



Cook Islands Audit Office

Annual Report of the Audit Office

1 July 2005 – 30 June 2006



PARLIAMENT OF THE COOK ISLANDS

PARLIAMENT PAPER NO. 4

Speaker of Parliament
Parliament of the Cook Islands
Nikao, Rarotonga
Cook Islands

Honourable Speaker,

I have the honour to present the Annual Report of the Cook Islands Audit Office for the year ended 30 June 2006.

Hon. Dr. Terepai Maoate,
**MINISTER RESPONSIBLE FOR THE
OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT.**



COOK ISLANDS AUDIT OFFICE

P.O. Box 659
Avarua, Rarotonga
Cook Islands

Phone: (682) 21-231

Fax: (682) 25-231

Email: perca@oyster.net.ck
<http://www.auditoffice.gov.ck/>



28 November 2006

Hon Dr. Terepai Maoate
Deputy Prime Minister
Minister Responsible for the Office of Public Expenditure
Review Committee and Audit.
Avarua

Honourable Deputy Prime Minister,

Pursuant to Section 33 of the Public Expenditure Review Committee and Audit Act 1995-96, I have the honour to submit my Annual Report on the operations of the Audit Office for the year ended 30 June 2006.

Following its delivery and presentation the report will be placed on the Cook Islands Audit Office's website (<http://www.auditoffice.gov.ck/>).

Yours Sincerely,

Paul R.S. Allsworth
DIRECTOR OF AUDIT
OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

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STATEMENT OF RESPONSIBILITY

In terms of Section 30 of the Ministry of Finance and Economic Management Act 1995-96, I am responsible, as the Head of the Office of Public Expenditure Review Committee and Audit, for the preparation of the entity's financial report and the judgments made in the process of producing that report.

I have the responsibility of establishing and maintaining, and I have established and maintained a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

The Minister responsible for the Office of Public Expenditure Review Committee and Audit was responsible only during the period beginning 14 August 2005 to 30 June 2006 of this financial report.

In my opinion, this financial report fairly reflects the financial position and operations of the Office of Public Expenditure Review Committee and Audit for the year ended 30 June 2006.

Paul R.S. Allsworth
DIRECTOR OF AUDIT

28 November 2006

Hon. Dr. Terepai Maoate
MINISTER RESPONSIBLE FOR PERCA

28 November 2006

THE YEAR IN REVIEW – DIRECTOR’S REPORT

Kia Orana,

I am indeed honoured to present my Annual Report on the Audit Office’s performance and activities for the year ended 30 June 2006.

Again, it has been another busy and productive year for the Audit Office, with many challenges and opportunities. Like previous years, but more so this year, we have persistently tried to introduce innovative audit tools and revised our current audit methodologies, on how best we can, as an important institution of Government, deliver and produce maximum results within our allocated resources.

The Audit Office has re-positioned itself, with the aim of producing and completing Government’s holistic financial position, through the timely audit of the Crown Consolidated Financial Statements (CCFS). I am happy to report, that since I reported to parliament last year, we had completed the 2001/02 CCFS. To date, we have completed both the 2002/03 and 2003/04 CCFS. These reports will be tabled at the next sitting of Parliament, which is after our recent 2006 Parliamentary elections. We have aligned ourselves to target the completion of the 2004/05 CCFS by 30 June 2007. This, in my view, has been a significant milestone in our audit achievements, since the Public Sector Reform Program began in 1995/96.

To this end, I must congratulate the New Zealand Government, through its important aid program, NZ Aid, and also the collaboration and support received from the Ministry of Finance and Economic Management, under the able leadership of Kevin Carr, Financial Secretary.

Equally important, are the continuous improvement of our existing Government accounting systems, in the various Ministries, Agencies, Island Administration and State-Owned Enterprises.

I am proud to say, that amongst our Pacific Island nations, we are surely leading the way in radically transforming our internal accounting and reporting systems, compliant to International Accounting and Auditing Standards. After 30 June 2007, our target is to complete within 6 months the 2005/06 CCFS and bring up-to-date timely Parliamentary reports for our stakeholders.

In April 2004, I produced my Strategic Audit Plan for the period July 2004 to June 2007. This Plan outlines our strategic direction in the 3 key target areas that we should focus on:

- Annual financial audits of Ministries, Crown Agencies and the Crown Consolidated Financial Statements.
- Special Reviews and Investigations in high risk and critical areas.
- Performance audits to improve economy, efficiency and effectiveness.

An important element of that plan was the need to establish capability and strengthen capacity within the Audit Office. Six months out to 30 June 2007, I am confident that our human resources capability is strong and responding well to the number of significant changes in the accounting, legislative, and operating environments of public entities.

Our Major Achievements

- We issued 60 (44 in 2005) financial audit opinions and reports for Parliament. Overall, this represents a 36% increase in our productivity and efficiency.
- We completed 31 (31 in 2005) special review and investigation reports for Parliament. The status quo was due to the nature and complexity of our investigations, which ultimately used-up more time and resources.
- Due to our revised audit methodology, we simultaneously carried out the audit of ministries for two consecutive financial periods, therefore, fast-tracking the completion of the Crown Consolidated Financial Statements CCFS.
- We completed the audit of the 2002/03 and 2003/04 CCFS and by 30 June 2007, we plan to sign – off the 2004/05 CCFS. Our aim is to complete the 2005/06 CCFS within a timely period from balance date.
- The Mitiaro and Manihiki Hospital Projects audit report was used as part of the Crown’s prosecution against Denise Rairi, former Project Manager for both projects, for the misuse of public funds. Charges have been laid against Denise Rairi however this case has now been adjourned.
- Conducting the audit report that disclosed wrong-doing by the former Minister of Police and Internal Affairs regarding the misuse of public funds and resources. We assisted the prosecution team in the process of gathering evidence, organizing files and disseminating information during the case. As a result, the prosecution was successful in finding the former Minister guilty on two charges for misusing public funds and resources.

Our Major Concerns

- Appropriation overspending and poor management of public funds are a major area of concern. The Office of the Public Service Commissioner needs to be more aware to monitor and report such occurrences, and if unjustified, carry out the appropriate measures under the HOM’s employment contract.
- The absence of a Code of Conduct for public servants and Leadership Code for Parliamentarians. Our special review reports indicate breaches of conflicts of interest and misconduct by senior public servants and Members of Parliament. Codes of conduct should be seen as a tool for encouraging good governance practices to ensure that:
 - Governance structures and processes are effective and transparent;
 - They operate as a good employer.
- Failure to comply with the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM) by Ministries and Crown Agencies. This seems to be a regular finding across the board in most of our special review audit reports. The failure to comply is sometimes intentional but sometimes resulting from a lack of awareness of the CIGFPPM. Of concern is the lack of disciplinary measures and penalties provided against public officials who fail to comply with the CIGFPPM. The absence of proper disciplinary measures and penalties will only see the Special Reviews Division report on the same recurring issues. I think it is

prudent that consideration be given as to what measures and actions can be taken to encourage full compliance to the CIGFPPM.

