenues	MFED Figure	Tax Division Balance	Variances
Company tax	4,885,592.52	4,762,739.82	122,852.70
Hotel tax	68,286.81	68,256.42	30.39
Personal tax	7,309,914.63	7,149,792.34	160,122.29
Total Variance			283,005.38

As summarised in the table above, significant variances for Company and Personal tax were still noted as usual. Again, this was an indicative of the lack of proper revenue reconciliation being done by these two divisions i.e. Taxation Section and MFED (accounting division).

Recommendation:

Revenue reconciliation should be performed on a monthly basis between the two parties as per recommended to avoid future grievances.

3.1.5 Dividends

	2012	2013
Estimate	1,850,000	1,700,000
Actual	871,791	1,125,369
Variance - Over/(Under)	(978,209)	(574,631)

In 2013 the actual revenue collected for Dividends of $1.1m was right above the actual collection of last year balance of $871k. Though, the collection of dividends had kept increasing yet for the past two years had also reported an under collection of over $978k and $574k for 2012 & 2013 respectively. The audit realised that the above collection was the dividend paid by ANZ Bank only, and other dividends expected from listed SOEs were not forthcoming. An explanation from MFED is required on whether dividends are expected or not from SOEs in the year 2013.

3.1.6 Fishing License

In this fiscal year 2013 for the first time the actual revenue collected for Fishing License was over $88.9m which exceeded its estimates budget significantly by $52m. As evidenced the amount being collected was however more than double the amount originally estimated of $37m dollars accordingly.

In comparison to fiscal year 2012 there was indeed a substantial increase in revenue collection of fishing license in 2013. For example, as stated above revenue collected for fishing license in 2013 was $88.9m while $58.3m was collected in 2012, an increase of over $30.6 m or 34%.

3.1.7 Other Government Revenues

The tender proceeds for the Kiribati Supplies Company Limited, the rental payments for Abamakoro’s buildings have not been disclosed in the GoK’s annual account.

There was no evidence found in the balance sheet of Government that could confirm proceeds received from the sale of such companies have been deposited in the Government No. 1 A/c.

Recommendation:

SOEMAU of MFED to provide explanation on the sale of the two former companies.

3.2) Statement IV: Expenditure

Findings and Analysis:

As stipulated under Cap 70, Section 39 (1) (IV), the Accountant General shall provide and submit the government expenditure against budget for each fiscal year end. Appended below is the government expenditure against budget incurred throughout the year of 2012 and 2013 as follows:

Table 3C: Summary of Ministry Expenditure – 2012 & 2013

EXPENDITURE	2012		2013		13 Variance	12 Variance
Title	Estimate	Actual	Estimate	Actual	Under/(Over)	Under/(Over)
LCDF	8,052,378.00	8,052,378.00	7,436,223	7,898,303.00	- 462,080.00	-
OB	1,028,580.00	1,173,889.00	1,350,020	1,541,026.54	- 191,007.00	- 145,309.00
PSO	594,484.00	594,534.00	600,785	622,340.64	- 21,555.64	- 50.00
JUDICIARY	1,565,650.00	1,554,034.00	1,650,467	1,568,447.97	82,019.03	11,616.00
KPS	7,030,624.00	6,916,415.00	7,030,624	6,927,839.51	102,784.49	114,209.00
PSC	230,629.00	214,455.00	233,691	255,029.78	- 21,338.78	16,174.00
MFAI	1,161,884.00	1,286,197.00	1,835,758	1,894,019.57	- 58,261.57	- 124,313.00
MIA	2,829,486.00	2,912,865.00	2,895,618	2,969,234.28	- 73,615.92	- 83,379.00
MELAD	2,519,000.00	2,583,528.00	2,556,320	2,739,280.28	- 182,960.32	- 64,528.00
MM	2,258,470.00	2,585,247.00	3,058,932	3,212,628.79	- 153,696.61	- 326,777.00
MCIC	1,187,389.00	1,174,931.00	1,228,071	1,163,802.78	64,268.18	12,458.00
KNAO	671,653.00	692,282.00	726,750	700,717.90	26,032.10	- 20,629.00
OAG	471,229.00	568,614.00	590,967	605,111.35	- 14,144.35	- 97,385.00
MFMRD	2,079,548.00	1,958,883.00	2,163,478	1,908,213.11	255,264.85	120,665.00
MOH	**14,121,242.00**	**14,053,019.00**	**14,835,774**	**14,930,040.68**	**- 94,266.72**	**68,223.00**
MOE	**18,638,444.00**	**18,963,531.00**	**19,592,120**	**19,212,646.01**	**379,473.95**	**- 325,087.00**
MCTTD	2,652,888.00	2,626,603	2,566,332	2,415,559.09	150,772.73	26,285.00
MFED	3,140,594.00	3,033,267	2,804,816	2,711,946.73	92,869.27	107,327.00
MPWU	2,284,380.00	2,350,110.00	2,331,799	2,308,929.95	22,869.05	- 65,730.00
MLHRD	3,350,964.00	3,888,698.00	3,545,963	3,702,696.70	- 156,733.70	- 537,734.00
MLPID	2,678,756.00	3,667,198.00	2,698,279	2,594,683.67	103,595.33	- 988,442.00
DEBT SERVICING	5,165,187.00	7,202,573.00	2,082,978	2,740,407.09	- 657,429.09	- 2,037,386.00
OTHER GOVT EXPENSES	**19,892,742.00**	**19,266,026.00**	**21,966,820**	**20,962,659.00**	**1,004,161.00**	**626,716.00**
TOTAL	**103,606,201.00**	**107,319,277.00**	**105,782,585**	**105,585,564.42**	**197,020.28**	**- 3,713,076.00**

(Source: Extracted from Annual Account 2013)

It was clearly stated that the level of expenditure for 2013 was just under the budgeted amount of $105782, 585, resulted in a **net saving of over $197k**. This was a notable achievement and of course a big contrast when compared to a **net overspending** of over $3.7m (Est. $103.6m less Act. $107.3m) in 2012. Further, the net saving reported above stemmed from the cumulative net saving balances of some Line Ministries, including the Other Gov't Expenses account.

3.2.1 Unauthorised expenditure – 2013

Table 3D: Overspending/Unauthorised of expenditure as at 31/12/2013

	2013		Variance 2013
Title	Estimates	Actual	Under/(Over)
LCDF	7,436,223	7,898,303.00	- 462,080.00
OB	1,350,020	1,541,026.54	- 191,007.00
PSO	600,785	622,340.64	- 21,556.00
PSC	233,691	255,029.78	- 21,339.00
MFAI	1,835,758	1,894,019.57	- 58,262.00

MIA	2,895,618	2,969,234.28	- 73,616.00
MELAD	2,556,320	2,739,280.28	- 182,960.00
MM	3,058,932	3,212,628.79	- 153,697
OAG	590,967	605,111.35	- 14,144.00
MOH	**14,835,774**	**14,930,040.68**	**- 94,267.00**
MLHRD	3,545,963	3,702,696.70	- 156,734.00
DEBT SERVICING	2,082,978	2,740,407.09	- 657,429.00
TOTAL	**41,023,029**	**43,110,487.90**	**- 2,087,459.00**

(Source: Annual account 2013)

In referring to the above table, the level of un-authorised expenditure for year ending 2013 amounted to $2.08m. There are 10 Ministries highlighted above which had contributed a lot to the unauthorised expenditure followed by two items namely; Local Contribution to Development Fund and Debt Servicing accordingly. Details of such overspending by Ministry have been disclosed and are discussed in Part 1 of Audit Report.

3.2.2 Local Contribution to Development Fund (LCDF)

As previously mentioned in the audit report for Annual Account 2012, the LCDF balance represents the total actual bank transferred from the No1 bank account to the No4 bank account. Further, it was elaborated that the balance of the LCDF was just the disclosure of funds that is currently available in the No4 bank account and ready to be used by each locally funded Projects

The comparison table provided below reveals the balances of LCDF for the three years duration commencing from year 2011 up to year 2013. In 2011 the balance of the LCDF was reported with a net balance of over $31k, whilst in 2012 a nil/zero balance of LCDF was noted meaning that the estimated figure was tallied with the actual transfer to the No. 4 account. However, in year 2013 the actual transfer to the No. 4 account surpassed the approved amount and had thus reported unauthorised extra transfers of over $462k in total as per provided in the following table:

Table 3E: Summary table for LCDF balances – (2011-13)

Years	Estimated (approved)	2013 Actual (transfer)	Balance
2011	$ 7,455,687.00	$ 7,424,379.00	$31,308.00
2012	$ 8,052,378.00	$ 8,052,378.00	$ -
2013	$ 7,436,223.00	$ 7,898,303.00	$(462,080.00)

Overall the balance of the LCDF is not stable or constant throughout the 3 years duration highlighted above, given the fact that the Gov't could not give more realistic figure that should be approved as mostly the transfers made could exceed the amount estimated or even the use of such transfers could not be fully utilised at all. For instance, in 2013 the audit noted extra transfers (unauthorised transfer) at over $462k (breakdown??) which requires satisfactory explanations from concerned Ministry.

Further, the total bank transfer from the No.1 bank account to the No.4 account should be $5,881,710 (Original Budget) but as noted during the course of action the amount hurdled to

$7,436,223 (Revised Budget) incurring a variance of $1,554,513[4] which had been approved and supplemented to cater for extra activities. Nonetheless, the actual amount receipted was $7,898,303 incurring a difference of $462,080 in total hence that would be treated and regarded as extra transfers or unauthorised transfers.

Another issue that the audit discovered is the transfer made in August of $900k which was recorded as one among the direct debits to No.4 bank account in the system (GL report); however there is no sign of appearance in the No.4 bank account (Statement). In actual fact, the above amount transferred could not be identified as well from the No.1 bank account showing that this was really came from the No.1 bank account, hence this would be regarded as a miss-posting and is therefore subject for correction accordingly.

Given the above information, however, as evidently stated in paragraph 2 of s2 of Schedule 2, Cap 79*: "subject to rules, 4, 5, 6 and 7 no warrant shall be issued under paragraph (1) unless the expenditure in question has been authorised by the Maneaba Ni Maungatabu by resolution or in accordance with these Rules"*. (Refer Appendix Five)

Therefore, as per evidenced the unauthorised transfers of $462k and $900k were not included in the 2013 Budget, which means that these were not approved by the resolution of the Maneaba Ni Maungatabu, hence relevant and related provisions of Schedule 2 of Cap 79 had been contravened accordingly.

Recommendation:

As stipulated under Schedule 2 of Cap 79, Local Contribution to Development Fund (LCDF) should be well monitored and managed in order to avoid and save future grievances.

The Finance has to trace the transfer of $900k and to provide satisfactory explanation including supporting documents justifying the balance transfers otherwise; the balance would be regarded as the misappropriation which require correction.

MFED should also provide proper explanation or justification regarding the variance of transfers amounting to $462k accordingly.

3.2.3 International Air Services

Under MCTTD Budget 2013 the amount disclosed for LCDF – International Air Services amounted $1.7m. This approved amount was meant to be fully utilised, but as purportedly noted the actual spending was $1,625,620.47 and as a result, the under spending of $74,379.53 was thus reported. The level of expenditure this year was right above the amount if compared with last year balance incurred of over $1.4m.

However, the audit would also like to highlight here that getting and attaining relevant information or documents from concerned Ministry was really a difficult task due to the unavailability on hand of

[4] Breakdown of the supplementary figure could be seen in the GL report under *Code: E02497-50R – 2013 as well as in the Supplementary No.1, 2 and 3. Refer to Audit WP under LCDF 2013.*

Ministry records. Thus, audit verification based on the MFED's records only, would preclude us to issue complete or agreed audit findings.

3.2.4 Debt servicing $2,740,407.30

The actual amounts spent on Debt Servicing for 2012 and 2013 were $7.2m and 2.7m respectively. This huge reduction is an indicative of a better internal control and management of such account and worth commented on.

Further, there was an over spending reported for Debt Serving amounted to $660,729.14 in 2013 (2012: $2.04 m). In addition, the provision for this item had been fluctuated over the years though significant overspending was still noted in all of the Loan Accounts such as: EIB Loan, ADB Loans and Other Financing as per table below:

Table 3E: Debt Services Overspending: $1,893,155.34 (2012:

Account	Bank loan #	Actual	Budget	Variances
EIB loan	20.400	309,282.15	267,230.00	42,052.15
ADB loan	281	14,337.55	12,545.00	1,972.55
ADB loan	724	35,661.37	32,617.00	3,044.37
ADB loan	786	60,773.21	35,722.00	25,051.21
ADB loan	922	54,553.95	49,481.00	5,072.95
ADB loan	1039	47,586.75	41,627.00	5,959.75
ADB SAPHE	1648	380,578.76	324,471.00	56,107.76
Other financing		1,837,633.36	1,316,165.00	521,468.40
Total		2,740,407.30	2,079,858.00	660,729.14

3.2.4a. Other Financing: $1,837,633.36 (2012: $6,430,409)

The comparison of the actual Other Financing account balances for 2012 and 2013 showed a huge reduction of over $4 m. Although the Other Financing expense account showed an overspent of $1.7 m, this was far below the amount of overspending for 2012 of over $5.8 m[5]. Again MFED should be well commented on this notable improvement in the management of Other Expense account.

3.2.4a1. Bank Account # 838225

This was the bank account opened for Sustainable Town Planning Project and had been continued being used while STPP was longer active and should have been closed a decade ago. Thus despite the above terrific performance mentioned above, some of the unnecessary bank charges has to be ceased from being incurred. For instance, the bank charge for the STPP bank account was still incurred and debited unnecessarily to the Other Financing account.

