



MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS
Aid Management Division

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009





**MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS**

Aid Management Division

STATEMENT OF RESPONSIBILITY

In terms of Section 30 of the Ministry of Finance and Economic Management Act 1995-96, I am responsible, as the Manager, for the preparation of the Ministry of Finance and Economic Management (MFEM) Aid Management Division financial report and the judgements made in the process of producing that report.

I have the responsibility for 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.

In my opinion, except for the qualifications contained in the report of the Cook Islands Audit Office, these financial statements fairly reflect the financial position, operations and taxpayers' funds of the AMD for the year ended 30 June 2009.

Jim Armistead
AMD Manager

23 August 2011





GOVERNMENT

COOK ISLANDS AUDIT OFFICE

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AUDIT REPORT

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE AID MANAGEMENT DIVISION OF THE MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2009

We have audited the financial statements on pages 5 to 14. The financial statements provide information about the past financial performance of the Aid Management Division and its financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 10 to 12.

Responsibilities of the Aid Management Division

Section 28(2) of the Ministry of Finance and Economic Management Act 1995-96 requires the Aid Management 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 Aid Management Division as at 30 June 2009, and the results of its operations and cash flows for the year ended 30 June 2009.

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 Aid Management 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 Aid Management Division in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Aid Management 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 Aid Management Division.



Basis of Qualified Opinion

Prior Period errors – non compliance with generally accepted accounting practice


Prior period errors reported in equity at \$313,555 are the result of the correction of various aid asset and aid liability accounts which were qualified in the past. The correction to these accounts was however posted directly to the statement of changes in equity. In terms of International Public Sector Accounting Standards *IPSAS 3 – Accounting policies, changes to estimates and errors* prior period errors are to be corrected retrospectively, restating the comparative financial year results. As a result of non compliance with IPSAS 3, prior period errors reported in the statement of changes in equity has been qualified.

Qualified Opinion

In our opinion, except for the matters noted above, the financial statements of the Aid Management Division:

- Comply with International Public Sector Accounting Standards; and
- Fairly present in all material respects, the financial position, borrowings and commitments of the Aid Management Division as at 30 June 2009 and its financial performance and cash flow for the year ended on that date.

Our audit was completed on 23 August 2011 and our qualified opinion is expressed as at that date.


Paul R S Allsworth
Director of Audit
Cook Islands Audit Office
Rarotonga, Cook Islands.





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS
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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009

In New Zealand dollars	Notes	2009	2008
REVENUE	2	6,006,163	5,080,949
EXPENSES	3	6,006,163	5,055,781
NET OPERATING SURPLUS		-	25,168
PRIOR YEAR ADJUSTMENTS	6	-	189,658
NET SURPLUS/ (DEFICIT)		\$-	\$214,826

The accompanying notes form part of this financial report





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS
Aid Management Division

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009

In New Zealand dollars	Notes	2009	2008
TAXPAYERS' FUNDS		\$ -	\$303,158
Represented by:			
CURRENT ASSETS			
New Zealand Aid Bank Account		-	130,834
Receivable – NZ Aid		104,021	-
Outer Islands Development Grant Fund Bank Account		82,642	183,774
European Union Bank Account		64,119	62,412
ADB Bank Accounts		456,141	637,730
Other Donor Bank Accounts		539,424	445,143
Outer Islands Development Grant Fund Term Deposits		555,636	787,012
Other Term Deposits		690,306	402,381
Interest Accrued		18,757	17,227
TOTAL ASSETS		2,511,046	2,666,513
CURRENT LIABILITIES			
Payable – NZ Aid		104,021	-
New Zealand Aid Liabilities		-	167,526
Outer Islands Development Grant Fund Liabilities		82,642	361,372
European Union Liabilities		64,119	(5,265)
ADB Liabilities		456,141	638,671
Other Liabilities		539,424	515,341
Term Deposit Liabilities		1,245,942	525,194
Interest Liabilities		18,757	160,516
TOTAL LIABILITIES		2,511,046	2,363,355
NET ASSETS		\$ -	\$303,158

Jim Armistead
MFEM - AMD Manager

23 August 2011

The accompanying notes form part of this financial report





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS
Aid Management Division

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS
AS AT 30 JUNE 2009

In New Zealand dollars	Notes	2009	2008
Opening Taxpayer's Funds		303,158	109,935
Foreign Exchange Translation Adjustment		10,397	5,479
Interest Repayable to Donor		-	(1,854)
Prior Period Adjustments	6	(313,555)	
Closure of Inactive and Non-existing Account		-	(25,228)
Net Surplus/ (Deficit)		-	214,826
Closing Taxpayers' Funds		\$ -	\$303,158

