



Cook Islands Audit Office

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25 August 2025

Andy Kirkwood
Rarotonga
Cook Islands

Kia Orana Andy,

Request for investigation into Te Mato Vai Project

On July 14, you sent me a letter expressing concerns about the valuation and depreciation of the Te Mato Vai Project. Along with your letter, you submitted a white paper titled “Muddy Waters: Te Mato Vai’s Missing Millions.”

You advised depreciation has not been recorded for a major public infrastructure asset for the financial years 2022–2025. The annual unreported depreciation is estimated at approximately \$6.8 million, which means over four years, about \$27.2 million in depreciation has not been reflected—resulting in a significant misstatement of the Crown's accounts.

You formally requested, given the significant public interest in Te Mato Vai, that a special audit or inquiry be conducted, with the findings reported to Parliament.

1. Determination of the cost, and current/depreciated value of the Te Mato Vai Project infrastructure asset – ensuring this determination is inclusive of:
 - a. The remediation of an estimated 17km of the ring main;
 - b. Capital appropriation reported in the 2021/22 Budget Estimate;
 - c. Cost element estimation of decommissioning and site restoration;
 - d. Additional items qualifying as assets due to environmental or safety-related necessity;
 - e. Classification and desegregation of infrastructure components;
 - f. Accumulated impairment
2. Investigate why MFEM has not properly applied depreciation to the Te Mato Vai asset.

Upon reviewing your submission, I find that a special audit or inquiry is not necessary, as the concerns you highlighted are already addressed within the annual audit of the Cook Islands Government’s financial statements.

Annual Audit of Cook Islands Government Financial Statements

The most recent audited financial statements for the Cook Islands Government are 30 June 2019, dated 30 November 2020, we issued a qualified opinion. This was based on four specific issues.

1. We were unable to confirm property, plant and equipment of \$128.8 million and infrastructure assets of \$224.4 million
2. We were unable to confirm taxation revenue of \$159.2 million, tax amnesty write-off of \$23.5 million and tax receivables of \$24.3 million
3. We disagreed with how the Government has prepared its consolidated financial statements
4. We disagreed with how low interest concessionary loans had been accounted for

The following paragraphs are extracted from our Audit Report on the 30 June 2019 Cook Islands Government financial statements.

The Government could not provide enough evidence to confirm that the values recorded against property, plant and equipment and infrastructure assets in the statement of financial position, and the related elements included in the statement of financial performance, statement of changes in equity, statement of commitments and statement of cash flows were fairly presented. Therefore, we could not determine whether these statements comply with generally accepted accounting practice.

The Government has not kept appropriate records and does not have strong enough internal controls to record all the assets it owns, including those received from donor partners.

Also, certain buildings and infrastructure assets, such as roads and water, which have been recognised by the Government have not been recorded by significant components. There is an accounting standard, IPSAS 17- Property Plant and Equipment, which requires the assets to be recorded separately. The assets need to be recorded separately because they need to be managed differently.

The Government has also not assessed whether any of the property, plant and equipment and infrastructure assets are impaired, as required by IPSAS 21- Impairment of Non-Cash-Generating Assets. This assessment is important to ensure that the value of the assets is not overstated at year end.

In addition to our Audit Report, we provided both the Financial Secretary and the Minister of Finance with a detailed Management Report highlighting our findings and recommendations for improvement. These documents have been presented to Parliament and are included here for your reference.

Our Office has continued to monitor efforts to address these matters, but to date, meaningful progress has not been achieved.

In November 2024, the Public Accounts Committee conducted a week of hearings, requiring all government entities including the Government with qualified or disclaimer opinions on their financial statements to appear before the Committee and respond to questions. The Ministry of Finance & Economic Management participated, responding to inquiries regarding the qualification of the entire Government's financial statements.

We have now largely completed the audits for the Cook Islands Government's financial statements for the years ending 30 June 2020, 2021, and 2022. However, significant issues related to property, plant and equipment, as well as infrastructure assets, remain unresolved. There has been little progress in resolving these issues, except for the efforts made by CIIC in addressing the issues related to land and buildings, which resulted in an unmodified opinion for CIIC in the 2024 year.

Until these issues with property, plant, and equipment and infrastructure assets are resolved, our reports will continue to highlight this qualification.

Infrastructure Depreciation in the Cook Islands Government Budget

Depreciation for infrastructure assets is reported in Schedule 5a: Other Expenses and Financing Transactions under the Crown Infrastructure Depreciation and Depreciation Contingency Fund budget lines.

Reporting to Parliament

The Public Expenditure Review Committee and Audit Act does not require a report on every complaint received to be submitted to Parliament. This is because not all complaints result in a full investigation or are substantiated—some lack evidence or credible indications to support the allegations. In certain cases, investigations conclude that there is no reason to proceed further. According to Section 16 of the Act, only those matters that do not result in a full report are recorded in the Committee's annual report as issues reviewed during the year.

Thank you for writing to us. Given the public interest in this matter, we intend to publish this letter on our website.



Geoffrey Stoddart
Chairperson
Public Expenditure Review Committee



Desmond Wildin
Director of Audit
Cook Islands Audit Office

Cc:

Hon. Mark Brown	Prime Minister and Minister of Finance
Hon. Vaine Mokoroa	Minister of Public Expenditure Review Committee & Audit
Carl Hunter	Public Service Commissioner
Garth Henderson	Financial Secretary
Cecile Marten	Member of the Public Expenditure Review Committee
Nancy Matapuku	Member of the Public Expenditure Review Committee

Cook Islands Government

Report to those charged with governance

Financial statements for the years ended 30 June 2018 & 30 June 2019

To:

Hon Mark Brown, Prime Minister & Minister of Finance
Garth Henderson, Financial Secretary

Distribution List:

Hon Tingika Elikana, Public Accounts Committee Chairperson
Carl Hunter, Public Service Commissioner
Geoff Stoddart, Public Expenditure Review Committee Chairperson
Heinz Matysik, Public Expenditure Review Committee Member
Joe Caffery, Public Expenditure Review Committee Member

Date of Report: 15 February 2021

Key messages

We have completed the audit for the years ended 30 June 2018 and 30 June 2019. This report sets out the findings from the audit and draws attention to areas where the Cook Islands Government (“Government”) is doing well or where we have made recommendations for improvement.

Qualified opinion

We issued a qualified opinion on the Government’s financial statements for the years ended 30 June 2018 and 30 June 2019. The qualifications reflect issues that impact each of the two years. We issued qualified opinions as we could not gain assurance over some of the key balances in the financial statements and the financial statement consolidation process. In summary these issues are as follows:

We were unable to confirm property, plant and equipment and infrastructure assets

Property, plant and equipment balance of \$128.8 million (\$115.9 million (2018)) and the infrastructure asset balance of \$224.4 million (\$187.3 million (2018)) is not reliable.

The Government could not provide enough evidence to confirm the values of property, plant and equipment and infrastructure assets were fairly presented in the financial statements. These account balances have been qualified since 1998. The Government has not kept appropriate records and does not have strong enough internal controls to monitor or record all of the assets it owns, including those received from donor partners. In relation to the current period, the Government has not recorded an estimated \$65.9 million in renewable energy projects. Of that amount, \$25.5 million related to the completed Northern Group Project and \$40.4 million related to the ongoing Southern Group Project. The projects were incorrectly recorded as aid expenses.

We were unable to confirm taxation revenue, tax amnesty write-off and tax receivable

Taxation revenue of \$159.2 million (\$137.6 million (2018)), tax amnesty write-off of \$23.5 million and tax receivable balance of \$24.3 million (\$9.3 million (2018)) could not be audited.