- The failure and delay by Ministries and Crown Agencies to action the recommendations arising from our audit reports. We have concerns where some Ministries e.g. the Police Department have been slow in taking actions and responding to the recommendations of our reports. In some cases, they have come back to us a year or two later requesting for information or copies of our report. The drawbacks of this has resulted in poor organization of files for prosecution or either the alleged person which reports have been made against have migrated overseas.
- It is also evident that Ministries and Crown Agencies have failed to implement and enforce proper internal controls within their business operations which in some cases have lead to mismanagement of public resources. These anomalies are the pre-signing of cheques, lack of travel policies, loose controls over the use of internet/phone and misuse of government assets. These ultimately lead to a general waste of public resources.
- Difficulties in attracting Cook Island accounting graduates home, making it very difficult for the public sector to fill financial positions with appropriately skilled staff to enable accurate accounting systems, controls and financial reporting to be maintained.

The Year Ahead

Our plans for the coming year build on the work we have done in recent years. Our priorities for the 2007/08 year are:

- To strengthen our resources in the key result areas of our budget outputs
- To enhance our focus on the delivery of our services to our stakeholders and to ensure a high level of compliance
- To ensure that we have the right capability and funding to face the challenges we will encounter now and in the future.

Appreciation

I would like to thank all my supportive and hardworking staff who have undertaken their tasks in a professional and competent manner throughout the year.

I would like to thank them for their continuous support in achieving the goals of the Audit Office.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

DIRECTORY

Director of Audit

Paul R. S. Allsworth

Business Address

Level 1
Ministry of Finance and Economic Management Building
Avarua, Rarotonga
Cook Islands

Postal Address

P.O. Box 659
Avarua, Rarotonga
Cook Islands

Phone: (682) 21-231
Facsimile: (682) 25-231
Email: perca@oyster.net.ck
Website: <http://www.auditoffice.gov.ck/>

Auditors

Wood & Co.

