



**DEVELOPMENT COORDINATION DIVISION**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2013**



DEVELOPMENT COORDINATION DIVISION

ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2013

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DEVELOPMENT COORDINATION DIVISION

DIRECTORY

**Minister**

Honorable Mark Brown  
Minister of the Ministry of Finance and Economic Management

**Manager of Development Coordination Division**

Peter Tierney

**Business Address**

Avarua  
Rarotonga  
Cook Islands

**Auditor**

Cook Islands Audit Office

**Banker**

Westpac Bank  
Avarua  
Rarotonga

**Solicitor**

Crown Law Office



## AUDIT REPORT

### TO THE READERS OF THE FINANCIAL STATEMENTS OF THE DEVELOPMENT COORDINATION DIVISION OF THE MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2013

We have audited the financial statements on pages 7 to 16. The financial statements provide information about the past financial performance of the Development Coordination Division and its financial position as at 30 June 2013. This information is stated in accordance with the accounting policies set out on pages 12 to 14.

#### Responsibilities of the Development Coordination Division

Section 28(2) of the Ministry of Finance and Economic Management Act 1995-96 requires the Development Coordination Division to prepare financial statements in accordance with GAAP, as approved by the International Federation of Accountants as applicable to governments and their agencies, which fairly present the financial position, borrowings and commitments of the Development Coordination Division as at 30 June 2013, and the results of its operations and cash flows for the year ended 30 June 2013.

#### Auditor's Responsibilities

Section 28(4) of the Ministry of Finance and Economic Management Act 1995-96 requires the Cook Islands Audit Office to audit the financial statements presented by the Development Coordination Division. It is the responsibility of the Cook Islands Audit Office to express an independent opinion on the financial statements and report its 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 judgments made by the Development Coordination Division in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Development Coordination Division's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with 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 auditor, we have no relationship with or interests in the Development Coordination Division.

## Unqualified Opinion

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

In our opinion the financial statements of the Development Coordination Division:

- comply with International Public Sector Accounting Standards; and
- fairly present in all material respects, the financial position, borrowings and commitments of the Development Coordination Division as at 30 June 2013 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on the 8<sup>th</sup> of January 2014 and our unqualified opinion is expressed as at that date.



Allen Parker  
Director of Audit  
Cook Islands Audit Office  
Rarotonga, Cook Islands



## DEVELOPMENT COORDINATION DIVISION

### STATEMENT OF RESPONSIBILITY

In terms of Section 30 of the Ministry of Finance and Economic Management Act 1995-96, I am responsible for the preparation of the Development Coordination Division's financial statements and the judgements made in the process of producing those statements.

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

In my opinion, these financial statements fairly reflect the financial position and operations of the Development Coordination Division for the year ended 30 June 2013.



Peter Tierney

**Manager of Development Coordination Division**

08 January 2014

**Date**



Honorable Mark Brown

**Minister of the Ministry of Finance  
and Economic Management**

08 January 2014

**Date**

DEVELOPMENT COORDINATION DIVISION

STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2013

In New Zealand Dollars	Notes	2013	2012
REVENUE	2	17,839,531	16,809,081
EXPENSES	3	17,839,531	16,809,081
NET SURPLUS/(DEFICIT)		<u>0</u>	<u>0</u>



DEVELOPMENT COORDINATION DIVISION

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013

In New Zealand Dollars	Notes	2013	2012
<b>TAX PAYER'S FUNDS</b>		-	-
Represented by:			
<b>CURRENT ASSETS</b>			
New Zealand Aid Bank Account		904,750	1,832,262
European Union Bank Account		8,910	80,344
Other Donor Bank Accounts		1,492,681	2,352,888
Other Term Deposits		3,981,132	5,564,699
Interest Accrued		14,298	8,131
Accruals	4	981,823	937,698
<b>TOTAL ASSETS</b>		<u>7,363,593</u>	<u>10,775,918</u>
<b>Current Liabilities</b>			
New Zealand Aid Liabilities		4,647,771	2,571,773
Payables		892,808	264,741
European Union Liabilities		352,075	79,842
Other Liabilities		1,187,424	2,198,520
Term Deposit Liabilities		-	5,564,699
Interest Liabilities		283,515	96,343
<b>TOTAL LIABILITIES</b>		<u>7,363,593</u>	<u>10,775,918</u>
<b>NET ASSETS</b>		<u>-</u>	<u>-</u>