Our Office was not given access to the underlying tax records to assess whether tax revenue had been appropriately recorded. As a result, we could not confirm that taxation revenue and tax receivables were fairly presented and comply with generally accepted accounting practice. Article 71(1) of the Cook Islands Constitution states “*The Audit Office of [the Cook Islands] shall be the auditor of the Cook Islands Government Account and of all other public funds or accounts, and of the accounts of all Departments and offices of executive government and of such other public, statutory, or local authorities or bodies as may be provided by law.*” Section 31(1a) of the Public Expenditure Review Committee and Audit Act 1995-96 grants our Office the powers to have full access to all documents, information and personnel for the purpose of fulfilling our mandatory function to audit the Government accounts and public sector entities. This audit qualification will remain until we are provided access to the underlying tax records.

We disagreed with how Government has prepared its consolidated financial statements

Prior year consolidation adjustments of \$2.0 million (\$29.9 million (2018)) could not be confirmed.

The Government has recorded a number of transactions in its financial statements to correct prior year errors, which it has recognised through a “prior year consolidation adjustments” equity account. This is a departure from IPSAS 3 – Accounting Policies, Estimates and Errors. The Government should instead have corrected these significant prior period errors by retrospectively correcting the comparative information in the financial statements.

We disagreed with how low interest concessionary loans had been accounted for

The Government has departed from the requirements of IPSAS 29- Financial Instruments: Recognition and Measurement because it has not recorded all of its low-interest concessionary loans, made over the last 40 years, at their fair value. As a result, the Government's borrowings that have been recorded in the statement of financial position and the statement of borrowings are overstated. Without proper records, I cannot determine to what extent the borrowings are overstated.

Significant control deficiencies identified

It is clear from the above qualifications that Government controls are not operating as it should or are missing for key account balances and processes. We would like to highlight the following significant control deficiencies prevalent in both years:

1. Recording and monitoring of property, plant & equipment and infrastructure assets
2. Recording and monitoring of taxation revenue and tax receivables
3. The process in which Government consolidates the activities of its subsidiaries
4. The financial statement preparation process

These are presented in more detail in the body of this report.

Significant difficulties encountered during the audit

The completion of the 30 June 2018 and 30 June 2019 audits were a significant challenge for our Office. Due to the above qualifications, significant control deficiencies and the late submission of the financial statements. An extensive amount of effort was required to obtain sufficient appropriate audit evidence on account balances we could confirm and the performance of testing on qualified balances.

The unavailability of expected information, lack of analysis undertaken and thorough review processes along with the non-performance of certain activities contributed to the delays in the completion of the audit. We would like to highlight the significant amount of resources spent by our Office working through the consolidation and financial statement preparation process with Treasury. Treasury were effectively using our Office as a first level quality review. This is not appropriate as it risks our independence as we are drawn into the accounts preparation process.

We understand the challenge facing the Cook Islands public sector with the shortage of qualified accountants and that the Ministry of Finance and Economic Management are working on securing additional resources to complement existing resources within the Treasury Division.

Looking forward

We look forward to receiving the draft 30 June 2020 Crown Parent financial statements from Treasury in March 2021, followed by the draft 30 June 2020 Cook Islands Government financial statements in July 2021.

Responding to Covid-19

The Government closed the Cook Islands boarder in March 2020, and has subsequently operated on a restricted basis for citizens and residents only. To date this approach has been effective in preventing the arrival of Covid-19 in the Cook Islands.

These restrictions have directly impacted the tourism market in the Cook Islands, with a complete reduction in tourist numbers in the last quarter of 2019/2020 financial year, and extending into 2020/2021. With a tourism-

oriented private sector contributing an estimated 65 per cent of economic activity, this has had direct impacts on business viability and employment, with flow-on effects to Government revenues.

The size of the economic shock to the private sector necessitated an unprecedented Government response which focused on expenditure on social and economic support for both individuals and businesses to mitigate the economic impact to society.

The effects of Covid-19 will be long lasting, with many effects not yet apparent. Parliament's authorisation of Covid-related expenditure has given the Government scope to spend a significant amount of public money for its Covid-19 Economic Response Plan I, II & III.

It is critical, now more than ever, that there is independent assurance over Cook Island's public financial management system. In times of great uncertainty, Parliament and the public need assurance about how public money is being spent. Our Office's focus will be on continuing to help improve the quality of financial reporting and confirming that appropriate spending authority was in place for Covid-related expenditure.

Concluding remarks

The key underlying factors for the above issues are that Government has not kept appropriate records, does not have strong enough internal controls and needs to secure additional resources to complement existing resources within the Treasury Division.

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

To ensure that elected officials act in the best interests of the citizens they represent, Government and Government agencies need to be accountable for their stewardship over, and use of, public resources. Our Office contributes to strengthen accountability, transparency and integrity by independently auditing Government operations and reporting on our findings. This enables those charged with public sector governance to discharge their responsibilities, in responding to audit findings and recommendations and taking appropriate corrective action, and thus complete the cycle of accountability.

Acknowledgments

We would like to take this opportunity to thank Hon. Prime Minister Mark Brown, Garth Henderson and the Ministry of Finance and Economic Management and staff for all the assistance provided during the course of the audit. It is very much appreciated.

Yours sincerely

Allen Parker
Director of Audit.



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1 Audit opinion issued

We issued a qualified opinion on the Government of the Cook Islands financial statements for the years ended 30 June 2018 and 30 June 2019. The qualifications issued were the same for both years. We issued qualified opinions as we could not gain assurance over:

1. Property, plant and equipment and infrastructure assets
2. Taxation revenue and tax receivables
3. Preparation of the consolidated financial statements
4. Disclosure of low interest concessionary loans

The following section provides more information on these qualifications:

1. **Property, plant and equipment and infrastructure assets**

Audit opinion: We were unable to confirm property, plant and equipment of \$128.8 million (\$115.9 million (2018)) and infrastructure assets of \$224.4 million (\$187.3 million (2018))

The Government could not provide enough evidence to confirm the values of property, plant and equipment and infrastructure assets were fairly presented in the statement of financial position, and the related elements included in the statement of financial performance, statement of changes in equity, statement of commitments and statement of cash flows. Therefore, we could not determine whether these statements comply with generally accepted accounting practice.

The Government has not kept appropriate records and does not have strong enough internal controls to record all of the assets it owns, including those received from donor partners.

Also, certain buildings and infrastructure assets, such as roads and water, which have been recognised by the Government have not been recorded by significant components. There is an accounting standard, IPSAS 17 - Property Plant and Equipment, which requires the asset components to be recorded separately. The assets need to be recorded separately because they need to be managed differently.

The Government has also not assessed whether any of the property, plant and equipment and infrastructure assets are impaired, as required by IPSAS 21 - Impairment of Non-Cash-Generating Assets. This assessment is important to ensure that the value of the assets are not overstated at year end.

This audit qualification will remain until such a time the envisioned outcomes of Government's Asset Management Project is realised. The project is expected to be completed in 2022. *Refer to Section 2.2 of this report for further detail regarding the Asset Management Project.*

Audit Findings

In addition to the points specifically included in the audit opinion and noted above, Property, plant and equipment and infrastructure assets have been qualified since 1998.

- In the current period, the Government has not recorded an estimated \$65.9 million in renewable energy projects. Of that amount, \$25.5 million related to the completed Northern Group Project and \$40.4 million related to the ongoing Southern Group Project. The projects were incorrectly recorded as aid expenses.
- Property, plant and equipment and infrastructure assets recorded in the financial statements did not always meet the definition of an asset. Instead many of the costs related to ongoing repairs and maintenance. During the 2018 year, \$1.5 million of repairs and maintenance expenditure was incorrectly recorded as assets by the Government.