Banker

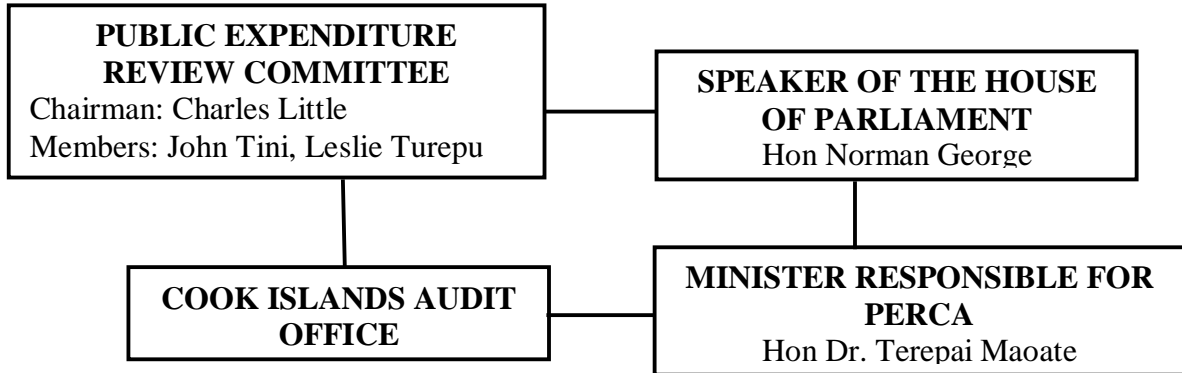
Westpac Banking Corporation

Solicitors

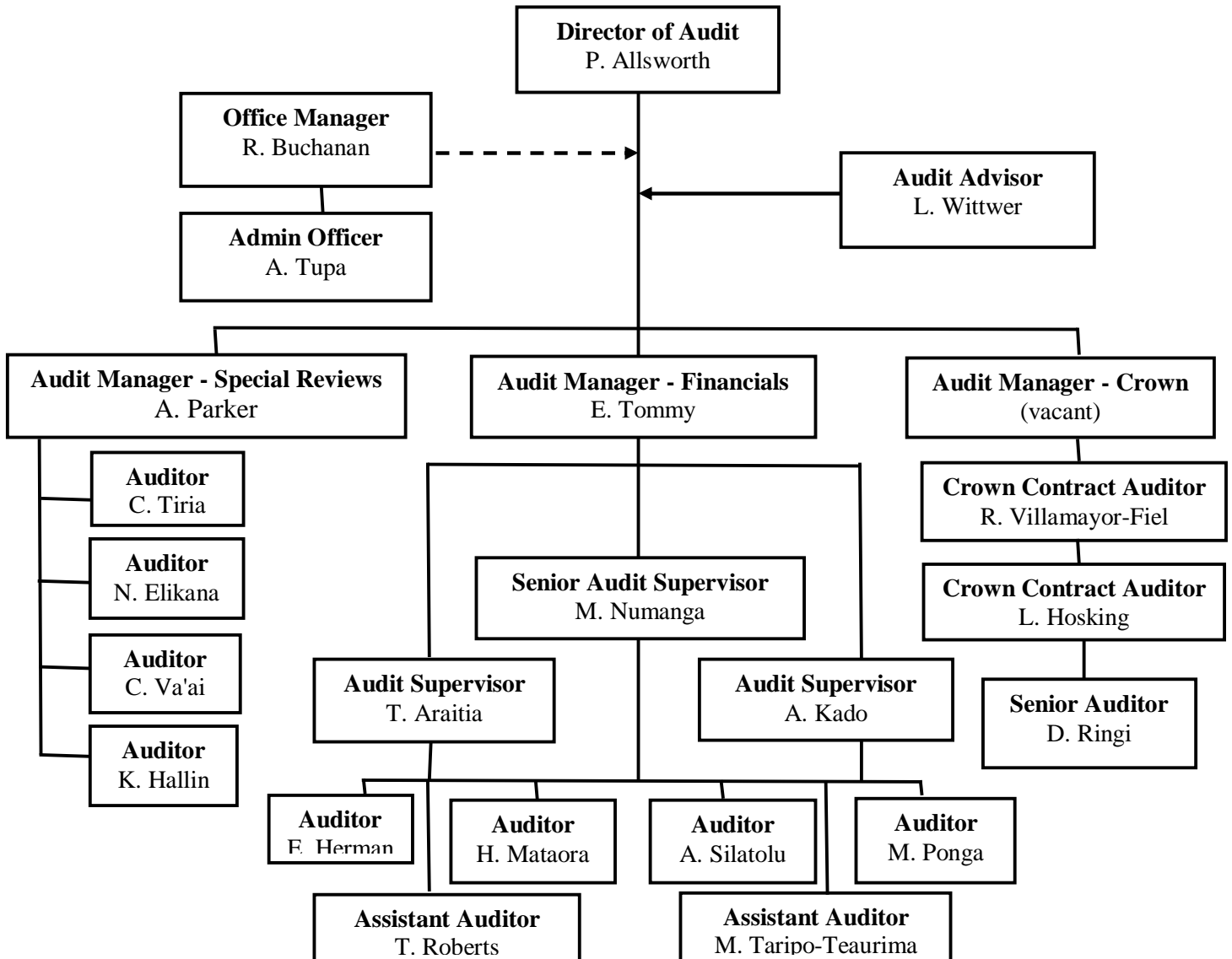
Crown Law Office

PART 1 - ABOUT THE COOK ISLANDS AUDIT OFFICE

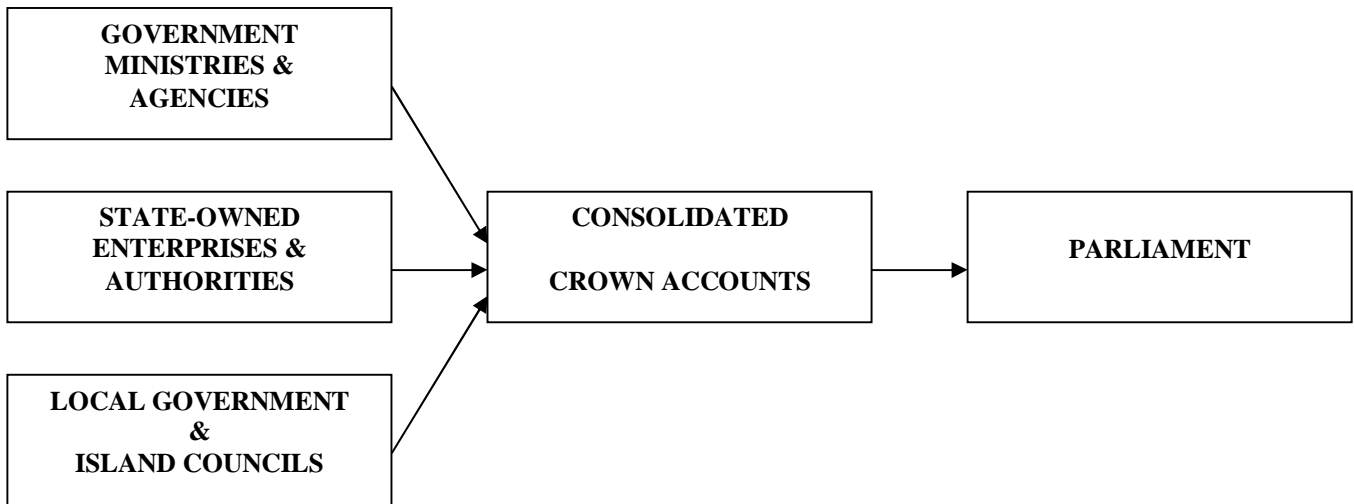
ORGANIZATION STRUCTURE OF THE COOK ISLANDS AUDIT OFFICE AS AT 30 JUNE 2006



MANAGEMENT STRUCTURE OF THE COOK ISLANDS AUDIT OFFICE



FUNCTIONAL RESPONSIBILITIES OF THE COOK ISLANDS AUDIT OFFICE



MISSION STATEMENT

“The audit office is to provide an independent assessment to Parliament on the Crown’s finances, resources and other interests of the Cook Islands.”

PURPOSE

The Audit Office exists as a constitutional safeguard to maintain the financial integrity of the country’s parliamentary system of government, and to assist government in the effective, efficient and economic use of resources.

ROLE

The Audit Office’s role is to assist Parliament to strengthen the effectiveness, efficiency and accountability of the instruments of government.

The Audit Office is independent of the Executive branch of Government.

LEGISLATIVE FRAMEWORK

The statutory mandate for the functions of the Audit Office is enshrined in the Constitution of the Cook Islands, under Article 71 and the Office of Public Expenditure Review Committee and Audit Act 1995/96, Part 3.

The Director of Audit performs the functions assigned to him by law, with the assistance of staff and of persons appointed by him in terms of Section 21 and 24 of the Office of Public Expenditure Review Committee and Audit Act 1995/96.

HUMAN RESOURCE MANAGEMENT

A vigorous staff recruitment strategy was implemented early in the year. The aim was to increase the Office’s capacity with recruiting graduates and experienced accountants with relevant tertiary qualifications and/or relevant work experience. This was required so that the Audit Office’s human resources capacity could meet its statutory audit responsibilities. New employees include:

	Name	Position	Month/Year Commenced
1.	Louise Wittwer	Audit Advisor (NZAid)	5 th September 2005
2.	Rosalie Villamayor Fiel	Crown Contract Auditor (NZAid)	5 th September 2005
3.	Ana Silatolu	Auditor (NZAid)	16 th November 2005
4.	Edward Herman	Auditor	5 th October 2005
5.	Daphne Ringi	Senior Auditor	17 th February 2006
6.	Michael Ponga	Auditor	5 th April 2006
7.	Tai Roberts	Assistant Auditor	6 th March 2006
8.	Antiana Tupa	Office Junior/Admin Officer	20 th March 2006
9.	Charlie Va'ai	Auditor	3 rd July 2006
10.	Kristina Hallin	Auditor	24 th July 2006

STAFF TRAINING AND PROFESSIONAL DEVELOPMENT

Staff training and professional development is an important element in which the Audit Office continues to support and embark on. The Audit Office has realized the short and long term benefits through ongoing staff training and professional enhancement. During the 2005/2006 financial period, staff participated in a number of training activities conducted at international and regional levels and in the Cook Islands.

SPASAI Fraud while Auditing workshop

Audit Manager, Special Reviews Division of CIAO, Allen Parker, attended the SPASAI Planning Workshop on 'Fraud While Auditing' in October 2005 held in Samoa. The purpose of the planning workshop was to organize the course content and materials for the 'fraud while auditing workshop' for auditors in the South Pacific Region. In November 2005, the workshop was delivered in Samoa to auditors from 12 countries in the South Pacific Region. The workshop was attended by Kathleen Tia Bergin and Ngatokorua Elikana as the Cook Islands participants and Allen Parker as one of the three audit trainers delivering the course.

The rationale of this workshop was to improve the knowledge and skills of auditors on fraud during the course of their audits. The workshop provided toolkits and outlined audit procedures in how to deal with fraud when fraudulent activities are suspected. Participants from the various countries were also provided the opportunity to make presentations and share experiences on methods/procedures of dealing with fraud in their own countries. The workshop was attended by 26 participants from the South Pacific Region and funded by SPASAI and IDI.

Leadership Development for Public Sector – Supporting Public Sector Reform

Elizabeth Tommy, the Audit Manager for Ministry Audit attended the Commonwealth Leadership Development for Public Sector Seminar held in Wellington on the 17 - 28 October 2005. The Seminar was organized jointly by the Commonwealth Secretariat and Victoria University in Wellington, New Zealand and funded by the Commonwealth Secretariat and NZAID.

The purpose of the seminar was to discuss the emerging issues, problems and challenges of public sector reform identified in Commonwealth Countries. The seminar attended by 28 participants from 23 Commonwealth Countries.

3rd International Audit Training Program for Auditor Generals

The China National Audit Office (CNAO) hosted their 3rd International Audit Training Program for the Auditor Generals of all South Pacific Association of Supreme Audit Institution (SPASAI) member countries. The workshop was held in Guangzhou, China 20 – 30 November 2005. In attendance at the workshop were Auditor Generals from 12 SPASAI member countries and their

deputies. Representing the Cook Islands at the workshop was Director of Audit, Paul Allsworth and Audit Manager – Crown Accounts, Thomas Lowry of the Cook Islands Audit Office (CIAO).