  
Peter Tierney  
Manager of Development Coordination Division

08 January 2014  
Date





DEVELOPMENT COORDINATION DIVISION

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2013

In New Zealand Dollars	Notes	Accumulated Surplus / Deficit	Contributions from Crown	Total Equity
<b>Balance as at 30 June 2012 brought forward</b>		-	-	-
<b>Changes in equity for the year:</b>				
Net surplus / (deficit) for the year		-	-	-
Funds transferred to Crown		-	-	-
Closure of Project Liability Accounts		-	-	-
<b>BALANCE AS AT 30 JUNE 2013</b>		<u>-</u>	<u>-</u>	<u>-</u>

DEVELOPMENT COORDINATION DIVISION

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2012

In New Zealand Dollars	Notes	Accumulated Surplus / Deficit	Contributions from Crown	Total Equity
<b>Balance as at 30 June 2011 brought forward</b>		-	-	-
Changes in accounting policy / prior period errors		-	-	-
Restated balance		<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in equity for the year:</b>				
Net surplus / (deficit) for the year		-	-	-
Funds transferred to Crown		-	(258,615)	(258,615)
Closure of Project Liability Accounts		-	258,615	258,615
<b>BALANCE AS AT 30 JUNE 2012</b>		<u>-</u>	<u>-</u>	<u>-</u>



DEVELOPMENT COORDINATION DIVISION

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2013

in New Zealand Dollars	2013	2012
<b>Cash Flows From Operating Activities</b>		
<i>Cash was provided from:</i>		
Receipts from Aid Donors	<u>17,809,137</u>	<u>16,826,297</u>
	<u>17,809,137</u>	<u>16,826,297</u>
<i>Cash was applied to:</i>		
Payments to Suppliers	<u>21,251,854</u>	<u>13,277,549</u>
	<u>21,251,854</u>	<u>13,277,549</u>
Net Cash Flows from Operating Activities	<u>(3,442,717)</u>	<u>3,548,748</u>
Net Increase/(Decrease) in Cash Held	(3,442,717)	3,548,748
Opening Cash Balances	<u>9,830,190</u>	<u>6,281,442</u>
Closing Cash Balance	<u><u>6,387,473</u></u>	<u><u>9,830,190</u></u>



DEVELOPMENT COORDINATION DIVISION

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2013

In New Zealand Dollars	2013	2012
<b>Cash Flows From Operating Activities</b>		
<i>Cash was provided from:</i>		
Receipts from Aid Donors	<u>17,809,137</u>	<u>16,826,297</u>
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Net Cash Flows from Operating Activities:	<u>(3,442,717)</u>	<u>3,548,748</u>
Net Increase/(Decrease) in Cash Held	(3,442,717)	3,548,748
Opening Cash Balances	9,830,190	8,281,442
Closing Cash Balance	<u>6,387,473</u>	<u>9,830,190</u>



## DEVELOPMENT COORDINATION DIVISION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### Note 1: Statement of Accounting Policies

##### Basis of Preparation

- (i) Reporting Entity  
These financial statements are for the Development Coordination Division of the Ministry of Finance and Economic Management which is considered to be an agency of the Crown.
- (ii) Statement of Compliance  
These financial statements have been prepared in accordance with the Ministry of Finance and Economic Management Act 1995-96 and with the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSASB).
- (iii) Measurement Base  
The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

These financial statements have been prepared using the historical cost method to report results, cashflows and the financial position of the Development Coordination Division. The financial statements have been prepared under the accrual basis of accounting and are presented in New Zealand dollars rounded to the nearest dollar.

##### Significant Accounting Policies

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

- (i) Assets  
Recognition

An entity will recognize an asset arising from a non-exchange transaction when it gains control of resources that meet the definition of an asset when it is probable that future economic benefits will flow to the agency and when the future value of these assets can be measured reliably.