- Completion of major infrastructural assets and projects are not communicated to those responsible for managing and recording these assets in a timely manner. Current project completion reports and asset transfers have been done between 1 to 5 years after the assets have been completed. This has the effect of understating depreciation and overstating the value of infrastructure assets.
- The Infrastructure Working Group Committee consisting of the Ministry of Finance, Infrastructure Cook Islands and the Cook Islands Investment Corporation implemented by Government in 2016 for the purpose of developing better processes and procedures when dealing with major Government property, plant and equipment and infrastructural projects do not meet regularly to discuss the progress of projects or asset management issues. Since its creation, the committee have only met twice.

We believe the key to establishing appropriate records for accounting and management purposes is obtaining and recording asset information in an asset management information system with the full buy-in of all Government entities.

In the absence of basic infrastructure information, questions are raised on how Government is able to monitor, control and ultimately plan for maintenance and upgrade of core infrastructure assets such as roads, water supply and waste management. This could potentially pose a significant public risk as ownership of all infrastructure assets ultimately vest with the Government.

The inadequate records and/or internal controls are concentrated at the following entities:

1. \$106.6 million (2019) of assets recorded by the Crown Parent (Ministry of Finance and Economic Management) could not be confirmed. The Crown Parent is the ultimate recipient of completed infrastructure assets, such as roads, waste management and water supply, transferred to it from Infrastructure Cook Islands.
2. \$61.5 million (2019) of assets recorded by Cook Islands Government Property Corporation could not be confirmed. The Corporation was established to manage Governments assets. The major assets owned by the Corporation are Government land, buildings and equity investments.
3. \$19.5 million (2019) of assets recorded by the 10 Outer Island Administrations could not be confirmed. An estimated \$65.9 million (2019) in renewable energy projects are currently not recorded. The Island Administrations are responsible for managing all assets, including infrastructure assets, on their respective islands.

We acknowledge that there is a current Asset Management Project lead by the Cook Islands Investment Corporation which started in December 2018 aimed at addressing the above issues. *Refer to Section 2.2 of this report for further detail regarding the Asset Management Project.*

The main reasons for the above reoccurring issues is that Government has not kept appropriate records and inadequate internal control practices.

It is imperative that the Crown Accounts Manager, with the support of the Treasury Operations Manager and the Financial Secretary, takes overall responsibility in clearly outlining which Government entity is responsible for the management and/or recording of the completed assets or donated assets.

It is also recommended that Government continue with its efforts with the implementation of the Governments Asset Management Project.

We would like to make the following specific recommendations in relation to Government entities who are responsible for asset classes which have been qualified:

Risk Level	High
Recommendation	<p>1. The Crown Accounts Manager should carry out the following in regards to existing assets:</p> <ul style="list-style-type: none"> ○ A stock take of assets should be undertaken to confirm the existence of assets listed in the register, identifying assets not included on the register and noting the current conditions of assets for possible impairment. This activity should be conducted in consultation with Infrastructure Cook Islands. ○ Once the existence and completeness of assets listed on the register has been confirmed, efforts should be diverted to ensuring the assets are recorded at the correct carrying amounts. ○ The Crown Accounts Manager should begin the process of collating and inputting more detail into the existing asset register. To work towards being in a position to be able to account for infrastructure assets and buildings by significant components as required by IPSAS 17 - Property Plant and Equipment. ○ The Crown Accounts Manager should play a more integral role in facilitating the implementation of Government's Asset Management Project along with the project team at the Cook Islands Investment Corporation. Ensuring that key Government entities are actively contributing towards the project. The following is a list of key Government entities who are responsible for asset classes which have been qualified: <ol style="list-style-type: none"> 1. Infrastructure Cook Islands – currently responsible for roads \$15.8 million (2019), waste management \$1.4 million (2019) and water \$3.7 million (2019). 2. Office of the Prime Minister – the implementing agency for the estimated \$65.9 million (2019) unrecorded renewable energy projects. 3. Cook Islands Government Property Corporation - responsible for leased land \$4.4 million (2019) and buildings \$55.1 million (2019). 4. Crown Parent – responsible for Te Mato Vai project \$90.2 million (2019) and the recording completed infrastructure assets. 5. 10 Outer Island Administrations - are responsible for managing all assets, including infrastructure assets, on their respective islands. <p>2. The Crown Accounts Manager should ensure the following activities are done going forward:</p> <ul style="list-style-type: none"> ○ Follow up on an annual basis with Infrastructure Cook Islands and Office of the Prime Minister to ensure completed infrastructure assets are transferred on a timely basis to the Government entity responsible for recording the assets. Whether it is the Crown Parent or the respective Island Administrations.

	<ul style="list-style-type: none"> ○ All completed infrastructural assets transferred to the Crown Parent should be assessed whether the transfers meet the definition of an asset. Assets which do not meet the definition should be expensed as in the past many of these costs related to ongoing repairs and maintenance. ○ An annual assessment of the impairment of assets in accordance with IPSAS 21 - Impairment of Non-Cash-Generating Assets. This needs to be done at least once a year. <p>3. Due to the challenges faced by the respective Island Administrations in recording and managing their assets. We recommend that the Crown Accounts Manager takes a leading role in assisting the individual Outer Island Administrations in addressing their asset qualifications. The same approach taken to address the qualification at the Crown Parent level should be applied to addressing the qualifications at the individual Outer Island Administrations.</p> <p>4. The Infrastructure Working Group Committee (“Committee”) needs to take overall responsibility in improving asset management by Government. As detailed above, Government does not have adequate internal controls, records, project management or contract management practices. The Committee needs to provide more guidance by establishing and/or updating policies and procedures for all entities responsible for assets.</p> <p>The Committee should prioritise the following key agencies for Governments Asset Management Project as these entities are responsible for the asset classes where we have identified significant issues and therefore specifically qualified the audit report.</p> <ul style="list-style-type: none"> ○ Infrastructure Cook Islands ○ Ministry of Finance and Economic Management (Crown Parent) ○ Cook Islands Government Property Corporation ○ Office of the Prime Minister ○ The 10 Island Administrations
<p>Financial Secretary and Minister of Finance Response</p>	<p>The MFEM has taken an active co-ordination role in asset management reporting for 2020/21.</p> <p>The Asset Management Working Group has met two times already since the 2020/21 financial year. The aim of the working group is to bring together the main stakeholders responsible for government asset management to coordinate a workplan that will improve asset management processes as well as asset management reporting requirements. The working group will table a consolidated document of the workplan before the end of the 2021 financial year, the workplan will be discussed with each of the respective HoM to ensure this is part of their performance requirements.</p> <p>This is going to be a long-term project, but the workplan will allow the Crown to monitor and evaluate delivery by each agency annually.</p> <p>Refer to Appendix 1 of the report for the Financial Secretary’s full response to the report.</p>

2. *Taxation revenue and tax receivables*

Audit opinion – We were unable to confirm taxation revenue of \$159.2 million (\$137.6 million (2018)), tax amnesty write off of \$23.5 million and tax receivable of \$24.3 million (\$9.3 million (2018))

My Office was not given access to the underlying tax records to assess whether tax revenue had been appropriately recorded. As a result, we could not confirm that taxation revenue, tax amnesty write off and tax receivables were fairly presented and comply with generally accepted accounting practice.

Article 71(1) of the Cook Islands Constitution states “*The Audit Office of [the Cook Islands] shall be the auditor of the Cook Islands Government Account and of all other public funds or accounts, and of the accounts of all Departments and offices of executive government and of such other public, statutory, or local authorities or bodies as may be provided by law.*”

Section 31(1a) of the Public Expenditure Review Committee and Audit Act 1995-96 grants our Office the powers to have full access to all documents, information and personnel for the purpose of fulfilling our mandatory function to audit the Government accounts and public sector entities.

