



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

Aid Management Division

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011





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 these financial statements fairly reflect the financial position, operations and taxpayers' funds of the AMD for the year ended 30 June 2011.

Jim Armistead
AMD Manager

9 December 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 2011

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 2011. 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 2011, and the results of its operations and cash flows for the year ended 30 June 2011.

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 2011 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 9 December 2011 and our unqualified opinion is expressed as at that date.



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





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

Aid Management Division

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011**

In New Zealand dollars	Notes	2011	2010
REVENUE	2	16,532,029	7,739,843
EXPENSES	3	16,532,029	7,739,843
NET SURPLUS/ (DEFICIT)		<u>\$-</u>	<u>\$-</u>

The accompanying notes form part of this financial report





**MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

In New Zealand dollars	Notes	2011	2010
TAXPAYERS' FUNDS		\$ -	\$-
Represented by:			
CURRENT ASSETS			
New Zealand Aid Bank Account		5,509,203	612,663
Receivable	4	10,563	1,006,790
Outer Islands Development Grant Fund Bank Account		118,576	259,172
European Union Bank Account		242,138	275,053
Other Donor Bank Accounts		359,525	1,114,122
Other Term Deposits		52,000	211,858
Interest Accrued		1,402	1,451
TOTAL ASSETS		<u>6,293,407</u>	<u>3,481,109</u>
CURRENT LIABILITIES			
New Zealand Aid Liabilities		5,346,086	604,496
Payables		140,130	1,000,000
Outer Islands Development Grant Fund Liabilities		113,415	255,639
European Union Liabilities		240,146	274,067
Other Liabilities		352,647	1,118,738
Term Deposit Liabilities		52,000	211,858
Interest Liabilities		48,983	16,311
TOTAL LIABILITIES		<u>6,293,407</u>	<u>3,481,109</u>
NET ASSETS		<u>\$ -</u>	<u>\$-</u>

Jim Armistead
MFEM - AMD Manager

9 December 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 2011

In New Zealand dollars	Notes	2011	2010
Opening Taxpayer's Funds		-	-
Funds transferred to Crown		-	(399,438)
Closure of Project Liability Accounts		-	399,438
Net Surplus/ (Deficit)		-	-
Closing Taxpayers' Funds		<u>\$ -</u>	<u>\$-</u>

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MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

In New Zealand dollars	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Receipts from Aid Donors	21,200,473	6,928,465
	<hr/>	<hr/>
	21,200,473	6,928,465
<i>Cash was applied to:</i>		
Payments to suppliers	17,391,899	6,843,864
	<hr/>	<hr/>
	17,391,899	6,843,864
Net cash flows from operating activities	3,808,574	84,601
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	\$3,808,574	\$84,601
Opening Cash and Cash Equivalents	2,472,868	2,388,267
	<hr/>	<hr/>
Closing Cash and Cash Equivalents	\$6,281,442	\$2,472,868
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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 2011

In New Zealand dollars 2011 2010

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

Reported surplus	-	-
	<hr/>	<hr/>
	-	-
Add / (less): Movements in working capital items		
(Increase)/Decrease in Aid Receivable	996,227	(902,769)
(Increase)/Decrease in Interest Receivable	49	17,306
Increase/(Decrease) in Aid Liabilities	3,672,168	74,085
Increase/(Decrease) in Aid Payable	(859,870)	895,979
	<hr/>	<hr/>
Net Cash Flows from Operating Activities	\$3,808,574	\$84,601
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CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents are represented by:

New Zealand Aid Bank Account	5,509,203	612,663
Other Donor Bank Accounts	359,525	1,114,122
Outer Islands Development Grant Fund Bank Account	118,576	259,172
European Union Bank Account	242,138	275,053
Term Deposits	52,000	211,858
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Total Cash and Cash Equivalents	\$6,281,442	\$2,472,868
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MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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.





MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
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2. REVENUE

	2011	2010
NZ Agency for International Development	14,242,369	6,901,900
European Union Revenue	178,971	78,215
United Nations Development Revenue	619,497	219,768
United Nations Education Scientific Culture Org.	-	47,728
Outer Islands Development Grant Fund (OIDGF)	306,486	347,757
Cook Islands Government	425,531	80,135
Other Aid Donors	757,954	60,071
Bank Interest	1,221	4,269
	<hr/>	<hr/>
	\$16,532,029	\$7,739,843
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3. EXPENSES

Public Sector Reform	2,821,047	1,274,422
Human Resource Development and Education	4,357,250	2,976,419
Outer Island Development	5,053,354	461,495
Health Development	370,219	255,593
Tourism Development	1,500,000	2,000,000
Economic Development	140,499	-
Other Sectors	1,802,982	341,673
Outer Islands Development Grant Fund (OIDGF)	306,486	347,757
European Union Expenses	178,971	78,215
Bank Charges	1,221	4,269
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	\$16,532,029	\$7,739,843
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4. RECEIVABLES

NZ Aid	7,603	1,006,080
General – CI Government	2,250	-
Ministry of Health	710	710
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	\$10,563	\$1,006,790
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MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS
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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 87% of the aid revenue managed by Aid Management in the 2010-2011 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, India, Italy and China) that they will continue to assist with development in the Cook Islands for the next twenty years.