The workshop covered a number of sessions outlining the various work performed by the 88,000 auditors in China and outlining the legislative and cultural environment under which audit work is carried out in China. The participants found the workshop to be very informative and educational as some of the audit work done in China is different from work done in the SPASAI region. It was agreed that the most useful part of the workshop for both presenters and participants were the open discussions that followed each presentation. In these discussions an atmosphere of exchange was created between auditors of China and the SPASAI region which benefited all present.

Good Governance Workshop

The Cook Islands Audit Office (CIAO) held a good governance workshop for Members of Parliament on the 21 December 2005 at the Edgewater Resort. The workshop was conducted by the Director of Audit, Audit Advisors and Audit Managers. The workshop covered topics such as good governance, financial reporting and audit requirements, internal controls and fraud, waste and abuse. A number of remarkable discussions and response came out of the workshop and the CIAO found the workshop fruitful. The CIAO hopes to conduct a similar workshop for Mayors and Council Members on Rarotonga in the coming year.

In-House training for Auditors and Assistant Auditors - 2006

In-house training focusing on staff development and ongoing professional development is an area which the Audit Office continues to support. On 6 March – 31 March 2006, the Audit Office delivered its second Financial Audits In-House Training Workshop. Training was coordinated and conducted by Louise Wittwer, Audit Advisor, Elizabeth Tommy, Audit Manager and Rosalie Villamayor – Fiel, Contract Crown Auditor.

The workshop was attended by 9 financial auditors, 5 of which were new employees. The aim of the workshop was to equip the financial auditors with audit techniques to ensure the timely and efficient completion of audits. The workshop was a success and this continues to be seen through the application of audit techniques in the respective audit files completed by the auditors that attended.

Commonwealth Advance Seminar 2006 – Leadership and Change in the Public Sector

Margret Numanga, Senior Auditor was fortunate to be granted an award to participate in the Commonwealth Advanced Seminar 2006, “Leadership and Change in the Public Sector” which was held in Wellington, New Zealand from the 20th February through to the 3rd March 2006. The seminar was coordinated and funded by Victoria University of Wellington, NZAID in conjunction with Commonwealth Secretariat.

The seminar was an excellent opportunity to exchange experiences and ideas regarding leadership and changes in the Public Sector with 15 presenters and 38 participants from over 24 different countries. Each participant presented a case study, which focussed on a significant public sector reform initiative in each of his or her countries. The aims of these presentations were to learn from each others experiences and suggest an action plan or strategies to be implemented to address these initiatives. Throughout the 2 weeks, participants also undertook sites visits to selected New Zealand Government organisations and local government and community organisations.

The seminar was well organised and contributed a lot in terms of interchange of ideas and experiences, interaction with different cultures and ethnicity and a bonding of newly formed friendships.

Audit New Zealand – Work Attachment

On the 18th of February 2006 to the 16th of April 2006 Tunoa Araitia Senior Auditor with the Cook Islands Audit Office was fortunate to be working with Audit New Zealand's main office in Wellington on attachment. The attachment was the second of its kind for the Cook Islands Audit Office and came about through a professional understanding with Audit New Zealand to train and up skill our staff. The Program is coordinated through the National Human Resources Department under the Short Term Training Attachments Award.

While with Audit New Zealand Tunoa Araitia was resourced on four audits. Whitireia Community Polytechnic, 31 December 2005 final audit, (two weeks), Department of Labour Interim Audit (1 week) Te Wanaga o Raukawa 31 December 2005 final audit (two weeks) Nelson District Health Board Interim Audit (1 week). Her experience noted that the Cook Islands Audit Office's audit methodologies were similar to that of Audit New Zealand. However technological advantages such as TEAM MATE (an auditing software program currently being used by Audit New Zealand), enabled Audit New Zealand to fast track several of its audit test programs.

Thanks to Audit New Zealand for Tunoa's attachment, the Office is now looking at improving its audit methodologies including seeking funds for the purchase of audit software such as TEAM MATE. It is hoped that such improvements would enable us to better maximize our resources to provide timelier audit reports in the future.

PART 2 – ACHIEVEMENT OF GOALS

OFFICE OBJECTIVES AND OUTPUTS

The Audit Office's Strategic Result Area or SRA as approved by Cabinet through Government policy is Good Governance and Public Accountability.

Parliament approves the Office of Public Expenditure Review Committee and Audit Vote Item, through appropriation, for the 2005/2006 financial year. This comprised of five outputs:

Output 1 Crown Accounts

To ensure that the Crown consolidated financial statements are audited and tabled in Parliament and the crown consolidation is completed in a timely manner.

Output 2 Ministries, Crown Agencies and State Owned Enterprises Audit

This class of output relates to the provision of financial audit services to public sector organisations, which includes all Ministries, Offices of the Minister, Crown Funded Agencies, Island Administrations and State Owned Enterprises. The work is carried out by the Audit Office and chartered accounting firms on behalf of the Director of Audit.

In conjunction with audit reports issued as a result of the audits, the Audit Office also issues Management Reports containing findings and recommendations in relation to systems and internal controls.

Output 3 Performance Audits and Special Reviews

To complete special reviews and investigations: prioritised value for money (VFM) reviews in high-risk areas and forensic and fraud investigations in areas of waste, misappropriation and mismanagement. This output also includes the audits of donor aid funds and projects.

Output 4 Audit Commission

To ensure that audits and special reviews are carried out in accordance with accepted auditing standards.

Output 5 Audit Awareness

To raise awareness and provide training to key stakeholders on good governance, transparency and accountability.

AUDITING AND REPORTING

Audits Carried Out

The Ministry of Finance and Economic Management Act 1995-96 (the Act) specifies Departments' responsibilities in fulfilling the requirements for financial reporting.

Section 26 of the Act sets out the responsibility of the Financial Secretary that relates to the preparation of the Crown Consolidated Financial Statements, inter alia ... it states, "The Financial Secretary shall as soon as practicable after the end of each financial year, (30 June) but not later than the end of the third month of the next succeeding year (30 September), prepare and send to the

Government Auditors a financial statement (of transactions affecting the Public Account) covering all the information required under Section 25 (reporting requirements).

To form an opinion on financial statements, our audits are conducted in accordance with Generally Accepted Auditing Standards appropriate to public sector audits. The audits are planned and performed so as to obtain all the information and explanations considered necessary in order to provide sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinions, we also evaluate the overall adequacy of the presentation of information in the financial statements.

Of concern to Audit are the over-expenditures of budget appropriations by Government Ministries and Crown Agencies in the financial years audited. We also note the continuing delay by some Heads of Ministries in submitting their respective financial statements for audit purposes, the finalisation of financial results after subsequent audit is further prolonged. This time delay effectively has two consequences:

1. It affects the consolidation process of the Crown Financial Statements within MFEM, and as a result, their presentation to audit.
2. The evaluation of Heads of Ministries financial performance (whether favorable or unfavorable) by the Public Service Commission is affected and causes delays in annual performance reviews. It is important to note that the Public Service Commission has not carried out a comprehensive review of Heads of Ministries financial performance based on their budget appropriation outputs and performance delivery.

Audits of Ministries Annual Financial Statements

During the period 1 July 2005 to 30 June 2006, we completed a total of 58 financial audits, a 32% increase to the same period last year. Of the 58,

- Ø 38 relate to the 2002/2003 financial year;
- Ø 18 to 2003/2004; and
- Ø 2 to the 2004/2005 financial year.

The financial year 2001/2002 Crown Financial Statements audit was also completed during the year.

This is a remarkable achievement for this Office and was made possible through:

- Ø A total of 5 recruitments to replace the resignations of 4 members of the financial audit team;
- Ø providing a number of in-house training workshops as well as external training programs on island and abroad to up skill our auditors on changing audit programs and techniques;
- Ø providing our auditors with the necessary audit tools (laptops and portable printers) to get the job done on a timely manner;
- Ø the hard work and dedication of our staff and management team;
- Ø the improvements in the financial reporting of ministries, outer islands and support offices.

A number of challenges are ahead for the financial audit team. The most significant being the implementation of International Financial Reporting Standards (IFRS). The Ministry of Finance and Economic Management have initiated the process for which the compulsory date of implementation for all crown funded agencies is planned for the year ended 30 June 2008.

Audit's main challenge will be to train financial auditors on these changes so as to be armed to carry out their audit function competently.

Special Reviews and Investigations

The Special Reviews and Investigation Division (SRID) is responsible to conduct any audit review or investigation with regards to the economical, efficient and effective use of public resources. The reports produced by the SRID are a result of:

- Complaints received by the Audit Office
- An initiative taken by Audit to address areas of concern with regard to the management of public funds or resources.
- Statutory obligation

During the period 1 July 2005 to 30 June 2006, the SRID completed a total of 22 audit reports, a slight decrease as compared to the same period last year which had 23 audit reports. Of the 22 audit reports completed,

- ✓ 2 relate to Bank of the Cook Island (BCI) Reviews
- ✓ 6 Ministerial Audit Clearances
- ✓ 3 Financial Special Audit Purpose Reports
- ✓ 1 Review of the Consular and High Commissioner's Office and
- ✓ 10 Special Investigations

All of these reports have attempted to highlight and address a wide range of issues concerning the use of public resource and funds within the public sector. Common to most findings is the failure by Ministries and Crown Agencies to adhere to policies and procedures set out and outlined in the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM) and the policies and procedures established by individual Ministries. It is also evident that Ministries and Crown Agencies have failed to implement and enforced internal controls within their business operations which in some cases have lead to mismanagement of public resources.

It is also encouraging to see some Ministries and Crown Agencies taking corrective measures to address areas of concern as highlighted by our audit findings and recommendations in previous audit reports and we commend them for their efforts. Despite some of these positive steps taken by a number of Ministries, it is now important for these ministries and crown agencies to demonstrate its support and commitment to good governance through sustaining these measures.

It is not too late for those Ministries and Crown Agencies who have often failed to embed proper internal controls within their business operations and to comply with CIGFPPM. This will be our key focus of future planned audits, to ensure that these Agencies come on board in complying with the CIGFPPM and to ensure that opportunities for abuse or misuse of public resources by public officials are minimized.

A number of our audit reports and investigations regarding the misuse of public funds were reported to Police Department. Two of these cases were filed with the High Court for prosecution. As a result, a Minister of the Crown and a public official were convicted on charges for misusing public funds and removed from their position. Another senior public official will also face trial for misusing public funds.

The SRID is constantly improving the quality of its audit reports by ensuring that we give our clients the opportunity to respond to our findings and to retract our reports if necessary. In doing so, we are now including the responses of our clients in our quarterly reports when tabled in Parliament.

AUDIT OFFICE REPORTS FOR THE YEAR ENDED 30 JUNE 2006

As our published reports (or excerpts from them) were included in our four quarterly reports for the financial year, we have simply listed the reports below by quarter and by report title. Please refer to the published quarterly reports for details (<http://www.auditoffice.gov.ck/>).

FIRST QUARTER REPORT 1 JULY – 30 SEPTEMBER 2005

FINANCIAL AUDITS

1. Ministry of Transport 30 June 2003
2. Ministry of Transport 30 June 2004
3. Prime Ministers Support Office 30 June 2003
4. Prime Ministers Support Office 30 June 2004
5. Office of the Head of State 30 June 2003
6. Office of the Head of State 30 June 2004
7. Office of the Public Service Commissioner 30 June 2003
8. Office of the Public Service Commissioner 30 June 2004

SPECIAL REVIEWS

1. Review of the Bank of the Cook Islands - Mangaia Branch
2. Review of the Bank of the Cook Islands - Mauke Branch
3. Audit Clearance for the Office of the Former Deputy Prime Minister, Sir Geoffrey Henry, KBE.
4. Review into the alleged misuse of public funds by the Minister of Internal Affairs & Social Services, Hon. Peri Vaevae Pare.

SECOND QUARTER REPORT 1 OCTOBER – 31 DECEMBER 2005

FINANCIAL AUDITS

1. Parliamentary Services 30 June 2003
2. Parliamentary Services 30 June 2004
3. Ministry of Culture 30 June 2003
4. Ministry of Culture 30 June 2004
5. Crown Audit 30 June 2002
6. Airport Authority 30 June 2005
7. Ports Authority 30 June 2005
8. Ministry of Tourism 30 June 2003
9. Ministry of Tourism 30 June 2004
10. Mauke Island Government 30 June 2003
11. Mauke Island Government 30 June 2004

SPECIAL REVIEWS

1. Audit Clearance – Office of The Deputy Prime Minister, Hon. Dr Terepai Maoate

2. Audit Clearance of the Office of the former Minister of Foreign Affairs & Immigration, Youth, Sports and Recreation, and Transport (FAIYSRT), Hon. Tom Marsters
3. Audit Clearance – Office of the Minister of Justice, Agriculture and Marine Resources, Hon. Tupou Faireka
4. Review of the Diplomat Project
5. Review into the Patient Referral Support Service provided by Dr Joseph Williams and Danny Turia from Auckland for the Ministry of Health.

THIRD QUARTER REPORT 1 JANUARY – 31 MARCH 2006

FINANCIAL AUDITS

1. Office of the Minister for Island Administrations 30 June 2003
2. Office of the Minister for Island Administrations 30 June 2004
3. Ministry of Finance and Economic Management 30 June 2003
4. Ministry of Finance and Economic Management 30 June 2004
5. Ministry of Health 30 June 2003
6. Ministry of Health 30 June 2004
7. Ministry of Marine Resources 30 June 2003
8. Ministry of Marine Resources 30 June 2004
9. Office of the Minister of Health 30 June 2003
10. Office of the Minister of Health 30 June 2004
11. Mitiaro Island Administration 30 June 2003
12. Mitiaro Island Administration 30 June 2004
13. Ministry of Works 30 June 2003

SPECIAL REVIEWS

1. Creative Centre financial reports as at 30 June 2005
2. Review of possible use of Public money to pay Tax owed to Revenue Management by Fare Supplies Limited
3. Audit Clearance Report for the Former minister for Health, Police, Works and CIIC the Hon. Peri Vaevae Pare
4. Audit Review of Ministry of Health tender of Government Vehicle GA100
5. Audit review into the Affairs of the Takuvaine Fisherman's and Grower's Association.
6. Audit Review of Denise Rairi's Accountancy fees and services to Office of the Prime Minister.