This audit qualification will remain until we are provided access to the underlying tax records. Readers of the financial statements currently cannot get any assurance over tax revenue which impacts negatively on accountability and the usefulness of the reported tax balances.

Also, the Government did not assess whether tax receivables were complete and reasonable at year end, including amounts owing from provisional taxpayers who have not yet filed their final tax return. The Government also did not assess whether any of the expected tax receivables might not eventuate at balance date (called impairment), as required by IPSAS 29 - Financial Instruments: Recognition and Measurement.

Audit Findings

In addition to the points specifically included in the audit opinion and noted above, Government currently recognises taxation revenue on a cash basis as opposed to an accrual basis. Accrual basis recognises taxation revenue in the period the taxable event occurs. Government is required to account for all activities on an accrual basis. The current tax system does not fully enable Government to account for taxation revenue on an accrual basis.

Government recognises taxation revenue on a daily basis based on the Cashier Tax Revenue Summary Reports generated by the Revenue Management Division. The Cashier Tax Revenue Summary Reports details the total tax receipts received per major tax type, however, it does not distinguish the period the tax receipts relate to. The assumption is that all tax receipts received during the year are treated as current year taxation revenue.

The Treasury Division who are responsible for the preparation of the Government’s financial statements did not have sufficient supporting information to accurately record taxes for both financial years. The current information used by the Treasury Division to record taxation revenue and tax receivables is currently not sufficient to ensure that it is accurate, recorded in the correct period and complete. Treasury have not effectively communicated this to the Revenue Management Division.

Risk Level	High
Recommendation	<p>In order for the financial statements of Government to accurately reflect the Governments tax balances and to enable audit evaluation of the tax system. We recommend that the Revenue Management Division provides our Office with access to the underlying tax records and necessary information according to Section 31(1a) of the PERCA Act 1995-96.</p> <p>We recommend that an assessment is undertaken by the Revenue Management Division on whether tax receivables are complete and reasonable at year end, including amounts owing from provisional taxpayers who have not yet filed their final tax return. Also an assessment on whether any of the expected tax receivables might not eventuate at balance date (called impairment), as required by IPSAS 29 - Financial Instruments: Recognition and Measurement. The assessments should also be made available to our Office.</p> <p>Immediate action needs to be undertaken to improve the communication of information between Revenue Management Division and the Treasury Division. The Treasury Division needs to ensure that it has sufficient supporting information that can be traced back to the underlying tax records held by the Revenue Management Division.</p>
Financial Secretary and Minister of Finance Response	<p>The Director for Revenue Management Division (RMD) has approved the Audit's access to the tax records for the auditing of the 2019/20 financial year.</p> <p>The RMD is also planning to upgrade its revenue management software which will have functionality to allow the Ministry to carry out an appropriate assessment of tax receivables to identify any impairment as required by IPSAS.</p> <p>Refer to Appendix 1 of the report for the Financial Secretary's full response to the report.</p>

3. *Preparation of the consolidated financial statements*

Audit opinion - We disagreed with how the Government has prepared its consolidated financial statements

When the Government consolidated the activities of its subsidiaries it did not eliminate all of its inter-Government transactions. The Government has recorded a number of transactions in its financial statements to correct prior year errors, which it has recognised through a “prior year consolidation adjustments” equity account. Prior year consolidation adjustments of \$2.0 million (\$29.9 million (2018)) could not be confirmed. This is a departure from IPSAS 3 – Accounting Policies, Estimates and Errors. The Government should instead have corrected these significant prior period errors by retrospectively correcting the comparative information in the financial statements.

This audit qualification will remain until such a time Government is in a position to correctly eliminate all of its inter-Government transactions. Currently the eliminations are manually done. We acknowledge that Government is currently in the process of implementing its centralised Financial Management Information System (FMIS) Project which will automate the elimination process. There is an opportunity for the consolidation to be done on FMIS for the 2020 financial year financial statements.

Audit findings: In addition to the points specifically included in the audit opinion and noted above, we would like to highlight the significant amount of resources spent by our Office working through the consolidation and financial statement preparation process with Treasury. Treasury were effectively using our Office as a first level quality review. This is not appropriate as it risks our independence as we are drawn into the accounts preparation process.

Risk Level	High
Recommendation	<p>We recommend that the Treasury Division implement internal quality control review procedures to ensure that the Financial Statements of Government and the consolidation process is prepared to a high standard so that the activities of Government’s subsidiaries including all inter-Government transactions are eliminated at the end of each financial period.</p> <p>We recommend that IPSAS 3 - Accounting Policies, Estimates and Errors is followed when recording corrections to prior year errors in the current financial statements. All significant prior year errors need to be corrected against the comparative information to which the error relates to ensure the current accounting standards are met.</p>
Financial Secretary and Minister of Finance Response	<p>The Ministry acknowledge the finding of the Audit office. The Ministry has been struggling to fill critical positions in the past with the appropriate personnel, however, we have recently recruited a Crown Accounts Manager out of New Zealand who will be responsible for this reporting requirement.</p> <p>The Ministry will review the consolidation preparation with input from the Crown Accounts Manager and implement as necessary for the 2020 financial year audit.</p> <p>Refer to Appendix 1 of the report for the Financial Secretary’s full response to the report.</p>

4. Disclosure of low interest concessionary loans

Audit opinion – We disagreed with how Government has accounted for low interest concessionary loans.

The Government has departed from the requirements of IPSAS 29 - Financial Instruments: Recognition and Measurement because it has not recorded all of its low-interest concessionary loans it has benefitted from, made over the last 40 years, at their fair value. As a result, the financial benefit to the Government of getting low interest concessionary rates compared to market interest rates on these loans are not disclosed.

Therefore the Government’s borrowings that have been recorded in the statement of financial position and the statement of borrowings are overstated. Without proper records, we cannot determine to what extent the borrowings are overstated. Total borrowings is reported at \$95.9 million (\$103.1 million (2018)).

This audit qualification will remain until such a time Government accounts for low-interest concessionary loans as required by IPSAS 29.

Risk Level	High
Recommendation	<p>We recommend that Government complies with the requirements of IPSAS 29 as this will result in accounts that are more informative for the reader.</p> <p>If Government chooses not to comply, the reason(s) for this departure should be clearly stated in the accounting policies or notes to the financial statements. This will allow the users of the financial statements to decide if Government’s departure from the standards is reasonable.</p>
Financial Secretary and Minister of Finance Response	<p>The Ministry have opted not to comply with the requirements of IPSAS29 at this point in time due to the costs of compliance, approximately \$15,000 from the latest quote received.</p> <p>It is envisaged that this disclosure requirement will be reviewed after we have dealt with the top three management issues raised above as matter of priority.</p> <p>Refer to Appendix 1 of the report for the Financial Secretary’s full response to the report.</p>



2 Other matters arising from our audits

2.1 Removal of previous 2017 qualifications

It is pleasing to report the removal of three (3) qualifications from the 2017 financial year. Lease commitments, disclosure of financial instruments and the disclosure of key assumptions, estimates and judgements were not qualified during the 2018 and 2019 financial years.

Sufficient audit evidence regarding lease commitments was obtained during the 30 June 2018 and 30 June 2019 audits of the financial statements of the Cook Islands Government Property Corporation. The necessary disclosures for financial instruments and the disclosure of key assumptions, estimates and judgements were included in the 2018 and 2019 Cook Islands Government's financial statements.