3.2.4b. 2012 Other Financing: Audit findings

In my last audit report 2012, there were some issues noted on the Other Financing account, which have not been discussed by the Public Account Committee as there wasn't any PAC inquiry being made on 2012 Audit Report part 2 during the time of writing this audit report.

[5] $6,430,409 (2012 Actual) less $587,500(2012 Budget)

3.2.5 Other Government Expenditure: Budget $22 m (Actual: $20m).

A gradual increase of over 9.9 % of Budget approval for above account was noted compared to last year 2012 account. However, according to the audit analysis, almost all accounts listed were not fully utilising their approved provision resulted in a net saving of $1.1m.

In spite of the unused provision noted above, the audit found that only one item/account: International Contributions Code E3123-55A, exceeded it approved budget resulting in an overspending or unauthorised expenditure in the sum of $53,593.75.[6]

3.2.5.1 Freight Subsidy for Local Produce - $150,000

Included in the Other Government expense was the Freight Subsidy for Local Produce account. The purpose of the above provision was to cater for payment of freight charges for local produce that shipped from outer islands for marketing on South Tarawa.

In 2012 the portion of $116,915 from the total provision of $150k was used to finance air fare subsidy and resulted in the unused amount of over $33k. Again for 2013, only $15,215 was utilized resulted in a saving of $134,785. Therefore the issues noted were: 1) the provision was no longer necessary as the local company normally granted with such subsidy had already ceased operation four or five years back and 2) such provision had been utilized not for the purpose it was intended for.

Recommendation:

1) To review all budget of all other government expenses ensuring that their approved provisions are to be fully utilized and for the purpose that was intended for and
2) To cease providing budget for activities that no longer required.

[6] Refer to Management Report 2013 for Other Government Expenses - E3100-0A

3.3) Statement V - Special Funds

Findings and Analysis:

3.3.1 Special Fund balances (2011-13).

Table 4A: Special Fund balances for year ended 2011-2013

Funds (Title)	2011	2012	2013
Stabex			
Stabex special fund	- 60,816.00	- 59,352.00	- 59,351.55
No.6 Stabex fund	- 411,641.00	1,282,905.00	1,335,920.87
Local Stabex fund	3,558,538.00	1,393,954.00	899,821.08
Sub Total	**$ 3,086,081.00**	**$ 2,617,507.00**	**$ 2,176,390.40**
Other			
Coinage Security Special Fund	- 351,696.00	- 359,669.00	-
Kaoki Mange Special Fund	- 83,840.00	- 114,185.00	- 188,897.18
Import Levy Fund	- 1,612,169.00	- 2,952,434.00	- 4,222,721.29
Leper Trust Fund Board	- 9,996.00	- 8,961.00	- 8,961.27
Dai Nippon Causeway Fund	- 2,517,511.00	- 2,601,764.00	- 2,598,623.32
Escrow Fund	- 66,537.00	- 66,537.00	- 66,536.76
Civil Aviation Fund	- 531,251.00	- 527,848.00	- 613,233.05
Plant and Vehicles Unit Fund		- 58,949.00	- 348,397.73
Sub Total	**-$ 5,173,000.00**	**-$ 6,690,347.00**	**-$ 8,047,370.60**
TOTAL	**-$ 2,086,919.00**	**-$ 4,072,840.00**	**-$ 5,870,980.20**

(Source: Annual account 2011-2013)

As can be seen from the table above, the special fund balance was kept increasing over the years (*2011*:$2.1m, *2012*:$4.1m, *2013*:$5.9m). The value of the fund had significantly increased by $1.79m[7] in 2012 but showed a slight reduction of $ 0.19m in 2013 when compared to an increase reported in 2012 of $1.98m ($1.98m-$1.79m).

As highlighted in the table above, such an increase in value of the Special Fund was due to newly added special fund accounts listed below:

- *Civil Aviation*
- *Plant and Vehicles Unit Fund*
- Import Levy Fund
- Kaoki Mange
- And the No.6 Special Fund

[7] 2012 less 2011 total balance, i.e $4,072,840 less $2,086,919

3.3.2 Special Fund Accounts: Coinage, Escrow and Stabex

As mentioned in my previous report, the above special fund account had been on record for a long period time and without proper accounting supporting document.

As can be recalled during the PAC inquiry with MFED dated 17/01/14 the two parties agreed not to include the above accounts as special fund account in the 2013 annual account. According to the audit testing, the following were noted:

1. In 2013 the Coinage account had been adjusted and disclosed as a nil or zero balance meaning MFED had implemented the recommendation of PAC.
2 The other two accounts: Escrow and Stabex were still appeared in the 2013 Annual Account, amounted to over $66k and $59k, respectively.

Recommendation

MFED should provide reasons for not clearing off the balances of the two above funds as per agreed during the inquiry with MFED on Part 2 of the audit report 2012 and adjustment being made in (1 above)) be clearly narrated.

3.3.3 Kaoki Mange

The balance of the Kaoki Mange project account as per 2013 annual account was up by 65% (2012:36 %). The increase was mainly due to excess net collections (receipts) over payments in 2013. Hence, a notable improvement over this fund should be maintained accordingly.

3.3.4 Civil Aviation

The special fund above was created for recording the civil aviation revenues and expenditure to a separate proper allocation instead of using the Headquarter division (MCTTD). During the year review it was found that the balance of the fund was increased by 13% approximately of over $85k compared to a decrease noted in 2012 by over $3k. Hence MFED had shown a remarkable improvement over the management of the above special fund.

3.3.5 Dai Nippon Causeway

As per noted, the value of the fund stated above for year ended 2013 was decreased by 0.12% when compared to a slowly increased by 3% reported in financial year 2012. This is one of the funds that need be investigated and fully audited in one of the coming audit tasks.

3.3.6 Plant and Vehicles Unit

As stipulated under CAP 95A, PVU is one of the listed SOEs hence it subject to full auditing. Below are the audit findings as per discovered whilst conducting of the audit for fiscal Year 2013:

- As we could recalled that previous outstanding balance of over $58k was due (amount payable) to PVU in settlement of permanent hire as of 31/12/12. However this amount seems not settled yet as per noted.
- The balance of this fund for year ended 2013 is $348,397.73 of which over $58k was the brought forward balance of year 2012. Hence the actual balance of year 2013 collected after taken out the B/F balance is $289,448.73 instead.

3.3.7 Import levy fund

The purpose of Import Levy Fund is to finance all goods imported into Tarawa for commercial purposes. The current levy is set at AU$ 30 per cubic meter or per 875 kg of goods imported regardless of value. The Customs Department of the MFED assesses and collects the levy to be paid by importers together with other duties and charges as part of the Bill of Entry. Funds from the ILF were used to subsidize the costs of transporting goods, imported or locally sourced, from South Tarawa to the outer islands. Payments are made from the ILF to wholesalers as

(i) reimbursement of actual freight costs (not exceeding the approved freight rates set by the Kiribati Shipping Company Ltd) from South Tarawa to islands in the Gilbert Group of all goods for commercial purposes; and

(ii) (ii) Reimbursement of actual freight costs (not exceeding the approved freight rates set by the Kiribati Shipping Company Ltd) of selected agricultural produce from the outer islands to South Tarawa. For islands in the Line and Phoenix Group, the subsidy is limited to the cost of freight between South Tarawa and the easternmost atoll in the Southern Gilberts (Arorae).

Reimbursement is limited to freight costs and does not include land transport, loading and other wharfage charges.

3.3.7. 2013 Import Levy Fund Status

It was noted that the total amount receipts in year 2013 was up to over $5.92m of which over $2.97m was the amount collected under the year review and $2.95m was the brought forward balances from year 2012.

However, the total payment incurred during the year amounting to $1.6m was below the total receipts collected in 2013 as a result, net balance of over $4.2m reported (or in actual fact a net balance of 2013 should be $1.28m difference between $2.97m (receipts) and $1.69m (payments) respectively if B/F balance is excluded). Detailed of which are appended below:

Opening Balance (B/F bal 2012)	$2,952,433.92
Plus: Receipts	2,970,035.62
Total Receipts	**5,922,469.54**
Less: Payment	1,699,748.25
Closing Balance as of 31/12/15	**$ 4,222,721.29**

3.3.8 Proper Book of Account

Apart from PVU special fund, complete financial statements for all other special fund accounts have not been submitted for complete audit verification and to enlighten us on their performance during the fiscal year.

Recommendation

As normally provided by PVU, producing annual financial statements, all other Special Fund accounts should submit their financial statements for auditing and for full disclosure of activities undertaken during the fiscal year.

3.4) Statement VI - Cash at Bank and On Hand

Findings and Analysis:

3.4.1 Status of Cash at Bank and On Hand - 2013

The balance of the Cash on hand and at bank for year ending 2013 was $11.4m as shown in the table below. Over $3.5m (31%) a decrease in value when compared to last year balance of $15.06m. In the course of the audit it was evidenced that there are anomalies discovered in the Finance systems and details of which are further elaborate under this section/statement.

Table 4A: Cash on hand & at bank for year 2011-13

Title	GL Code	2011	2012	2013	Inc/(dec) 13	Inc/(dec) 12
No.1 Account (Operating Account)	M0030000001A	- 15,150,230.40	2,903,294.08	- 2,293,938.52	- 5,197,232.60	18,053,524.48
No.4 Account(Project)	M0030000004A	4,968,213.52	8,032,431.17	4,317,172.61	- 3,715,258.56	3,064,217.65
No.5 Account (Kiritimati)	M0030000005A	3,569,689.96	2,518,131.73	2,590,983.03	72,851.30	- 1,051,558.23
No. 6 Account (Stabex)	M0030000006A	40,039.68	288,477.00	303,206.38	14,729.38	248,437.32
Petty Cash	M0030000007A	0.00	0.00	-455.20	- 455.20	0.00
Term Deposits with ANZ Bank	M0030000008A	0.00	0.00	5,000,000.00	5,000,000.00	0.00
Kiribati Charter Operations	M0030000009A	-1,673.43	-1,673.43	0.00	1,673.43	0.00
KPF Clearing	M0030000010A	0.00	-109,250.37	470.68	109,721.05	- 109,250.37
Met Office A/c 819328	M0030000011A	20,075.00	20,075.00	0.00	- 20,075.00	0.00
Sundry Creditor Clearing Account	M0030000013A	0.00	0.00	-8,424.75	- 8,424.75	0.00
Kiribati High Commission (Fiji)	M0030000017A	640,480.73	1,012,000.01	1,332,994.31	320,994.30	371,519.28
Taipei Mission Bank Account	M0030000018A	0.00	0.00	79,921.68	79,921.68	0.00
New York Mission Bank Account	M0030000019A	0.00	0.00	167,496.33	167,496.33	0.00
Taipei Mission Petty Cash	M0030000020A	0.00	0.00	300.96	300.96	0.00
sub total 1		**- 5,913,404.94**	**14,663,485.19**	**11,489,727.51**	**- 3,173,757.68**	**20,576,890.13**
OTHER						
Sub-Accountants (M31s)		4,250.00	4,250.00	4,250.00	0.00	0.00
State Funds - Local Governments (M32s)		378,301.31	364,433.78	-36,448.23	- 400,882.01	- 13,867.53
Cash with Agents (34s)		36,970.56	36,970.56	36,970.56	0.00	0.00
sub total 2		**419,521.87**	**405,654.34**	**4,772.33**	**- 400,882.01**	**- 13,867.53**
Total Balance Sheet (2013)		**- 5,493,883.07**	**15,069,139.53**	**11,494,499.84**	**- 3,574,639.69**	**20,563,022.60**

(Source: Annual account 2013 & audit report 2012)

3.4.2 No.1 Bank Account

The Gov't No.1 bank account balances disclosed in the Bank Audit Certificate amounted to $1,221,218.42 as at 31st December2013 was not agreed with the one disclosed in the Annual account 2013 amounted to -$2,293,931.52 reflecting an excessive discrepancy of over $3.5 m. This indicated, however, that MFED had not exerting a great effort to properly reconcile No.1 Bank account on a timely and regular basis as required. Hence full justification on why the Gov't No.1 bank account disclosed an overdraft balance of $2.2m as per 2013 0 Annual account, not expected to be totally differed with the bank balance as per Bank Audit Certificate as at 31/12/13.

3.4.3 Outstanding deposit: - for the year ended 31/12/2013

It was noted with great concern that the outstanding deposit kept increasing as can be evidenced during the audit. In 2012 a total outstanding deposit of over $347k was reported. However, in 2013 an outstanding deposit of over $1.2m was still reported, resulted in an excessive increase of outstanding deposit by $931,653.57 or 71% when compared with last year. The audit still cannot place reliance on such substantial amount given time interval for preparing the bank reconciliation of 12 months. That is, the bank reconciliation statement was prepared at end of the financial year. The table below shows amount of outstanding deposit for 2012 and 2013.

Year	Outstanding deposit	Comments
2012	$347,763.84	B/F balance
2013	$1,279,417.41	B/F balance

The above figures need more details as such amount of cash had actually being deposited but somehow not being captured when preparing the bank reconciliation statement.

3.4.4 Un-presented cheques - as at 31/12/2013

As per noted during the audit the level of un-presented cheques also kept increasing over the fiscal year's that shows the lack performances in monitoring and controlling such issue in which of course MFED could come up with possible solutions to resolve this issue. Accordingly, the total outstanding of un-presented cheques accumulated for year 2012 and 2013 was over $2.8m and $4.7m respectively incurring a net increases balance of over $1.92m or 40% a from fiscal year 2012 to year 2013 respectively.