The accompanying notes form part of this financial report





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

In New Zealand dollars	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Receipts from Aid Donors	5,641,123	5,386,255
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	5,641,123	5,386,255
<i>Cash was applied to:</i>		
Payments to suppliers	5,902,142	5,055,781
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	5,902,142	5,055,781
Net cash flows from operating activities	(261,019)	330,474
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Transfer from Investments	-	-
	<hr/>	<hr/>
	-	-
<i>Cash was applied to:</i>		
Transfer to Investments	-	-
	<hr/>	<hr/>
	-	-
Net cash flows from investing activities	-	-
Net increase/ (Decrease) in cash held	\$(261,019)	\$330,474
Opening Cash and Cash Equivalents	2,649,286	2,318,812
	<hr/>	<hr/>
Closing Cash and Cash Equivalents	\$2,388,267	\$2,649,286
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The accompanying notes form part of this financial report





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

In New Zealand dollars	2009	2008
RECONCILIATION OF NET SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Reported surplus	\$ -	\$214,826
<i>Add / (less): Non-cash items</i>		
Equity Adjustments	(303,159)	(21,603)
	<hr/>	<hr/>
	(303,159)	193,223
Add / (less): Movements in working capital items		
(Increase)/Decrease in Aid Receivable	(104,021)	-
(Increase)/Decrease in Interest Receivable	(1,530)	(16,414)
Increase/(Decrease) in Aid Liabilities	43,670	153,665
Increase/(Decrease) in Aid Payable	104,021	-
	<hr/>	<hr/>
Net Cash Flows from Operating Activities	\$(261,019)	\$330,474
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents are represented by:		
New Zealand Aid Bank Account	-	130,834
Other Donor Bank Accounts	995,564	1,082,873
Outer Islands Development Grant Fund Bank Account	82,642	183,774
European Union Bank Account	64,119	62,412
Term Deposits	1,245,942	1,189,393
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Total Cash and Cash Equivalents	\$2,388,267	\$2,649,286
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The accompanying notes form part of this financial report





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS
Aid Management Division

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

(i) *Reporting Entity*

These financial statements are for the Aid Management Division of the Ministry of Finance & 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 as promulgated by IFAC.

(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 AMD. The financial statements have been prepared under the accrual basis of accounting and are presented in New Zealand dollars rounded to the nearest dollar.

Basis of Preparation

The following accounting policies, which significantly affect the measurement of financial performance and financial position, 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.





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(ii) *Liabilities & 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.

(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.

(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 AMD and record the cash payments made for the supply of goods and services.





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
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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.

IPSAS 23 – Revenue for Non-Exchange Transactions effective for periods beginning on or after 30 June 2008 has been applied in the preparation of these financial statements.





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
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2. REVENUE

	2009	2008
New Zealand Overseas Development Assistance	4,907,396	4,118,615
European Union Revenue	-	21,915
United Nations Development Revenue	607,164	223,004
United Nations Education Scientific Culture Org.	46,502	64,632
Outer Islands Development Grant Fund (OIDGF)	108,841	177,291
Other Aid Donors	333,565	468,000
Bank Interest	2,695	7,492
	<hr/>	<hr/>
	\$6,006,163	\$5,080,949
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3. EXPENSES

Public Sector Reform	889,120	136,742
Private Sector Development	-	242,974
Human Resource Development and Education	2,019,729	2,543,906
Outer Island Development	1,882,658	742,511
Health Development	159,081	266,386
Marine Development	-	300
Other Sectors	944,039	920,851
Outer Islands Development Grant Fund (OIDGF)	108,841	177,291
European Union Expenses	-	21,915
Bank Charges	2,695	2,905
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	\$6,006,163	\$5,055,781
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4. RELATED PARTY TRANSACTIONS (TERM DEPOSITS)

The Aid Management Division currently holds term deposits with all three commercial banks in the Cook Islands, including the Bank of the Cook Islands (BCI) which is a State Owned Enterprise (SOE). The BCI term deposit is invested at an interest rate of 4.5% per annum for 6 months. During the financial year ending 30 June 2009, the BCI term deposit was valued as follows:

	2009	2008
BCI Term Deposit	\$493,185	\$472,808





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
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5. FUNDAMENTAL UNCERTAINTY

The existence of the Aid Management Division of MFEM is subject to the availability of donor assistance to the Cook Islands. More than 82% of the aid revenue managed by Aid Management in the 2008-2009 financial year was funded by the New Zealand Agency for International Development (NZAID). Future NZAID assistance to the Cook Islands is based on a five year Country Strategy currently under development with the option to move into a ten year country strategy. There are clear indications from other key donors (including the European Union and China) that they will continue to assist with development in the Cook Islands for the next twenty years.

6. PRIOR YEAR ERRORS

AMD contracted technical assistance to improve its' financial management systems. During the course of the review the following errors relating to prior period bank balances and project liabilities were discovered:

- Outstanding cheques and deposits that had been duplicated or cleared in previous periods were included in the financial statements of 30 June 2009.
- Liabilities for projects that had been completed in previous periods were also included in the financial statements of 30 June 2009.
- Opening Balances were reconciled
- Negative liabilities were reconciled
- Ensuring the accuracy of trust accounting, liabilities were aligned to assets

Correction of prior period errors for 30 June 2009 was directly taken up in equity which resulted in a total adjustment of \$313,555.