2.2 Current Government Projects

As the Government's audited financial statements become more timely, our attention will start to focus on how Government can address the long standing issues that have led to the qualification of Governments financial statements over the years. This will result in the accountability documents providing more relevant information to those responsible for governance.

There are two major projects that the Government has in progress which are intended to help address some of the long standing issues impacting Government. The Financial Management Information System (FMIS) Project and the Asset Management Project.

FMIS Project

Currently there are 60 Government agencies, all of which have their own standalone accounting systems. It is envisioned that implementing a properly functioning centralised FMIS platform will improve governance, financial management and transparency across Government. Maintaining the accuracy of the system going forward must also be addressed. Having access to real time financial information will enable financial and other managers to administer their mandated programmes and resources more effectively, and formulate budgets more accurately.

Broader rollout to all Government agencies will commence in July 2020. It is expected it will take 4 years to fully embed the new FMIS processes.

Our Office is planning to seek external expertise in assisting our Office in getting assurance over the effective implementation of the new FMIS system. Obtaining assurance over accuracy of data conversion, input and assurance that the new system is working as intended.

Asset Management Project

Government has in progress an Asset Management Project which is led by the Cook Islands Investment Corporation and is envisioned to address this long outstanding qualification.

The project started in December 2018. The draft Cook Islands Government: Asset Management Development Plan (2 year Roadmap) was circulated on 4 November 2019 for final feedback from the various stakeholders. The Asset Management Development Plan is the final project deliverable for Phase 1 of the Project. The final phase of the project is from May 2020 to May 2022.

The Government has set out short term, medium term and long term outcomes for this project. We consider the outcomes set to be appropriate to address the long outstanding audit qualification surrounding Infrastructure Assets and Property, Plant and Equipment. However, we have concerns that that the resourcing and current timeline of 2 years to bring in all the data including the Outer Islands infrastructure data may not be realistic. We consider that the project is currently on track in addressing the qualification of assets held at the Cook Islands Property Corporation only. We note that the project team has been successful in obtaining additional donor funding for the project, this may assist with addressing some of our concerns.

As mentioned in the previous section, we recommend that the Crown Accounts Manager, with the support of the Treasury Operations Manager and the Financial Secretary, should play a more integral role in facilitating the implementation of Government's Asset Management Project along with the project team at the Cook Islands Investment Corporation. Ensuring that key Government entities are actively contributing towards the project. With reference to the list of the specific asset classes that have been qualified in Section 2 of our report, we would suggest that attention is prioritized to these entities with the most significant issues before continuing to all others.

We look forward to the expected outcomes associated with the implementation of Governments Asset Management Project. This is a significant step forward in resolving this long standing issue regarding Government's physical assets.

3 Appendix 1 Financial Secretary's response to the report



MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS

Office of the Financial Secretary
PO Box 120, Rarotonga, Cook Islands
Telephone +682 22878 Facsimile +682 29465
Email; garth.henderson@cookislands.gov.ck

Ref: FS096

Allen Parker
Director of Audit
Cook Islands Audit Office
Rarotonga

Kia Orana Allen,

Re: Crown Consolidated Accounts 2018 and 2019 Management Report

Thank you for the opportunity to provide a response to the management letter received for the Crown audit 2018 and 2019.

The Ministry acknowledge the finding and recommendation from the report, I note that the main areas of qualifications has dropped from seven in 2017 to four in 2018 and 2019. This is an improvement that needs to be recognised as we continue to work towards improving the quality of the financial reporting from across government agencies.

I have responded to the areas of qualifications raised in the report below with what I perceived as the appropriate approach from MFEM given the current resourcing and capacity available within the Ministry.

Sincerely

A handwritten signature in blue ink, appearing to read 'Garth Henderson'.

Garth Henderson
Financial Secretary

22 February 2021

Please address all correspondence to the Financial Secretary

1. Property, Plant and Equipment (PPE) and Infrastructure Asset.

The MFEM has taking an active co-ordination role in asset management reporting in 2020/21.

The Asset Management Working Group has met two times already since the 2020/21 financial year. The aim of the working group is to bring together the main stakeholders responsible for government asset management to coordinate a workplan that will improve asset management processes as well as asset management reporting requirements. The working group will table a consolidated document of the workplan before the end of the 2021 financial year, the workplan will be discussed with each of the respective HoM to ensure this is part of their performance requirements.

This is going to be a long-term project, but the workplan will allow the Crown to monitor and evaluate delivery by each agency annually.

2. Taxation revenue and Tax receivables

The Director for Revenue Management Division (RMD) has approved the Audit's access to the tax records for the auditing of the 2019/20 financial year.

The RMD is also planning to upgrade its revenue management software which will have functionality to allow the Ministry to carry out an appropriate assessment of tax receivables to identify any impairment as required by IPSAS.

3. Preparation of the consolidated financial statements

The Ministry acknowledge the finding of the Audit office. The Ministry has been struggling to fill critical positions in the past with the appropriate personnel, however, we have recently recruited a Crown Accounts Manager out of New Zealand who will be responsible for this reporting requirement.

The Ministry will review the consolidation preparation with input from the Crown Accounts Manager and implement as necessary for the 2020 financial year audit.

4. Disclosure of low interest concessionary loans

The Ministry have opted not to comply with the requirements of IPSAS29 at this point in time due to the costs of compliance, approximately \$15,000 from the latest quote received.

It is envisaged that this disclosure requirement will be reviewed after we have dealt with the top three management issues raised above as matter of priority.

