



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

*Aid Management Division*

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# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010





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

*Aid Management Division*

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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 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 these financial statements fairly reflect the financial position, operations and taxpayers' funds of the AMD for the year ended 30 June 2010.

**Jim Armistead  
AMD Manager**

**21 November 2011**





## 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 2010

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 2010. 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 2010, and the results of its operations and cash flows for the year ended 30 June 2010.

#### 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.

## Unqualified Opinion

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

In our opinion 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 2010 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 21 November 2011 and our unqualified opinion is expressed as at that date.



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





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**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2010**

In New Zealand dollars	Notes	2010	2009
<b>REVENUE</b>	2	7,739,843	6,006,163
<b>EXPENSES</b>	3	7,739,843	6,006,163
<b>NET SURPLUS/ (DEFICIT)</b>		<u>\$-</u>	<u>\$-</u>

The accompanying notes form part of this financial report





**MINISTRY OF FINANCE & ECONOMIC MANAGEMENT**  
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*Aid Management Division*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

In New Zealand dollars	Notes	2010	2009
<b>TAXPAYERS' FUNDS</b>		\$-	\$-
Represented by:			
<b>CURRENT ASSETS</b>			
New Zealand Aid Bank Account		612,663	-
Receivables	7	1,006,790	104,021
Outer Islands Development Grant Fund Bank Account		259,172	82,642
European Union Bank Account		275,053	64,119
ADB Bank Accounts		-	456,141
Other Donor Bank Accounts		1,114,122	539,424
Outer Islands Development Grant Fund Term Deposits		-	555,636
Other Term Deposits		211,858	690,306
Interest Accrued		1,451	18,757
<b>TOTAL ASSETS</b>		<b>3,481,109</b>	<b>2,511,046</b>
<b>CURRENT LIABILITIES</b>			
Payables		1,000,000	104,021
New Zealand Aid Liabilities		604,496	-
Outer Islands Development Grant Fund Liabilities		255,639	82,642
European Union Liabilities		274,067	64,119
ADB Liabilities		-	456,141
Other Liabilities		1,118,738	539,424
Term Deposit Liabilities		211,858	1,245,942
Interest Liabilities		16,311	18,757
<b>TOTAL LIABILITIES</b>		<b>3,481,109</b>	<b>2,511,046</b>
<b>NET ASSETS</b>		<b>\$-</b>	<b>\$-</b>

**Jim Armistead**  
**MFEM - AMD Manager**

**21 November 2011**

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STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS  
AS AT 30 JUNE 2010

In New Zealand dollars	Notes	2010	2009
Opening Taxpayer's Funds		-	303,158
Foreign Exchange Translation Adjustment		-	10,397
Funds transferred to Crown		(399,438)	-
Closure of Project Liability Accounts		399,438	-
Prior Period Adjustments	6	-	(313,555)
Net Surplus/ (Deficit)		-	-
Closing Taxpayers' Funds		\$ -	\$ -

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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010

In New Zealand dollars	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Receipts from Aid Donors	6,928,465	5,641,123
	<hr/>	<hr/>
	6,928,465	5,641,123
<i>Cash was applied to:</i>		
Payments to suppliers	6,843,864	5,902,142
	<hr/>	<hr/>
	6,843,864	5,902,142
<b>Net cash flows from operating activities</b>	<b>84,601</b>	<b>(261,019)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Transfer from Investments	-	-
	<hr/>	<hr/>
	-	-
<i>Cash was applied to:</i>		
Transfer to Investments	-	-
	<hr/>	<hr/>
	-	-
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/ (Decrease) in cash held</b>	<b>\$84,601</b>	<b>\$(261,019)</b>
Opening Cash and Cash Equivalents	2,388,267	2,649,286
	<hr/>	<hr/>
<b>Closing Cash and Cash Equivalents</b>	<b>\$2,472,868</b>	<b>\$2,388,267</b>
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010

In New Zealand dollars 2010 2009

**RECONCILIATION OF NET SURPLUS TO  
CASH FLOWS FROM OPERATING ACTIVITIES**

Reported surplus	-	-
<i>Add / (less): Non-cash items</i>		
Equity Adjustments	-	(303,159)
	<hr/>	<hr/>
	-	(303,159)

**Add / (less): Movements in working capital items**

(Increase)/Decrease in Aid Receivable	(902,769)	(104,021)
(Increase)/Decrease in Interest Receivable	17,306	(1,530)
Increase/(Decrease) in Aid Liabilities	74,085	43,670
Increase/(Decrease) in Aid Payable	895,979	104,021
	<hr/>	<hr/>
Net Cash Flows from Operating Activities	\$84,601	\$(261,019)

**CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents are represented by:

New Zealand Aid Bank Account	612,663	-
Other Donor Bank Accounts	1,114,122	995,564
Outer Islands Development Grant Fund Bank Account	259,172	82,642
European Union Bank Account	275,053	64,119
Term Deposits	211,858	1,245,942
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Total Cash and Cash Equivalents	\$2,472,868	\$2,388,267

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

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, cash flows 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.





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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.





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**2. REVENUE**

	2010	2009
New Zealand Overseas Development Assistance	6,901,900	4,907,396
European Union Revenue	78,215	-
United Nations Development Revenue	219,768	607,164
United Nations Education Scientific Culture Org.	47,728	46,502
Outer Islands Development Grant Fund (OIDGF)	347,757	108,841
Other Aid Donors	140,206	333,565
Bank Interest	4,269	2,695
	<hr/>	<hr/>
	\$7,739,843	\$6,006,163
	<hr/>	<hr/>

**3. EXPENSES**

Public Sector Reform	1,274,422	889,120
Human Resource Development and Education	2,976,419	2,019,729
Outer Island Development	461,495	1,882,658
Health Development	255,593	159,081
Tourism Development	2,000,000	-
Other Sectors	341,673	944,039
Outer Islands Development Grant Fund (OIDGF)	347,757	108,841
European Union Expenses	78,215	-
Bank Charges	4,269	2,695
	<hr/>	<hr/>
	\$7,739,843	\$6,006,163
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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 was reinvested at an interest rate of 4.5% per annum for 6 months. During the financial year ending 30 June 2010, the BCI term deposit was closed.

	2010	2009
<b>BCI Term Deposit</b>	-	\$493,185





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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 89% of the aid revenue managed by Aid Management in the 2009-2010 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.

There were no prior period adjustments for the year ending 30 June 2010.

7. RECEIVABLES	2010	2009
NZ Aid	1,006,080	104,021
Ministry of Health	710	-
	<u>\$1,006,790</u>	<u>\$104,021</u>

