REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Telecommunications Authority of Kiribati
For The Year Ended 31st December 2013

Kiribati National Audit Office
December 2014

KIRIBATI NATIONAL AUDIT OFFICE

P.O BOX 63
Bairiki, Tarawa
Kiribati

Audit for an impact for the public

Tel: (686)21118
Fax: (686)21250
Email: infor@knao.gov.ki

Audit Report

To the readers of Telecommunications Authority of Kiribati financial statements for the year ended 31 December 2013

The Auditor-General, Mrs Matereta Raiman is the auditor of Telecommunications Authority of Kiribati.

The audit covered the Authority's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1976 and the TAK Act 2004 that apply to the financial statements of the TAK for the year ended 31 December 2013.

Qualification

- Overtime (Double time) in the amount of $5,239 were noted to have been misposted to Salaries and Wages.
- I am unable to verify the Account Receivables balance due to the following:
  - There was an inconsistency of the Account Receivable balance as per Financial Statement and Account Receivable list.
  - We noted the double charges made to some of the debtors in the total of $6,200 therefore overstating the Account receivable balance. This implied lack of reconciliation.
- I am unable to verify, TAK's Fixed Asset due to the following:
  - The Fixed Asset register lacked detailed information which had hindered us from verifying fixed assets balance.
  - No physical counting of Fixed Assets carried out as at 31 Dec 2013
- We noted a wrong reverse entry made to Cash at Bank and Sundry Receivables in the amount of $33,900. This had understated Cash at Bank as at 31 Dec, 2013.

Qualified Audit Opinion.

In my opinion **except for** the effects of the matters referred to in the qualification paragraph above, the financial statements of the TAK were properly drawn up as to:

- Present fairly the Authority's Financial Position as at 31 Dec 2013, its results and cash flow for the year ended on that date;
- Comply with Generally Accepted Accounting Principles as they apply in Kiribati.

Emphasis of Matter

We would like to draw the attention to the matters described below:

- We noted that the Board determined the Extraordinary Meeting sitting allowance of $350 and $300 for the Chairperson and other members respectively without seeking first the approval of the Minister of MCTTD as required under Subsection 4(3) schedule 1 of TAK Act 2004.
- TAK engaged an employee of one Ministry to assist with speeding up debt collection without going through tendering process. The Board's approval was not even sought before the engagement was undertaken.

The audit was completed on 11 Dec 2014, and was the date at which our opinion was expressed.

Basis of Opinion

We carried out the audit in accordance with the Generally Accepted Auditing Principles as applied in Kiribati.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;

- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, therefore we could not guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the TAK Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice. The financial statements must give a true and fair view of the financial position of TAK as at 31 December 2013 and the results of its operations and cash flows for the year ended on that date. The Board of Directors responsibilities were clearly specified in the Public Finance (Control and Audit) Act 1976 and TAK Act 2004.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from the Public Finance (Control and Audit) Act 1976.

Independence

When carrying out the audit we followed the independence requirements of the Kiribati National Audit Office, which incorporate the independence requirements of the International Standards of Auditing.
Other than the audit, we have no relationship with or interests in the Authority.

....

Mrs. Matereta. Raiman.
Auditor General
Kiribati National Audit Office

Date: 11/12/2014

TELECOMMUNICATION AUTHORITY OF KIRIBATI

ANNUAL ACCOUNT

For The Year Ended 31 December 2013

Telecommunications Authority of Kiribati

Balance Sheet

As of December 2013

	NOTES	
Assets		
Current Assets		
Cheque Account		$253,948.37
Petty Cash Fund		$200.00
IBD No. 628274 - No. 1 Account		$54,164.85
IBD No. 642017 - No. 2 Account		$141,532.82
IBD No. 680256 - No. 3 Account		$314,190.33
Accounts Receivable		$715,675.21
Provision for Doubtful Debts	1	($42,999.96)
Sundry Receivable		$33,900.00
Imprest Account - ME		$785.03
Imprest Account-MCTTD Officer		$2,355.00
Non-Current Assets		
Loan - BPA		$55,005.00
Loan - TKL		$150,000.00
Property, Plant & Equipment		
Office Equipment- at cost		$143,522.38
Acc. Deprn - Office Equipment		($114,768.96)
Furniture & Fittings - at cost		$8,412.30
Acc. Deprn - Furture & Fitting		($6,020.81)
Motor Vehicles - at cost		$82,867.00
Acc. Deprn - Motor Vehicles		($53,940.48)
Buildings & Premises - at cost		$93,114.31
Acc. Dprn - Building & Premise		($28,499.55)
Total Assets		**$1,803,442.84**
Liabilities		
Dot Ki Trust		$467,653.67
Total Liabilities		**$467,653.67**
Net Assets		**$1,335,789.17**
Equity		
Retained Earnings		$996,234.70
Current Years Earnings		$80,449.96
Historical Balancing		$240.21
Equity - Gov'ts Contribution		$258,864.30
Total Equity		**$1,335,789.17**

SIGNED:

Mr Tiare Erekana
Chief Executive Officer

Mr Tangitang Kaureata
Chairman

NOTES TO BALANCE SHEET 2013

NOTE		
1	Provision for doubtful debt 2011	18,000.00
	Provision for doubtful debt 2012	12,500.04
	Provision for doubtful debt 2013	12,499.92
		42,999.96

Telecommunications Authority of Kiribati

Comparative Balance Sheet

For Financial Years ending 2012 and 2013

	31-Dec-13	31-Dec-12	$ Difference	% Difference
Assets				
Current Assets				
Cheque Account	253,948.37	211,603.41	42,344.96	20.01%
Petty Cash Fund	200.00	200.00	-	0.00%
IBD No. 628274 - No. 1 Account	54,164.85	53,566.19	598.66	1.12%
IBD No. 642017 - No. 2 Account	141,532.82	139,232.93	2,299.89	1.65%
IBD No. 680256 - No. 3 Account	314,190.33	13,894.08	300,296.25	2161.33%
Undeposited Fund	-	5,000.00	(5,000.00)	-100.00%
Accounts Receivable	715,675.21	725,374.79	(9,699.58)	-1.34%
Provision for Doubtful Debts	(42,999.96)	(30,500.04)	(12,499.92)	40.98%
Sundry Receivable	33,900.00	2,340.00	31,560.00	1348.72%
Imprest Account-MCTTD Office	2,355.00	2,355.00	-	0.00%
Imprest Account - ME	785.03	-	785.03	NA
Advance Account - SAO	-	(42.82)	42.82	-100.00%
Advance Account - FM (England)	-	(1.21)	1.21	-100.00%
Advance Account - PA	-	(7.00)	7.00	-100.00%
Advance Account - EO	-	(15.85)	15.85	-100.00%
Non-Current Assets				
Loan - BPA	55,005.00	55,005.00	-	0.00%
Loan - TKL	150,000.00	150,000.00	-	0.00%
Property, Plant & Equipment				
Office Equipment- at cost	143,522.38	122,273.00	21,249.38	17.38%
Acc. Deprn - Office Equipment	(114,768.96)	(83,730.49)	(31,038.47)	37.07%
Furniture & Fittings - at cost	8,412.30	6,257.25	2,155.05	34.44%
Acc. Deprn - Furture & Fitting	(6,020.81)	(4,326.03)	(1,694.78)	39.18%
Motor Vehicles - at cost	82,867.00	82,867.00	-	0.00%
Acc. Deprn - Motor Vehicles	(53,940.48)	(37,367.04)	(16,573.44)	44.35%
Buildings & Premises - at cost	93,114.31	93,114.34	(0.03)	0.00%
Acc. Dprn - Building & Premise	(28,499.55)	(23,843.79)	(4,655.76)	19.53%
Total Assets	**1,803,442.84**	**1,483,248.69**	**320,194.15**	**21.59%**
Liabilities				
Dot Ki Trust	467,653.67	227,849.48	239,804.19	105.25%
Accrued Expenses	-	60.00	(60.00)	-100.00%
Total Liabilities	**467,653.67**	**227,909.48**	**239,744.19**	**105.19%**
Net Assets	**1,335,789.17**	**1,255,339.21**	**80,449.96**	**6.41%**
Equity				
Retained Earnings	996,234.70	918,655.73	77,578.97	8.44%
Current Years Earnings	80,449.96	77,578.97	2,870.99	3.70%
Historical Balancing	240.21	240.21	-	0.00%
Equity - Gov'ts Contribution	258,864.30	258,864.30	-	0.00%
Total Equity	**1,335,789.17**	**1,255,339.21**	**80,449.96**	**6.41%**

SIGNED:

Mr Tiare Erekana
Chief Executive Officer

Mr Tangitang Kaureata
Chairman

Telecommunications Authority of Kiribati

Profit & Loss Statement

For the Year Ended 31 December 2013

	NOTES	TOTALS
Income		
Total Income	2	$495,967.42
Expenses		
Total Expenses	3	$415,517.46
Net Profit / (Loss)		**$80,449.96**

SIGNED:

Mr Tiare Erekana
Chief Executive Officer

Mr Tangitang Kaureata
Chairman

Telecommunications Authority of Kiribati

Profit & Loss Statement

January 2013 through December 2013

NOTES		
2	**Income**	
	ADMIN & FINANCE SERVICES	
	IBD Interest	$3,194.80
	Sundries	$410.23
	ENGINEERING	
	License fees	$492,362.39
	Total Income	**$495,967.42**
3	**Expenses**	
	ADMIN & FINANCE SERVICES	
	Personal Emoluments	
	Salaries	$77,381.41
	Extra Duty Allowances	$8,605.63
	Overtime	$19,120.08
	Board of Directors Expenses	
	Sitting Allowances	$10,562.50
	Snacks & Coffees	$3,574.97
	General Expenses	
	Entertainment	$13,065.55
	Maintenance & Repair	$8,420.25
	Promotions	$660.00
	Advertisement	$110.00
	Office Supplies & Stationeries	$22,842.14
	Training	$1,716.50
	House Rent Subsidy	$8,840.00
	KPF Contribution	$5,003.68
	Financial Expenses	
	Audit Fees	$2,500.00
	Bank Charges	$1,532.00
	Travelling & Transport Costs	
	Local Travel	$20,034.20
	Motor Vehicle Fuel	$8,135.35
	M/V Registration & Toll Fare	$579.40
	M/V Workshop Cost	$4,191.00
	Overseas Travel	$14,364.52
	Insurance & Utilities Costs	
	Insurance	$5,372.44
	Power & Electricity	$13,230.70
	Telephone Expenses	
	Internet Usage	$9,601.89
	Telephone & Fax charges	$8,913.55
	Other Expenses	
	Depreciation exp.	$53,962.45
	Doubtful Debt Expenses	$12,499.92
	ENGINEERING	
	Personal Emoluments	
	Salaries	$35,112.95
	Overtime	$1,084.32
	General Expenses	
	Membership Fees - Int'l Orgs	$580.86
	KPF Contributions	$2,945.18
	Travelling & Transport Costs	
	Local Travel	$2,694.35
	Overseas Travel	$2,638.20
	REGULATORY	
	Personal Emoluments	
	Salaries	$24,606.35
	Extra Duty Allowance	($407.00)
	General Expenses	
	House Rent Subsidy	$712.50
	KPF Contribution	$1,867.61
	Travelling & Transport Costs	
	Local Travel	$1,750.00
	Overseas Travel	$7,112.01
	Total Expenses	**$415,517.46**

Telecommunications Authority of Kiribati

Comparative Profit & Loss Statement

For the Years ending 2013 and 2012

	31-Dec-13	31-Dec-12	$ Difference	% Difference
Income				
ADMIN & FINANCE SERVICES				
IBD Interest	3,194.80	9,457.01	(6,262.21)	-66.22%
Sundries	410.23	(162.69)	572.92	-352.15%
ENGINEERING				
License fees	492,362.39	433,365.46	58,996.93	13.61%
Total Income	**495,967.42**	**442,659.78**	**53,307.64**	**12.04%**
Expenses				
ADMIN & FINANCE SERVICES				
Personal Emoluments				
Salaries	137,100.71	142,266.28	5,165.57	3.63%
Extra Duty Allowances	8,198.63	9,211.60	1,012.97	11%
Overtime	20,204.40	9,798.23	(10,406.17)	-106.20%
Board of Directors Expenses				
Sitting Allowances	10,562.50	9,227.50	(1,335.00)	-14.47%
Snacks & Coffees	3,574.97	2,623.45	(951.52)	-36.27%
General Expenses				
Entertainment	13,065.55	6,377.80	(6,687.75)	-104.86%
Computer maintenance	-	179.90	179.90	100%
Maintenance & Repair	8,420.25	5,738.61	(2,681.64)	-46.73%
Promotions	660.00	-	(660.00)	N/A
Advertisement	110.00	40.00	(70.00)	-175%
Membership Fees - int'l Orgs	580.86	-	(580.86)	N/A
Office Supplies & Stationeries	22,842.14	7,239.87	(15,602.27)	-215.50%
Training	1,716.50	1,845.80	129.30	7.01%
House Rent Subsidy	9,552.50	2,286.44	(7,266.06)	-317.79%
KPF Contribution	9,816.47	10,426.26	609.79	5.85%
Financial Expenses				
Audit Fees	2,500.00	2,500.00	-	0%
Bank Charges	1,532.00	1,513.20	(18.80)	-1.242%
Travelling & Transport Costs				
Local Travel	24,478.55	11,857.65	(12,620.90)	-106.44%
Motor Vehicle Fuel	8,135.35	9,288.37	1,153.02	12.41%
M/V Registration & Toll Fare	579.40	638.40	59.00	9.24%
M/V Workshop Cost	4,191.00	3,620.00	(571.00)	-15.77%
Overseas Travel	24,114.73	28,399.23	4,284.50	15.09%
Insurance & Utilities Costs				
Insurance	5,372.44	5,372.44	-	0%
Power & Electricity	13,230.70	11,191.60	(2,039.10)	-18.21%
Telephone Expenses				
Internet Usage	9,601.89	9,216.15	(385.74)	-4.19%
Telephone & Fax charges	8,913.55	9,937.75	1,024.20	10.31%
Other Expenses				
Depreciation exp.	53,962.45	28,156.23	(25,806.22)	-91.65%
Doubtful Debt Expenses	12,499.92	12,500.04	0.12	0.001%
Total Expenses	**415,517.46**	**341,452.81**	**(74,064.65)**	**-21.69%**
Operating Profit	**80,449.96**	**101,206.97**	**20,757.01**	**20.51%**
Other Income / Expenses				
Prior Period Items	-	(23,628.00)	(23,628.00)	100%
Loss on Disposal	-	-	-	
Net Profit / Loss	**80,449.96**	**77,578.97**	**2,870.99**	**3.70%**

SIGNED:

Mr Tiare Erekana	Ir Tangitang Kaureata
Chief Executive Officer	Chairman

Telecommunications Authority of Kiribati

Comparative Cash Flow Statement

For Financial Years ending 2012 and 2013

	31-Dec-2013	31-Dec-12
Cash Flow from Operating Activities		
Cash Receipts from Customers	500,716.00	292,435.18
Cash Payments to Suppliers and Employees	(375,040.63)	(231,090.80)
Bank Charges	(1,532.00)	(1,513.20)
Net Cash Received / Used from Operating Activities	**124,143.37**	**59,831.18**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(23,404.43)	(7,024.85)
Buildings and Premises	-	(3,011.50)
IBD Interest	$3,194.80	9,457.01
Net Cash Received / Used from Investing Activities	**(20,209.63)**	**(579.34)**
Cash Flow from Financing Activities		
IBD Drawdown to fund Outer Islands RICS development	-	-
Net Cash Received / Used from Financing Activities		
Net Decrease / Increase in cash / cash equivalents	340,539.76	70,390.44
Cash and Cash Equivalents - Opening	423,496.61	353,106.17
Cash and Cash Equivalents - End of Period	**764,036.37**	**423,496.61**
(B) Reconciliation of Cash Flow from Operating Activities to Net Profit		
Net Profit for the year	$80,449.96	77,578.97
Depreciation	$53,962.45	28,156.23
IBD Interest	($3,194.80)	(9,457.01)
Increase / Decrease in Debtors	(151,024.07)	(125,798.09)
Decrease / Increase in Creditors	143,949.83	89,351.08
	$124,143.37	**59,831.18**
(A) Details of Cash and Cash Equivalent at year ended		
Cheque Account	253,948.37	211,603.41
Petty Cash Fund	200.00	200.00
IBD No.628274 - No.1 Account	$54,164.85	53,566.19
IBD No.642017 - No.2 Account	$141,532.82	139,232.93
IBD No.680256 - No.3 Account	$314,190.33	13,894.08
Undeposited Funds	-	5,000.00
	764,036.37	**423,496.61**

SIGNED:

Mr Tiare Erekana
Chief Executive Officer

Mr Tangitang Kaureata
Chairman

FIXED ASSET REGISTER	Office Equipment	Furniture & Fittings	31/12/2012 Motor Vehicle	Buildings & Premises	Total
Cost / Valuation					
Cost at 31/12/2011	115,698.15	6,257.25	82,867.00	90,194.51	295,016.91
Transfers / Disposals at 31/12/2012	-	-	-	-	-
Total	115,698.15	6,257.25	82,867.00	90,194.51	295,016.91
Additions at Cost for the year	6,574.85	-	-	2,919.80	9,494.65
Additions at valuation for the year	-	-	-	-	-
Balance at 31 December 2012	122,273.00	6,257.25	82,867.00	93,114.31	304,511.56
Depreciation					
Cost at 31/12/2011	72,114.75	3,682.35	25,992.12	19,321.90	121,351.39
Transfers / Disposals at 31/12/2012	-	-	-	-	-
Total	72,114.75	3,682.35	25,992.12	19,321.90	121,351.39
Charge at Cost for the year	11,615.74	643.68	11,374.92	4,521.89	28,156.23
Charge at valuation for the year	-	-	-	-	-
Balance at 31 December 2012	83,730.49	4,326.03	37,367.04	23,843.79	149,507.62
Net Book Value at 31 December 2012	38,542.51	1,931.22	45,499.96	69,270.52	155,003.94
Net Book Value at 31 December 2011	42,602.17	2,574.90	56,874.88	71,613.57	173,665.52

FIXED ASSET REGISTER	Office Equipment	Furniture & Fittings	31/12/2013 Motor Vehicle	Buildings & Premises	Total
Cost / Valuation					
Cost at 31/12/2012	122,273.00	6,257.25	82,867.00	93,114.31	304,511.56
Transfers / Disposals at 31/12/2013	-	-	-	-	-
Total	122,273.00	6,257.25	82,867.00	93,114.31	304,511.56
Additions at Cost for the year	21,249.38	2,155.05	-	-	23,404.43
Additions at valuation for the year					-
Balance at 31 December 2013	143,522.38	8,412.30	82,867.00	93,114.31	327,915.99
Depreciation					
Cost at 31/12/2012	83,730.49	4,326.03	37,367.04	23,843.79	149,267.35
Transfers / Disposals at 31/12/2013	-	-	-	-	-
Total	83,730.49	4,326.03	37,367.04	23,843.79	149,267.35
Charge at Cost for the year	31,038.47	1,694.78	16,573.44	4,655.76	53,962.45
Charge at valuation for the year	-	-	-	-	-
Balance at 31 December 2013	114,768.96	6,020.81	53,940.48	28,499.55	203,229.80
Net Book Value at 31 December 2013	28,753.42	2,391.49	28,926.52	64,614.76	124,686.19
Net Book Value at 31 December 2012	38,542.51	1,931.22	45,499.96	69,270.52	155,244.21

SIGNED:

Mr Tiare Erekana
Chief Executive Officer

Mr Tangitang Kaureata
Chairman