4 Appendix 2 Listing of Government entities and opinions issued

Portfolio of Cook Islands Government Entities						
Entities audited by the Office						
Entities audited by external auditors						
	2019	2018	2017	2016	2015	2014
Cook Islands Government	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified
Subsidiaries of Cook Islands Government						
Ministries (13)						
1 Infrastructure Cook Islands	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer
2 Ministry of Agriculture	Unmodified	Disclaimer	Unmodified	Unmodified	AUP Report	AUP Report
3 Ministry of Cultural Development	Qualified	Unmodified	Disclaimer	Disclaimer	Disclaimer	AUP Report
4 Ministry of Education	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
5 Ministry of Finance and Economic Management	Qualified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
6 Ministry of Foreign Affairs & Immigration	Unmodified	Qualified	Qualified	Disclaimer	Disclaimer	AUP Report
7 Ministry of Health	Unmodified	Unmodified	Qualified	Disclaimer	Disclaimer	Disclaimer
8 Ministry of Internal Affairs and Social Services	Unmodified	Unmodified	Qualified	Qualified	AUP Report	AUP Report
9 Ministry of Justice	Unmodified	Unmodified	Disclaimer	Disclaimer	Disclaimer	AUP Report
10 Ministry of Marine Resources	Unmodified	Unmodified	Unmodified	Qualified	Disclaimer	Disclaimer
11 Ministry of Police	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified	Qualified
12 Ministry of Transport	Unmodified	Unmodified	Unmodified	Qualified	AUP Report	AUP Report
13 Ministry of Corrective Services	Unmodified					
Crown Agencies and Offices (15)						
14 Business Trade and Investment Board	Qualified	Unmodified	Unmodified	Unmodified	Unmodified	AUP Report
15 Office of the Public Expenditure Review Committee and Audit	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
16 Cook Islands Pearl Authority	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Qualified
17 Cook Islands Tourism and Marketing Corporation	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
18 Cook Islands Seabed Mineral Authority	Unmodified	Unmodified	Unmodified	Unmodified	AUP Report	AUP Report
19 Crown Law Office	Unmodified	Unmodified	Unmodified	Unmodified	AUP Report	AUP Report
20 Development Coordination Division	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
21 Financial Services Development Authority	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
22 Financial Supervisory Commission	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
23 Head of State	Unmodified	Unmodified	Unmodified	Qualified	AUP Report	AUP Report
24 National Environment Service	Unmodified	Unmodified	Disclaimer	Disclaimer	Disclaimer	AUP Report
25 Office of the Ombudsman	Unmodified	Unmodified	Unmodified	Unmodified	AUP Report	AUP Report
26 Office of the Prime Minister	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	AUP Report
27 Office of the Public Service Commissioner	Unmodified	Unmodified	Unmodified	Unmodified	AUP Report	AUP Report
28 Parliament of the Cook Islands	Unmodified	Unmodified	Qualified	Unmodified	AUP Report	AUP Report
Ministerial Support Offices (7)						
29 Prime Minister's Support Office	Unmodified	Unmodified	Unmodified	Unmodified	AUP Report	AUP Report
30 Office of the Deputy Prime Minister	Unmodified	Unmodified	Unmodified	Unmodified	AUP Report	AUP Report
31 Office of the Leader of Opposition	Unmodified	Unmodified	Qualified	AUP Report	AUP Report	AUP Report
32 Minister Brown's Support Office / Tapaitau	Unmodified	Unmodified	Unmodified	Unmodified	AUP Report	AUP Report
33 Minister Turepu's Support Office / Angene	Unmodified	Unmodified	Qualified	Unmodified	AUP Report	AUP Report
34 Minister Glassie's Support Office / R Brown	Unmodified	Qualified	Unmodified	Unmodified	AUP Report	AUP Report
35 Minister Nicholas' Support Office / Mokoroa	Unmodified	Unmodified	Unmodified	Unmodified	AUP Report	AUP Report
Island Administrations (10)						
36 Atiu Island Administration	Disclaimer	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
37 Aitutaki Island Administration	Qualified	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
38 Mangaia Island Administration	Qualified	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
39 Manihiki Island Administration	Qualified	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
40 Mauke Island Administration	Disclaimer	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
41 Mitiaro Island Administration	Disclaimer	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
42 Palmerston Island Administration	Qualified	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
43 Penrhyn Island Administration	Qualified	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
44 Pukapuka Nassau Island Administration	Qualified	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
45 Rakahanga Island Administration	Disclaimer	Disclaimer	Disclaimer	Disclaimer	AUP Report	AUP Report
State Owned Entities						
46 Cook Islands Investment Corporation	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified
Subsidiaries						
47 --> Ports Authority (in substance)	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
48 --> Te Aponga Uira O Tumu Te Varovaro (in substance)	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
49 --> Airport Authority (in substance)	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
50 --> Cook Islands Broadcasting Corporation (in substance)	Dormant	Dormant	Unmodified	Unmodified	Unmodified	Unmodified
51 --> To Tatau Vai Limited (50%)	Unmodified	Unmodified				
52 --> Avaroa Cable Limited (50%)	Unmodified	Dormant				
53 --> CIIIC Seabed Resources Limited (50%)	Unmodified	Unmodified				
54 --> Cook Islands Government Property Corporation (in substance)	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified
--> To Tatau Vai Limited (50%)						
--> Avaroa Cable Limited (50%)						
55 --> Banana Court Co Limited (100%)	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
56 --> Cook Islands Property Corporation (100%)	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
57 --> Aitutaki Power Supply Limited (99%)	Qualified	Qualified	Disclaimer	Qualified	AUP Report	AUP Report
58 --> Suwarow Development Corporation (100%)	Dormant	Dormant	Unmodified	Unmodified	Unmodified	Unmodified
59 --> Development Finance limited (100%)	Dormant	Dormant	Dormant	Dormant	Dormant	Dormant
60 --> Bank of Cook Islands Holding Limited (100%)	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
--> Bank of the Cook Islands Limited (100%)						
61 --> Cook Islands Telecommunication Holdings Limited (100%)	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
--> Cook Islands Telecommunications Assets Limited (100%)						
--> Telecom Cook Islands Limited (40%)						



5 Appendix 3 Required communications to those charged with governance

Type		Response
Auditors responsibility under Generally Accepted Auditing Standards	OK	<p>We are responsible for the completion of our audit in accordance with International Standards of Supreme Audit institutions (ISSAI), and for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The ISSAI do not require us, as auditor, to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for;</p> <ul style="list-style-type: none"> • the preparation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS); or • for such internal control as it determines is necessary to enable the preparation of financial statements of the Government that are free from material misstatement, whether due to fraud or error. <p>The detailed terms are included in our audit arrangement letters for 2018 and 2019 financial years.</p>
Management representation letter	OK	We have not requested any specific representations in addition to those normally covered by our standard representation letter for the year ended 30 June 2018 and 2019.
Significant difficulties	Note	The completion of the 30 June 2018 and 30 June 2019 audits were a significant challenge for our Office. Due to the various qualifications, significant control deficiencies and the late submission of the financial statements. An extensive amount of effort was required to obtain sufficient appropriate audit evidence on account balances we could confirm and the performance of testing on qualified balances. <i>Refer to Key Messages section of this report.</i>
Disagreements with management or scope limitations	Note	The engagement team were restricted by the Revenue Management Division from accessing the underlying tax revenue supporting documents necessary to confirm that taxes were accurate, complete and recorded in the correct accounting period.
Actual or suspected fraud, non-compliance with laws or regulations or illegal acts	Note	<p>There were two investigations that have been completed pertaining to the following entities:</p> <ol style="list-style-type: none"> 1. Mitiaro Island Administration 2. Penrhyn Island Administration

		<p>There are currently two ongoing investigations into suspected fraud at the following entities:</p> <ol style="list-style-type: none"> 1. Ministry of Justice 2. Ministry of Police
Other matters warranting attention by those charged with governance	OK	There were no matters to report arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process.
Modifications to auditor's report	Note	<p>The audit reports for Government have been qualified for both the 2018 and 2019 financial years. These qualifications relate to:</p> <ol style="list-style-type: none"> 1. Property, plant and equipment balance of \$128.8 million (\$115.9 million (2018)) and the infrastructure asset balance of \$224.4 million (\$187.3 million (2018)). 2. Taxation revenue of \$159.2 million (\$137.6 million (2018)), tax amnesty write-off of \$23.5 million and tax receivable balance of \$24.3 million (\$9.3 million (2018)) 3. Prior year consolidation adjustments of \$2.0 million (\$29.9 million (2018)) 4. The Government has departed from the requirements of IPSAS 29 - Financial Instruments: Recognition and Measurement because it has not recorded all of its low-interest concessionary loans, made over the last 40 years, at their fair value. <p><i>Refer to Key Messages section of this report.</i></p>
Other information	OK	No material inconsistencies were identified related to other information in the annual report.
Accounting practices	Note	Over the course of our audit, we have evaluated the appropriateness of the Government's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate except for qualification relating to Borrowings.
Related parties	OK	There were no significant matters that arose during the audit in connection with the Government's related parties.
Going concern	OK	No material uncertainties over going concern noted. The use of going concern assumption is appropriate in the preparation and presentation of the financial statements.
Significant risk – management override of control	OK	There were no significant matters that arose during the audit in connection with management override of controls.

Control deficiencies	Note	<p>We would like to highlight the following significant control deficiencies prevalent in both years:</p> <ol style="list-style-type: none"> 1. Recording and monitoring of property, plant & equipment and infrastructure assets 2. Recording and monitoring of taxation revenue and tax receivables 3. The process in which Government consolidates the activities of its subsidiaries 4. The financial statement preparation process
Audit difference	Note	<i>Refer to Appendix 4 for the Audit adjustments schedule.</i>
Breaches of independence	OK	No matters to report. The engagement team, our Office have complied with relevant ethical requirements regarding independence.