The audit also concerned regardless of the KPF clearing account that still remain as part of the cash on hand and at bank of which should not be there hence MFED should have adjusted it before the date of the balance sheet. As we can recall this issue was also mentioned in my last audit report, but this was still incorrectly disclosed during the 2013 fiscal year.

Recommendation:

MFED should make correction to the amount of outstanding deposit for the year ended 31/12/2013 to the most accurate one since the balances disclosed in both records: 2013 Annual Account and ANZ Bank Audit certificate when compared showed a huge variance.

Also MFED should adjust it balances for Gov't No.1 account since the audits realize that the balances which have been disclosed in the annual account were incorrect.

The concerned Ministry through it Accounting Division should have taken out irrelevant account which are not part/form of cash on hand and at bank in futures time.

3.4.5) No. 4 Bank Account

During the conducting of the audit some issues were noted as follows:

1) Although, the preparation of the bank reconciliation statement was performed, it was, however, as in the case of previous years, that the reconciliation was still done on an annual basis and not on the monthly basis. Such time interval for doing the bank reconciliation statement would not be able to give reliable and correct reconciled cash at bank balance.

2) As per stated in the *bank rec ref dated 31/12/13* a total of over $1.1m un-presented cheques was noted reflecting an increase of over $681k when compared to 2012 balance of $457k. The reported value of un-presented chq of $1.1m was doubled the amount reflected for un-

presented cheques in year 2012 indicating that the number of un-presented cheques had kept rising annually. Nonetheless, the audit was unable to identify what portion of that relates to the current year 2013, and which chq in total relates to periods prior 2013. Details of which are appended in the table below:

Year	Un-presented Cheques ($)
2012	457,962.05
2013	1,139,631.81
Difference	$681,669.76 (increase in value)

3) One significant payment of over $28k which had been cancelled as per chq leave, however, it was still in the system (record) as a result, an early posting was made by responsible officers' prior cancellation of cheque. In other words, no offsetting process had been made in the system to offset such cancelation of chq. As observed such payment also reported at the year-end bank reconciliation as one of the un-presented cheque and the details of which provided in the table hereunder:

Date	Payment Voucher #	Cheque #	Amount in $
24/12/2013	HQPV 559-560	54551	28,029.15

4) A total variance of over $566k detected between the bank confirmation slip and the balance as per stated in the bank reconciliation/annual account provided from the ministry concerned i.e. Ministry of finance and economic development.

Recommendation:

Bank reconciliation should be executed as a priority for the No. 4 bank account and I have to reiterate that the proper reconciliation shall be made on a monthly basis which is more reliable than when done on annual basis.

Un-presented cheques reported at the year-end of $1.1m in total should be correctly classified or grouped according to the periods they relate to in order for the audit to be able to identify which cheques that required a write off, and will enable us to analyse how long they remain outstanding. This is to avoid the accumulation of the balance in the future account.

It is highly recommended that the finance has to clear the payment valued at $28,029.95 from the system and from the year-end bank reconciliation accordingly.

The MFED should provide proper explanations and justifications for the variances of over $566k being detected between the bank confirmation balance and the bank balance as per bank rec/annual account balances.

3.4.6 No. 5 Bank Account

3.4.6.1 Balance of the Account

As per bank audit certificate dated 13/02/2015 the balance of the above bank account was $281,785.78 whereas $2,590,983.03 was disclosed in the 2013 annual account as the No. 5 Bank balance. The reported variance of over $2.3m was really huge and not expected. Certainly, the excessive variance noted above could have been avoided if both parties' (MLPID & MFED) bank reconciliation statement was prepared on a monthly basis as recommended.

3.4.6.2 Other Significant Anomalies Detected

At the outset, the audit would like to reiterate that the proper bank reconciliation[8] for the No. 5 Bank account was not performed at all, though this was being repeatedly mentioned in the previous audit reports.

Notwithstanding the above, there were other payments valued at over $25k[9] not appeared in the GL report obtained from MFED.

And the posting of transactions were also noted being delayed as evidenced by transactions for months of January and February [10]were posted in December 2013.

3.4.7 No. 6 Bank Account

Despite the notable improvement over the No.6 account (Stabex fund), there were minor issues in which the Ministry concern should have put an effort to improve in futures time. For instance, however, as per noted some payment vouchers for copra fund being claimed from Client were not attached with relevant supporting document (e.g. receipt not being enclosed) indicating that such payment were actually received from client i.e. MCIC.

3.4.8 KHC Bank Balance: $1.3m

The KHC's bank statement ending balance as at 31 December 2013 was $292,308 AUD (at exchange rate:.59504), which was significantly unmatched or below the KHC Bank balance as per 2013 Annual Account of over $1.3m (MFED). Consequently, the KHC's bank balance as 2013 Annual Account had been significantly overstated by $1.04m. It is therefore highly probable that there was a huge overstatement of KHC bank balance as per MFED's record and should be adjusted.

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[8] Issues on bank reconciliation and others for No. 5 a/c could be sighted and viewed in the audit report for MLPID 2013 – Refer Part 1 Audit Report 2013.

[9] Refer to Audit WP ref: C3_3 dated 22/10/13

[10] Refer to Audit WP ref: C3_4 dated 22/10/13

3.5) Statement VII - Advances from Consolidated Fund

Findings and Analysis:

3.5.1 Level of Advances from Consolidated Fund

The detail of the advance was provided in the table hereunder:

Table 6A: Level of Advances from Consolidated Fund (2011-13)

Title	2011	2012	2013	inc/(dec) 13	inc/(dec)12
Other Government	7,066.00	7,066.00	-	- 7,066.00	-
Public Officers	11,104,425.08	11,780,926.43	9,037,198.87	- 2,743,727.56	676,501.35
Miscellaneous	- 627,495.86	- 507,207.17	- 426,582.42	80,624.75	120,288.69
Total	$ 10,483,995.22	$ 11,280,785.26	$ 8,610,616.45	-$ 2,670,168.81	$ 796,790.04

(Source: 2012 & 2013 Annual account)

As per provided above, the value of advance in 2013 was decreased by over $2.6m when compared with an increase of over $796k reported in 2012 and that decrease in value was primarily caused from the transferring of other sub accounts (other government & sundry advances) to suspense account, to await the approval of the written off (if Parliament approves PAC's 2009 recommendations) as per obtained and noted during the year review.

3.5.2 Other Government Advances:

The audit confirms that the value of the above account has a nil or zero balances displayed in the annual account 2013. The values of such was transferred to a Suspense Account to await the approval for the written off as per recommended earlier.

3.5.3 Public Officer:

Table 6B: Pubic Officers 2011-13

Title	2011	2012	2013	Inc./(Dec) 13	Inc./(Dec) 12
Advances (L100)	6,044,206.07	6,418,825.93	6,869,951.65	451,125.72	374,619.86
Imprest (L200)	2,370,386.08	2,671,520.81	2,748,182.67	76,661.86	301,134.73
Stabex Imprest	4,807,955.85	4,807,955.85	0.00	(4,807,955.85)	00
Standing Imprest	21,329.03	22,129.03	17,354.33	(4,774.7)	800
Other (J0044*)	-2,139,451.95	-2,139,505.19	-598,289.78	(1,541,215.41)	53.24
Total	**11,104,425.08**	**11,780,926.4**	**9,037,198.87**	**(5,826,158.38)**	**676,607.83**

(Source: Extract 2012&2013 Annual account)

3.5.4 Advances: (L100As)

The audit noted that the balance for the above account was increased by $451k when compared with last year balance of over $374k. Although, the reported balance of $6.8m above was made from the old module (2004) figure of $3,274,251.93 and current module of $3,595,263.37 respectively, these amounts were noted outstanding to date. Since these amounts have significantly impacted on the cash flow of the Government, the audit hereby recommends that recovery actions should be put in place immediately to at least recover some portion of the recoverable amount in the near future.

3.5.5 Salary Advance

The audit check revealed that the above sub account also contributes a lot to the balance of advances valued at $6.8m. During the discussion with the responsible officer at MFED dated 09/06/2015, it was confirmed that almost all balances of salary advances in respect of employees as per record were not realistic and irrecoverable. It was further advised that the amounts stated under each employee's account (attaché) were related to payment of employees' allowances (i.e, overtime, charge allowance, etc.) as well being posted in error to salary advance account. Such postings were aimed at solving the issue of the unnecessary increase or to offset the salary advance account. However, this was never worked as intended but creating more problem.

Notwithstanding of the above issue, the audit noted that identical issues with last year audit report also happens this year as provided and appended below:

1) Lack of reconciliation noted resulting in reporting of excessive balance of Advance for 2013
2) Some of the names listed were already left the service (civil) since more than a decade ago
3) Concerned Ministry still could not provide aging analysis to perfectly show how long the names of employees had been on a record
4) MFED also could not provide accurate figure separately for both Salary advance and Personal advance respectively.

3.5.6 Personal Salary

Whilst carrying out the audit test the following issues were found as follows:

- As per noted most of Personal advances for Island Treasurers showed substantial balances and that it could not be possible to recover from their end as some of them were no longer civil servants for a long period of time. For instance, one Island Treasurer already left the public service had an accumulated personal advance of over $1.5m[11].
- The accumulated amount of **$4,680,937.63** for Advances was for 29 Island Treasurers as per list provided.

Recommendation:

Therefore in this case, the Accountant General shall take into consideration the above issues very seriously and start making proper reconciliation to show the correct and actual figure of the Advance account in the next fiscal year i.e. 2014

MFED should be able to provide Aging analysis to show balances of Salary and Personal Advance on a yearly basis.

[11] Refer to WP AS2 E/5-1/5-2 Dated 12/05/14

And also to ensure that Old Module should be merged with Current Module to perfectly show the actual balance of each respective employees whom their names stands under the Advance account.

MFED should impose stringent measures against fraudulent treasurers and ensure losses of the public funds are recovered on a required time (2012 Recommendation)

3.5.7 Imprest (L200As)

Based on the review e for the Imprest account 2013, a drop increase of over $76k was noted when compared with drastic increase of over $340k in year 2012. This simply indicates great achievements by officer's responsible (Imprest Unit) in controlling and monitoring over the account (Imprest) and therefore should be acknowledged and commended for such effort. However, the audit still detected some indistinguishable irregularities or anomalies (issues) in the system stated below:

- Performing regular reconciliation and posting of transactions into the system was not adequately and correctly updated by responsible officers, thus incurring discrepancies between the Ageing and Imprest Cards per officer. The discrepancy of over $25,908.26[12] was detected of the two records i.e. ageing and Imprest Holders, based on the selected samples for five different officers.
- Over $600k (0.22%) the amount of which provided by MFED through the Accounting Unit as unrecoverable amount of Special Imprest. This was made however in respond to audit recommendation raised in last year audit report (2012). Yet, the audit would recommends that proper review should be performed prior proposing of such amount for a writing off made as the audit have confidence and sureness that some portion of which could be regarded as a recoverable items if proper and good controlled put in place
- Also during the year review most of the outstanding were not fully supported with supporting documents hence the audit was unable to check the accuracy of outstanding balance of Imprest.
- The bulk of which outstanding balances of Imprest was from previous years due for more than 90 days as per conveyed from the concerned division (Imprest Unit).
- As referred to Ageing report provided negative figures of over $746k was reflected which means that these figures the Government owes to employees.

3.5.8 Unresolved previous issues -2012

1. The finance still unable to distinguish both locally and overseas funded trips from the total outstanding Imprest of $2.7m. As per explained by Responsible Officer (OIC Imprest Unit) that it a very complex tasks to do as it consume a lots of time to compile each single report.

2. The audit still encounter that there are still Imprest holders with more than two accounts with no action yet taken to address the problem.

Recommendation:

It's highly recommended that proper reconciliation should be performed as a priority task, and both the ageing report & Imprest holder cards be properly maintained into the system for better control and correct recording purposes.

[12] Refer to AS2 WP Imprest O/S Dated 17/11/2014

And proper review should also be conducted for the amount of $600k provided as unrecoverable amount of Special Imprest to ensure that these were the correct and accurate figure prior proposing writing off to PAC.

At all times supporting documents should be provided and attached with Imprest Form as well as Traveling Claim Form for future references and audit purposes.

In order to reflect more realistic balance of Imprest account in future annual account the audit strongly recommends that the finance should put in place a strong internal control mechanism to avoid the very high negative figures of over $746k which meant to be paid out to employees as the Government owes these amount.

3.5.9 Stabex Imprest (L300As)

As reflected in the annual account 2013 the above account has a nil/zero balance. This account was among the six accounts of which that their balance were transferred to Suspense account to await the approval of writing off from Parliament. The transfer amount of over $4.8m were those accumulated outstanding balance for past years and were unable to recover from Finance hence approval of written off is better.

3.5.10 Standing Imprest (J0046s)

A downfall of over $4k noted for Standing Imprest 2013 which indicates a good performance over the controlling and monitoring of this account. In 2012 the level of standing Imprest was up by $22,129.00 whereas the following year (2013) the level has decrease to amount of over $17k which shows a notable improvement by reducing the level of standing Imprest as per stated above accordingly.

3.5.11 Others (J0044s): -$598,289.78 (2013)

The audit noted with high appreciation that MFED had been put a good effort in reducing the level of the above account to -$598,289.78 in fiscal year 2013. Earlier in my audit report 2012 the level of this account was increased by -$2,139,505.19. Hence MFED in this case, should be commended for this remarkable improvement.

3.5.12 Advance Miscellaneous (Sundry Advances)

The advance miscellaneous was comprises of four sub accounts such as i) CFTC Advance, ii) Crane South, iii) Naruai - Radio Operator, iv) Bounce cheques (all K accounts excluding above). However, as shown in 2013 annual account the first three of the sub accounts stated above were also amongst the accounts in which their particular balances had been transferred to suspense account except Bounce cheques sub account.

The balance for bounce cheques which has reflected was a negative amount of over (-$426,582.42) a slightly decrease of over $80k when compared with last year's balances of (-$511,177.15:*2012*) and (-$631,465.84:*2013*) respectively. As stated in my previous audit reports a negative balance shown each fiscal year simply indicated that there were excessive repayments of bounce cheques, meaning that those companies or individuals concerned have paid more than what they should actually pay to offset their bounce cheque during the year.

3.6) Statement VIII - Advances from Deposits

No advances from deposits had been made in financial year of 2013

3.7) Statement IX - Deposits

Findings and Analysis:

3.7.1 Deceased National Estate (DNE)

Listed below are some of the issues detected during the audit:

Table 7A: Difference between Annual a/c & GL balance

Account Name	Annual Account	General Ledger	Variance
Deceased Native Estates	$1,030,032.14	$1,229,850.98	$199,818.84

The variance of over $199k between annual a/c and GL balance was due to the absence of proper reconciliation of the DNE account being carried out by the MFED and LMD and other shortcomings such as: (a) the excessive and unreconciled brought forward balances from prior years were also included; (b) huge balances of DNE reported annually could be a result of misallocation and/or miss-posting of some transactions posted to other allocation when it should be posted to actual allocation (S005exce0) to reduce the actual balance of DNE and (3) not enclosing other relevant supporting document when payment made to their respective clients

Recommendation:

The balances of DNE should be strictly reviewed by most senior officers in order to give a reliable and accurate closing at year end.

For such cases, however, MFED should perform proper reconciliation on a timely basis as required (monthly basis is better) and not annually basis as noted. This is to detect errors which could be solved within the fiscal year and to also avoid the accumulation of huge balances over the years.

Proper trainings should be conducted for those who were responsible for posting transactions into the attaché system to avoid misallocations/miss-posting of some transactions as per conveyed by above officer. OR most senior one should be reviewed posting on a daily/weekly basis to avoid unnecessary misallocations/miss-posting of transactions in the future.

MFED through it Payment section should have come up with possible ways to avoid false payment which might happens in the future if no strong control put in place. For example, payment voucher must have attached with medical report for children, photos, claims letters, etc.

3.7.2 Bank agency arrangement:

Table 7B: Summary Balances of Bank Agency Arrangement

Name	Code	2011	2012	2013
Bank Agency Arrangement	O0050006117A	$2,885,652.99	$2,757,814.31	$2,949,557.68

For many years back the audit frequently emphasised that MFED should have arranged and sit together with ANZ to discuss and find possible solutions to solve this significant issue. This year the audit discovered the variance of over $191k for bank agency arrangement between year 2013 and 2012, ($2,949,557.68: $2,757,814.31) signifying that MFED was still never performed it proper reconciliation with ANZ Bank even though this issue constantly mentioned in the audit report for past years.

Despite the tiresome issue noted above the audit further scrutiny found the following issues:

- An agreement namely 'Share sale agreement' between Gov't and ANZ Bank was not available/provided upon the request
- Unable to trace back the monthly withdrawals/deposited to the bank statement basically for individual accounts
- For the month of May 2013 variance was found between Nonouti state fund and GL report in the sum of $1,102.2
- And not enclosing of SB25 with PV# 10/01 (January) for Marakei island state fund account

Recommendation:

In order to avoid future grievances these two bodies should gathered together and/to discuss way forwards to address such issues from being incurred. In this case, revising of bank arrangement mainly for outer islands and to entering into new agreement where it outlines rules and procedures/policies of which should be used consistently.

3.7.3 FDA Loans

An outstanding amount disclosed in the annual account of FDA loans had kept increasing over the years as per provided in the table below. However, this account should be cleared into nil balance since it was one of the clearing account (item) as per during the year review. Hence this was also due to the lack of reconciliation from the concerned ministry.

Table 8C: FDA Loans Balance

Item	2011	2012	2013
FDA Loans	1.18m	1.19m	1.36m

Recommendation:

It is therefore strongly recommended that MFED should review this account and to clear off such outstanding balance accordingly.

3.7.4 Telmo Accounts (P0051*I0051 & P0053*I0053[13])

Overall the audit could not place reliance on the balance disclosed in the annual account 2013 under Telmo account amounted to $46,932,418.93 and (-$40,393,872.95) for P0053*I0053 and P0051*I0051 respectively. However, during the year review outlined below were some of the irregularities or anomalies discovered as follows:

*3.7.4.1 Unidentified balance of -$40.3m (P0051*I0051)*

The audit was faced with difficulties in verifying and validating the correctness of the balance exhibited in the annual account 2013 of over -$40.3m. The audit found that an increase of over $461k incurred in year 2013 and the bulk of such increases were caused by a miss-posting of total amounts of $97k and $363k which were wrongly posted to Station of Betio and Bairiki Postal under output of P0051 respectively. Further the finance could not however provide adequate supporting documents for such increases and also they even could not properly explain what the balance signifies in annual accounts.

*3.7.4.2 Net off balance ($45,626,764.12)(P0053*I0053)*

After netting off the balance of (P0053) with (I0053), however the audits come up with a net off balance of ($45.6m) ($61,257,170.64-$106,883,934.76). Such variance detected between P0053 and I0053 could reflects an over/under payments hence in concluding the government had paid more money than what it collects from the public as the value of I0053 was greater than P0053.

3.7.4.3 Unexplained of Dr Entry valued at $1.3m (P0053)

Another issue noted that a Debit Entry of $1.3m for P0053 which was also reflected under P0053 General Ledger provided from MFED. The overall effect of that Dr Entry will of course reduce the actual amount of Telmo received for that particular financial year (2013). Yet the audit had taken this amount for an explanation but still not yet received any correspondence in regard of this from the concerned officer.

3.7.4.4 Net increases of current and prior years balances - Telmo 2013

In comparison of current balance against prior years balance the audit realised that there were a net increases of $740k (P0053*P0053) and $461k (P0051*P0051) respectively. As per discovered there were always errors existed in using the system which was an indication of not having a proper and regular reconciliation by responsible and accountable officers. However, this was simply evidenced by comparing of Telmo balances in which it kept increasing over the fiscal years and will becomes an issue that utterly out of control.

3.7.4.5 Weakness of the system in place (Attaché)

When it comes to an entering or posting of both PF 27 and PF 25 into the system (attaché') minor errors could be occurred as a result, the total amount being processed for the PF 25&27 could not be even matched with the records in the system for both I0053 & P0053 codes. For instance as per provided in the table below shows that discrepancies incurred between the two records.

Note: The audit only select two islands as a sample to shows how MFED had frequently incurred errors while neither processing nor entering into the system.

[13] P0051 & P0053 stands for PF 25 (Receipt) whereas I0051 & I0053 for PF 27(Payment)

Table 7D: Discrepancies found for PF 25&27

Island	February	Amount ($)	Island	February	Amount ($)
Marakei	Total PF 27	19,154.37	**Marakei**	Total PF 25	70,171.90
	I0053 (system)	22,628.44		P0053	70,198.30
	Variance	**$3,474.07**		**Variance**	**$26.40**
Nonouti	Total PF 27	26,925.30	**Nonouti**	Total PF25	36,894.55
	I0053	31,402.60		P0053	42,548.82
	Variance	**$4,477.30**		**Variance**	**$5,654.27**

(Source: GL report and Island Councils Return)

3.7.4.6 Salary allotment (Q0057)

Salary Allotment (Q0057) total as per G/L balance $21,962.45*

Salary Allotment (Q0057) total as per Annual Account $20,874.35*

Discrepancies detected $1,088.10

Despite the audit follow up action regarding the above discrepancy, no explanation could be obtained therefore such account had been understated by such variances.

Recommendation:

1) Telmo balances need to rapidly be reconciled by responsible officers and appropriate explanations also should be provided with regards to the movements of Telmo balances i.e. (i) a Dr Balance of $1.3m which reflected under P0053 GL report, and (ii) an increase in the value of P0051*I0051 of -$461k and likewise as of P0053*I0053 an increase of $740k.
2) In order to avoid the accumulation of the balance in future annual account, the Finance is urged to start proposing of a write off action to purely clear off colossal balances included under Telmo account in which these balances were could not be identified, and even no supporting document could available on hand.
3) Salary division should perform it reconciliation on a monthly basis to avoid grievances in the future.
4) Keeping all proper records and document in a safely environment for ease of references and audit purposes.

3.8) Statement X - Contingent Liabilities

Findings and analysis:

Certainly, contingent liabilities have no effect on the consolidated Annual account or balance sheet however it is part of the requirement under CAP 79 part VI section 39 (i) to disclose such information. Noted below were some of anomalies found while carrying out this year audit.

3.8.1 Unresolved issues noted in 2011 & 2012

As we could recall from audit report for 2011 and 2012, the balance of contingent liability for BPA valued to $117k as per ANZ bank confirmed was still not disclosed in the annual account for year 2013. If this is the case then the total amount disclosed in the annual account 2013 still understated by such amount i.e. $117k.

3.8.2 Balance of the Contingent Liabilities

The balance for Contingent Liabilities in year 2013 is $21,498,004.97, a steadily increase of over 4.7m or 22% if compared with last year value of $16,731,596 (2012). The bulk of which were mainly due with the following sub accounts as follows:

- Stand By Letter of Credit Facility $902k
- International Monetary Fund $6.8m
- World Bank (a.k.a IBRD) $1.8m
- International Development Association $93k

The sub accounts stated above were also the only sub accounts which had significant changed in value over time while the remaining has no changes to date. The audit had realised that physical information on such amount could not be obtained due to the unavailability of supporting documents provided during the audit.

Recommendation:

The audit strongly recommends that Finance should have provide full explanations or justifications on the un-adjusted balance of contingent liabilities since the audit discovered that in 2013 fiscal year balances of contingent liabilities were also exclusive of BPA contingent liability amounting to $117k as per noted during the year review.

Also MFED should have however come up with conceivable explanations on the variances noted above (over $4.76m) in which the audit realised that such variances was an excessive increase of contingent liabilities from year 2012 to year 2013 respectively.

3.9) Statement XI - Investments

Findings and analysis:

3.9.1 Other investment:

Provided below were some of the issues noted during the audit of the above account as follows;

i) An increase in the value of CBA investment of over $30m was realised during the year. However, details of the $30m as per noted was not an interest earned for such investment but it was an income received from fishing license which was wrongly posted/deposited into this investment account. Nonetheless, the audit was unable to verify such amount due to lack of supporting documents available on hand.

ii) No proper reconciliation had been performed for the year ended 31/12/2013 and also there was no separate records maintained in taking into account all details and movement of investments for that particular year. Primarily, MFED frequently relies on the reports provided by fund managers for interest earned on such investments.

iii) Some of other investment accounts were never changed in value for more than 3 years back, signifying that no interest has to be earned now and in futures time (same issue in 2012 audit report). However, the audit noted with great concern in question whether these investments were still exist or not. Details of such investments were hereunder

Table 10A: Balances of unchanged investments

Code	Other Investments	GL figures	GL variance	Current year balance (13)	Prior year balance (12)	Prior year balance (11)
V0060000106A	World Bank	18,336	0	18,336	18,336	18,336
V0060000107A	International Development Asso	11,693	0	11,693	11,693	11,693
V0060000105A	IMF N0.2	292,187	0	292,187	292,187	292,187
V0060000108A	IFC Subscription	11,309	0	11,309	11,309	11,309
V0060000104A	Escrow Investment	66,537	0	66,537	66,537	66,537
V0060000124A	Aud A/c 56-0449. 10th Annivers	8,731	0	8,731	8,731	8,731
V0060000110A	AUd A/c 55-1999. 5th Anniversa	23,819	0	23,819	23,819	23,819
	Total of unmoved Investments	432,611		432,611	432,611	432,611

iv) Investment a/c # 166750, code V006-103A had only 4 months interest revenue earned (Jan-April), while the other 8 months (May-Dec) interest revenue, estimated to be over $4k, was being excluded and not incorporated the 2013 Annual Account.

3.9.2 PIPA Trust Fund: $2,623,224

The PIPA Trust Fund, a newly established Investment, had contributed to an increase in GoK's investment level in year 2013. In fact, the above Trust Fund balance was financed from the drawdown of the RERF as per Journal Voucher 398 dated 10th May 2013 and a letter addressed to Nikko AM, London, United Kingdom, and signed by Hon. Minister of Finance and Secretary MFED on the 17th September 2013. Since GoK was one of the shareholders of this PIPA Project, hence withdrawal from RERF was made to cater for Government's contribution to such project.

Note: the audit noted with great concerned about such withdrawal from the RERF since the purpose of RERF was to assist in balancing the Government Recurrent Budget, the main purpose of establishing the RERF in the first place.

Recommendation:

In light of the above, the audit would recommend that MFED should take into account the following recommendations in the next fiscal year to address above issues;

a) Proper reconciliation of other Investment should be conducted on a monthly basis
b) the separate records for each investment be maintained and up to date to account for any details regardless of the movements (increase/decrease) in value of investments and
c) To ensure that balances disclosed in the annual account are reliable and realistic, MFED in this instance should ensure that investment were reviewed and checked by most senior staff within the MFED.

3.10) Statement XII - Loans from Consolidated Fund

Findings and Analysis:

3.10.1 Status of the Loans as at 31/12/13

The summary table for the outstanding loans for year 2013 was provided below in accordance with Section 39(1) (XII) Public Finance (Control & Audit) Ordinance where Statement of Loans from consolidated fund should be transmitted together with Government Annual Account.

Table 10A: Loans from Consolidated Fund and Development Fund for the year ended 31/12/13.

Borrower	Financed From	Year	Principal	OS Balance as per Audit Report 2012	OS Balance as per Annual Account 2013	Variance
DBK	Consolidated Fund	1962	100,000.00	100,000.00	100,000.00	-
DBK	Consolidated Fund	1977	20,000.00	20,000.00	20,000.00	-
KCWS	Consolidated Fund	1977	1,000,000.00	794,653.00	794,654.00	(1.00)
Air Tungaru	Develpoment Fund	1980	135,000.00	180,700.00	180,700.00	-
Air Tungaru	Develpoment Fund	1981	64,900.00	300,000.00	300,000.00	-
DBK	Develpoment Fund	1971	64,000.00	64,000.00	64,000.00	-
Te Mautari Ltd	Develpoment Fund	1981	250,000.00	250,000.00	250,000.00	-
Housing Corporation	Develpoment Fund	1983	100,000.00	100,000.00	100,000.00	-
KCWS	Stabex Fund	1986	500,000.00	415,000.00	415,000.00	-
PUB	ADB	1988	2,279,470.00	2,860,797.00	2,860,798.00	(1.00)
Betio Shipyard Ltd	ADB		894,962.00	894,962.00	894,963.00	(1.00)
DBK	ADB	1990	1,059,252.00	1,180,071.00	1,180,071.00	-
Total			**6,467,584.00**	**7,160,183.00**	**7,160,186.00**	**(3.00)**

(Source: 2013 Annual Account)

Nothing has changed since the last audit report (2012) concerning the above outstanding loans valued at $7,160,186m from consolidated fund. As we know, the repayments for such loans had been neglected and abandoned for more than a decade ago or approximately over 20 years since the establishment of these loans. Therefore, Ministry of Finance and Economic Development should have taken into accounts possible way forwards to clear such prolonged and substantial amounts due (outstanding loans) as per recommended by the audit.

Recommendation:

That all overdue loans from the Consolidated and Development Fund be written off or converted to Grants (2008 Recommendation)

With the ADB loans the Government of Kiribati may seek renegotiation of the terms and conditions, for either cancellation or conversion of the debt into a grant with the ADB (2012 Recommendation)

Issues raised in previous audit reports should be solved as soon as possible to avoid the reiteration of same issues being reported over the years.

3.11) Statement XIII - Public Debt

Findings and Analysis:

There were several loans account appeared under Public Debt Account and to which the responsibility of the Gov't to make repayments against such loans mainly from EIB and ADB. In case where the borrower (Gov't) fails to disburse certain amount then repayment would be made from Public Funds accordingly.

Every fiscal year particular amount been approved from Parliament to cater for such loan repayment under Debt Servicing Code E300-1A[14]. It has also reported this year the approved budget was noted overran by over $657k. However, by looking at the outstanding balance of these loans for the past three years[15] the values still fluctuated where it oppose the idea that the balance should actually be decrease over the years since the repayment of such was ongoing to date as per noted.

Further, it almost 20 years or even more for other loans since the repayments commenced the loan still not recovered to date in which it gives us with the overall outstanding balance of over $18m that needed to be cleared or recovered as agreed when the establishment and agreement was done in the first place.

Recommendations

(2008: Recommendation) - The GOK should formally write to ADB and seek clarification in relation to this debt. If there is an expectation that the debt is still payable the terms and conditions of the loan should be renegotiated. If not then the GOK should seek for cancellation or conversion of the debt into a grant.

2012: MFED should review the position of Public debts balance so as to be able to give a more reliable balance.

[14] Details of Repayment are briefly explained under Statement V: Expenditure – Debt Servicing of this report.
[15] 2011: $13.4m, 2012: $21.6m, 2013: $18.01m

3.12) Statement XIV - Arrears of Revenue

Findings and analysis:

Based on the system notes obtained from MFED the audit realize that arrears of revenue in respect of all line ministries were have to submitted to MFED for the records. Upon receiving list of arrears of revenue from each respective Ministry then Finance posted to the database system where the IT division was responsible for converting them into the annual account report. Subsequently, as provided below were some of issues found during the year review.

i) As we can observe in the annual account 2013 and prior also, the audit could only see very few of Ministries were being submitted their list of outstanding of revenue to MFED. For instance, as per stated in the annual account 2013 only three ministries were listed their amount of arrears of revenue amounting to $4.6m whereas in year 2012 only MFED listed that valued to $2.5m and likewise for some prior years. It was believed however that some Ministry which also generate revenue/income never submitted their list of arrears of revenue.

ii) It was noted that the amount of arrears of revenue kept rising over the fiscal year as per noted in the annual account 2013 provided from MFED. The balances for year 2011 – 2013 were extracted for comparison purpose as provided in the table hereunder:

Table 13A: Arrears of Revenue for year 2011 - 2013

Year	Balance ($m)
2011	1.09m
2012	2.51m
2013	4.66m

(Source: annual account 2013)

iii) MFED still have not put an effort to manage and control this issue. Hence room for improvement is still required in this case.

Recommendation:

The audit recommends that MFED should provide a list of ministries that were actually had arrears of revenue but they never submit theirs for various reasons if necessary.

It was also recommends that a strong internal mechanism system should put in place to minimise issues regardless of arrears of revenue and also to avoid future grievances.

The audit also supports the idea of writing off net balance arrears of revenue for year 2001 and prior as per 2013 annual account stated on page 45 – Statement XIV Arrears of Revenue.

3.13) Statement XV - Unallocated Stores & Manufacturing Accounts

No unallocated stores and Manufacturing accounts

3.14) Statement XVI - Development Fund

Findings and Analysis:

3.14.1 Establishment and Purpose of the Fund

According to the Constitution section 107(2) & (3) defined the Development Fund as a special fund and used to finance development projects from Donors. This Fund was comprises of i) Cash and ii) 'In Kind' aid provided by different external aid donor countries and aid agencies

3.14.2 Balance of the Fund as at 31/12/13

As per reflected in the 2013 Annual Account the total amount of Development Fund for year ended 31/12/13 is $11,392,047.36. However, it was discovered that the amount of $11,392,047.36 was not the correct figure for the Development fund due to the following irregularities noted as follows:

- The Broad Forwarded last year balance of $15,016,044.24[16].
- Issues noted in Para. 4.2 above – Special Fund
- Anomalies discussed in Statement VI of this report – reconciliation, cancellation of Chq but still appear in the system and so forth.
- And not taken into account all "In Kind" aid from Donors which contrary or opposing to Contemporary Accounting Practices.

3.14.3 Over expenditure of $3,623,996.88.

The total over expenditure of $3,623,996.88 for development fund noted was made up of 60% ($2.15m) to Local Contribution to Development Fund (LCDF) and 40% ($1,465,682.82) was for Foreign or Overseas Donors funds as could be sighted in the table below;

[16] The Balance of $15,016,044.24 for last year annual account was not correct as well. Details of such amount could be seen in the audit report 2012, statement XVI – Development Fund page 44. – Para. 15.2.

Table 14A: Project Revenue against Expenditure - 2013

	LOCAL/OVERSEAS DONORS	REVENUES	EXPENDITURES	VARIANCES
0	Revolving Fund	1,479,512.99	199,603.96	1,279,909.03
10	Australia	1,791,737.08	2,420,884.97	(629,147.89)
11	New Zealand	548,673.17	489,534.65	59,138.52
12	Kiribati Government	12,977,179.40	15,135,493.46	(2,158,314.06)
23	South Pacific Commission	40,902.47	-	40,902.47
30	Forum Secretariat	4,645.00	152,233.45	(147,588.45)
32	South Pacific Commission	148,863.76	297,309.80	(148,446.04)
34	Commomwealth Local Government Fund	83,159.26	79,061.89	4,097.37
36	South Pacific Regional Environment Programme	74,989.72	60,545.80	14,443.92
40	Japan	-	238,810.01	(238,810.01)
41	Korea	-	10,543.60	(10,543.60)
43	Asian Development Bank	-	37.14	(37.14)
44	Taiwan	7,847,961.31	8,971,364.71	(1,123,403.40)
53	European Union	977,780.89	518,462.98	459,317.91
60	United Nations Development Programme	43,140.98	126,765.78	(83,624.80)
61	World Health Organisation	256,218.76	410,141.88	(153,923.12)
62	UN Women	49,997.56	206,556.89	(156,559.33)
63	UNESCO	1,866.00	11,003.90	(9,137.90)
64	UN Children and Education Fund	433,321.72	734,235.52	(300,913.80)
66	UN Fund for Population Activities	26,770.50	79,332.59	(52,562.09)
67	UN Environment Program	72,041.68	68,813.50	3,228.18
69	Others	488,047.83	760,070.48	(272,022.65)
		$ 27,346,810.08	$ 30,970,806.96	$ (3,623,996.88)

Despite the overall over expenditure of $3.6m as per stated above, the audit found that there were other Donors funds reported a net saving of over $1.8m in total which comprises of the followings:

Table 15B: Net Savings of other Donors Funds

Donor Names	Net Saving
Revolving Fund	1,279,909.03
New Zealand	59,138.52
South Pacific Commission	40,902.47
Commonweath Local Gov't Fund	4,097.37
South Pacific Regional Env't Progr	14,443.92
European Union	459,317.91
UN Enviroment Program	3,228.18
Total	**$ 1,861,037.40**

3.14.4 Government Locally Funded Projects

The actual amount of over spending for gov't locally Funded Project was $7,309,535.93 excluding the net savings of other Projects which has also funded by Gov't. And the bulk of which over spending came from the Koil Fuel Storage of $2.5m and SOE Reform Program of over $2.2m. The audit also notes that indeed the Koil Fuel Storage spending of $2.5m was not budgeted for, whereas SOE Reform Program had failed to operate within the amount approved under LCDF funds, hence both have caused and contributed to unauthorised expenses of over $7.3m dollars.

However the level of such overspending was reduced to over $2.15m as per above stated after taken into account the net saving of other locally projects funded amounted to $5,151,221.87. All figures are obtained from the annual account 2013 under Development Fund Statement.

3.14.5 Unavailability of Source Documents.

The audit was unable to complete it testing for the selected donated funds received from Development Partners value at $9,958,198.35 due to the unavailability of relevant source documents on hand requested during the audit. See table provided below for selected Donated Projects:

Table 15C: Selected Donated Projects by Overseas Donors

	CODE		PROJECT TITLE	ACTUAL RECEIPTS	G/WARAANT RECEIPT	UNSUBMITTED DOCUMENTS
	REVENUES	EXPENDITURES				
1	N1501108134A	H1501108134A	Betio Community Club Kiribati	60,970.00	47,115.00	
2	N230610C100A	H230610C100A	KTCs Professional Dev. Activites	236,415.50	236,415.50	
3	N270611C045A	H270611C045A	Watsan Programme (PUB)	71,000.00		
4	N290811C115A	H290811C115A	KIR Solid Waste Management &	68,444.65		
5	N1002129156A	H1002129156A	Local Training	100,000.00		
6	N2104122917A	H2104122917A	Observer Programme	3,050,251.08		
7	N220412C056A	H220412C056A	Overseas Referral	814,309.09		
8	N220412C057A	H220412C057A	Local Referral	235,350.00		
9	N220412C058A	H220412C058A	Local Referral - Linnix Health	80,000.00		
10	N2310129154A	H2310129154A	USP Contribution	640,000.00		
11	N250412A051A	H250412A051A	SOE Reform Programme	250,000.00		
12	N290512C038A	H290512C038A	Kiribati Power Supply - Fuel	786,201.00		
13	N2203329146A	H2203329146A	Response Fund for HIV	67,502.62	67,502.62	
14	N0901442262A	H0901442262A	Disaster Mgt - Coastal Erosion	1,000,000.00	450,000.00	
15	N0901444277A	H0901444277A	Small Community Project Fund	241,780.30		
16	N1502444129A	H1502444129A	Upgrade Social Facilities	1,000,000.00		
17	N2201443877A	H2201443877A	Special Medical Fund - Health Services	318,416.23		
18	N240344C141A	H240344C141A	Procurement Landing Craft - KSSL	1,400,000.00		
19	N290969A112A	H290969A112A	OPAGAC Solar Salt	338,591.00		
				$ 10,759,231.47	**$ 801,033.12**	**$ 9,958,198.35**

As reflected above, the total amount of selected donated projects was $10,759,231.47, but the total amount warranted was only $801,033.12. As a result, a discrepancy of $9,958,198.35 (no warrant receipts) was noted. The *issue* was that the Ministry concerned could not provide general warrant for above projects upon the request by the audit team due to the unknown whereabouts of such record i.e. General Warrant for donated projects as per stated above.

Recommendation:

Responsible officer at Project Unit should maintain and updates the Register/Data base for recording of General Warrant issued from Planning Office for ease of references and audit purposes. Or Vote Ledger should be maintained and updated at all times to distinguish the actual balance available in order to monitor and minimize over expenditure displayed in the future annual account.

Also responsible officer from Planning Division should open a separate new register to start recording of General warrant being issuing out to project unit within MFED for their references as well.

Proper justification required from concerned Ministry concerning the over expenditure of both from Kiribati government of over $2.15m and overseas donors of over $1.4m dollars respectively.

To avoid the undue level of over expenditure the Ministry concerned should however put in place a strong internal instrument to control and monitor to a minimal level of expenditure especially to Kiribati Government funded projects to save future grievances.

And proper handling over should be made between officers as the current responsible officer claim that she does not know the whereabouts of the information required and requested from the audit end.

3.15) Statement XVII - Suspense Accounts

Findings and Analysis:

From the audit perspectives, the balances being disclosed under the Suspense Account in the annual account 2013, for the first time, were not realistic at all, given the fact that the MFED could not provide us with document or records to substantiate such balances.

The Suspense Account was incorporated in the 2013 Annual Account to account for and accommodate all the temporary holding accounts primarily due to their uncertainty on the correct account to be posted to. Furthermore, these account balances were noted unexplained and without any supporting document, hence one would conclude that they were not realistic. Further, some of the account balances had been provided and transferred to the above account awaiting formal approval for write off by Parliament if PAC recommendation is considered.

As per noted, the amount of over $50K in total was transferred from the Sundry Deposits A/c (2012) to the Suspense Account (2013). This is being done in line with the audit recommendation raised in last year audit report of financial year 2012.

Per discussion with the responsible officer from the Finance, *it was* advised that supporting document or breakdown of itemised balances under the Suspense account were not traceable as it related to past transactions dated for more than 10 years back.

In light of the above consequences and issues highlighted the audit is unable to perform further testing in verifying the consistency and accuracy of each particular balance. Hence, effective and efficient way-forwards (written off) be put in place to correct and gives more reliable and realistic figure in the future annual account to give a true and fair view of the Gov't financial position.

Recommendation

MFED has to enforce a timely follow up in writing to PAC in order to push and recommends that all balances reflected under Suspense Account were could not be recovered since they had been brought forwarded from many years back to date approx. over 10 years. Hence, writing off such balances is better and recommended.

3.16) Statement XIX - Cash in Transits (RBC)

Findings and analysis:

The account represents the internal movement of cash between MFED and the designated sub-accountants, local government and other agents on outer islands. Normally this account should be nil balance in nature at the end of each financial period as codes debited and credited by the paying station and the receiving station respectively. However, due with the time factor from when the money paid in and out, balances will exist for each particular financial year. So, in 2013 the audit found that cash in transit had been decreased by $41,318.12 with an actual balance of $601,812.23 compared with balance for 2012 of $643,130.35.

Further, under the year review the following issues were detected as follows:

- Wrongly posting of amount $ 1,015 under M003-13A (Nikunau state fund (August)) Pv # 30/08 whilst it should be posted to appropriate allocation of 0005006117 i.e. Bank Agency.
- Account which have no contra and still suspended under code of M00-33 in the sum of $580.00
- Un-cleared remittances for some selected island councils valued to $110,195.00
- Not Maintaining of standard register in accordance with FR section 249(1), chapter 12
- And Cash in transit reconciliation still performed on an annually basis.

Recommendations

Monthly or Quarterly cash in transit reconciliation is much better than annually basis so as easy to discover any variances and to be solve before end of fiscal year.

In order to comply with FR requirement on a standard register, MFED therefore should starts to create or establish of standard register as per required in the FR chapter 12 sec 249(1) accordingly

Further reviewed should be made from most senior staff before finalising of posting to minimise issues basically on misallocation of codes as per experienced from officers concerned.

And MFED also should speed up it follow up on significant outstanding of RBC's by sending reminders to responsible officers on outer island councils.

3.17) Statement XX - Revenue Equalization Reserve Fund (RERF)

Findings and Analysis:

3.17.1 Background

The fund was established in 1956 and capitalized using phosphate mining royalties. Under a conservative policy, the fund's asset grew steadily until 1979 when phosphate deposits were exhausted. Until recently, conservative policies have been protected the RERF. Since independence Governments have generally been reluctant to draw on the RERF, preferring to accumulate funds against an uncertain future.

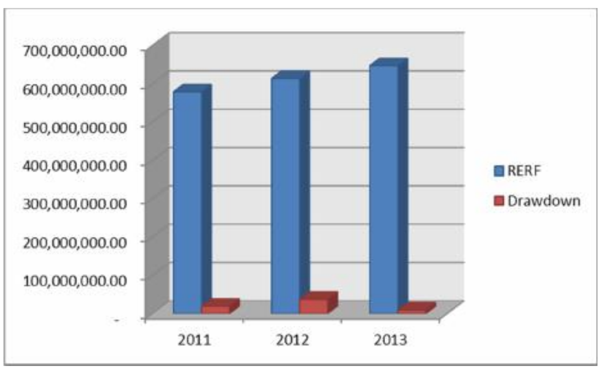
3.17.2 RERF Analysis – Market Value & Drawdown Summary (2011 – 2013)

Table 18A: RERF Analysis for year ending 2011 - 2013

Year	RERF	Drawdown
2011	578,939,105.00	19,700,000.00
2012	613,875,384.00	37,500,000.00
2013	$647,035,299.00	$9,623,224.00

(Source: Investment Unit, NEPO, MFED)

Figure 17B: Trends of RERF against Drawdown – 2011 to 2013



Exhibited above (Fig 18a) was the trend of RERF Market value and RERF drawdown for the preceding years of 2011 up to 2013. The increase noted in 2013 (Market value) of over $33.1m was gradually lower when compared to last year balance of $34.9m in total; difference between 2012 balance of $613.8m and 2011 of $578.9m respectively.

3.17.3 Balance of the Fund (RERF) – for year ended 2009-13

The Line Graph was provided for the past five years showing an amount of RERF at year-end of 2009-13 as clearly shown in the graph below.

(Extracted from General Ledger Report, 2009 -13, MFED)

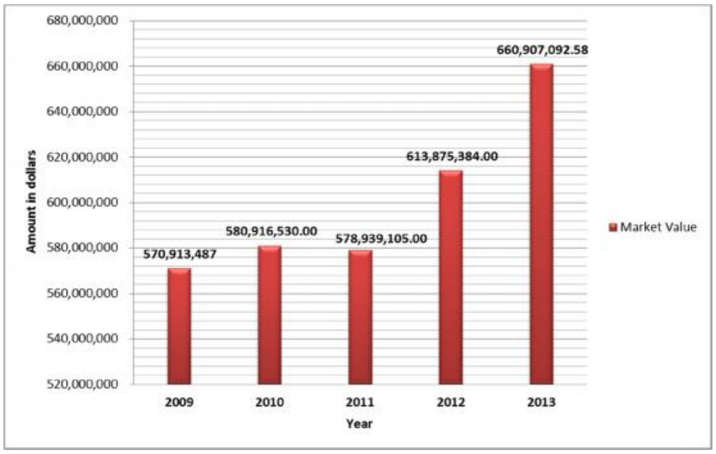


Figure 17B: Value of the fund – (2009–13)

According to the graph exhibited above, the level of RERF (Market Value) had kept increasing over the fiscal years 2009 to 2013. In 2009 the level of the fund was some of $570m a slowly increase of 0.02% from last year balance of some $561m. However, in subsequent years of 2010 and 2011 the audit noted a slightly increased by only 2% in 2010 and gradually decreased of $1.98m in 2011 respectively, increased by some of over $34m or 6% in 2012 as well as a slowly increase of over $33m or 5% for year 2013 accordingly. The balance of RERF in 2013 was noted as the highest value compared to previous years.

3.17.4 Trends of RERF Drawdown – 2009 up to 2013

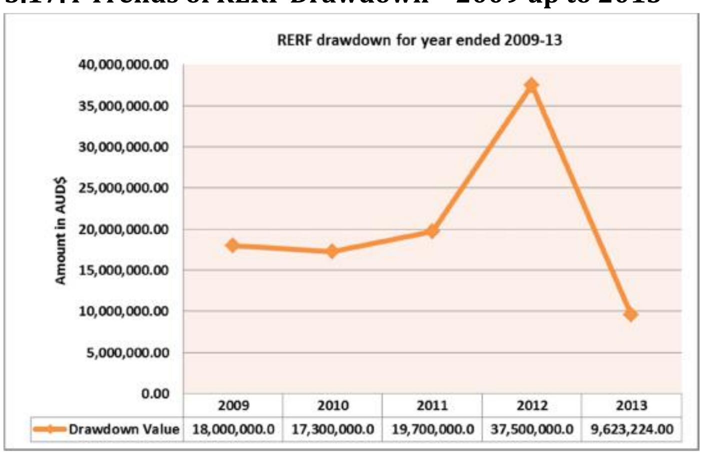


Figure 17C: value of Drawdown 09-13

Figure 18C illustrated above reveals the level of drawdowns from RERF for the past five years. In 2012 the value of RERF withdrawn by some $37.5m is the highest amount compared with previous years. In contrast FY 2013 has the lowest value of RERF drawdown when we compared with prior years as explicitly stated in fig 18c above amounting to $9.62m.

3.17.5 Discrepancies of RERF totalled to $13,871,793.58

Value of the Fund - 2009-13

Year	Min Balance	GL Report	Variance
2009	570,913,487	570,913,487.02	0.02
2010	580,916,530.00	580,916,530.27	0.27
2011	578,939,105.00	578,939,104.66	(0.34)
2012	613,875,384.00	613,875,383.32	(0.68)
2013	647,035,299.00	660,907,092.58	**$ 13,871,793.58**

As clearly stated under Statement XX of 2013 Annual Account, MFED through it Account Section obtained and documented information concerning the RERF performances from the Investment Officer. However, the audit noted with great concern that the Account Section figure of $647m was not agreed with Investment Officer Figure of $660m, incurring an excessive discrepancy of over $13.8m as per exhibited in table above. In this case, the Account Section within MFED should provide full explanations vis-à-vis the discovered variance of $13.8m accordingly.

3.17.6 Total Income – HSBC & NICAM as at 31/12/2013

In year 2013 HSBC had managed to report the value of over $33.26m whereas NICAM had desolately reported a negative (Loss) amount of $16.85m to which as a result, total income for year ended 31st December 2013 is AUD$16.4m. Obviously, the reported loss by NICAM as specifically stated in annual account 2013 is due largely to Security Loss and Interest Loss of which explanations shall be required for this matter.

However, this is big contrast when compared to prior year's balance of 2012 amounted to AUD$29.9m and 2011 valued to AUD$20.5m respectively. Over $13.5m or 45% decreased in value from year 2012 to year 2013 indicating that the controlling and monitoring over this fund was not good at all, hence, improvement may be expected in the next financial account.

3.17.7 Management Fees for year ended 31st December 2013.

The total fees[17] incurred for the year ending 31/12/13 was $1.73m. A gradual increase of $0.26m was noted when we compared with last year (as at 31/12/13) balance of $1.47m ($1.73m-$1.47m). As mentioned in my previous audit report (2012) in regards of the tax expense as to why RERF Custodian regularly charged tax which in fact the RERF is treated and commonly known as the Government Fund. Yet if this tax deduction is not for Revenue then in question for what deductions had this been made? Hence explanations and justifications should be provided from this concerned Ministry i.e. MFED.

[17] Total Fees comprises of Management, Custodian, Tax and Other Services incurred during the year under review.

Implications

Government investments in other foreign jurisdictions are normally exempted from tax in other countries and deductions of this would unnecessarily deplete the value of the RERF.

Recommendation:

It is highly recommended that MFED should provide proper justification and explanation on the discrepancy of over $13.8m between Min Balance and GL/Mgmt. Report accordingly.

Management should ensure appropriate actions are put in place to effect the exemption of tax by partner countries and, if in order, to pursue recovery of tax been deducted by the respective custodians.

Management should revisit its current agreement for improvement in areas that could boost investment in the future.

4) Statement of Auditor Independence

4.1 Independence

We confirm that, for the audit of Government of Kiribati Annual account for the year ended 31st December 2013 we have maintained our independence in accordance with the provisions of the CAP 79. In addition, we have no relationships with, or interests in, the GOK Annual account (MFED).

4.2 Unresolved disagreements

We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.

5) Appendix: Appendices are attached and enclosed as follows:

Appendix One: Losses of Public Funds

Ministry of Finance & Economic Development

Year	Details		Remarks
2003	Cheques collected and cash by unidentified person	378.00	OAG recommends written off
2005	Shortage of revenue at customs office	1,499.97	Shortage was $999.97 and paid. No further action required
2007	Suspected fraud at Salary section	7,270.10	Case still with Police
2007	Alleged fraud at MFED	504.00	Case still with Police
2007	Alleged fraud at MFED	1,232.50	Case still with Police
		10,884.57	

Ministry of Fisheries & Marine Resource Development

Year	Details		Remarks
2000	Loss of revenue collection at fish farm	874.30	Place under officer's personal advance
2001	Loss of revenue collection at Agriculture division	1,645.80	Officer imprisoned on 21/11/05 therefore should be written off
2010	Cash shortage & unauthorized opening of government safe FMRD Tanaea	455.70	
		2,975.8	

Ministry of Communication, Transport & Tourism Development

Year	Details		Remarks
1987	Bairiki Post office	2,758.09	Write off action requested
	Payment of telmo to unauthorized payee	600.00	Write off action requested
1988	Onotoa Post office- loss of cash	1,741.38	Write off action requested
	Serious irregularities in Shipyards Betio	1,420.00	Write off action requested
	Loss of Public funds Post office Makin	347.20	Write off action requested
	Cash shortage April 1988 account Washington	324.03	Write off action requested
1989	Telmo Discrepancies	9,936.75	Write off action requested

	Invalid stamp sales- Post Master	915.34	Write off action requested
1991	Improper use of Philatelic Funds	1,807.22	Write off action requested
1992	Loss of Public Fund KVP	733.35	Write off action requested
2005	Suspected fraud at Post office Betio	31,500	Requested for suspension on 50% pay set today. AG never receive the case
2005	Suspected fraud at Post Office Betio	7,584.90	$4,500 has been repaid, remaining $1,026.10 should be recovered from the person concerned
2005	Discrepancy on Abaokoro stamp Imprest	300.00	Further information be obtained from the responsible Ministry
2010	Alleged fraud at Bikenibeu Post office	7,419.10	
		67,387.36	

Ministry of Works & Utilities

Year	Details		Remarks
1998	Alleged misuse of PWD materials by the Chief Engineer	3,202.80	Write off action requested
2007	Alleged misuse of Public fund by Ag DS	31,200	
		34,402.80	

Ministry of Labor & Human Resource Development

Year	Details		Remarks
1997	Fisheries Training Centre	468.15	Write off action requested
	Misuse of Korean Fund as Special Imprest	2,000.00	Write off action requested
2000	Alleged misuse of Public Funds at FTC	581.85	Write off action requested
2008	Alleged fraud at KIT	5,137.50	case still with Police.
		8,187.50	

Judiciary

Year	Details		Remarks
1989	Misuse of Bus tickets	142.95	Write off action requested
1996	Loss of Public funds at Chief registrar office	828.68	Write off action requested
		971.63	

Police & Prisons

Year	Details		Remarks
1991	Double payment of Pension (Gratuity)	6,272.91	Write off action requested
2009	Improper payment of Leave Grant (Temporary Account Clerk)	13,874.35	AG's office
2013	Alleged fraud at Kiribati police service	1,347.00	no comment
		21,494.91	

Ministry of Internal Affairs

Year	Details		Remarks
2003	Shortage of Abaiang state fund a/c	52,855.14	Reported to Police 16/01/03
2006	Shortage of Aranuka state fund a/c	5,408.05	Case for 2004, suspect convicted in Feb 2006, imprisoned for 3 months
	Loss of Abaiang state & Island fund	8,913.39	AG's office recommends a write off
	Loss of Butaritari Copra fund	21,637.70	AG's office recommends a write off
	Loss of Abaiang island fund	396.47	AG's recommends a write off
		89,210.75	

Ministry of Health and Medical Services

Year	Details		Remarks
2001	Misappropriation of entertainment funds	3,476.65	Write off action requested
2004	Misappropriation of project funds	81,151.53	Suspect in the US, Extradition considered given the amount involved
2008	Shortage of student nurses pocket money	1,056.00	
2009	Alleged fraud at MHMS Revenue section	1,860.50	
2010	Suspected fraud at MHMS	3,844.85	
		91,389.53	

Ministry of Education

Year	Details		Remarks
2004	Alleged fraud and abuse of office at TTI	2,761.09	Court dismissed the case, long delay in bringing the case to court ok
2005	Alleged fraud at Kiribati Technical Institute	2,495.23	Suspect imprisoned amount recovered
2008	Alleged fraud at Kiribati Technical Institute	5,137.50	

		10,393.82	

Ministry of Environment, Land & Agriculture Development

Year	Details		Remarks
1996	Alleged misappropriation of public funds-sale of sport equipment	440.00	Write off action requested
		440.00	

Ministry of Line & Phoenix Group

Year	Details		Remarks
2003	Alleged fraud of Public funds	2,501.23	Reported to Police on 16/01/03
2004	Alleged embezzlement of Public funds	92,247.00	Officer imprisoned for ten years
2005	Loss of cash at wildlife unit	3,135.00	Officer imprisoned for 1 year, repay $50 each pay day
		97,883.23	

Public Service of Commission

Year	Details		Remarks
2004	Alleged misappropriation of Public funds at PSC	4,720.00	Reported to Commissioner of Police 13/01/05
		4,720.00	

Office of Te Beretitenti

Year	Details		Remarks
2008	Loss of Public fund at OB office	7,353.50	
		7,353.50	

TOTAL	**LOSSES OF PUBLIC FUNDS**	**447,695.40**	

Appendix Two: Copy of Balance Sheet – 2013

3. Annual Account Statements

Statement No. I – Balance Sheet

Government of Kiribati Balance Sheet as at 31st December 2013

FUNDS IN THE HANDS OF ACCOUNTANT GENERAL

Stat No.		2013	2012
	Investments		
XI	Investments with HSBC	$372,962,691.36	$309,517,188.31
XI	Investments with NICAM	$287,944,401.22	$304,358,195.01
XI	Land in Fiji	$930,180.00	$930,180.00
XI	PIPA Trust Fund	$2,623,224.00	$0.00
XI	Other Investments	$31,809,243.10	$1,408,938.77
		$696,269,739.68	$616,214,502.09
	Cash		
VI	Cast at Bank and on hand	$11,493,761.89	$15,069,139.53
XIX	Cash in Transit	$601,812.23	$643,130.35
		$12,095,574.12	$15,712,269.88
VII	**Advances**		
	Other Governments	$0.00	$7,066.00
	Public Officers	$9,037,051.57	$11,780,926.43
	Sundry Advances	-$426,586.53	-$507,207.17
		$8,610,465.04	$11,280,785.26
XVII	**SUSPENSE**	$4,885,005.56	-
	TOTAL	**$721,860,784.40**	**$643,207,557.23**
IX	**Deposits**		
	Deceased Native Estates	-$1,030,032.14	-$1,128,790.64
	Public Officers	-$28,892.75	-$24,856.54
	Sundry Deposits	$3,819,000.90	$7,346,993.27
	Telmos	-$4,366,246.35	-$5,154,460.72
		-$1,606,170.34	$1,038,885.37
	ATTRIBUTABLE TO		
II	Consolidated Fund	-$39,461,269.92	-$11,282,176.52
XVI	Development Fund	-$11,392,047.36	-$15,016,044.24
XX	Revenue Equalization Reserve Fund	-$663,530,316.58	-$613,875,383.32
V	Stabex Special Funds	$2,176,390.40	$2,617,508.35
V	Other Special Funds	-$8,047,370.60	-$6,690,346.87
		-$720,254,614.06	-$644,246,442.60
	TOTAL	-$721,860,784.40	**-$643,207,557.23**

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Appendix Three: Copy of Consolidated Fund - 2013

Statement No. II – Consolidated Fund

Government of Kiribati Consolidated Fund as at 31st December 2013

	Expenditure				Revenue			
Description	Org Budget	Rev Budget	Actual	Over (Under)	Org Budget	Rev Budget	Actual	Over (Under)
Government of Kiribati Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contribution to Development Fund	5,881,710.00	7,436,223.00	7,898,303.00	462,080.00	0.00	0.00	0.00	0.00
Contribution to RERF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Support to the Beretitenti	1,341,216.00	1,350,019.54	1,541,026.54	191,007.00	0.00	0.00	-343.36	343.36
Public Service Office	600,785.00	600,785.00	622,680.64	21,895.64	0.00	0.00	-6.00	6.00
Judiciary	1,566,797.00	1,650,467.00	1,568,447.97	-82,019.03	-74,400.00	74,400.00	-63,828.39	-10,571.61
Police and Prisons	7,030,624.00	7,030,624.00	6,927,839.51	-102,784.49	-77,000.00	-77,000.00	-62,534.10	-14,465.90
Public Service Commission	227,557.00	233,691.00	255,029.78	21,338.78	0.00	0.00	0.00	0.00
Foreign Affairs	1,835,758.00	1,835,758.00	1,894,019.57	58,261.57	-100,000.00	-100,000.00	-59,566.50	-40,433.50
Ministry of Home Affairs and Rural Dvnt	2,880,113.00	2,895,618.36	2,969,234.28	73,615.92	71,000.00	-71,000.00	-110,664.00	39,664.00
Ministry of Environment and Social Dvnt	2,548,621.00	2,556,319.96	2,739,280.28	182,960.32	133,943.00	-133,943.00	-191,609.90	57,666.90
Maneaba ni Maungatabu	2,739,232.00	3,058,932.18	3,712,628.79	153,696.61	-7,900.00	-7,900.00	-14,420.03	6,520.03
Ministry of Commerce, Industry and Tourism	1,199,802.00	1,228,070.96	1,163,790.78	-64,280.18	-58,016.00	-58,016.00	-88,042.63	30,026.63
Kiribati National Audit Office	660,172.00	726,750.00	700,717.90	26,032.10	-64,244.00	-64,244.00	-3,000.00	-61,244.00
Office of the Attorney General	584,677.00	590,967.00	605,111.35	14,144.35	-1,049.00	-1,049.00	-658.98	-390.02
Ministry of Natural Resources Development	2,155,779.00	2,163,477.96	1,908,213.11	255,264.85	-37,352,000.00	-37,352,000.00	-89,777,086.68	52,425,086.68
Ministry of Health	14,828,075.00	14,835,773.96	14,930,069.88	94,295.92	-108,126.00	-108,126.00	108,271.45	145.45
Ministry of Education	19,584,422.00	19,592,119.96	19,212,646.01	-379,473.95	-232,693.00	-232,693.00	-272,558.68	39,865.68
Ministry of Commctn, Trans, & Tourism Dvnt	2,558,910.00	2,566,331.82	2,415,559.09	-150,772.73	-2,047,300.00	-2,047,300.00	3,944,226.89	1,896,926.89
Ministry of Finance and Economic Dvntt	2,797,118.00	2,804,816.96	2,711,946.73	-92,870.23	-33,964,400.00	-33,964,400.00	38,357,037.68	4,392,637.68
Ministry of Women, Youth, and Social Affairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ministry of Works and Energy	2,324,378.00	2,331,799.82	2,308,929.95	-22,869.87	-51,400.00	51,400.00	-46,411.16	-4,988.84
Ministry of Labour and Human Resources Dvnt	3,538,264.00	3,545,962.06	3,702,696.70	156,733.74	-56,005.00	-56,005.00	-69,355.30	13,350.30
Ministry of Line and Phoenix Development	2,690,580.00	2,698,278.96	2,594,683.67	-103,595.29	-399,000.00	-399,000.00	-594,883.22	195,883.22
Debt Servicing	2,079,858.00	2,082,978.00	2,740,407.09	657,429.09	0.00	0.00	0.00	0.00
Other Government Expenses	17,432,841.00	22,078,900.00	20,962,659.67	-1,116,240.33	0.00	0.00	0.00	0.00
Grand TOTAL	99,087,289.00	105,894,666.40	105,585,922.29	-308,744.11	-74,798,476.00	74,798,476.00	-133,764,604.95	58,966,128.95

Add Consolidated Fund bfwd	-11,282,176.52
	-145,046,781.47
Less Expenditure	105,585,922.29
Consolidated Balance at end of year	-39,460,859.18

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Appendix Four: Schedule 2 of Cap 79

SCHEDULE 2
(Section 11)

RULES FOR THE OPERATION OF THE DEVELOPMENT FUND

1. In these Rules "Fund" means the Development Fund.

2. (1) No moneys shall be issued from the Fund for the purpose of meeting any expenditure except in accordance with a warrant under the hand of the Minister authorising the Accountant General to issue those moneys.

(2) Subject to the rules 4, 5, 6 and 7 no warrant shall be issued under paragraph (1) unless the expenditure in question has been authorised by the Maneaba ni Maungatabu by resolution or in accordance with these Rules.

3. (1) The Minister shall cause to be prepared in each financial year estimated of the revenue and expenditure of the Fund for the next following financial year.

(2) The proposals for all expenditure contained in the estimates shall be submitted to the Maneaba ni Maungatabu and a statement showing the estimated balance of the Fund at the commencement of the financial year and the anticipated revenue accruing to and total expenditure from the Fund during the financial year shall also be furnished to the Maneaba ni Maungatabu.

4. (1) If the Maneaba ni Maungatabu has not yet authorised for any financial year expenditure of sums necessary to finance the continued construction and provision of development works for which provision was made from the Fund in the previous financial year the Minister may by warrant authorise the issue from the Fund of such sums as are necessary to finance the continued construction and provision of such works to enable such works to be carried out for a period of 4 months or until the expenditure of sums necessary to finance the continued construction and provision of such works has been approved by the Maneaba ni Maungatabu whichever is the shorter period.

(2) Notwithstanding paragraph (1) no sum may be issued under this rule in respect of any subhead where such sum would be in excess of 20 per cent of the estimate of the total cost for such subhead as it appears in the development estimates or supplementary development estimates approved by the Maneaba ni Maungatabu.

5. (1) When in any financial year the development estimates or supplementary development estimates for that year include an estimate of total cost for any subhead over any period which is in excess of the total sum appropriated for that subhead for the current year the Minister may by warrant authorise the expenditure of any sum which, when added to the expenditure incurred on the corresponding subhead in previous years and to the expenditure already authorised for the same subhead for the current year, does not cause to be exceeded the latest estimate of total cost for that subhead included in the development estimates or supplementary development estimates approved by the Maneaba ni Maungatabu for that year.

(2) When at the commencement of any financial year the provision included for any subhead in the development estimates or supplementary development estimates of the immediately preceding financial year has been only partially expended the Minister may by warrant authorise the expenditure of the unspent balance of such provision under a corresponding subhead in the current financial year.

Provided that the amount so authorised shall not when added to the expenditure incurred in previous years and to the provision already made in the current year, exceed the latest overall estimate of total cost for the subhead included in any development estimates or supplementary development estimates approved by the Maneaba ni Maungatabu.

(3) No warrant under this rule shall authorise the issue of an amount which if it were expended at once would exceed the balance of the Fund remaining after all other expenditure authorised for the year has been provided for.

6. The Minister may with the approval of he Cabinet by warrant authorise the issue from the Fund of such sum as may be necessary for expenditure under any subhead of a special character which is not provided for to the expenditure already authorised by the Maneaba ni Maungatabu for the year and which cannot or cannot without serious injury to the public interest be postponed until adequate provision can be made by the Maneaba ni Maungatabu.

Provided that no such warrant shall authorise the issue of an amount which if it were expended at once would exceed the balance of the Fund remaining after all other expenditure authorised for that year has been provided for.

7. (1) The Minister may in any year by warrant authorise the issue from the Fund of such additional sum as may be necessary for expenditure under any subhead which has been authorised by the Maneaba ni Maungatabu for that year and the issue of which cannot or cannot,

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Appendix Five: Statement No XX: RERF Performance - 2013

Statement No. XX - Revenue Equalization Reserve Fund

Government of Kiribati RERF Balance as at 31st December 2013

The Revenue Equalization Reserve Fund (RERF) invested with HSBC and NICAM as at end of fiscal year December 31st, 2012 reveals a total investment value of $613,875,383.32. In 2013 the balance increased by $56,663,933.26. The new balance as at end of December 2013 is $660,916,092.58

Although HSBC and NICAM (Fund Managers) operate independently they still follow the RERF policy guidelines provided by the RERF Committee[2]. In 1995 both fund managers received equal amount of investment to manage. Prior 1995 all funds were managed by HSBC alone. State Street firm, based in Sydney, Australia, oversees and monitors the performance of the two fund managers and report directly to the Investment Unit in the Ministry of Finance. The Investment Officer receives monthly reports from the fund managers as well as performance reports from State Street, and reports directly to the Minister of Finance and to the RERF Committee. The Accounts Section gets information on the RERF performance from the Investment Officer and the government drawdown's from the ANZ bank statements.

The following brief analysis of the RERF is based on the documentations and information provided by the Investment Officer, Ministry of Finance. For more detailed information on the RERF, the Investment Officer should be consulted.

Table A. RERF balance in 2013 (AUD$ million)

Fund Managers	January 1st, 2013	December 31st, 2013
RERF – HSBC	$309.52	$372.97
RERF – NICAM	$304.36	$278.94
Total RERF value	$613.88	$660.92

- The total value of the RERF as at 31st December 2013, is AUD$660,916,092.58.
- Out of this total amount, AUD$372,971,691.36 is held by HSBC while the remaining balance of $287,944,401.22 is held by NICAM.
- In comparison with last year 2012, the RERF value in 2013 is higher by $47.04 million. This is an increase of 7.7%[3] percent and 1.7 % more compared with that of last year's 6 percent growth.
- The net RERF income for the year 2013 is AUD$ 16,416,761.40[4]--HSBC contributed AUD$ 33,267,728.46 while NICAM generated a loss of AUD$ (16,850,967.06).
- The loss incurred by NICAM is due largely to Security Loss and Interest Loss (refer Summary of Assets Management table below.)
- The approved RERF total drawdown in the 2013 budget is $22.29m. However, the actual drawdown made from the RERF is $9,623,224.00m--$7 million of which goes to finance recurrent budget and

[2] Minister for Finance & Economic Development Chaired the RERF Committee.
[3] The growth rate incorporates the impact of Government withdrawals, which means that the actual growth rate of the fund would have been much higher.
[4] The RERF income includes dividends, interests, and security 'gains and losses'.

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$2.6 million is invested in Phoenix Islands Protected Area Trust. The reduced drawdown is possible basically because of the very high fishing license received during the year.

- The total fee for the RERF management, custodian, tax and other services incurred for the year ended 31st December 2013 is $1.73m. The fee is $0.26 million more than that of 2012.

As stated above, the overall increase of the RERF value in 2013 is 7.7%. This is 1.7% higher compared to last year's growth of 6% and to which the HSBC excellent performance should be commended and acknowledged.

SUMMARY OF ASSET MANAGEMENT

AS AT 31 DECEMBER 2013

BY HSBC AND NICAM

TYPES OF INVESTMENT	Q4G1	Q4G2	Q4G1&Q4G2	Q4G3	TOTAL ASSETS
BY	EQUITIES	BONDS	EQUITY&BOND	EQUITY&BOND	INVESTED WITH
FUND MANAGERS	HSBC	HSBC	HSBC	NICAM	HSBC&NICAM
OPENING MARKET VALUE	166,628,812.51	142,888,375.80	309,517,188.31	304,358,195.01	613,875,383.32
CONTRIBUTIONS	(2,500,000.00)	2,500,000.00	-	-	-
CASH TRANSFER IN	4,810,000.00	15,181,000.00	19,991,000.00	-	19,991,000.00
CASH TRANSFER OUT	(15,181,000.00)	(4,810,000.00)	(19,991,000.00)	-	(19,991,000.00)
ASSET TRANSFER IN	-	-	-	-	-
ASSET TRANSFER OUT	-	-	-	-	-
LESS DRAWDOWNS	(3,500,000.00)	-	(3,500,000.00)	(6,123,224.00)	(9,623,224.00)
	150,257,812.51	155,759,375.80	306,017,188.31	298,234,971.01	604,252,159.32
ADD: INCOME					
Dividend Income	5,635,458.78	-	5,635,458.78	11,187,957.37	16,823,416.15
Interest Income	10,577.44	5,597,306.66	5,607,884.10	(3,676,592.37)	1,931,291.73
Other Income	4,282.07	(2,432.37)	1,849.70	-	1,849.70
Currency Gain/Loss Security Settlement	(389,381.08)	(50,835.29)	(440,216.37)	-	(440,216.37)
Security Gain/Loss on FX Settlement	56,129.75	(220,517.05)	(164,387.30)	297,151.78	132,764.48
Security Gain/Loss on Interest Received	-	(4,430.40)	(4,430.40)	-	(4,430.40)
Security Gain/Loss on Dividend received	49,864.52	-	49,864.52	-	49,864.52
Security Gain/Loss on Tax refund received	422.22	-	422.22	-	422.22
Average Gain/Loss on currency disposal	109,862.67	(7,145.59)	102,717.08	(10,968.24)	91,748.84
Average Currency Gain/Loss	1,404,337.56	(1,832,236.60)	(427,899.04)	-	(427,899.04)
Average Security Gain/Loss	23,570,437.95	-663972.78	22,906,465.17	(24,648,515.60)	(1,742,050.43)
Total Income	30,451,991.88	2,815,736.58	33,267,728.46	(16,850,967.06)	16,416,761.40
LESS: EXPENSES					
Management Fees	345,912.45	282,123.23	628,035.68	340,671.21	968,706.89
Custodian Fees	277,297.31	80,579.38	357,876.69	144,583.45	502,460.14
Tax Expenses	232,428.73	3,078.34	235,507.07	8,919.87	244,426.94
Other Fees	8,342.10	-	8,342.10	3,298.87	11,640.97
Total Expenses	863,980.59	365,780.95	1,229,761.54	497,473.40	1,727,234.94

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Net Income	**29,588,011.29**	**2,449,955.63**	**32,037,966.92**	**(17,348,440.46)**	**14,689,526.46**
LESS: OPENING UNREALIZED APP/DEP	13,300,238.19	4,786,740.62	18,086,978.81	(5,620,585.26)	12,466,393.55
ADD: CLOSING UNREALIZED APP/DEP	48,890,047.58	4,113,467.36	53,003,514.94	1,437,285.41	54,440,800.35
Net Gain/Loss on Unrealized APP/DEP	**35,589,809.39**	**(673,273.26)**	**34,916,536.13**	**7,057,870.67**	**41,974,406.80**
CLOSING MARKET VALUE	**215,435,633.19**	**157,536,058.17**	**372,971,691.36**	**287,944,401.22**	**660,916,092.58**
EQUITIES	154,843,470.13	-	154,843,470.13	-	154,843,470.13
FIXED INCOME/BONDS	-	141,346,850.35	141,346,850.35	266,214,936.59	407,561,786.94
CASH EQUIVALENTS	60,396,523.57	14,398,131.26	74,794,654.83	5,070,011.40	79,864,666.23
CASH/RECEIVABLES/PAYABLES	195,639.49	1,791,076.56	1,986,716.05	16,659,453.23	18,646,169.28
	215,435,633.19	**157,536,058.17**	**372,971,691.36**	**287,944,401.22**	**660,916,092.58**

Appendix Six: Statement IX - Deposit 2013

Statement No. IX - Deposits

Deposits with Government of Kiribati at 31st December 2013

	GL CODES	2013	2012
DECEASED NATIVE ESTATE (S*)	**S00**	($1,030,032.14)	($1,128,790.64)
PUBLIC OFFICERS			
Salary Allotments (Q0057*)	Q	($20,874.35)	($19,495.14)
Save As You Earn Scheme (T*)	T	($8,018.40)	($5,361.40)
		($28,892.75)	($24,856.54)
SUNDRY DEPOSITS (O00, O50)			
Trade Creditors Overseas	O0000000010A	($145.54)	($145.54)
Trade Creditors Local	O0050000010A	$112,314.16	$117,666.87
Rent	O0050006000A	$276,226.10	$276,107.85
Service Charge	O0050006001A	($3,284.17)	($3,283.97)
Telmo Salaries	O0050006003A	$480.14	$0.00
Bank Salaries	O0050006004A	($321,277.04)	$237,487.68
KPF loan	O0050006005A	$19.53	($727.59)
Insurance	O0050006006A	($73,468.99)	($98,556.40)
Development Bank	O0050006007A	($79,081.17)	($85,145.79)
Housing Loans	O0050006008A	($153,997.23)	($153,860.67)
Chief registrar	O0050006010A	($239,284.41)	($248,076.23)
Linnix Service Charge	O0050006012A	($2,595.00)	($1,580.25)
Constabulary Reward	O0050006015A	($686.85)	($686.85)
Prison Fund	O0050006024A	($33.40)	($33.40)
Security Bond Immigration	O0050006040A	($103,108.69)	($103,108.69)
Private Works PWD	O0050006067A	($73,544.65)	($73,544.65)
Motiere Teuaai	O0050006101A	$50.00	$0.00
BOK Savings Accounts	O0050006113A	($253,365.06)	($148,097.30)
Forum Fisheries	O0050006114A	($40.95)	$0.00
Contribution to KPF	O0050006115A	$1,697,144.06	$1,577,390.45
ODA Advance Funding	O0050006116A	$259.35	$0.00
Bank Agency arrangement	O0050006117A	$2,949,557.68	$2,757,814.31
FDA Loans	O0050006119A	$1,368,982.06	$1,190,738.36
Telecom training Costs	O0050006140A	$0.20	$0.20
Police Fund	O0050006150A	$5,550.11	$5,550.11
Juduciary - Deposit (KSSL/BSL)	O0050006321A	$40.00	$40.00
Small Industry Project	O0050006325A	($24,786.86)	($24,786.86)
DOL Trust Fund	O0050006328A	$47,662.90	$44,265.28
BKL Deposit On Outer Islands	O0050006329A	($1,268,865.67)	($1,266,223.17)
Prior periods Unclaimed Chqs	O0050006330A	($135,302.38)	($137,699.69)
No1 unidentified Credit	O0050006334A	$220,048.63	($3,835,160.04)
No.1 PPI unreconcile balance	O0050006335A	$0.00	($13,795,670.93)
No.4 PPI unreconcile balance	O0050006336A	$0.00	$20,794,390.54

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No.6 PPI unreconcile balance	00050006337A	$0.00	$438,666.10
Outer Island other deposit	00050006338A	$114,995.17	$113,966.17
Uncollected Telmos	00050007186A	($12,558.50)	$0.00
BPC Banaba - Perpertual Deposi	00050007790A	($5,500.00)	($5,500.00)
Deed of Release 2007-08 MPLID	00050007792A	($199,161.61)	($199,161.61)
Contra Bank Statements	00050009988A	($3,600.47)	($4,100.47)
Bank Charges Salary Deduction	00050009999A	($21,940.55)	($21,940.55)
		$3,817,700.90	$7,346,993.27

TELMOS (51*, 52*,53*)		
Internal (P0051*, I0051*)	($40,393,872.95)	($39,932,423.41)
Internal (P0053*, I0053*)	$46,932,418.93	$46,191,535.94
Internal (Telmo Salaries P0052*,I0052)	($10,904,792.43)	($11,413,573.25)
	($4,366,246.45)	($5,154,460.72)
Total	($1,607,470.44)	$1,038,885.37

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Appendix Seven: Special Fund Balances

Statement No. V - Special Funds

Government of Kiribati Special Funds Balances as at 31st December 2013

SPECIAL FUNDS IN HANDS OF THE ACCOUNTANT GENERAL

FUNDS	GL Code	2012	Current Year Total Receipts	Current Year Total Expenses	2013
Stabex					
Stabex Special Fund	F0070000062A	59,351.55			-59,351.55
No.6 Stabex Fund	F0070000063A	1,282,906.39	-2,373,836.73	2,426,851.21	1,335,920.87
Local Stabex Fund	F0070000064A	1,393,953.51	-3,027,996.78	7,533,864.35	899,821.08
		2,617,508.35			2,176,390.40
Other					
Coinage Security Special Fund	F0070000010A	-359,668.87		359,668.87	0.00
Kaoki Marge Special Fund	F0070000030A	-114,185.28	-228,725.50	154,013.60	-188,897.18
Import Levy Fund	F0070000061A	-2,952,433.92	-2,970,035.62	1,699,748.25	-4,222,721.29
Leper Trust Fund Board	F0070000066A	-8,961.27			-8,961.27
Dai Nippon Causeway Fund	F0070000067A	-2,601,764.08	-275,516.58	278,657.34	-2,598,623.32
Escrow Fund	F0070000068A	-66,536.76			-66,536.76
Civil Aviation Fund	F0070000069A	-527,848.12	-1,121,631.21	1,036,246.28	-613,233.05
Plant and Vehicles Unit Fund	F0070000070A	-58,948.57	-3,862,082.26	3,572,633.10	-348,397.73
		-6,690,346.87			-8,047,370.60
TOTAL		**-4,072,838.52**			**-5,870,980.20**

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