FOURTH QUARTER REPORT 1 APRIL – 30 JUNE 2006

FINANCIAL AUDITS

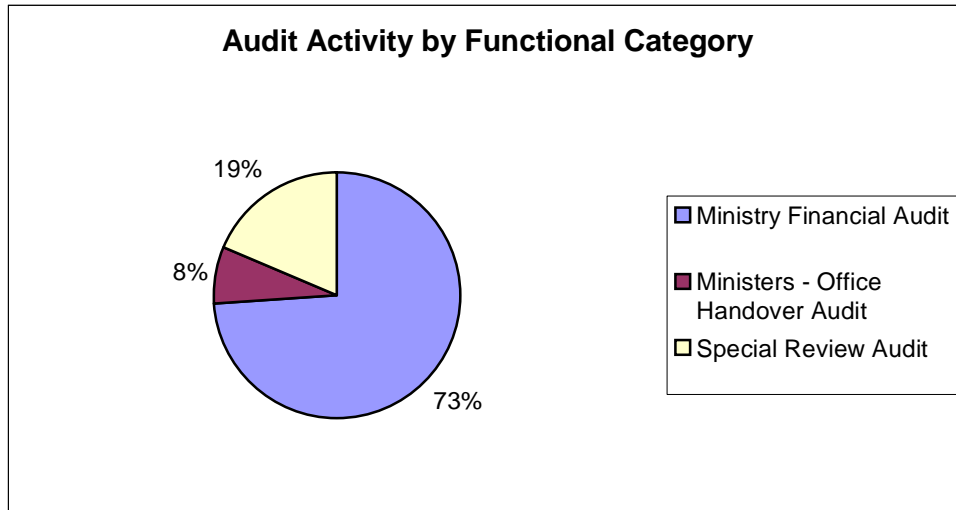
1. Aitutaki Power Supply 30 June 2003
2. Aitutaki Island Council 30 June 2003
3. Aitutaki Island Administration 30 June 2003
4. Atiu Island Administration 30 June 2003

5. Development Investment Board 30 June 2003
6. Development Investment Board 30 June 2004
7. Financial Intelligence Unit 30 June 2004
8. Mangaia Island Administration 30 June 2003
9. Manihiki Island Administration 30 June 2003
10. Ministry of Internal Affairs 30 June 2003
11. Ministry of Internal Affairs 30 June 2004
12. Ministry of Police 30 June 2003
13. Ministry of Education 30 June 2003
14. Ministry of Justice 30 June 2003
15. Ministry of Foreign Affairs and Immigration 30 June 2003
16. Ministry of Works 30 June 2004
17. Nassau Island Administration 30 June 2003
18. National Environment Service (Tua'anga Taporoporo) 30 June 2003
19. Office of the Prime Minister 30 June 2003
20. Office of the Minister of Education 30 June 2003
21. Office of the Minister of Health 30 June 2003
22. Office of the Leader of the Opposition 30 June 2003
23. Office of the Deputy Prime Minister 30 June 2003
24. Penrhyn Island Administration 30 June 2003
25. Palmerston Island Administration 30 June 2003
26. Pukapuka Island Administration 30 June 2003
27. Rakahanga Island Administration 30 June 2003

SPECIAL REVIEWS

1. Ministry of Marine Resources – Review of the Internal Controls over Revenue Received from Fishing Licenses.
2. Alleged Misuse of Public Funds by the Manager of the Atiu Infrastructure Division for the Atiu Island Administration, Mr. Apii Porio and the Former Member of Parliament for the Areora Constituency, Mr. Norman George
3. Financial Audit for the International Waters Project for the year ended 31st December 2005.
4. Financial Audit of the Koutu Nui of the Cook Islands for the year ended 31st March 2006.
5. Audit clearance of the Ministerial Support Office of the former Minister responsible for the Ministry of Culture and the Office of the Public Service Commissioner (MOCOPSC), Hon. Jim Marurai for the year ended 30 June 2003
6. Review of the Heads of Departments (HOMs) and Secretary for Island Administration (SIAs) performance bonus payments during 2004/2005

There were 80 reports produced by the Audit Office during the 2005/2006 financial year. 73% (59) were financial audits and 27% (21) were special reviews. There were 38 audits completed for the 2002/2003 financial year, 18 completed for the 2003/2004 financial year and 2 completed for the 2004/2005 financial year as well as the completion of the Crown Consolidated Accounts for 2001/2002.



***Part 3 – Financial Report for
30 June 2004***

**WOOD & CO.
Chartered Accountants**

*Ground Floor
Bermuda House
Tutakimoa Road
PO Box 67
Avarua, Rarotonga
Cook Islands*

Phone (00682) 22 371
Fax: (00682) 20 932
Email: chris@woodco.co.ck

AUDIT REPORT

**TO THE READERS OF THE FINANCIAL STATEMENTS OF THE OFFICE
OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT**

We have audited the financial statements on pages 21 to 33. The financial statements provide information about the past financial performance of the Office of Public Expenditure Review Committee and Audit and its financial position as at 30 June 2006. This information is stated in accordance with the accounting policies set out on pages 27 to 29.

Director's Responsibilities

The Director is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Office of Public Expenditure Review Committee and Audit as at 30 June 2006 and of the results of its operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Director and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Director in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Office of Public Expenditure Review Committee and Audit's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with International Standards on Auditing. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary.

We obtained sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Office of Public Expenditure Review Committee and Audit.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept; and
- the financial statements on pages 21 to 33
 - comply with generally accepted accounting practice; and
 - give a true and fair view of the financial position of the Office of Public Expenditure Review Committee and Audit as at 30 June 2006 and its results and cash flows for the year ended on that date.

Our audit was completed on 28 November 2006 and our unqualified opinion is expressed as at that date.

WOOD & CO.

RAROTONGA, COOK ISLANDS

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006**

			Restated
	Notes	2006	2005
REVENUE	2	890,663	720,153
EXPENSES	3	856,905	719,663
		<hr/>	<hr/>
OPERATING SURPLUS/ (DEFICIT)		\$33,758	\$490
GAIN ON ASSET SALES		0	630
LOSS ON ASSET SALES		0	(979)
		<hr/>	<hr/>
NET SURPLUS/ (DEFICIT)		\$33,758	\$141
		<hr/>	<hr/>

The accompanying notes should be read in conjunction with these Financial Statements.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2006**

	Notes	2006	2005
TAXPAYERS' FUNDS		\$27,797	\$25,231
		<hr/>	<hr/>
Represented by:			
CURRENT ASSETS			
Bank		16,821	42,784
Sundry Debtors & Receivables		827	3,097
Related Party Receivables	4	181,153	169,728
		<hr/>	<hr/>
		198,801	215,609
FIXED ASSETS	5	27,797	25,231
TOTAL ASSETS		<hr/> 226,598	<hr/> 240,840
CURRENT LIABILITIES			
Sundry Creditors and Payables		8,904	15,173
Related Party Payables	4	168,410	170,935
Employee Entitlements		21,487	29,501
		<hr/>	<hr/>
TOTAL LIABILITIES		198,801	215,609
NET ASSETS		<hr/> \$27,797	<hr/> \$25,231

Paul Allsworth,
Director of Audit

22 November 2006

The accompanying notes should be read in conjunction with these Financial Statements.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2006**

		Restated
	2006	2005
Opening Taxpayers' funds as at 1 July 2005	\$25,231	\$36,045
Net surplus for the year	33,758	141
Capital funding from the Crown	21,000	9,880
Surplus to be repaid to the Crown	(33,758)	nil
Depreciation to be repaid to the Crown	(18,434)	(20,835)
TAXPAYERS' FUNDS AS AT 30 JUNE 2006	<u>\$27,797</u>	<u>\$25,231</u>

The accompanying notes should be read in conjunction with these Financial Statements.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Crown Appropriations	672,074	589,382
Receipts from clients	171,029	108,126
Interest received	255	91
	<hr/>	<hr/>
	843,358	697,599
Cash was applied to:		
Payments to Employees	642,019	535,767
Payments to Suppliers	218,799	124,315
	<hr/>	<hr/>
	860,818	660,082
Net Cash Flows from Operating Activities	<hr/>	<hr/>
	(17,460)	37,517
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Sale of Fixed Assets	0	3,853
Cash was applied to:		
Purchase of Fixed Assets	21,000	14,222
Net Cash Flows from Investing Activities	<hr/>	<hr/>
	(21,000)	(10,370)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Capital funding from the Crown	21,000	9,880
Cash was applied to:		
Repayment to the Crown	8,503	0
Net Cash Flows from Financing Activities	<hr/>	<hr/>
	12,487	9,880
Net Increase/ (Decrease) in Cash Held	<hr/>	<hr/>
	(25,963)	37,027
Opening Cash Balances	42,784	5,757
Closing Cash Balances	<hr/>	<hr/>
	\$16,821	\$42,784

The accompanying notes should be read in conjunction with these Financial Statements.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 30 JUNE 2006**

**RECONCILIATION OF NET SURPLUS / (DEFICIT) TO CASH FLOWS FROM
OPERATING ACTIVITIES**

	2006	Restated 2005
Reported Surplus / (Deficit)	33,758	141
Add / (less) Non-cash items:		
Depreciation	18,434	20,835
(Gain)/ Loss on asset sales	0	348
	<hr/>	<hr/>
	18,434	21,183
Add / (less): Movements in working capital items		
(Increase) / decrease in accounts receivable	(9,155)	(77,428)
(Increase) / decrease in prepayments	0	10,897
Increase / (decrease) in accounts payable	(52,482)	61,526
Increase / (decrease) in employee entitlements	(8,015)	21,196
	<hr/>	<hr/>
	(69,652)	16,193
Net Cash Flows from Operating Activities	<hr/>	<hr/>
	(\$17,460)	\$37,517
	<hr/>	<hr/>

The accompanying notes should be read in conjunction with these Financial Statements.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2006**

Statement of Appropriations

	Appropriation Voted	Expenditure Actual	Surplus / (Deficit)
<u>Year Ended 30 June 2006</u>			
Output 1: Audit of the Crown Accounts	184,423	175,982	8,441
Output 2: Audit of Ministries, Crown Agencies and State Owned Enterprises	438,553	418,480	20,073
Output 3: Performance Audits and Special Reviews	241,732	230,668	11,064
Output 4: Audit Commission	17,150	16,365	785
Output 5: Audit Awareness	16,150	15,410	740
	<hr/>	<hr/>	<hr/>
	898,008	856,905	41,103
Trading Revenue	<hr/>	<hr/>	<hr/>
	200,000	191,958	(8,042)
Other Revenue	0	697	697
	<hr/>	<hr/>	<hr/>
Net Surplus			\$33,758
<u>Year Ended 30 June 2005</u>			
Output 1: Audit of the Crown Accounts	463,621	497,262	(33,641)
Output 2: Special Reviews and Investigations	175,165	185,572	(10,407)
Output 3: Fulfill Responsibilities of PERCA	73,714	32,740	40,974
Output 4: Investigation of Italian Loan	10,000	4,437	5,563
	<hr/>	<hr/>	<hr/>
	722,500	720,011	2,489
Trading Revenue	<hr/>	<hr/>	<hr/>
	80,000	77,561	(2,439)
Other Revenue	0	91	91
	<hr/>	<hr/>	<hr/>
Net Surplus			\$141

Statement of Commitments

There were no financial commitments at balance date. (2005: nil)

Statement of Contingent Liabilities

There were no contingent liabilities at balance date. (2005: nil)

Statement of Unappropriated Expenditure

No unappropriated expenditure was incurred during the year. (2005: nil)

Statement of Trust Monies

The Ministry held no trust monies at balance date. (2005: nil)

The accompanying notes should be read in conjunction with these Financial Statements.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF ACCOUNTING POLICIES

The Office of Public Expenditure Review Committee and Audit is an Office of Parliament as defined by the Public Expenditure Review Committee and Audit Act 1995-96.

These are the Financial Statements of the Office of Public Expenditure Review Committee and Audit prepared in accordance with the Ministry of Finance and Economic Management Act 1995-96 and with the International Accounting Standards issued by the International Federation of Accountants (IFAC).

GENERAL ACCOUNTING POLICIES

The general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and financial position under the historical cost method have been followed in the preparation of these financial statements. These Financial Statements have been prepared under the accrual basis of accounting.

PARTICULAR ACCOUNTING POLICIES

The following particular accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows have been applied:

(i) Revenue

The Office of Public Expenditure Review Committee and Audit derives revenue from the Crown for outputs provided to Parliament. Trading revenue is also provided from the provision of audit services to third parties and interest on its current account with Westpac Banking Corporation.

(ii) Debtors

Debtors are stated at estimated realizable value after providing against doubtful debts.

(iii) Fixed Assets

Fixed Assets are recorded at cost less accumulated depreciation.

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service.

(iv) Depreciation

Depreciation of fixed assets is provided on a straight-line basis so as to allocate the cost of assets to their estimated residual value over their estimated useful lives. Typically, the estimated useful lives are:

Motor Vehicles	4 years
Furniture and Fittings	4 to 10 years
Office Equipment	3 to 4 years
Computer Equipment	3 to 4 years

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2006

PARTICULAR ACCOUNTING POLICIES (continued)

(v) Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased item, are charged as expenses in the periods in which they are incurred.

(vi) Provision for Employee Entitlements

Annual leave, long service leave, and time off in lieu of overtime worked are recognized as they accrue to employees.

(vii) Financial Instruments

Financial instruments primarily consist of bank balances, receivables and payables. Revenue and expenses in relation to all financial instruments are recognized in the Statement of Financial Performance.

(viii) Taxation

The Office of Public Expenditure Review Committee and Audit, as an institution of the Crown, is exempt from the payment of income tax in terms of the Income Tax Act 1997. Accordingly, no charge for income tax has been provided for.

(ix) Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

(x) Contingent Liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

(xi) Statement of Cash Flows

Cash is considered to be cash balances on hand and current accounts in banks, net of bank overdrafts.

Operating activities include cash received from all income sources of the Ministry and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition, holding and disposal of non-current assets.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2006**

PARTICULAR ACCOUNTING POLICIES (continued)

(xii) Value Added Tax (VAT)

All statements of account are exclusive of VAT. The Statement of Financial Position is exclusive of VAT except for payables and receivables, which are, stated VAT inclusive as these represent the total amount to be paid or collected by the Ministry to or from third parties.

The amount of VAT owing to or from the Revenue Management Division at balance date, being the difference between Output VAT and Input VAT, is included in payables or receivables as appropriate.

TAXPAYERS' FUNDS

This represents the Crown's net investment in the Ministry.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2006**

2. REVENUE	2006	Restated 2005
Crown Appropriations	698,008	642,500
Trading Revenue	191,958	77,561
Interest Revenue	255	92
Other Revenue	442	0
	<u>\$890,663</u>	<u>\$720,153</u>
3. EXPENSES		
Personnel Costs	633,707	530,255
Other Operating Expenses	108,390	65,336
Travel	73,729	55,407
Depreciation	18,434	20,835
Professional Fees for External Consultants	13,272	16,080
Committee Expenses	6,373	28,750
Audit Fees	<u>3,000</u>	<u>3,000</u>
	<u>\$856,905</u>	<u>\$719,663</u>
Travel Expenses		
Conferences	13,958	
Training	21,442	
Operational audits	12,970	
Investigations	25,359	
	<u>\$73,729</u>	

Public Expenditure Review Committee

The activities of the Public Expenditure Review Committee for 2005/06 were partly funded by the Audit Office budget in terms of the committee members' sitting fees and operating expenses.

4. RELATED PARTIES

The Office of Public Expenditure Review Committee and Audit is a wholly owned entity of the Crown, however, the Government protects it through its legislation from undue influence and significant control.

The Crown provides the Ministry with significant funding in the form of an annual appropriation to assist the Ministry in discharging its duties and obligations. The Ministry also enters into transactions with other Government ministries, Crown agencies and State Owned Enterprises on an arms length basis.

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	Restated 2005
RELATED PARTIES: (continued)		
<i>Inter-Ministry Receivables:</i>		
Aid Management Division, MFEM	875	9,390
Aitutaki Island Administration	2,709	nil
Atiu Island Administration	2,709	nil
Bank of the Cook Islands	nil	625
Cook Islands Natural Heritage Trust	nil	55
Government of the Cook Islands – Crown	16,875	16,875
Manihiki Island Administration	6,251	1,736
Ministry of Agriculture	nil	3,225
Ministry of Cultural Development	nil	2,507
Ministry of Education	3,870	nil
Ministry of Health	nil	8,921
Ministry of Internal Affairs	nil	472
Ministry of Justice	nil	2,797
Ministry of Police	2,257	nil
Nassau Island Administration	1,290	nil
Office of the Deputy Prime Minister	nil	950
Office of the Minister of Education	496	nil
Office of the Minister of Marine Resources	nil	337
Office of the Ombudsman	2,580	nil
Office of the Prime Minister	2,257	869
Office of the Public Services Commissioner	nil	1,935
Palmerston Island Administration	4,514	nil
Parliament of the Cook Islands	nil	8,384
Penrhyn Island Administration	nil	1,721
Prime Minister's Support Office	nil	914
Pukapuka Island Administration	2,257	1,736
Rakahanga Island Administration	3,390	3,390
	<hr/>	<hr/>
	\$52,330	\$66,839
<i>Crown Receivables:</i>		
Crown appropriation for 30 June 2002	6,590	6,590
Crown appropriation for 30 June 2003	17,643	17,643
Crown appropriation for 30 June 2004	25,417	25,417
Crown appropriation for 30 June 2005	53,239	53,239
Crown appropriation for 30 June 2006	25,934	-
	<hr/>	<hr/>
	\$128,823	\$102,889
Total Related Party Receivables	<hr/>	<hr/>
	\$181,153	\$169,728

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2006**

4. RELATED PARTIES: (continued)	2006	Restated 2005
<i>Inter-Ministry Payables:</i>		
Government of the Cook Islands – Crown	7,500	9,000
Revenue Management Division (PAYE)	nil	298
Revenue Management Division (VAT)	9,060	19,538
Various Ministries (Fees in advance)	17,155	51,092
	\$33,715	\$79,929
<i>Crown Payables:</i>		
Crown depreciation for 30 June 2002	15,121	18,285
Crown surplus for 30 June 2002	0	1,972
Crown depreciation for 30 June 2003	21,769	21,769
Crown depreciation for 30 June 2004	24,778	24,778
Crown surplus for 30 June 2004	0	3,368
Crown depreciation for 30 June 2005	20,835	20,835
Crown depreciation for 30 June 2006	18,434	-
Crown surplus for 30 June 2006	33,758	-
	\$134,695	\$91,007
Total Related Party Payables	\$168,410	\$170,935

5. FIXED ASSETS

<u>30 June 2006</u>	Cost / Valuation	Accum. Dep'n.	Net Book Value
Motor Vehicles	14,222	6,221	8,001
Furniture and Fittings	41,049	37,003	4,046
Office Equipment	9,800	9,800	nil
Computer Equipment	69,933	54,183	15,750
	\$135,004	\$107,207	\$27,797
 <u>30 June 2005</u>			
Motor Vehicles	14,222	2,666	11,556
Furniture and Fittings	41,049	34,256	6,793
Office Equipment	9,800	9,083	717
Computer Equipment	48,933	42,768	6,165
	\$114,004	\$88,773	\$25,231

OFFICE OF PUBLIC EXPENDITURE REVIEW COMMITTEE AND AUDIT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2006**

6. FINANCIAL INSTRUMENTS

The Office of Public Expenditure Review Committee and Audit is not exposed to currency risk or significant levels of interest rate risk.

In the normal course of business, the Ministry incurs credit risk from trade debtors and transactions with financial institutions. The Ministry has a credit policy, which is used to manage risk. As part of this policy, limits on exposures with counter parties have been set and approved by the Director and are monitored on a regular basis.

The Ministry has no significant concentrations of credit risk. The Ministry does not require any collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

The fair values of the Ministry's financial assets and liabilities are estimated as at their carrying values.

7. RESTATEMENT OF 2005 COMPARATIVE FIGURES

The Office identified an error in the calculation of the income in advance liability at 30 June 2005 subsequent to the finalisation of the accounts for that year. The income in advance liability was understated by \$39,000 which had the effect of overstating the surplus for that year and also the return of surplus to the Crown. The Office believes this error to be fundamental and has therefore restated the 2005 comparatives to correct the opening position.

	2005 Restated	2005 As filed
<i>Statement of Financial Performance</i>		
Trading revenue	\$77,561	\$116,561
Net surplus	\$141	\$39,141
<i>Statement of Financial Position</i>		
Related party payables:		
Income in advance liability	\$60,092	\$21,092
Crown surplus for 30 June 2005	-	\$39,000