6 Appendix 4 Audit Adjustments Schedule

The Audit Adjustment Schedule listed below per financial year does not include the audit adjustments relating to the consolidation of the individual Ministries and State Owned Entities.

Cook Islands Government 30 June 2018 - Audit Adjustments

Workpaper Reference	Account	Profit & Loss		Balance Sheet	
		Dr	Cr	Dr	Cr
Cook Islands Government - Crown Parent Audit Adjustments					
PAJE CP # 18-1					
62466	PS Strengthening - Revenue	7,730,400			
	Health - Patient Referrals		760,000		
	Education - Private School Funding		2,147,027		
	Education - Government Funded Scholarships		486,921		
	Education - Tertiary Training Insitutions		749,943		
	Tourism - OI Tourism Marketing		3,586,510		
	<i>(To correctly account for Core Sector Support funded by New Zealand aligning with the treatment by DCD)</i>				
PAJE CP # 18-2					
35097	Dr - Loan Repayment Fund Trust (liability)			21,461,000	
53400	Cr - Loan Repayment Fund Reserve (Equity)				21,461,000
	<i>(To reverse out incorrect recognition of loan repayment fund liabilities)</i>				
PAJE CP # 18-3					
42328	1. First multi project loan - 461				7,899
42324	2. First Cook Islands Development Bank project loan - 567				9,297
42326	3. Second multi project loan - 849				45,719
42331	4. Outer Islands telecommunications project loan - 1031				114,959
42325	5. Second Cook Islands Development Bank loan - 1155				29,397
42327	6. TCI Emergency Loa- 1171				10,167
42329	7. Pearl Loan (1994) - 1309				11,716
42332	8. Education development- 1317				71,452
42323	9. Third Cook Islands Development Bank loan- 1380				61,224
42321	10. Economic Restructuring loan - 1466				139,572
42322	11. Cyclone Rehabilitation Project loan - 1588				24,417
42333	12. Waste Management loan - 1832				59,479
42334	13. Cyclone Emergency Assistance loan- 2174				100,312
42336	Avatiu Ports Development Loan - 2473				212,343
42338	17. (OCF) Avatiu Ports Development Project Loan- 2739				10
42339	19. (OCF) Avatiu Ports Development Project Loan- 3193 ("Renewable Energy Sector")				222,286
42355	1. Indoor Sports Stadium & Upgrade of Existing Sports Facilities				237,599
42357	2. Rarotonga Water Ring Main Upgrade Loan				577,298
42330	French Loans				50,339
96310	Unrealised FX gains/ (losses)	1,664,173			
96300	Realised FX gains/ (losses)	321,310			
	<i>(To correct unrealised foreign exchange losses using YE spot rate instead of avg FX rate used by Crown)</i>				
PAJE CP # 18-4					
25518	WIP-Te Mata Vai Water Upgrade			7,334,018	
	Aid Expense - Te Mato Vai (NZA0096)		7,334,018		
	<i>(To correct payments made by DCD that were not recorded by Crown or MFEM for TMV Project)</i>				
PAJE CP # 18-5					
53000	Assets Transfers In			4,722,008	
98017	MFEM - Crown Approp Exp - TMV Project Fee		4,722,008		
	<i>(To correct TMV Project costs classification)</i>				
PAJE CP # 18-6					
	Repairs & Maintenance	1,513,849			
25211	Roads - Cost				1,025,793
25231	Water - Cost				420,448
25241	Coastal Protection - Cost				67,608
	<i>(To expense asset transfers that do not meet the criteria for capitalisation)</i>				
PAJE CP # 18-7					
51000	Retained Earnings				11,731,017
53000	Assets Transfers In			12,519,208	
52000	Depreciation Returned to Crown				690,825
53100	Surplus Returned to Crown				97,365
	<i>(To close off PY equity balances)</i>				
PAJE CP # 18-8					
15130	Inter-Min Accounts Receivables			8,357,495	
52000	Cr Depreciation Returned to Crown				6,771,902
53100	Cr Surplus Returned to Crown				1,585,593
	<i>(To post CY surplus and depreciation repayable per Ministry audited financial statements)</i>				



COOK ISLANDS AUDIT OFFICE

Workpaper Reference	Account	Profit & Loss		Balance Sheet	
		Dr	Cr	Dr	Cr
Cook Islands Government - Crown Parent Audit Adjustments					
PAJE CP # 18-9					
32120	Inter-Min Accounts Payables			3,084,964	
56000	Prior Year Adjustments - Retained Earnings				3,084,964
	<i>(To post subsequent entries by the Crown team regarding Crown Receivables for Ministries)</i>				
PAJE CP # 18-10					
15130	Inter-Min Accounts Receivables			25,021,686	
56000	Prior Year Adjustments - Retained Earnings				25,021,686
	<i>(To post subsequent entries by the Crown team regarding PY Crown Payables for Ministries)</i>				
PAJE CP # 18-11					
	NZODA Revenue	3,959,940			
	AusAid Revenue	2,106,502			
	UNESCO Revenue	1,370,823			
	UNDP Revenue	1,453,820			
	EU Revenue	5,972,686			
	Japan Revenue	15,923			
	China Aid Revenue	10,349,465			
	Other Aid Revenue		2,264,997		
	Public Sector Reform		1,734,765		
	Human Resources Development		11,820,053		
	Health Care Development		5,812,071		
	Outer Island Development		162,126		
	Tourism Development		425,131		
	Environmental Protection		3,089,999		
	Housing and Community Amenitie		162,633		
	Other Aid Expenditure	242,616			
	<i>To align aid revenue and expenses recorded by DCD</i>				
PAJE CP # 18-12					
23160	Ports Authority Advance				5,444,851
56000	Prior Year Adjustments - Retained Earnings			5,444,851	
15200	Prepayments			97,391	
98017	MFEM-Capital Funding		97,391		
	<i>(To post subsequent entries by the Crown team regarding Ports Authority Advance) -</i>				
PAJE CP # 18-13					
25519	WIP-ABD SREP -Solar Project			5,679,670	
	Activity: EUF0019 - Renewable Energy (Southern Group)		1,687,708		
	Activity: GEF0148 - Rewearable Energy (Southern Group)		3,923,313		
	Activity: PEC0056 - PEC Southern Renewable Energy Project		68,648		
	<i>(To correct payments made by DCD that were not recorded by Crown or MFEM for Southern Group Renewable Energy Project)</i>				
		36,701,507	51,035,263	93,722,292	79,388,536
Cook Islands Government - Crown Consolidation Adjustments					
PAJE CC # 18-1					
35001	Aid Project Trustee Liabs			3,092,160	
15220	Revenue Accrual				3,092,160
	<i>To elimiate DCD vs MFEM payable for Core Sector Support</i>				
PAJE CC # 18-2					
	NZODA Revenue	2,550,000			
	Other Aid Revenue	1,539,810			
	Human Resources Development		2,550,000		
	Environment Protection		1,539,810		
	<i>(To eliminate aid funding paid across to respective Ministries by DCD)</i>				
		4,089,809.82	4,089,809.82	3,092,160.00	3,092,160.00