##### Measurement

An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition. Donor funds are deposited into bank accounts until expensed on approved projects.

- (ii) Liabilities and Revenue  
Recognition

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow. As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

##### Measurement

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity therefore revenue is recognized when donor funds are expended on approved projects.



DEVELOPMENT COORDINATION DIVISION

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED

**Significant Accounting Policies (continued)**

(iii) Expenses

Expenses are recognized when incurred on approved projects.

(iv) Foreign Currencies

Foreign currency transactions reported in the Statement of Financial Performance are recorded at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities reported in the Statement of Financial Position, arising from trading transactions or overseas borrowings are translated at closing rates.

(v) Financial Instruments

Financial instruments primarily consist of bank balances, term deposits, receivables and payables. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. The fair value of all financial assets and financial liabilities is equivalent to their carrying value.



DEVELOPMENT COORDINATION DIVISION

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED

**Significant Accounting Policies (continued)**

(vi) Statement of Cash Flows

Cash and cash equivalents include cash balances on hand, current accounts in banks net of bank overdrafts, deposits on call with banks and investments with a maturity of less than 3 months.

Operating activities include cash received from all income sources of DCD 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 investments.

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

**Changes in Accounting Policies, New Standards**

There have been no changes in accounting policies since the date of the last audited Financial Statements.



DEVELOPMENT COORDINATION DIVISION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013

Note 2:	REVENUE	2013	2012
	NZ Agency for International Development	15,507,998	15,616,601
	European Union	91,121	187,461
	United Nations Development Programme	423,802	301,162
	United Nations Education Scientific Culture Org	975	-
	Outer Islands Development Grant Fund (OIDGF)	-	1,247
	Cook Islands Government	27,827	45,749
	Other Aid Donors	1,787,808	655,614
	Bank Interest	-	1,247
	Total Revenue	<b>17,839,531</b>	<b>16,809,081</b>
Note 3:	EXPENSES		
	Public Sector Reform	810,250	15,348
	Human Resource Development and Education	4,150,028	3,070,271
	Outer Island Development	1,760,100	1,390,435
	Health Development	628,351	703,961
	Tourism Development	3,568,054	1,500,000
	Economic Development	91,830	4,621,865
	Other Sectors	3,751,635	5,317,246
	Water and Sanitation	2,294,159	-
	Environmental Protection	440,742	-
	Housing and Community Amenities	253,261	-
	Outer Islands Development Grant Fund (OIDGF)	-	1,247
	European Union Expenses	91,121	187,461
	Bank Charges	-	1,247
	Total Expenses	<b>17,839,531</b>	<b>16,809,081</b>





DEVELOPMENT COORDINATION DIVISION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013

Note 4:	ACCRUALS	2013	2012
	Accrual funds received		
	New Zealand Official Development Assistance		
	Ministry of Education (Cook Islands Government)	-	399,000
	Cook Islands Technical Assistance Fund (Office of the Public Service Commission)	-	241,205
	Online Registry (Ministry of Justice Cook Islands Government)	-	166,350
	United Nations Development Program	-	52,307
	Strengthening Resilience	40,130	-
	Cook Islands Technical Assistance Fund (Office of the Public Service Commission)	28,884	-
	Accrual funds paid		
	United Nations Development Program	-	5,879
	European Union	23,704	-
	Ministry of Foreign Affairs and Trade New Zealand Official Development Assistance	659,922	71,512
	Pacific Islands Forum	23,560	1,343
	Australia Official Development Assistance	183,123	-
	India	2,500	-
		<b>961,823</b>	<b>937,596</b>

**5 FUNDAMENTAL UNCERTAINTY**

The existence of the Development Coordination Division of MFEM is subject to the availability of donor assistance to the Cook Islands. More than 75% of the aid revenue managed by Development Coordination Division in the 2012-2013 financial year was funded by the New Zealand Agency for International Development (NZ Aid). Future NZ Aid assistance to the Cook Islands is based on a Joint Commitment for Development (JCDF). There are clear indications from other key donors (including the European Union, India, Italy and China) that they will continue to assist with development in the Cook Islands for the next