Cook Islands Government 30 June 2019 - Audit Adjustments

Workpaper Reference	Account	Profit & Loss		Balance Sheet	
		Dr	Cr	Dr	Cr
Cook Islands Government - Crown Parent Audit Adjustments					
PAJE CP # 19-1					
62466	PS Strengthening - Revenue	7,730,487			
	Tourism - OI Tourism Marketing		4,770,776		
	Health - Patient Referrals		730,002		
	Education - Private School Funding		2,229,709		
	<i>(To correctly account for Core Sector Support funded by New Zealand aligning with the treatment by DCD)</i>				
PAJE CP # 19-2					
56000	Prior Year Taxpayers Fund			22,661,799	
52000	Depreciation Returned to Crown			6,771,902	
53100	Surplus Returned to Crown			1,585,593	
53000	Asset Transfers			1,513,849	
51000	Retained Earnings				32,533,143
	<i>(To close off PY equity accounts)</i>				
PAJE CP # 19-3					
25518	WIP-Te Mata Vai Water Upgrade			3,591,760	
	Aid Expense - Te Mato Vai (NZA0096)		3,591,760		
	<i>(To correct payments made by DCD that were not recorded by Crown or MFEM for TMV Project)</i>				
PAJE CP # 19-4					
25518	WIP-Te Mata Vai Water Upgrade			22,138,526	
98017	MFEM - Crown Approp Exp - TMV Project Fee		22,138,526		
	<i>(To capitalise TMV Project cost)</i>				
PAJE CP # 19-5					
	Public Sector Reform	9,820,724			
	Health Care Development	101,199			
	Environmental Protection	4,989,757			
	Housing and Community Amenitie	3,926,446			
	Other Aid Expenditure	4,814,452			
	NZODA Revenue		18,268,526		
	AusAid Revenue		66,375		
	UNDP Revenue		430,502		
	EU Revenue		673,294		
	Japan Revenue		1,267,772		
	Other Aid Revenue		2,946,109		
11511	Aid Trust Account			17,921,036	
35001	Aid Project Trustee Liab				17,921,036
	<i>(To align aid revenue and expenses recorded by DCD)</i>				
PAJE CP # 19 - 6					
15130	Dr Inter-Min Accounts Receivables			10,270,977	
52000	Cr Depreciation Returned to Crown				7,544,691
53100	Cr Surplus Returned to Crown				2,726,286
	<i>(To post CY surplus and depreciation repayable per Ministry audited financial statements)</i>				
PAJE CP # 19 - 7					
42321	10. Economic Restructuring loan - 1466			223,898	
42322	11. Cyclone Rehabilitation Project loan - 1588			39,229	
42323	9. Third Cook Islands Development Bank loan- 1380			98,092	
42324	2. First Cook Islands Development Bank project loan - 567			13,746	
42325	5. Second Cook Islands Development Bank loan - 1155			46,783	
42326	3. Second multi project loan - 849			71,846	
42327	6. TCI Emergency Loa- 1171			16,192	
42328	1. First multi project loan - 461			10,909	
42329	7. Pearl Loan (1994) - 1309			18,747	
42331	4. Outer Islands telecommunications project loan - 1031			182,505	
42332	8. Education development- 1317			114,322	
42333	12. Waste Management loan - 1832			94,934	
42334	13. Cyclone Emergency Assistance loan- 2174			163,013	
42336	14. (SF) Avatiu Ports Development Loan - 2473			312,184	
42338	(OCF) Avatiu Ports Development Project Loan- 2739				15
42339	(OCF) Avatiu Ports Development Project Loan- 3193 ("Renewable Energy Sector")				286,288
42355	Indoor Sports Stadium & Upgrade of Existing Sports Facilities				76,753
42356	(OCF) Avatiu Ports Development Project Loan - 2472				5,143
42357	Rarotonga Water Ring Main Upgrade Loan				115,190
42330	Caisse Francaise de Developpement Loans			50,339	
42335	ADB Ports Loan 2472				5,143
96310	Unrealised FX gains/ (losses)		3,059,366		
96300	Realised FX gains/ (losses)	2,091,161			
	<i>(To correct unrealised foreign exchange losses using YE spot rate instead of avg FX rate used by Crown)</i>				



COOK ISLANDS AUDIT OFFICE

Workpaper Reference	Account	Profit & Loss		Balance Sheet	
		Dr	Cr	Dr	Cr
Cook Islands Government - Crown Parent Audit Adjustments					
PAJE CP # 19 - 8					
65234	BCI Dividend Revenue	284,000			
65233	Banana Court Dividend Revenue	10,000			
65238	Extra SOE Dividend Revenue	60,000			
15150	Dividend Receivable				284,000
15150	Dividend Receivable				10,000
15150	Dividend Receivable				60,000
	<i>(To post subsequent entries by the Crown team)</i>				
PAJE CP # 19 - 9					
25519	WIP-ABD SREP -Solar Project			4,143,106	
	Activity: ADB0101 - Southern Group Renewable Energy Project		1,413,216		
	Activity: EUF0019 - Renewable Energy (Southern Group)		271,943		
	Activity: GEF0148 - GEF6 Southern Group Renewable Energy Project		950,577		
	Activity: GCF0170 - Green Climate Funds Southern Group		1,507,370		
	<i>(To correct payments made by DCD that were not recorded by Crown or MFEM for Southern Group Renewable Energy Project)</i>				
PAJE CP # 19 - 10a					
25052	Software - Acc Deprcn			94,548	
25111	Land - Cost			15,966	
25312	Motor Vehicle - Acc Deprcn			21,942	
25122	Buildings-Acc - Deprcn			841	
25342	Computer Equipment - Acc Dep			20,486	
93000	Depreciation Expense	8,335			
25051	Software - Cost				110,993
25311	Motor Vehicles - Cost				21,942
25121	Buildings Cost				11,200
25341	Computer Equipment - Cost				40,973
	Other Expense	22,990			
	<i>(To align PPE and Intangible Assets to adjusted PPE Register)</i>				
PAJE CP # 19 - 10b					
25212	Road - Acc Dep			1,332,036	
25231	Water - Cost			2,116,147	
25242	Coastal - Accumulated Depreciation			12,069	
25282	Waste - Accumulated Depreciation			623,069	
25292	Renewable Energy - Accumulated Dep			48,256	
25232	Water - Accumulated Depreciation				1,351,470
25211	Road - Cost				70,740
25241	Coastal - cost				117,059
25281	Waste - Cost				1,607,801
56000	Other Expense		284,369		
93000	Depreciation Expense		700,136		
	<i>(To align Infrastructure Assets to adjusted PPE Register)</i>				
PAJE CP # 19 - 11					
53100	Surplus Returned to Crown			804,640	
56000	Prior Year Taxpayers Fund				804,640
	<i>(To isolate all clearing out entries to single account balance)</i>				
		33,859,550	65,300,329	97,145,283	65,704,505
Cook Islands Government - Crown Consolidation Adjustments					
PAJE CC # 19-1				7,730,487	
35001	Aid Project Trustee Liabs				7,730,487
15220	Revenue Accrual				
	<i>To eliminate DCD vs MFEM payable for Core Sector Support</i>				
PAJE CC # 19-2					
	NZODA Revenue	3,619,929			
	Other Aid Revenue	2,731,930			
	Environment Protection		2,615,731		
	Health		101,199		
	Human Resources Development		15,000		
	Economic Affairs		3,619,929		
	<i>(To eliminate aid funding paid across to respective Ministries by DCD)</i>				
		6,351,859	6,351,859	7,730,487	7,730,487



7 Definitions – Audit Opinion and Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office’s risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation’s objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation’s objectives.
Medium	Potential for unfavourable or negative impact on the organisation’s objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation’s objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Audit Opinion	Definition
Unmodified	An unmodified opinion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Qualified	A modified opinion is expressed when either of the following circumstances exists: (a) there is a limitation on the scope of the auditor’s examination; or (b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor’s judgement, the effect of the matter is or may be material.
Disclaimer / Adverse	In order of severity (most to least), modified audit opinions may take the following form: <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor’s work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unqualified opinion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive