

Cook Islands Audit Office

Report to the Public Accounts Committee

Ministerial Support Offices

For the 2015 – 2018 financial years



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Director's Overview

My Office plays an important part in strengthening accountability, integrity, and transparency in the public sector. By carrying out work that is credible and high quality, we aim to improve the performance of, and the public's trust in, the public sector.

Our work gives us direct interaction with, and insight into, how the public sector is operating.

I am pleased to present this report on the results of our work pertaining to the six Ministerial Support Offices for the past four years to date (2015 – 2018).

1. Prime Ministers Support Office – Honorable Henry Puna
2. Office of the Deputy Prime Minister – Honorable Teariki Heather
3. Office of the Leader of Opposition
4. Minister Mark Brown's Support Office
5. Minister Nadi Glassie's Support Office
6. Minister Albert Nicholas's Support Office
7. Minister Kiriau Turepu's Support Office

The overall the results of our work undertaken over the past four years have been satisfactory. Unmodified conclusions, a clean bill of health, were given to all the Ministerial Support Offices with the exception of three occasions. Qualified conclusions were issued for former Minister Kiriau Turepu's Support Office for the 30 June 2017 financial year, Office of the Leader of the Opposition for 30 June 2017 and former Minister Nadi Glassie's Support Office for 30 June 2018.

The qualified conclusions were due to Minister Kiriau Turepu's Support Office incorrectly using operating funds to finance \$29,130 in social responsibility activities during the financial year and missing supporting documentation that was misplaced during the handover process for both the Office of the Leader of Opposition and Minister Nadi Glassie's Support Office.


Allen Parker
Director of Audit
07 February 2019



Part 1 – Types of Engagements

The Director has the statutory duty under article 71 of the Cook Islands Constitution to audit the information that public entities are required to have audited. Most of our work (currently about 95%) comprises of annual audits, reviews and agreed upon procedures of the financial reports of public entities.

Financial audits

Annual audits provide independent assurance about the reliability of financial statements that public entities are required to report. We issue an audit report for each audit we carry out, which includes our opinion about the fairness of the presentation of the financial statements. We are now working with public sector entities to help improve the information they report.

To give managers and governors of public entities assurance about significant matters, we prepare management reports. These detail our main findings and recommendations, and help managers and governors to understand how well their management systems and controls are working. For example, a management report may include our views on how well a public entity manages its resources, including its operational practices and policies.

Forming an audit opinion on financial statements requires us to look at the underlying accounts and records, including the systems and processes used to generate this information. Auditing standards require us to have a risk-based approach to gathering and assessing audit evidence. To address identified risks, we seek evidence that financial balances and disclosures are reasonable.

Agreed upon procedures (AUP)

In the 2012/13 financial year, the Office revised its approach in conducting audits. The revised approach required the Office to rank entities based on materiality and risk. Audits were performed on entities that were rated high risk and material to whole of Government financial statements. The remaining lower risk and less material entities, agreed upon procedures (AUP) were performed.

The Office performs procedures of an audit nature as agreed with the engaging entity but the Office does not provide a conclusion or opinion on the financial statements. The Office completes only the procedures outlined in the engagement letter and reports only the factual findings of those procedures. AUP engagements are done in accordance with the Statement of Agreed Upon Procedures Standards (APS-1).

Verification of the following account balances is undertaken when conducting an AUP:

- i. Crown appropriation revenue
- ii. Personnel expense
- iii. Capital expenditure
- iv. Crown receivables
- v. Crown payables

The balances above are tested due to their size and risk of misstatement at the whole of Government level. The Office also provides a management report to managers and governors of public entities when conducting an AUP. The AUP approach was applied to financial statements from 2011 to 2015 financial year. For the 2016 financial statements and onwards of lower risk public entities, the Office conducted reviews of these financial statements.

Reviews

Reviews were conducted for the 2016 financial year and onwards. The term 'financial audit' denotes an engagement in which the auditor provides **reasonable assurance** on the financial statements of public entities. Reasonable assurance is the highest level of assurance that an assurance practitioner (the Office) can provide. Review engagements are engagements in which a **limited level of assurance** is provided. As indicated by the definition, limited assurance is a lower level of assurance than reasonable assurance. Nonetheless, a review engagement is still an evidence-based engagement.

Key differences between audit and review engagements

1. Level of assurance provided

Engagement	Assurance level	Form of expression
Audit	Reasonable assurance (positive)	Opinion "In our opinion the financial statements of the (the Ministry or Office) on pages X to X for the year ended 30 June 20XX comply with generally accepted accounting practices as defined by the Ministry of Finance and Economic Management Act 1995-96 and present fairly, in all material respects, the financial position of (the Ministry or Office) as at 30 June 20XX and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards."
Review	Limited assurance (negative)	Conclusion Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not give a true and fair view of the financial position of (the Ministry or Office) as at 30 June 20XX, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

2. Nature and extent of procedures performed

Procedures	Audit	Review
Analytical procedures	X	X
Make enquiries, primarily of those persons responsible for financial and accounting matters	X	X
Obtain an understanding of the entity to the extent that is required to achieve the objectives of the engagement		X
Obtain an understanding of the entity and its industry, operations, ownership and governance structures, to enable the auditor to understand transactions, account balances and disclosures in the entity's financial statements	X	
Make enquiries of management and others for the purpose of identifying risks of material misstatement in the financial statements	X	
Corroborate information obtained from others within the entity	X	
Undertake observation and tests of controls	X	
Undertake substantive tests of details	X	

This list of procedures demonstrates that the extent of work performed in a review engagement is usually considerably less than in an audit, and is not intended to be a conclusive list. If a matter comes to the attention of the Office that causes them to believe that the financial information may be materially misstated, the Office may extend the procedures employed in order to draw the appropriate conclusions on the financial statements.

Part 2 – Summary of Results and Findings

The overall results of our reviews and agreed upon procedures undertaken over the past four years have been satisfactory. Unmodified conclusions, a clean bill of health, were given to all the Ministerial Support Offices with the exception of three occasions. Qualified conclusions were issued for former Minister Kiriau Turepu's Support Office for the 30 June 2017 financial year, Leader of the Opposition's Office for 30 June 2017 and former Minister Nadi Glassie's Support Office for 30 June 2018.

Minister Kiriau Turepu's Support Office - 30 June 2017 Qualified Conclusion

Other expenses reported at \$74,646 was qualified due to the Support Office using operating funds to finance \$29,130 in social responsibility activities during the financial year. This related primarily to Matavera Church and Sports Group donations. As the funds were used solely for the benefit of the Matavera constituency, this increases the perceived risk to the Minister of unequal treatment and being biased towards his own constituents.

These donations should have been covered by the POBOC¹ Social Responsibility Fund, thus resulting in a breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D section 15, 3.2.2 'The appropriation is not intended to cover donations'. The POBOC Social Responsibility Fund is intended to cover all donations and grants. Also stipulated in the CIGFPPM the Support Office's appropriation is intended to cover normal operating costs of the Support Office and not donations.

Leader of the Opposition's Office – 30 June 2017 Qualified Conclusion

Other expense reported at \$55,699 could not be confirmed due to lack of supporting documents. The general ledger details for the period July to August 2016 (2 months) could not be located by Management. The supporting documentation was lost during the handover process of the Opposition Office.

Minister Nadi Glassie's Support Office - 30 June 2018 Qualified Conclusion

Other expense reported at \$71,712 could not be confirmed due to lack of supporting documents. Management was unable to locate supporting documentation as most of the payment vouchers were misplaced during the handover process of the Support Office. 10 months (July 2017 – April 2018) worth of payment vouchers could not be located.

Besides the above qualified conclusions issued, there were no other significant issues identified. For details of the full management reports issued to each Ministerial Support Office, please refer to the attached reports.

¹ POBOC (Payments on behalf of Crown) – are payments administered directly by the Crown

Table 1 Types of conclusions issued per Support Office

	2018	2017	2016	2015
Prime Ministers Support Office	Unmodified	Unmodified	Unmodified	AUP Report
Office of the Deputy Prime Minister	Unmodified	Unmodified	Unmodified	AUP Report
Office of the Leader of Opposition	Unmodified	Qualified	AUP Report	AUP Report
Minister Mark Brown	Unmodified	Unmodified	Unmodified	AUP Report
Minister Nadi Glassie	Qualified	Unmodified	Unmodified	AUP Report
Minister Albert Nicholas	Unmodified	Unmodified	Unmodified	AUP Report
Minister Kiriau Turepu	Unmodified	Qualified	Unmodified	AUP Report

Part 3 – Management Reports

2018 Financial Year

1. Prime Ministers Support Office – Honorable Henry Puna
2. Office of the Deputy Prime Minister – Honorable Teariki Heather
3. Office of the Leader of Opposition
4. Minister Mark Brown's Support Office
5. Minister Nadi Glassie's Support Office
6. Minister Albert Nicholas's Support Office
7. Minister Kiriau Turepu's Support Office

Review Management Report for 30 June 2018

Prime Minister's Support Office

Edwin Pittman, Chief Executive Officer

Distribution List:

Hon Henry Puna, Prime Minister

Hon Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, Public Expenditure Review Committee (PERC) Chairperson

Heinz Matysik, PERC Member

Joe Caffery, PERC Member

Date of Report: 13 December 2018

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1 Introduction

We have completed the Review for the Prime Ministers' Support Office for the year ended 30 June 2018 in accordance with our arrangements letter dated 5 December 2018. This report presents our findings and draws attention to areas where the Prime Ministers' Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We perform a review of the financial statements of the Prime Ministers' Support Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2018.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Basis for Conclusion

We have issued an Unmodified Conclusion on the Office's financial statements for the 30 June 2018 financial year.

2 Audit Findings

The Office's review engagement for the 2018 financial year did not reveal any significant issues that we think Management should be made aware of. This was consistent with the Office's performance over the past 3 years where no significant issues were identified.

Therefore we would like to commend Management on the great effort maintaining the same high level of performance as seen in prior years. This is testament to the strong internal controls and business culture prevalent within the Office. We look forward to the continuation of this excellent performance in the years to come.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the engagement.

To conclude the Audit Office is always looking for ways of improving our service and would appreciate any feedback, you and your staff may wish to make. Please ensure that you complete the client survey questionnaire upon the completion of this audit. This can be accessed by clicking on to the following link; <https://www.surveymonkey.com/s/JQ36TL2>.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.

Table A: Cleared Matters

Matter	Recommendation	Outcome and Status
None		

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
None		

5 Definitions – Review Risk Rating and Conclusion

The definitions used to rate the risks of review issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

Review Management Report for 30 June 2018

Deputy Prime Minister's Support Office

Nga Puna, Chief Executive Officer

Distribution List:

Hon Robert Tapaetau, Minister

Hon Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, Public Expenditure Review Committee (PERC) Chairman

Heinz Matysik, PERC Member

Joe Caffery, PERC Member

Date of Report: 17 December 2018



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5 DEFINITIONS – REVIEW RISK RATING AND CONCLUSIONS 7



1 Introduction

We have completed the Review for the Deputy Prime Minister's Support Office for the year ended 30 June 2018 in accordance with our arrangements letter dated 5 December 2018. This report presents our findings and draws attention to areas where the Deputy Prime Minister's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We perform a review of the financial statements of the Deputy Prime Minister's Support Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2018.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Basis for Conclusion

We have issued an Unmodified Conclusion on the Deputy Prime Minister's Support Office financial statements for the 30 June 2018 financial year.

2 Audit Findings

The Office's review engagement for the 2018 financial year did not reveal any significant issues that we think Management should be made aware of. This was consistent with the Office's performance over the past 4 years where no significant issues were identified.

Therefore we would like to commend Management on the great effort maintaining the same high level of performance as seen in prior years. This is testament to the strong internal controls and business culture prevalent within the Office. We look forward to the continuation of this excellent performance in the years to come.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.

Table A: Cleared Matters

Matter	Recommendation	Outcome and Status
None		

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
None		



5 Definitions – Review Risk Rating and Conclusions

The definitions used to rate the risks of review issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

Review Management Report for 30 June 2018

Office of the Leader of the Opposition

Rosita Taikakara, Acting Chief Executive Officer

Distribution List:

Hon Tina Browne, Leader of the Opposition

Hon Mark Brown, Minister of Finance and Audit

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, Public Expenditure Review Committee (PERC) Chairman

Heinz Matysik, PERC Member

Joe Caffery, PERC Member

Date of Report: 28 January 2019

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5 DEFINITIONS – REVIEW RISK RATING AND CONCLUSION..... 7



1 Introduction

We have completed the Review for Office of the Leader of the Opposition for the year ended 30 June 2018 in accordance with our arrangements letter dated 5 December 2018. This report presents our findings and draws attention to areas where the Office of the Leader of the Opposition ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We perform a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2018.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Review Conclusion

We have issued an unmodified conclusion on the Office's financial statements for the 30 June 2018 financial year.

2 Review Findings

The purpose of this report is to present the results of the Office's review for the 2018 year and of the issues arising out of the review that we think management should be made aware of. The Office's review engagement for the 2018 financial year did not reveal any significant issues that we think Management should be made aware of.

We would also like to acknowledge the efforts of Management in improving internal control processes and financial reporting procedures. As a result, an unmodified audit report has been issued for the 30 June 2018 financial year.

Appendix 1 provides a summary of the status of prior year issues. We would like to commend the Office for clearing all issues raised in the prior year management report.

3 Conclusion

I would like to thank you and your staff for the kind assistance received during the course of the review.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
No outstanding matters		

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
Other Expense		
<p>The following issues were identified during our review of Other Expenses:</p> <p>We were unable to perform a walkthrough and complete our testing of Other Expenses of \$55,699 as not all the relevant supporting documents were available for review. In particular, the general ledger detail for \$12,174 in Other Expenses for July to August 2016 (2 months) could not be located by Management</p> <p>As a consequence, we were unable to confirm if Other Expenses were complete, accurate and bona fide.</p>	<p>We recommend the following:</p> <p>To ensure that supporting documents are not lost during the change in Opposition Leader transition period, the outgoing administration should ensure that all supporting documents relating to the Office are carefully filed away in a secure location. This includes electronic information.</p> <p>This helps to ensure that the financial statements and systems of the Office continue to operate effectively, even during a transition period.</p>	Issue cleared
Property, Plant & Equipment (PPE) Register		
<p>Review of PPE revealed that the 20% depreciation rate applied to nine (9) individual computer equipment, was inconsistent with the 25% rate stipulated by the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM).</p>	<p>We recommend that the depreciation rate for computer equipment is changed from 20% (or 5 years) to 25% (4 years) for consistency with the CIGFPPM.</p>	Issue cleared

5 Definitions – Review Risk Rating and Conclusion

The definitions used to rate the risks of issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

Review Management Report for 30 June 2018

Minister Brown Support Office

Nooroa Roi, Chief Executive Officer

Distribution List:

Honourable Mark Brown, Minister for the Support Office

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, Public Expenditure Review Committee (PERC) Chairperson

Heinz Matysik, PERC Member

Joe Caffery, PERC Member

Date of Report: 28 January 2019



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1 Introduction

We have completed the review for Minister Brown's Support Office for the year ended 30 June 2018 in accordance with our arrangements letter dated 5 December 2018. This report presents our findings and draws attention to areas where Minister Brown's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2018.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Basis for Conclusion

We have issued an Unmodified Conclusion on the Office's financial statements for the 30 June 2018 financial year.

2 Review Findings

The purpose of this report is to present the results of the Office's review for the 2018 year and of the issues arising out of the review that we think management should be made aware of. The Office's review engagement for the 2018 financial year did not reveal any significant issues that we think Management should be made aware of.

Appendix 1 provides a summary of the status of prior year issues. We would like to commend the Office for clearing the issue raised in the prior year management report.

3 Conclusion

I would like to thank you and your staff for the assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Cleared Matters**

Matter	Recommendation	Outcome and Status	
Property, Plant and Equipment			
<p>Review of property, plant and equipment (PPE) revealed the following:</p> <ol style="list-style-type: none"> 1. The PPE register was not updated appropriately. It was also noted that the depreciation expense for the Motor Vehicle was incorrectly calculated in the prior year. This resulted in an opening accumulated depreciation balance that was incorrect by \$528. 2. An asset with an original cost of \$1,204 was physically disposed of as a result of being damaged. The loss on disposal amounted to \$502. However in the general ledger this loss was incorrectly recorded as 'Assets transferred out' (Equity). A subsequent adjustment was therefore proposed to correct the entry. 		<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. The Office should ensure that the PPE register is appropriately updated and reviewed for accuracy, completeness and proper valuation. This includes ensuring that depreciation of PPE is calculated correctly. Once Management is satisfied with the accuracy of the PPE register, this should then be reconciled to the general ledger to ensure that this information flows on to the Office's financial statements. 2. Due diligence and care is taken when recording the disposal of assets in the PPE register and general ledger. 	Issue cleared.

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
No outstanding matters		

5 Definitions – Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

Review Management Report for 30 June 2018

Minister Glassie's Support Office

Distribution List:

Hon George Maggie, Minister of Corrections

Hon Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner (PSC)

Geoff Stoddart, Public Expenditure Review Committee (PERC) Chairperson

Heinz Matysik, PERC Member

Joe Caffrey, PERC Member

Date of Report: 10 January 2019

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1 Introduction

We have completed the review for Minister Glassie's Support Office for the year ended 30 June 2018 in accordance with our arrangements letter dated 5 December 2018. This report presents our findings and draws attention to areas where the Minister Glassie's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2018.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Review Conclusion

We have issued a modified conclusion on the Office's financial statements for the 30 June 2018 financial year.

Our modification was issued on the following basis:

Other Expenses

The occurrence and classification of Other Expenses of \$71,712 could not be confirmed due to lack of relevant information and supporting documents. Management was unable to locate supporting documentation as most of the payment vouchers were misplaced during the handover process of the Office. We were therefore unable to determine if total Other Expenses was accurate and bona fide.

2 Review Findings

The purpose of this report is to present the results of the Office's review for the 2018 year and of the issues arising out of the review that we think management should be made aware of.

Appendix 1 provides a summary of the status of prior year issues.

The following issues are raised for your attention:

Review Procedures	Risk Level	Finding	Recommendation	Office/ Head of Office Response
Other Expenses	High	<p>We were unable to perform a walkthrough and complete our test for Other Expenses totalling \$71,712 due to lack of information and supporting documents provided. Out of the seventeen (17) transactions selected for testing, we were only able to test two (2) transactions as a number of payment vouchers were misplaced during the handover of the Office.</p> <p>10 months (July 2017 – April 2018) worth of payment vouchers could not be located.</p>	We recommend that all supporting documents are complete, appropriately authorised, bona fide business expense and retained for audit review.	<p><i>As a result of the June 2018 election results, the Ministerial Office has been handed over to Minister George Angene.</i></p> <p><i>Payment vouchers pertaining to Minister Glassie's Office were misplaced during the handover process.</i></p>
Personnel Expenses	High	<p>Our review of personnel revealed that a contract worker who resides in Atiu continues to be paid out from the Office's operating funds instead of through the centralized Government payroll system. Total paid out to him during the year was \$4,800.</p> <p>This issue was raised in the prior year and represents a breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM) Part C Section 10 which states that all personnel related payments must be processed through the centralised Government payroll system.</p>	We recommend that the Chief Executive Officer (CEO) and Finance Officer to immediately refrains from paying its employees through its operating budget and comply with Part C Section 10 – Remuneration, Superannuation and Payroll of the CIGFPPM.	<i>This will no longer be an issue as the Office is now under Minister George Angene.</i>

3 Conclusion

I would like to thank you and your staff for the assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
Personnel Expenses		
<p>We identified the following anomalies during our testing of personnel expense:</p> <p>A contract worker who resides in Atiu continues to be paid out from the Office's operating funds instead of through the centralized Government payroll system. Total paid out to him during the year was \$10,520. This issue was raised in the prior year and represents a breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM) Part C Section 10 which states that all personnel related payments must be processed through the centralised Government payroll system.</p>	<p>We recommend that the Chief Executive Officer (CEO) and Finance Officer:</p> <p>Immediately refrains from paying its employees through its operating budget and comply with Part C Section 10 – Remuneration, Superannuation and Payroll of the CIGFPPM.</p>	Issue outstanding

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
Other Expenses		
<p>Our review of operating expenses revealed the following:</p> <ol style="list-style-type: none"> High communication expenses totalling \$30,246 (2016: \$22,695) for the year. This equates to an average of \$2,520 per month and relates to personal cellular calls and roaming internet services. There are also no internal controls in place to distinguish and monitor personal calls from work-related calls. <p>We however noted that there was an agreement made between the Office and Bluesky to deactivate internet roaming services and for the Office to pay out on an instalment basis the outstanding balance of \$7,530.</p> <ol style="list-style-type: none"> Included under travelling expenditure were airfares and travel allowances relating to the Minister's travel amounting to \$1,658. <p>This directly contravenes the CIGFPPM, Part D, Section 15, paragraph 3.2.3, which stipulates that travel and travel related costs should be paid from the Civil List budget. Ministers are also strictly prohibited by Cabinet from using the Office's budget to cover overseas travel</p>	<p>We recommend that the CEO and Finance Officer:</p> <ol style="list-style-type: none"> Formalise and implement written policies and procedures governing communication expenses. These policies and procedures should define legitimate business calls from personal calls and include: <ol style="list-style-type: none"> The setup and use of a telephone log book to track official and personal phone calls; and Invoicing of Office employees for all personal calls made using the Office phones and mobiles. <p>Ensure that Part D Section 15 of the CIGFPPM are adhered to by using the Civil list budget alone, to finance all of the Minister's overseas travel.</p>	Issue cleared

Property, Plant & Equipment		
Our review of property, plant and equipment (PPE) revealed the PPE register was not updated appropriately. We found the depreciation expense of a motor vehicle was incorrectly calculated. The corresponding depreciation was only recorded for one (1) month leading to an understatement of depreciation expense at year end by \$3,011. A subsequent adjustment was raised to correct the miscalculation.	We recommend the following: The Office should ensure that the PPE register is appropriately updated and reviewed for accuracy, completeness and proper valuation of assets. This includes ensuring that depreciation of PPE is calculated correctly. Once Management is satisfied with the accuracy of the PPE register, this should then be reconciled to the general ledger to ensure that this information flows on to the Office's financial statements.	Issue cleared
Accounts Payable		
There was no creditor reconciliations performed during the period. There was a variance of \$648 between Payables in the general ledger and subsidiary ledger. This variance has been carried forward from prior years and still hasn't been cleared. This indicates a weakness in the internal controls over the monthly accounts payable reconciliation process practised and described by management.	We recommend that current imbalances are cleared and that the subsidiary ledger always reconciles to the general ledger. This includes: <ol style="list-style-type: none"> 1. performing monthly reconciliations of subsidiary accounts to vendor statements and control accounts; 2. investigating any variances and correcting these on a timely basis; 3. posting all payments through the subsidiary ledger and not the general ledger; and retaining all reconciliations as evidence that these were prepared and reviewed for audit reference. 	Issue cleared

5 Definitions – Review Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

Review Management Report 30 June 2018

Minister Nicholas Support Office

Daryl Rairi, Chief Executive Officer

Distribution List:

Honourable Vaine Mac Mokoroa, Minister of Internal Affairs

Honourable Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, Public Services Commissioner

Geoff Stoddart, Public Expenditure Review Committee (PERC) Member

Heinz Matysik, PERC Member

Joe Caffery, PERC Member

Date of Report: 25 January 2019



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5 DEFINITIONS – REVIEW RISK RATING AND CONCLUSION.....7



1 Introduction

We have completed the review for the Minister Nicholas' Support Office for the year ended 30 June 2018 in accordance with our arrangements letter dated 5 December 2018. This report presents our findings and draws attention to areas where the Minister Nicholas' Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2018.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Review Conclusion

We have issued an unmodified conclusion on the Office's financial statements for the 30 June 2018 financial year.

2 Review Findings

The Office's review engagement for the 2018 financial year did not reveal any significant issues that we think Management should be made aware of.

We would also like to commend Management on the great effort in addressing the only issue highlighted in the prior year. This is testament to the strong internal controls and business culture prevalent within the Office. We look forward to the continuation of this excellent performance in the years to come.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the audit.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
None in the current year.		

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
Accounts Payable		
There was a variance of \$1,142 between accounts payables in the general ledger and the subsidiary ledger. This indicates that the review of accounts payable is not adequate to ensure that it is complete and valued correctly.	<p>We recommend that the Office appropriately review its listing of accounts payables to determine the reason for the \$1,142 variance.</p> <p>Going forward, the Office should always ensure that the accounts payables per the general ledger and subsidiary ledger reconciles at all times.</p>	Issue cleared

5 Definitions – Review Risk Rating and Conclusion

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive



Review Management Report for 30 June 2018

Minister Turepu's Support Office

Bob Williams, Chief Executive Officer

Distribution List:

Hon Rose Brown, Minister of Agriculture

Hon Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner (PSC)

Geoff Stoddart, Public Expenditure Review Committee (PERC) Chairman

Heinz Matysik, PERC Member

Joe Caffery, PERC Member

Date of Report: 17 January 2019

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4 APPENDIX 1: STATUS OF RECOMMENDATIONS MADE IN PREVIOUS MANAGEMENT
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5 DEFINITIONS – REVIEW RISK RATING 7



1 Introduction

We have completed the review for Minister Turepu's Support Office for the year ended 30 June 2018 in accordance with our arrangements letter dated 5 December 2018. This report presents our findings and draws attention to areas where the Minister Turepu's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2018.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Review Conclusion

We have issued an unmodified conclusion on the Office's financial statements for the 30 June 2018 financial year.

2 Review Findings

The purpose of this report is to present the results of the Office's review for the 2018 year and of the issues arising out of the review that we think management should be made aware of. The Office's review engagement for the 2018 financial year did not reveal any significant issues that we think Management should be made aware of.

We would also like to acknowledge the efforts of Management in improving internal control processes and financial reporting procedures. As a result, an unmodified audit report has been issued for the 30 June 2018 financial year.

Appendix 1 provides a summary of the status of prior year issues. We would like to commend the Office for clearing all issues raised in the prior year management report.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the review.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
No outstanding matters		

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
Other Expenses		
<p>Review of Other expenses revealed the following anomalies:</p> <ol style="list-style-type: none"> 1. A total of \$29,130 in operating funds was used to finance social responsibility activities. These donations should have been covered by the POBOC social responsibility fund, thus resulting in a breach of CIGFPPM, Part D section 15, 3.2.2 <i>"The appropriation is not intended to cover donations. The POBOC "Social Responsibility Fund" is intended to cover all donations and grants."</i> 2. Travel cost amounting to \$790 incurred by the Office was in breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D Sections 15, 3.2.5. Payment was made from the Office budget for travel expenses of Minister Turepu. Pursuant to Part D Section 15, 3.2.5 <i>"The appropriation is intended to cover approved Office related travel for staff who are actually employed in the office."</i> <p>Due to the above, the occurrence of Other expenses of \$74,646 was qualified.</p>	<p>1 – 2. We recommend Management complies with approved government policies and procedures as stipulated in the CIGFPPM. In particular, ensuring that all payments for the Support Office are:</p> <ul style="list-style-type: none"> • properly authorised by the Chief Executive Officer (CEO); • payment voucher is clearly detailed; • accompanied by valid and appropriate supporting documents; • correctly classified and recorded in the accounting system; • bona fide expenses; and • office or staff related expenses in accordance with Part D Section 15, 3.2 of the CIGFPPM. 	Issue cleared.
Property, Plant & Equipment		
<p>Our review of property, plant and equipment (PPE) revealed that a number of assets were not tagged with control numbers during the physical sighting of PPE.</p> <p>We also found a Samsung mobile phone which was misplaced by the previous Chief Executive Officer but still sitting in the PPE register.</p> <p>The PPE Register is an important internal control used to ensure that all assets currently under the control of the entity have been accurately captured in the general ledger and are controlled effectively.</p>	<p>We recommend that all assets listed within the PPE register should have individual identification numbers assigned as per <i>Part B Section 2 Fixed Asset Control Number subsection 3.1 of the CIGFPPM, which states "All fixed assets need to be uniquely identifiable."</i></p> <p>The Office should also request approval from the Financial Secretary to write off lost property. A report is required stating how it was lost and what actions the office has done to try to recover it.</p>	Issue cleared.

5 Definitions – Review Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

2017 Financial Year

1. Prime Ministers Support Office – Honorable Henry Puna
2. Office of the Deputy Prime Minister – Honorable Teariki Heather
3. Office of the Leader of Opposition
4. Minister Mark Brown's Support Office
5. Minister Nadi Glassie's Support Office
6. Minister Albert Nicholas's Support Office
7. Minister Kiriau Turepu's Support Office

Review Management Report for 30 June 2017

Prime Minister's Support Office

Edwin Pittman, Chief Executive Officer

Distribution List:

Hon Henry Puna, Prime Minister

Hon Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, PERC Chairperson

Heinz Matysik, PERC Member

Joseph Caffery, PERC Member

Date of Report: 1 December 2017

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5 DEFINITIONS – AUDIT RISK RATING.....7

1 Introduction

We have completed the Review for the Prime Ministers' Support Office for the year ended 30 June 2017 in accordance with our arrangements letter dated 20 November 2017. This report presents our findings and draws attention to areas where the Prime Ministers' Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We perform a review of the financial statements of the Prime Ministers' Support Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2017.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Basis for Conclusion

We have issued an unmodified conclusion on the Office's financial statements for the 30 June 2017 financial year.

2 Audit Findings

The Office's review engagement for the 2017 financial year did not reveal any significant issues that we think Management should be made aware of. This was consistent with the Office's performance over the past 2 years where no significant issues were identified.

Therefore we would like to commend Management on the great effort maintaining the same high level of performance as seen in prior years. This is testament to the strong internal controls and business culture prevalent within the Office. We look forward to the continuation of this excellent performance in the years to come.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Cleared Matters**

Matter	Recommendation	Outcome and Status
None		

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
None		

5 Definitions – Audit Risk Rating

The definitions used to rate the risks of review issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Management Report for 30 June 2017

Deputy Prime Minister's Support Office

Ben Mose, Chief Executive Officer

Distribution List:

Hon Teariki Heather, Deputy Prime Minister

Hon Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, PERC Chairperson

Heinz Matysik, PERC Member

Joseph Caffery, PERC Member

Date of Report: 1 December 2017

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5 DEFINITIONS – AUDIT RISK RATING.....7

1 Introduction

We have completed the Review for the Deputy Prime Minister's Support Office for the year ended 30 June 2017 in accordance with our arrangements letter dated 20 November 2017. This report presents our findings and draws attention to areas where the Deputy Prime Minister's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We perform a review of the financial statements of the Deputy Prime Minister's Support Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2017.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Basis for Conclusion

We have issued an unmodified conclusion on the Office's financial statements for the 30 June 2017 financial year.

2 Audit Findings

The Office's review engagement for the 2017 financial year did not reveal any significant issues that we think Management should be made aware of. This was consistent with the Office's performance over the past 3 years where no significant issues were identified.

Therefore we would like to commend Management on the great effort maintaining the same high level of performance as seen in prior years. This is testament to the strong internal controls and business culture prevalent within the Office. We look forward to the continuation of this excellent performance in the years to come.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Cleared Matters**

Matter	Recommendation	Outcome and Status
None		

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
None		

5 Definitions – Audit Risk Rating

The definitions used to rate the risks of review issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

**Review
Management Report
for the period July 2016 to 30 June 2017**

Office of the Leader of the Opposition

Wilkie Rasmussen, Chief Executive Officer

Distribution List:

Hon William Heather, Leader of the Opposition

Hon Mark Brown, Minister of Finance and Audit

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, Public Expenditure Review Committee (PERC) Chairman

Heinz Matysik, PERC Member

Joseph Caffery, PERC Member

Date of Report: 22 February 2018

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4 APPENDIX 1: STATUS OF RECOMMENDATIONS MADE IN PREVIOUS MANAGEMENT REPORTS.....7

5 DEFINITIONS – REVIEW RISK RATING AND CONCLUSION.....10

1 Introduction

We have completed the Review for Office of the Leader of the Opposition for the periods from 1 July 2016 to 30 June 2017 in accordance with our arrangements letter dated 25 January 2018. This report presents our findings and draws attention to areas where the Office of the Leader of the Opposition ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We perform a review of the financial statements of the Leader of the Opposition, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2017.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Review Conclusion

We have issued a qualified conclusion on the Office's financial statements for the 30 June 2017 financial year.

Our modification was issued on the following basis:

Other Expenses

The completeness, occurrence and accuracy of Other Expenses of \$55,699 could not be confirmed due to missing supporting documents. The general ledger detail for the period July to August 2016 (2 months) could not be located by Management. Hence we were unable to determine if Other Expenses was complete, accurate and bona fide.

2 Review Findings

The purpose of this report is to present the results of the Office's review for the 2017 year and of the issues arising out of the review that we think management should be made aware of.

Appendix 1 provides a summary of the status of prior year issues. We would like to commend the Office for clearing three (3) of the four (4) issues raised in the prior year management report.

The following issues are raised for your attention:

Review Procedure	Risk Level	Findings	Recommendations	Office/ Chief Executive Officer (CEO) Responses
Other Expenses	High	<p>The following issues were identified during our review of Other Expenses:</p> <p>We were unable to perform a walkthrough and complete our testing of Other Expenses of \$55,699 as not all the relevant supporting documents were available for review. In particular, the general ledger detail for \$12,174 in Other Expenses for July to August 2016 (2 months) could not be located by Management</p> <p>As a consequence, we were unable to confirm if Other Expenses were complete, accurate and bona fide.</p>	<p>We recommend the following:</p> <p>To ensure that supporting documents are not lost during the change in Opposition Leader transition period, the outgoing administration should ensure that all supporting documents relating to the Office are carefully filed away in a secure location. This includes electronic information.</p> <p>This helps to ensure that the financial statements and systems of the Office continue to operate effectively, even during a transition period.</p>	<p>The findings and recommendations from Audit are acknowledged.</p> <p>Hard copies of the supportive documents that were not located by Audit is now available on file.</p> <p>Assistance will be obtained to address the general ledger issues to be completed by no later than 31st March 2018.</p>
Property, Plant & Equipment (PPE) Register	Low	<p>Review of PPE revealed that the 20% depreciation rate applied to nine (9) individual computer equipment, was inconsistent with the 25% rate stipulated by the Cook Islands Government Financial</p>	<p>We recommend that the depreciation rate for computer equipment is changed from 20% (or 5 years) to 25% (4 years) for consistency with the CIGFPPM.</p>	<p>The findings and recommendations from Audit are acknowledged.</p> <p>The Office will comply with the CIGFPPM and will complete all required depreciation adjustments by no later than 31st March</p>

		Policies and Procedures Manual (CIGFPPM).		2018, to ensure that correct depreciation rates are applied as from 01 July 2018.
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3 Conclusion

I would like to thank you and your staff for the kind assistance received during the course of the review.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
Property, Plant & Equipment (PPE) Register		
<p>Our review of the PPE register revealed the following anomaly. Depreciation rate were inconsistent to those stipulated in the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM). The depreciation rate applied by the Office should be amended from 20% to 33% for computer equipment not in air conditioned environment and purchased during the period.</p> <p>We have proposed a journal to correct understated depreciation expense in the general ledger, however corrections still needs to be made to the PPE register.</p>	<p>We recommend:</p> <ol style="list-style-type: none"> 1. Depreciation rates applied for computer equipment are in compliance with Part B Section 4, Attachment 1 of the CIGFPPM. (For Computer Equipment - Not in air conditioned office 3 years @ 33% per annum). 2. That correction should be made to the PPE register for Computer Equipment depreciation rates and calculation. 	Issue outstanding

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status												
Deficit Position														
<p>The Office reported a net operating deficit of (\$15,041) for the period 12 April to 30 June 2016 (2.5 months).</p> <p>The attributing factor for the Office's overspending overall was due to the transitioning of change of Leader of Opposition from Hon William Heather (Democratic Party) to Hon Teina Bishop (One Cook Islands Party), as a result of a coalition agreement during 2015/16 financial year.</p> <p>Figure 1: Leader of Opposition Apr-Jun16 Analysis of over-expenditure</p> <table><tr><th></th><th>BUDGET</th><th>ACTUAL</th><th>VARIANCE (\$)</th></tr><tr><td>Personnel</td><td>19,227</td><td>28,670</td><td>(9,443)</td></tr><tr><td>Operating Expense</td><td>14,145</td><td>20,883</td><td>(6,738)</td></tr></table>		BUDGET	ACTUAL	VARIANCE (\$)	Personnel	19,227	28,670	(9,443)	Operating Expense	14,145	20,883	(6,738)	<p>We recommend the Chief Executive Officer ensure the following;</p> <ol style="list-style-type: none">1. Monitor all expenditure on a monthly basis to ensure that the Office remains within its budget limits at all times.2. All expenditure is authorised by the Chief Executive Officer or delegated authorities pursuant to Section 39 of the MFEM Act 1995-96.3. Prepares a detailed analysis of the Office's 'realistic' funding requirements using prior year spending patterns as a basis for	Issue cleared
	BUDGET	ACTUAL	VARIANCE (\$)											
Personnel	19,227	28,670	(9,443)											
Operating Expense	14,145	20,883	(6,738)											

COOK ISLANDS AUDIT OFFICE

<table><tr><td>Depreciation</td><td>1,697</td><td>557</td><td>1,140</td></tr><tr><td>Gross Appropriation</td><td>35,069</td><td>50,110</td><td>(15,041)</td></tr><tr><td>Other Revenue</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Net Appropriation</td><td>35,069</td><td>50,110</td><td>(15,041)</td></tr></table>	Depreciation	1,697	557	1,140	Gross Appropriation	35,069	50,110	(15,041)	Other Revenue	-	-	-	Net Appropriation	35,069	50,110	(15,041)	<p>predicting future expenditure and in consideration of planned initiatives, to strengthen its budget submissions.</p> <p>Ensure that timely alternative measures are undertaken by the Office to address overspending of appropriated expenditure have been properly and formally authorized and approved by authoritative officials, e.g. Financial Secretary. Also, that all corresponding documents are retained to support management's interaction with relevant authoritative bodies to resolve and/or address overspending position.</p>	
Depreciation	1,697	557	1,140															
Gross Appropriation	35,069	50,110	(15,041)															
Other Revenue	-	-	-															
Net Appropriation	35,069	50,110	(15,041)															
<p>The increase in personnel and operating expenses to budget were the main reasons for the deficit position. This is indicative of Management's need to better control actual expenditure when compared to budget and strengthen its overall internal control process over expenses.</p> <p>Section 39 (2) of The Ministry of Finance and Economic Management (MFEM) Act 1995-96 states that <i>"All Heads of Government Departments shall be responsible for ensuring that there is adequate control over the release of and use of funds in accordance with Section 29"</i>.</p>																		
Crown Revenue & Payable																		
<p>We found several anomalies relating to Crown revenue and payable account balances disclosed by the Office.</p> <p>Crown Revenue</p> <p>The Office disclosed Crown revenue of \$43,011, as opposed to \$35,069, the balance of the Crown appropriation for 2014/2015 financial period, resulting in an overstatement of crown revenue of \$7,942. In addition, a cash injection of \$5,842 was approved by the Financial Secretary to be transferred from former Leader of Opposition (LOP) Heather administration to current Bishop administration for this period, to assist with the shortfall in the Offices cash flow position, to be repaid back to Crown.</p> <p>Crown Payable</p> <p>The Office received the balance of Crown appropriation of \$35,069, for the 2014/2015 financial period, together with a total cash injection of \$13,677 for the period 12 April to 30 June 2016. Of the total cash injection received; only \$5,842 was approved by the Financial Secretary as mentioned above. However in addition to \$5,842, an excess of funds totally \$7,942 was wrongly disbursed by Ministry of Finance to the Office during the period.</p> <p>We have proposed a journal to correct crown revenue (overstated) and payable (understated) balances in the general ledger.</p>	<p>We recommend the Office in collaboration with Ministry of Finance;</p> <ol style="list-style-type: none">1. Strengthens its monthly review and reconciliation processes over its crown funds and expenditure and ensure there is a disciplined approach so the Office remains within its budget limits at all times.2. Instances where excess crown funds are wrongly disbursed by Ministry of Finance, this should be reported on and returned to the Crown immediately to prevent unplanned outflows of cash and unnecessary pressure on the entity's liquidity position going forward.	Issue cleared																
General Journals																		

<p>We found from a review of the general journals internal control system that all journals posted during the year:</p> <ol style="list-style-type: none"> 1. Were not drafted on a journal template prior to being posted; 2. Were not supported by sufficient documentation; and 3. Were not appropriately approved and reviewed by an independent officer. 	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. All journals are drafted on a journal template prior to being posted in QuickBooks; 2. All journals must be supported by appropriate and sufficient source documentation, which must be attached to the draft journal template; 3. The journal draft must be signed off and dated by the preparer as evidence of preparation and forwarded to the CEO or external consultant for review and authorisation; 4. The CEO or external consultant must thoroughly review the journal and the attached supporting documents to ensure its accuracy and sign off and date the journal drafted to authorise posting; and 5. The Finance Officer must only post Journals in QuickBooks once authorised by the CEO or external consultant. 	<p>Review of monthly variance reports performed. One-off and ad-hoc general journals minimal.</p> <p>Issue cleared</p>
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5 Definitions – Review Risk Rating and Conclusion

The definitions used to rate the risks of issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

Review Management Report for 30 June 2017

Minister Brown Support Office

Nooroa Roi, Chief Executive Officer

Distribution List:

Hon Mark Brown, Minister for the Support Office

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, Public Expenditure Review Committee (PERC) Chairperson

Heinz Matysik, PERC Member

Joseph Caffery, PERC Member

Date of Report: 8 February 2018



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5 DEFINITIONS – REVIEW RISK RATING AND CONCLUSION.....7

1 Introduction

We have completed the review for Minister Brown's Support Office for the year ended 30 June 2017 in accordance with our arrangements letter dated 20 November 2017. This report presents our findings and draws attention to areas where Minister Brown's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2017.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Review Conclusion

We have issued an unmodified conclusion on the Office's financial statements for the 30 June 2017 financial year.

2 Audit Findings

The purpose of this report is to present the results of the Office's review for the 2017 year and of the issues arising out of the review that you should be made aware of. **Appendix 1** provides a summary of the status of prior year issues is also provided. We note that the sole issue from prior year was raised again this year.

The following issue is raised here for your attention:

Review Procedure	Risk Level	Finding	Recommendation	Office/ Head of Office Response
Property, Plant and Equipment	Low	<p>Review of property, plant and equipment (PPE) revealed the following:</p> <ol style="list-style-type: none"> 1. The PPE register was not updated appropriately. It was also noted that the depreciation expense for the Motor Vehicle was incorrectly calculated in the prior year. This resulted in an opening accumulated depreciation balance that was incorrect by \$528. 2. An asset with an original cost of \$1,204 was physically disposed of as a result of being damaged. The loss on disposal amounted to \$502. However in the general ledger this loss was incorrectly recorded as 'Assets transferred out' (Equity). A subsequent adjustment was therefore proposed to correct the entry. 	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. The Office should ensure that the PPE register is appropriately updated and reviewed for accuracy, completeness and proper valuation. This includes ensuring that depreciation of PPE is calculated correctly. <p>Once Management is satisfied with the accuracy of the PPE register, this should then be reconciled to the general ledger to ensure that this information flows on to the Office's financial statements.</p> <ol style="list-style-type: none"> 2. Due diligence and care is taken when recording the disposal of assets in the PPE register and general ledger. 	The Office will comply and adhere to audit recommendation.

3 Conclusion

I would like to thank you and your staff for the assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Cleared Matters**

Matter	Recommendation	Outcome and Status
None		

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
Property, Plant and Equipment		
<p>Review of property, plant and equipment (PPE) revealed the following:</p> <p>The PPE register was not updated appropriately. It was also noted that the depreciation expense were incorrectly calculated in the prior year leading to an incorrect opening accumulated depreciation balance.</p> <p>This is evidence that the internal controls surrounding the monthly review of the PPE register is not appropriately performed.</p>	<p>We recommend the following: The Office should ensure that the PPE register is appropriately updated and reviewed for accuracy, completeness and proper valuation of assets. This includes ensuring that depreciation of PPE is calculated correctly.</p> <p>Once Management is satisfied with the accuracy of the PPE register, this should then be reconciled to the general ledger to ensure that this information flows on to the Office's financial statements.</p>	Issue outstanding.

5 Definitions – Review Risk Rating and Conclusion

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

Review Management Report for 30 June 2017

Minister Glassie's Support Office

Man Unuia, Chief Executive Officer

Distribution List:

Hon Nandi Glassie, Minister of Health

Hon Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, Public Expenditure Review Committee (PERC) Chairperson

Heinz Matysik, PERC Member

Joseph Caffery, PERC Member

Date of Report: 8 February 2018



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1 Introduction

We have completed the review for Minister Glassie's Support Office for the year ended 30 June 2017 in accordance with our arrangements letter dated 20 November 2017. This report presents our findings and draws attention to areas where the Minister Glassie's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2017.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Review Conclusion

We have issued an unmodified conclusion on the Office's financial statements for the 30 June 2017 financial year.

2 Review Findings

We would like to encourage Office management to address prior year issues identified in prior year management reports. **Appendix 1** provides a summary of the status of prior year issues. We note that three (3) of the seven (7) issues from prior year were addressed.

The following issues are raised for your attention:

Review Procedures	Risk Level	Finding	Recommendation	Office/ Head of Office Response
Personnel	Medium	<p>Our review of personnel revealed that a contract worker who resides in Atiu continues to be paid out from the Office's operating funds instead of through the centralized Government payroll system. Total paid out to him during the year was \$14,000.</p> <p>This issue was raised in the prior year and represents a breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM) Part C Section 10 which states that all personnel related payments must be processed through the centralised Government payroll system.</p>	We recommend that the Chief Executive Officer (CEO) and Finance Officer to immediately refrains from paying its employees through its operating budget and comply with Part C Section 10 – Remuneration, Superannuation and Payroll of the CIGFPPM.	This is now in the process to be included in the office personnel vote item once we get his passport details to hand.
Operating Expenditure	Medium	<p>Our review of operating expenses revealed the following:</p> <ol style="list-style-type: none"> 1. High communication expenses totalling \$30,246 (2016: \$22,695) for the year. This equates to an average of \$2,520 per month and relates to personal cellular calls and 	<p>We recommend that the CEO and Finance Officer:</p> <ol style="list-style-type: none"> 1. Formalise and implement written policies and procedures governing communication expenses. These policies and procedures should define legitimate business calls from personal calls and include: 	In order to bring this issue under control, the office have taken the initiative to terminate the telephone roaming services of both the Minister and Chief Executive Officer.

		<p>roaming internet services. There are also no internal controls in place to distinguish and monitor personal calls from work-related calls.</p> <p>We however noted that there was an agreement made between the Office and Bluesky to deactivate internet roaming services and for the Office to pay out on an instalment basis the outstanding balance of \$7,530.</p> <p>2. Included under travelling expenditure were airfares and travel allowances relating to the Minister's travel amounting to \$1,658.</p> <p>This directly contravenes the CIGFPPM, Part D, Section 15, paragraph 3.2.3, which stipulates that travel and travel related costs should be paid from the Civil List budget. Ministers are also strictly prohibited by Cabinet from using the Office's budget to cover overseas travel.</p>	<p>a. The setup and use of a telephone log book to track official and personal phone calls; and</p> <p>b. Invoicing of Office employees for all personal calls made using the Office phones and mobiles.</p> <p>2. Ensure that Part D Section 15 of the CIGFPPM are adhered to by using the Civil list budget alone, to finance all of the Minister's overseas travel.</p>	
Property, Plant & Equipment	Low	<p>Our review of property, plant and equipment (PPE) revealed the PPE register was not updated appropriately. We found the depreciation expense of a motor vehicle was incorrectly calculated. The corresponding depreciation was only recorded for one (1) month leading to an understatement of depreciation expense at year end by \$3,011.</p> <p>A subsequent adjustment was raised to correct the miscalculation.</p>	<p>We recommend the following:</p> <p>The Office should ensure that the PPE register is appropriately updated and reviewed for accuracy, completeness and proper valuation of assets. This includes ensuring that depreciation of PPE is calculated correctly.</p> <p>Once Management is satisfied with the accuracy of the PPE register, this should then be reconciled to</p>	<p>Believe this matter was the subject of review by the Treasury section and our finance officer, and adjusted prior to the last audit.</p>

			the general ledger to ensure that this information flows on to the Office's financial statements.	
Accounts payable	Low	There was no creditor reconciliations performed during the period. There was a variance of \$648 between Payables in the general ledger and subsidiary ledger. This variance has been carried forward from prior years and still hasn't been cleared. This indicates a weakness in the internal controls over the monthly accounts payable reconciliation process practised and described by management.	<p>We recommend that current imbalances are cleared and that the subsidiary ledger always reconciles to the general ledger. This includes:</p> <ol style="list-style-type: none"> 1. Performing monthly reconciliations of subsidiary accounts to vendor statements and control accounts; 2. Investigating any variances and correcting these on a timely basis; 3. Posting all payments through the subsidiary ledger and not the general ledger; and 4. Retaining all reconciliations as evidence that these were prepared and reviewed for audit reference. 	<p>This matter have been identified in the previous Audit Management report and have been the subject of discussion in that report and again in our last discussion.</p> <p>We can only assume that this is an administrative double entry. If the figures was a true figure of owing there's no doubt the vendor (s) or whoever it is owed to would have raised the matter directly with the office.</p>

3 Conclusion

I would like to thank you and your staff for the assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
Personnel		
<p>We identified the following anomalies during our testing of personnel expense:</p> <ol style="list-style-type: none"> 1. A contract worker who resides in Atiu continues to be paid out from the Office's operating funds instead of through the centralized Government payroll system. Total paid out to him during the year was \$10,520. This issue was raised in the prior year and represents a breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM) Part C Section 10 which states that all personnel related payments must be processed through the centralised Government payroll system. 	<p>We recommend that the Chief Executive Officer (CEO) and Finance Officer:</p> <p>Immediately refrains from paying its employees through its operating budget and comply with Part C Section 10 – Remuneration, Superannuation and Payroll of the CIGFPPM.</p>	Issue outstanding
Operating Expenditure		
<p>Our review of operating expenses revealed the following:</p> <ol style="list-style-type: none"> 1. Communication expenses totalling \$22,695 (2015: \$20,915) or equating to an average of \$1,891 per month, related to personal cellular calls. This is an increase by \$1,780 from prior year and considered excessive for a small office. There are also no internal controls in place to distinguish and monitor personal calls from work-related calls. 2. Included under travelling expenditure were air fares and travel allowances relating to the Minister's travel amounting to \$1,812. This directly contravenes the CIGFPPM, Part D, Section 15, paragraph 3.2.3, which stipulates that travel and travel related costs should be paid from the Civil List budget. Ministers are also strictly prohibited by Cabinet from using the Office's budget to cover overseas travel. 	<p>We recommend that the CEO and Finance Officer:</p> <ol style="list-style-type: none"> 1. Formalise and implement written policies and procedures governing communication expenses. These policies and procedures should define legitimate business calls from personal calls and include: <ol style="list-style-type: none"> a. The setup and use of a telephone log book to track official and personal phone calls; and b. Invoicing of Office employees for all personal calls made using the Office phones and mobiles. 2. Ensure that Part D Section 15 of the CIGFPPM are adhered to by using the Civil list budget alone, to finance all of the Minister's overseas travel. 	Issue outstanding
Property, Plant & Equipment		

<p>Our review of property, plant and equipment (PPE) revealed the following:</p> <ol style="list-style-type: none"> 1. The PPE register was not updated appropriately. It was also noted that the depreciation expense were incorrectly calculated in the prior year leading to an incorrect opening accumulated depreciation balance. Current year depreciation was also overstated by \$3,006. An adjustment was raised to correct the misstatement. <p>The PPE register is an important tool used to ensure that all PPE currently under the control of the Office have been accurately captured or recorded in the general ledger. However, without regular reconciliation of the PPE register against the GL, the use of this tool becomes ineffective.</p>	<p>We recommend the following:</p> <p>The Office should ensure that the PPE register is appropriately updated and reviewed for accuracy, completeness and proper valuation of assets. This includes ensuring that depreciation of PPE is calculated correctly.</p> <p>Once Management is satisfied with the accuracy of the PPE register, this should then be reconciled to the general ledger to ensure that this information flows on to the Office's financial statements.</p>	Issue outstanding
Accounts payable		
<p>There was no creditor reconciliations performed during the period. There was a variance of \$648 between Payables in the general ledger and subsidiary ledger. This variance has been carried forward from prior years and still hasn't been cleared. This indicates a weakness in the internal controls over the monthly accounts payable reconciliation process practiced and described by management.</p>	<p>We recommend that current imbalances are cleared and that the subsidiary ledger always reconciles to the general ledger. This includes:</p> <ol style="list-style-type: none"> 1. performing monthly reconciliations of subsidiary accounts to vendor statements and control accounts; 2. investigating any variances and correcting these on a timely basis; 3. posting all payments through the subsidiary ledger and not the general ledger; and 4. retaining all reconciliations as evidence that these were prepared and reviewed for audit reference. 	Issue outstanding

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
Personnel		
We identified the following anomalies during our testing of personnel expense:	We recommend that the Chief Executive Officer (CEO) and Finance Officer:	Issue cleared

<p>1. Furthermore, we discovered that the contract worker in question was double paid for the week ending 15 April 2016. He was paid \$350 on the 22 April 2016 and again on the 25 May 2016 for the same pay week.</p> <p>2. The remaining annual leave balance from prior year was not carried forward to the current year, resulting in the understatement of annual leave by \$3,475. An adjustment was subsequently raised to correct the annual leave balance.</p>	<p>1. Seek recovery of the overpaid wages from the contract worker. Going forward, all regular payments made to contractors residing in Atiu should be reviewed for accuracy by 2 separate and independent individuals.</p> <p>2. Ensures that the unused annual leave balances from prior year are accurately carried forward to the current year. Regular maintenance of the annual leave listing/ schedule should also be performed to ensure that the leave balances at year end are valued correctly.</p>	
Operating Expenditure		
<p>Donations of \$2,988 was paid by the Office to various community groups during the year. This is breach of CIGFPPM, Part D, Section 15, Paragraph 3.2.1 & 3.2.2.</p>	<p>For future compliance with CIGFPPM, Part D, Section 15, 3.2.1 and 3.2.2, the CEO together with the Finance Officer should ensure that the Office budget is used solely for Office related expenditure. Costs relating to donations or community related work should be sourced from the Social Responsibility Fund.</p>	Issue cleared
Bank Reconciliation		
<p>We noted from our review conducted on the bank reconciliation statements that a long outstanding amount of \$594 remains unreconciled from prior year. Further investigation revealed that the transaction dated 1 July 2014 relates to an opening balance adjustment made to align it to the closing balance from prior year.</p> <p>The monthly bank reconciliation is a key internal control surrounding the bank account and use of public money. It is therefore imperative that this control is performed accurately.</p>	<p>We recommend that outstanding cheques and deposits are followed up to ensure they are cleared in a timely manner. Unreconciled items outstanding for more than 3 months should be investigated further to ensure that they are valid and not errors/ misstatements.</p>	<p>Discuss with client.</p> <p>Issue cleared</p>

5 Definitions – Review Risk Rating and Conclusion

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

**Review
Management Report
30 June 2017**

Minister Nicholas Support Office

Teariki Anitonia, Chief Executive Officer

Distribution List:

*Hon Albert Nicholas, Minister of Internal Affairs
Hon Mark Brown, Minister of Finance
Garth Henderson, Financial Secretary
Russell Thomas, Public Service Commissioner
Geoff Stoddart, PERC Chairperson
Heinz Matysik, PERC Member
Joseph Caffery, PERC Member*

Date of Report: 7 February 2018

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1 Introduction

We have completed the review for the Minister Nicholas' Support Office for the year ended 30 June 2017 in accordance with our arrangements letter dated 20 November 2017. This report presents our findings and draws attention to areas where the Minister Nicholas' Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2017.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Basis for Conclusion

We have issued an unmodified conclusion on the Office's financial statements for the 30 June 2017 financial year.

2 Review Findings

The purpose of this report is to present the results of the Office's review for the 2017 financial year and of the issues arising out of the review that you should be made aware of. **Appendix 1** provides a summary of the status of prior year issues.

We would like to take this opportunity to commend Management on addressing two of the three issues raised in last year's management report.

The following issues are raised for your attention:

Review Procedures	Risk Level	Finding	Recommendation	Office/ Head of Office Response
Accounts Payable	Low	There was a variance of \$1,142 between accounts payables in the general ledger and the subsidiary ledger. This indicates that the review of accounts payable is not adequate to ensure that it is complete and valued correctly.	<p>We recommend that the Office appropriately review its listing of accounts payables to determine the reason for the \$1,142 variance.</p> <p>Going forward, the Office should always ensure that the accounts payables per the general ledger and subsidiary ledger reconciles at all times.</p>	We have now cleared this variance and will ensure it is reviewed and reconciled weekly.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the audit.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
Accounts Payable		
There was a variance of \$1,000 between accounts payables in the general ledger and the subsidiary ledger. This indicates that the review of accounts payables is not adequate to ensure that it is complete and valued correctly.	<p>We recommend that the Office appropriately review its listing of accounts payables to determine the reason for the \$1,000 variance.</p> <p>Going forward, the Office should always ensure that the accounts payables per the general ledger and subsidiary ledger reconciles at all times.</p>	Issue still outstanding

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status																												
Deficit Position The Office reported a net deficit of (\$5,372) for the financial year ending 30 June 2016 (2015: (\$7,280)). Figure 1: Minister Nicholas Support Office 30 June 2016 - Over-expenditure analysis <table><tr><th></th><th>BUDGET (\$)</th><th>ACTUAL (\$)</th><th>VARIANCE (\$)</th></tr><tr><td>Personnel</td><td>131,829</td><td>136,469</td><td>(4,640)</td></tr><tr><td>Operating Expense</td><td>52,671</td><td>54,757</td><td>(2,086)</td></tr><tr><td>Depreciation</td><td>5,500</td><td>4,187</td><td>1,313</td></tr><tr><td>Gross Appropriation</td><td>190,000</td><td>195,413</td><td>(5,413)</td></tr><tr><td>Other Revenue</td><td>-</td><td>41</td><td>41</td></tr><tr><td>Net Appropriation</td><td>190,000</td><td>195,372</td><td>(5,372)</td></tr></table>		BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)	Personnel	131,829	136,469	(4,640)	Operating Expense	52,671	54,757	(2,086)	Depreciation	5,500	4,187	1,313	Gross Appropriation	190,000	195,413	(5,413)	Other Revenue	-	41	41	Net Appropriation	190,000	195,372	(5,372)	We recommend the following: 1. The Finance Manager monitors all expenditure on (at least) a monthly basis to ensure that the Office remains within its budget limits at all times. 2. All expenditure is authorised by the Chief Executive Officer of Parliament or delegated authorities pursuant to Section 39 of the MFEM Act 1995-96. 3. The Finance Manager should prepare a detailed analysis of the Office's 'realistic' funding requirements prior to budget submissions. Using prior year spending patterns and planned initiatives, the Office would be in a better position to improve and strengthen its budgeting process.	Issue cleared
	BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)																											
Personnel	131,829	136,469	(4,640)																											
Operating Expense	52,671	54,757	(2,086)																											
Depreciation	5,500	4,187	1,313																											
Gross Appropriation	190,000	195,413	(5,413)																											
Other Revenue	-	41	41																											
Net Appropriation	190,000	195,372	(5,372)																											

COOK ISLANDS AUDIT OFFICE

<p>This was due to: the high number of personnel employed during the year relative to the size and budget of the Office; high level of professional service costs; offset slightly by lower than expected depreciation expenses were the main reasons for the deficit position.</p>		
<p>Operating Expenditure</p> <p>From our review of operating expenditure we observed the following:</p> <p>1) Non-office related expenses totaling \$3,098. This included:</p> <ul style="list-style-type: none"> a. \$1,500 for catering to host Palmerston church group; b. \$1,598 for pareu material for Avatiu church group uniforms. <p>In accordance with the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D, Section 15, 3.2.1: "Ministerial Support budgets are to be used for office support and not for discretionary purposes. Office support is intended to cover the normal cost of running an office which includes staffing, stationery, communication, etc".</p> <p>3.2.2: "The appropriation is not intended to cover donations. The POBOC (Payment on Behalf of the Crown) Social Responsibility Fund is intended to cover all donations and grants".</p> <p>As a result of the above, the Office was in breach of the CIGFPPM, Part D, Section 15, subsection 3.2.</p>		
<p>We recommend the following:</p> <p>1. For future compliance with CIGFPPM, Part D, Section 15, 3.2.1 and 3.2.2, the CEO together with the Finance Officer should ensure that the Office budget is used solely for Office related expenditure. Costs relating to donations or community related work should be sourced from the Social Responsibility Fund.</p>	<p>Issue cleared</p>	

5 Definitions – Review Risk Rating and Conclusion

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <p>(a) there is a limitation on the scope of the auditor's examination; or</p> <p>(b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material.</p> <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive.

Review Management Report for 30 June 2017

Minister Turepu's Support Office

Charlie Rani, Chief Executive Officer

Distribution List:

Hon Kiriau Turepu, Minister of Agriculture

Hon Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, Public Service Commissioner

Geoff Stoddart, PERC Chairperson

Heinz Matysik, PERC Member

Joseph Caffery, PERC Member

Date of Report: 7 February 2018

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1 Introduction

We have completed the review for Minister Turepu's Support Office for the year ended 30 June 2017 in accordance with our arrangements letter dated 20 November 2017. This report presents our findings and draws attention to areas where the Minister Turepu's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2017.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

Review Conclusion

We have issued a qualified conclusion on the Office's financial statements for the 30 June 2017 financial year.

Our modification was issued on the following basis:

Other Expenses

Other expenses of \$74,646 is qualified due to the Office using operating funds to finance \$29,130 in social responsibility activities during the financial year. This related primarily to Matavera Church and Sports Group donations. As stipulated in the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), the Office appropriation is intended to cover normal operating costs of the Office and not donations. The latter can only be covered via the Social Responsibility Fund.

2 Review Findings

The purpose of this report is to present the results of the Support Office's review for the 2017 year and of the issues arising out of the review that we think management should be made aware of. **Appendix 1** provides a summary of the status of prior year issues. We would like to commend the Office for clearing the sole issue raised in the prior year management report.

The following issues are raised for your attention:

Review Procedures	Risk Level	Finding	Recommendation	Office/ Head of Office Response
Other Expenses	High	<p>Review of Other expenses revealed the following anomalies:</p> <ol style="list-style-type: none"> 1. A total of \$29,130 in operating funds was used to finance social responsibility activities. These donations should have been covered by the POBOC social responsibility fund, thus resulting in a breach of CIGFPPM, Part D section 15, 3.2.2 <i>"The appropriation is not intended to cover donations. The POBOC "Social Responsibility Fund" is intended to cover all donations and grants."</i> 2. Travel cost amounting to \$790 incurred by the Office was in breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D Sections 15, 3.2.5. Payment was made from the Office budget for travel expenses of Minister Turepu. Pursuant to Part D Section 15, 3.2.5 <i>"The appropriation is intended to cover approved Office related travel for staff who are actually employed in the office."</i> <p>Due to the above, the occurrence of Other expenses of \$74,646 was qualified.</p>	<p>1 – 2. We recommend Management complies with approved government policies and procedures as stipulated in the CIGFPPM. In particular, ensuring that all payments for the Support Office are:</p> <ul style="list-style-type: none"> • properly authorised by the Chief Executive Officer (CEO); • payment voucher is clearly detailed; • accompanied by valid and appropriate supporting documents; • correctly classified and recorded in the accounting system; • bona fide expenses; and • office or staff related expenses in accordance with Part D Section 15, 3.2 of the CIGFPPM. 	<ol style="list-style-type: none"> 1. At the advice of the Crown Manager of MFEM the Minister is at liberty to the total discretion of funds over our operations as deem appropriate by the office. A former Director of Audit have also confirmed that we have been genuine in our utilization of funds from our operating under other expense and finance social responsibility activities. 2. This is received and noted.

Cook Islands Audit Office (CIAO) concluding remarks: *We acknowledge that the Office has received advice on this issue from various parties. Unfortunately this is contrary to the view of the CIAO. This is because it directly contravenes the CIGFPPM, which specifically states that the funding is 'not for discretionary purposes but office support', such as the normal cost of running an Office.¹ Also, as the funds were used solely for the benefit of the Matavera constituency, this increases the perceived risk to the Minister of unequal treatment and being biased towards his own constituents.*

Property, Plant & Equipment	Low	<p>Our review of property, plant and equipment (PPE) revealed that a number of assets were not tagged with control numbers during the physical sighting of PPE.</p> <p>We also found a Samsung mobile phone which was misplaced by the previous Chief Executive Officer but still sitting in the PPE register.</p> <p>The PPE Register is an important internal control used to ensure that all assets currently under the control of the entity have been accurately captured in the general ledger and are controlled effectively.</p>	<p>We recommend that all assets listed within the PPE register should have individual identification numbers assigned as per <i>Part B Section 2 Fixed Asset Control Number subsection 3.1 of the CIGFPPM</i>, which states "All fixed assets need to be uniquely identifiable."</p> <p>The Office should also request approval from the Financial Secretary to write off lost property. A report is required stating how it was lost and what actions the office has done to try to recover it.</p>	This is received and noted.
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¹ Refer to CIGFPPM, Part D, section 15, paragraph 2 and 3.2.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the review.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
None		

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
<p>Property, Plant & Equipment (PPE)</p> <p>Our review of property, plant and equipment (PPE) revealed that the treatment of PPE and expensed asset purchases were not consistently applied during the year. For example, two (2) executive chairs were purchased for \$1,700 and treated as an expensed asset. Meanwhile a microwave and shredder purchased for \$304 and \$462 respectively were capitalised as PPE.</p> <p>In accordance with the Cook Islands Government Financial Policies Procedures Manual (CIGFPPM), Part C, section 9 – Expensed Assets, para. 2.1: “Expensed assets are assets purchased from operating funding or donor funding, or are donated, and the cost (excluding VAT) does not exceed \$3,000.” Treatment of the above transactions pursuant to this policy would dictate expensing all 3 of the transactions above.</p> <p>Alternatively, International Public Sector Accounting Standards (IPSAS) 17 – Property, plant and equipment, section 13, defines PPE as: “... tangible items that: (a) Are held for use in the production or supply of goods or services, for rental to others, for administrative purposes; and (b) Are expected to be used during more than one reporting period.”</p> <p>Pursuant to this standard, it would be possible to capitalise as PPE all 3 transactions if the expectation is that it will be used for more than one reporting period (or financial year).</p>	<p>We recommend Management choose either to comply with CIGFPPM, Part C, Section 9 – Expensed assets or IPSAS 17 – PPE.</p> <p>Irrespective of the policy that is adopted, it is essential that this policy and treatment is applied consistently across all purchases.</p>	<p>Issue cleared.</p>

5 Definitions – Review Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition
Unmodified	An unmodified conclusion is expressed when the auditor is satisfied in all material respects with the matters on which an overall conclusion is required to be drawn.
Modified	<p>A modified conclusion is expressed when either of the following circumstances exists:</p> <ul style="list-style-type: none"> (a) there is a limitation on the scope of the auditor's examination; or (b) the auditor disagrees with the treatment or disclosure of a matter in the written assertion or set of assertions; and, in the auditor's judgement, the effect of the matter is or may be material. <p>In order of severity (most to least), qualified review conclusions may take the following form:</p> <ul style="list-style-type: none"> • Disclaimer – expressed when there is a limitation on the auditor's work as a result of the lack of audit evidence • Adverse – expressed when the results of a disagreement with management or a conflict between applicable financial reporting frameworks is significant and pervasive • Qualified – expressed when an unmodified conclusion is inappropriate because of a disagreement with management or a conflict between applicable financial reporting frameworks is not so significant and pervasive

2016 Financial Year

1. Prime Ministers Support Office – Honorable Henry Puna
2. Office of the Deputy Prime Minister – Honorable Teariki Heather
3. Office of the Leader of Opposition
4. Minister Mark Brown's Support Office
5. Minister Nadi Glassie's Support Office
6. Minister Albert Nicholas's Support Office
7. Minister Kiriau Turepu's Support Office

Review Management Report for 30 June 2016

Prime Minister's Support Office

Edwin Pittman, Chief Executive Officer

Distribution List:

Hon Henry Puna, Prime Minister

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddart, PERC Chairman

Heinz Matysik, PERC Member

Joe Caffery, PERC Member

Date of Report: 11 August 2017



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5 DEFINITIONS – AUDIT RISK RATING.....7



1 Introduction

We have completed the Review for the Prime Ministers' Support Office for the year ended 30 June 2016 in accordance with our arrangements letter dated 01 August 2017. This report presents our findings and draws attention to areas where the Prime Ministers' Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We perform a review of the financial statements of the Prime Ministers' Support Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2016.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Audit Findings

The Office's review engagement for the 2016 financial year did not reveal any significant issues that we think Management should be made aware of. This is a great achievement for the Office, reducing the number of management issues identified from one (1) in 2015 to 'nil' in 2016.

We would like to commend Management on the great effort in addressing prior year issues and we look forward to the continuation of this excellent performance in the years to come.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Cleared Matters**

Matter	Recommendation	Outcome and Status
Personnel Expenses		
<p>From review of personnel internal controls, we discovered the following issue:</p> <p>1. Employee Joseph Hiro who commenced employment with the Office in April 2015 was not paid for the first week of his employment.</p> <p>Although the amount involved is minimal at \$318, the effectiveness of the Office's personnel controls are in doubt. Had the reconciliation of the Office's payroll records to the Ministry of Finance and Economic Management (MFEM) records been done correctly, the error would have been identified sooner. Full compensation to Hiro for the unpaid hours worked would have also taken place. In this case, full payment has yet to be made as at the date of this report.</p> <p>An adjustment has been proposed to account for the unpaid salary.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. The Office to fully remunerate Joseph Hiro \$318 for the unpaid hours worked. 2. Due care and diligence is exercised when reconciling the Office's monthly payroll records with MFEM's. Any variances identified to be resolved with MFEM in a timely manner. 	<p>Joseph Hiro was fully reimbursed.</p> <p>Issue Cleared</p>

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
None		

5 Definitions – Audit Risk Rating

The definitions used to rate the risks of review issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

**Review
Management Report
for 30 June 2016**

Deputy Prime Minister's Support Office

Ben Mose, Chief Executive Officer

Distribution List:

Hon Teariki Heather, Deputy Prime Minister

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddart, PERC Chairman

Heinz Matysik, PERC Member

Joe Caffery, PERC Member

Date of Report: 11 August 2017

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5 DEFINITIONS – AUDIT RISK RATING.....7



1 Introduction

We have completed the Review for the Deputy Prime Minister's Support Office for the year ended 30 June 2016 in accordance with our arrangements letter dated 01 August 2017. This report presents our findings and draws attention to areas where the Deputy Prime Minister's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We perform a review of the financial statements of the Deputy Prime Minister's Support Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2016.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Audit Findings

The Office's review engagement for the 2016 financial year did not reveal any significant issues that we think Management should be made aware of. This was consistent with the Office's performance over the past 2 years where no significant issues were identified.

Therefore we would like to commend Management on the great effort maintaining the same high level of performance as seen in prior years. This is testament to the strong internal controls and business culture prevalent within the Office. We look forward to the continuation of this excellent performance in the years to come.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.

Table A: Cleared Matters

Matter	Recommendation	Outcome and Status
None		

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
None		

5 Definitions – Audit Risk Rating

The definitions used to rate the risks of review issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

**Agreed Upon Procedures (AUP)
Management Report
for the period 1 July 2015 to 11 April 2016**

Office of the Leader of the Opposition

George Turia, Chief Executive Officer

Distribution List:

Honourable Rose Brown, Leader of the Opposition

Honourable Mark Brown, Minister of Finance and Audit

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddart, PERC Chairman

Heinz Matysik, PERC Member

Joe Caffrey, PERC Member

Date of Report: 15 November 2016

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1 Introduction

We have completed the Agreed Upon Procedures (AUP) for Office of the Leader of the Opposition for the period ended 11 April 2016 in accordance with our arrangements letter dated 7 September 2016. This report presents our findings and draws attention to areas where the Office of the Leader of the Opposition ("Office") is doing well or where we have made recommendations for improvement.

The agreed upon procedures we performed are summarized as follows:

- We confirmed crown appropriation revenue, crown receivable, crown payable, personnel and movements to property, plant and equipment to appropriation, MFEM records and source documentation.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The AUP was conducted in accordance with the Standards (APS-1) and Guidelines (APG-1) for Agreed upon procedures Engagements promulgated by the Chartered Accountants Australia and New Zealand (CAANZ). The procedures we performed did not constitute an audit or a review and, consequently, no assurance on any assertions contained in the financial information was expressed. We agreed to report to you any matters which come to our attention that you need to be aware of.

2 AUP Findings

The AUP for the period 1 July 2015 to 11 April 2016 (9 months) was conducted as a result of a the change of Leader of Opposition from Hon William Heather (Democratic Party) to Hon Teina Bishop (One Cook Islands Party) on 23 March 2016 following the outcome of a coalition. The period covered by this AUP relates to the period that the former Leader (Hon William Heather) and former Chief Executive Officer (CEO), Eddie Drollet were responsible for the Office of the Leader of Opposition.

The current Leader of Opposition, Rose Brown was formally appointed on 5 September 2016 and current CEO, George Turia on 1 July 2016 and has taken over the physical office and all related fixed assets.

The purpose of this report is to present the results of the Office's AUP for the period from 1 July 2015 to 11 April 2016 and of the issues arising out of the AUP that we think management should be made aware of. Also we would like to commend Management for addressing 3 out of the 6 issues raised in the prior year report. The following issues are raised for your attention:

Agreed Upon Procedure	Risk Level	Finding	Recommendation	Office/CEO Response
Property, Plant & Equipment (PPE) Register	Medium	<p>Our review of the PPE register revealed the following anomalies:</p> <ol style="list-style-type: none"> 1. There were assets identified in the expensed assets listing which were obsolete and no longer operational. Appropriate action is required by management to write these assets off and update the PPE register accordingly. 2. Assets listed in the PPE register did not have individual identification or control numbers. This is in breach of Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part B Sec 2, Para 3.9. 	<p>We recommend the Chief Executive Officer (CEO) ensure the following:</p> <ol style="list-style-type: none"> 1. The Office complies with CIGFPPM Part B, Sec 2-Asset Management when proceeding to dispose of these obsolete and damaged assets. 2. Given the change in leadership of the Office, it is imperative that the PPE register reflects true and accurate records of all the assets held and controlled by the Office. Therefore the office must ensure that each line asset in the PPE register is individually itemised and is allocated an identification number as stipulated in Part B, Sec 3.9. 	<ol style="list-style-type: none"> 1. Recommendation noted and obsolete assets will be written off. 2. Recommendations noted. All items have individual identification labels and dates of purchase which were overlooked during audit.

		<p>3. We identified assets which did not have a purchase date which is crucial in calculating depreciation correctly.</p> <p>4. CEO did not sign off on the PPE register or listings to confirm his responsibility upon the change in administration at the Office. This is in breach of CIGFPPM Part D, Sec 10, Para 3.4.1.</p>	<p>3. Depreciation expense should commence when the asset is brought into use. Refer to Part B: Section 4, paragraph 4.4.8 of the CIGFPPM.</p> <p>4. The Office complies with CIGFPPM Part D, Sec 10-Ministerial Office Hand-Over Process.</p>	<p>3. Recommendation noted.</p> <p>4. Noted and it was unfortunate that the PPE Register was not brought to the attention of the CEO for sign off.</p>
Operating Expenses	Medium	<p>Our review over the operating expenses account revealed the following anomalies:</p> <p>1. The Office incurred travel costs for the former Leader of Opposition, Hon. William Heather. This is in breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D Sections 15, paragraph 3.2.3. Additionally, paragraph, 3.2.5 prohibits payments made from the Office budget for travel expenses for persons not formally employed by the Office.</p> <p>2. Similar to last year, there was no formal written notice of engagement for an external consultant to provide political advice to the Leader. A binding term of reference should be agreed to and signed by both</p>	<p>We recommend the CEO ensure the following:</p> <p>1. Comply with CIGFPPM, Part D, Section 15 - Ministerial Office's- Operations, paragraph 3.2.3, which stipulates; "The appropriation is not intended to cover overseas travel. Cabinet approves the expenditure that a Minister may incur when travelling overseas and this is paid from the Civil List. Ministers cannot override Cabinet's approval and use additional funds from the Office budget."</p> <p>2. All legal documentation pertaining to binding agreements and engagements for professional services rendered should be retained in a safe place for future reference, in the case of any subsequent dispute and for audit purposes.</p>	<p>1. Recommendation noted and the incoming CEO will ensure that this is not repeated going forward.</p> <p>This travel was incurred by the Leader to attend the late Mapu Taia's funeral in Mauke.</p> <p>2. Recommendation noted as previously highlighted last year.</p>

		<p>parties, prior to services performed and payments made.</p> <p>3. Communication expenses totalling \$6,245 (average \$520 per month) is considered excessive. We also noted monthly internet excess usage by the Office which indicates lack of monitoring and internal control measures in place to ensure all official and unofficial usage/calls are appropriately recorded and accounted for, as required under Section 3.2.1, Section 15, Part D of CIGFPPM.</p>	<p>3. Stringent measures in place to ensure that expenses are monitored closely to avoid any excess or inappropriate overspending. Furthermore, the office should consider no-excess internet plans to ensure that there is no excess usage by unauthorised officers or existing staff in the office. We are aware that this has been implemented in the subsequent period.</p> <p>4. Compliance to Sec 3.2.1 which states that the Ministerial budget is to be used for office and not for discretionary purposes. Office is intended to cover the normal cost of running the office. Any deviation from the CIGFPPM must have the written authorisation and approval of the Financial Secretary.</p>	<p>3. Recommendation noted. Previously, Outer Island MP's had use of the phone to call their constituencies in cases of urgency. This is now been monitored. A "no excess internet plan" has subsequently been introduced as well.</p> <p>4. Recommendation noted.</p>
Personnel Expense	Medium	<p>We found the following anomalies in our testing of personnel expenditure:</p> <p>1. A staff member took 7 hours (1 day) annual leave in anticipation which is against the PSC Staff Entitlements Policy. The policy states that staff are only entitled to leave which is available to them at the time of applying for leave.</p>	<p>We recommend the CEO ensure the following:</p> <p>1. That there are stringent measures in place to ensure that annual leave balances are closely monitored to avoid staff taking any leave in anticipation which is not available to them. We also recommend that any journal which is posted for annual leave accruals at year end should be</p>	<p>1. Recommendation noted and will be strictly adhered to.</p>

		<p>2. We could not obtain sufficient supporting documentation to verify that the existing staff would carry on as employees with new letters of appointment under the new leader. According to CIGFPPM Part D, Sec 10-Ministerial Office Hand over process, Para 3.1.1 "On the announcement of a change of Cabinet Minister, staff will be given a month's (20 working days) notice of termination. Should the new incoming minister choose to keep a staff member; a formal appointment letter must then be submitted to MFEM." Para 3.1.3 "The outgoing CEO, in consultation with the incoming Minister and CEO, is responsible for providing the notice of termination."</p>	<p>drafted, reviewed, approved, and supported with sufficient documentation before posting into QuickBooks.</p> <p>2. Compliance to CIGFPPM Part D, Sec 10 – Office Hand over process is crucial for this office given several changes in the leadership and CEO role of the Office occurred during and subsequent to the financial period. The incoming and outgoing administrations should diligently comply with all requirements under Section 10 to ensure consistency, fairness, and appropriate procedures are undertaken when conducting a change in leadership at any office.</p>	<p>2. Recommendation noted and the incoming CEO will ensure that requirements are met and adhered to diligently. This changeover of leadership was unprecedented (3 leaders within a period of 6 months). Staff were placed in transition rather than termination to avoid uncertainty with job security.</p>
General Journals	Medium	<p>We found from a review of the general journals internal control system that all journals posted during the year:</p> <ol style="list-style-type: none"> 1. Were not drafted on a journal template prior to being posted; 2. Were not supported by sufficient documentation; and 3. Were not appropriately approved and reviewed by an independent officer. <p>An example of a journal we reviewed was the Annual leave accrual journal</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. All journals are drafted on a journal template prior to being posted in QuickBooks; 2. All journals must be supported by appropriate and sufficient source documentation, which must be attached to the draft journal template; 3. The journal draft must be signed off and dated by the preparer as evidence of preparation and forwarded to the CEO or external 	<p>1. Recommendations noted and will be adhered to as stipulated.</p>

		<p>posted. We found a variance of \$364 between the balance reported and the individual leave cards of the staff. We have proposed an adjustment to correct this entry.</p>	<p>consultant for review and authorisation;</p> <p>4. The CEO or external consultant must thoroughly review the journal and the attached supporting documents to ensure its accuracy and sign off and date the journal drafted to authorise posting; and</p> <p>The Finance Officer must only post Journals in QuickBooks once authorised by the CEO or external consultant.</p>	
Accounts Receivables	Low	<p>Our review of receivables revealed doubtful debts of \$1,630 were provided for in the previous year. No further action has been taken to recover this debt or requesting approval from the Financial Secretary to have them written off.</p>	<p>We recommend the CEO gets approval from the Financial Secretary, as under Part D, Section 12 - <i>Bad Debts/Provision for doubtful debts</i> of the CIGFPPM, to have all historical doubtful debts written off as bad debts.</p>	<p>This is an outstanding matter from previous period and will be attended to as recommended.</p>
Vat Payable	Low	<p>The Office has a VAT Payable of \$674, dating back to 2013.</p>	<p>We recommend that the CEO seek advice and confirmation from the Revenue Management Division of this balance and make arrangements to clear it.</p>	<p>The CEO will consult with Revenue Management Division on how to clear the outstanding VAT tax.</p>

3 Conclusion

I would like to thank you and your staff for the assistance received during the AUP.

To conclude, the Cook Islands Audit Office is always looking at ways of improving our service and would appreciate any feedback you and your staff may wish to make. Please ensure that you complete the client survey questionnaire upon the completion of this AUP, this can be accessed by clicking onto the following link <https://www.surveymonkey.com/s/JQ36TL2>.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Cleared Matters**

Matter	Recommendation	Outcome and Status
Property, Plant & Equipment (PPE)		
<p>Our review of the PPE register revealed the following anomalies:</p> <p>A number of assets valued at \$7,717, were recorded as 'additions' in the PPE register, rather than specifically itemised as computers, laptops, mobile phone, printer, etc. These additions relate to assets purchased during the 2014 financial year using operating funds. This issue has since been rectified by the office, with the assistance of audit prior to this report.</p>	<p>We recommend the Chief Executive Officer (CEO) ensure the following:</p> <p>Refrain from grouping assets under one line items and totals. All assets should be itemised on the PPE register and uniquely identifiable. This can be achieved by using control numbers as stipulated in the Cook Island Government Financial Policy and Procedure Manual (CIGFPPM)) Part B, Section 2. Additionally, management should ensure all audit proposed adjustments relating to fixed assets as capital in nature must be correctly reflected in the amended PPE register and aligned to amended general ledger (GL).</p>	Cleared
Operating Expenses		
<p>The Office employed a worker to perform general office duties on a part time basis, without a formal notice of employment or employment contract. Additionally, wage payments were paid through the operating expenditure, rather than through the payroll system, by submitting the relevant timesheets to MFEM.</p>	<p>We recommend:</p> <ol style="list-style-type: none"> 1. That all employees (and part-timers alike) have binding and valid contracts of employment or notice of appointment to ensure payments made have been appropriately authorized and in accordance to signed legitimate contracts and/or notice of employment. 2. That all personnel related payments to employees be processed through the centralized Government payroll system via MFEM and not through the operating expenditure. As required by Part D, Section 15 - <i>Ministerial Office's-Operations</i>, paragraphs 3.5.1 and 3.5.2 of the CIGFPPM. 	Cleared
Bank Reconciliation		

Bank reconciliation were not signed and dated by preparer, also there was no evidence of an independent review of the reconciliation. This is a breach of Part B, Section 6 - <i>Bank Reconciliation</i> of the CIGFPPM.	We recommend that the CEO ensures that all monthly bank reconciliations are prepared and that these reconciliations are subject to a secondary review and should be signed and dated as evidence by those responsible, in accordance with Part B, Section 6, paragraph 3.1 of the CIGFPPM.	Cleared
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Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
Property, Plant & Equipment (PPE)		
There were assets identified in the expensed assets listing which are obsolete and no longer operational. Appropriate action is required by management to write these assets off and update the PPE register accordingly.	<p>We recommend the CEO ensure the following:</p> <ol style="list-style-type: none"> 1. Identify all obsolete and assets no longer in use and have them written off in accordance with Part B, Section 10 of the CIGFPPM. 2. Monthly reconciliations of the PPE register to the GL are performed and that these reconciliations are subject to a secondary review and should be signed and dated as evidence by those responsible. 	Issue outstanding.
Operating Expenses		
<p>Our review over the operating expenses account revealed the following anomalies:</p> <ol style="list-style-type: none"> 1. The Office incurred travel costs for the former Leader of Opposition, Hon. Wilkie Rasmussen. This is in breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D Sections 15, paragraph 3.2.3. 	<p>We recommend the CEO ensure the following:</p> <ol style="list-style-type: none"> 1. Comply with CIGFPPM, Part D, Section 15 - <i>Ministerial Office's-Operations</i>, paragraph 3.2.3, which stipulates; <i>"The appropriation is not intended to cover overseas travel. <u>Cabinet approves the expenditure that a Minister may incur when travelling overseas and this is paid from the Civil List. Ministers cannot override Cabinet's approval and use additional funds from the Office budget.</u>"</i> 	Issue outstanding.

2. There was no formal written notice of engagement for an external consultant to provide political advice to the Leader. A binding term of reference should be agreed to and signed by both parties, prior to services performed and payments made.	3. All legal documentation pertaining to binding agreements and engagements for professional services rendered should be retained in a safe place for future reference, in the case of any subsequent dispute and for audit purposes. 4. Any deviation from the CIGFPPM must have the written authorisation and approval of the Financial Secretary.	
Accounts Receivables		
Our review of receivables revealed doubtful debts of \$1,630 were provided for in the previous year. No further action has been taken to recover this debt or requesting approval from the Financial Secretary to have them written off.	We recommend the CEO gets approval from the Financial Secretary, as under Part D, Section 12 - <i>Bad Debts/Provision for doubtful debts</i> of the CIGFPPM, to have all historical doubtful debts written off as bad debts.	Issue outstanding.

5 Definitions – AUP Risk Rating

The definitions used to rate the risks of AUP issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Management Report for 30 June 2016

Minister Brown Support Office

Nooroa Roi, Chief Executive Officer

Distribution List:

Honourable Mark Brown, Minister for the Support Office

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddart, PERC Chairperson

Heinz Matysik, PERC Member

Joe Caffrey, PERC Member

Date of Report: 11 September 2017



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1 Introduction

We have completed the review for Minister Brown's Support Office for the year ended 30 June 2016 in accordance with our arrangements letter dated 02 August 2017. This report presents our findings and draws attention to areas where Minister Brown's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review procedures we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2016.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Review Findings

The purpose of this report is to present the results of the Office's review for the 2016 year and of the issues arising out of the review that you should be made aware of. In **Appendix 1** provides a summary of the status of prior year issues is also provided. We would like to take this opportunity to commend Management for addressing the two (2) issues raised in the prior year management report.

The following issues were identified in this current financial year review and are raised here for your attention:

Review	Risk Level	Finding	Recommendation	Office/ Head of Office Response
Property, Plant and Equipment	Medium	<p>Review of property, plant and equipment (PPE) revealed the following:</p> <p>The PPE register was not updated appropriately. It was also noted that the depreciation expense were incorrectly calculated in the prior year leading to an incorrect opening accumulated depreciation balance.</p> <p>This is evidence that the internal controls surrounding the monthly review of the PPE register is not appropriately performed.</p>	<p>We recommend the following:</p> <p>The Office should ensure that the PPE register is appropriately updated and reviewed for accuracy, completeness and proper valuation of assets. This includes ensuring that depreciation of PPE is calculated correctly.</p> <p>Once Management is satisfied with the accuracy of the PPE register, this should then be reconciled to the general ledger to ensure that this information flows on to the Office's financial statements.</p>	The office will adhere to Audit recommendations and will ensure that PPE is correctly calculated.

3 Conclusion

I would like to thank you and your staff for the assistance received during the engagement.



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Cleared Matters**

Matter	Recommendation	Outcome and Status																												
Deficit Position																														
<p>The Office reported a net deficit of (\$12,354) for the year 30 June 2015, following deficits in the previous years:</p> <ul style="list-style-type: none">➤ 30 June 2014 (\$5,808)➤ 30 June 2013 (\$5,053) <p>Figure 1: Minister Brown Support Office 30 June 2015 - Over-expenditure analysis</p> <table><tr><th>2015</th><th>BUDGET (\$)</th><th>ACTUAL (\$)</th><th>VARIANCE (\$)</th></tr><tr><td>Personnel</td><td>186,455</td><td>194,583</td><td>(8,128)</td></tr><tr><td>Operating Expense</td><td>81,613</td><td>77,971</td><td>3,642</td></tr><tr><td>Depreciation</td><td>6,802</td><td>14,670</td><td>(7,868)</td></tr><tr><td>Gross Appropriation</td><td>274,870</td><td>287,224</td><td>(12,354)</td></tr><tr><td>Other Revenue</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Net Appropriation</td><td>274,870</td><td>287,224</td><td>(12,354)</td></tr></table> <p>The increase in personnel and depreciation expenses to budget were the main reasons for the deficit position. This is indicative of Management’s need to better control actual expenditure when compared to budget and strengthen its overall internal control process over expenses.</p> <p>Section 39 (2) of The Ministry of Finance and Economic Management (MFEM) Act 1995-96 states that <i>"All Heads of Government Departments shall be responsible for ensuring that there is adequate control over the release of and use of funds in accordance with Section 29"</i>.</p>	2015	BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)	Personnel	186,455	194,583	(8,128)	Operating Expense	81,613	77,971	3,642	Depreciation	6,802	14,670	(7,868)	Gross Appropriation	274,870	287,224	(12,354)	Other Revenue	-	-	-	Net Appropriation	274,870	287,224	(12,354)	<p>We recommend the following:</p> <ol style="list-style-type: none">1. The Finance Manager monitors all expenditure on a monthly basis to ensure that the Office remains within its budget limits at all times.2. All expenditure is authorised by the Chief Executive Officer or delegated authorities pursuant to Section 39 of the MFEM Act 1995-96.3. The Finance Manager should prepare a detailed analysis of the Office's 'realistic' funding requirements using prior year spending patterns as a basis for predicting future expenditure and in consideration of planned initiatives, to strengthen its budget submissions.	<p>Office reported a surplus for the financial year.</p> <p>Issue cleared.</p>
2015	BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)																											
Personnel	186,455	194,583	(8,128)																											
Operating Expense	81,613	77,971	3,642																											
Depreciation	6,802	14,670	(7,868)																											
Gross Appropriation	274,870	287,224	(12,354)																											
Other Revenue	-	-	-																											
Net Appropriation	274,870	287,224	(12,354)																											

COOK ISLANDS AUDIT OFFICE

<p>Section 29 (2) (d) requires Heads of Government Departments to ensure that all financial management obligations are met including <i>"sound financial management systems and internal controls exist and these are operated so as to provide: (i) timely and materially accurate financial information; and (ii) reasonable assurances that the transactions recorded are within statutory authority and properly disclose the use of all public financial resources administered by the department on behalf of the Crown."</i></p>		
Staff Bonus Payment		
<p>The Office paid out \$3,567 worth of performance bonuses for the year. However, we noted that there were no staff appraisals performed prior to the payment of the bonuses. Also the total bonus payments exceeded the maximum allowable payout of 1% of total personnel appropriation for the year or in this case \$1,865.</p> <p>In accordance with Part C, section 10A, paragraph 5.3 of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM) <i>"Heads of Ministries (or Offices) are required to conduct comprehensive performance appraisals of all staff before determining whether to award performance bonus payments"</i>.</p> <p>Paragraph 6.3 then states that <i>"a provision of 1% of the gross personnel appropriation of a Ministry (or Office) shall be allocated specifically for performance bonus payments in each financial year"</i>.</p>	<p>In order to avoid future breaches of the CIGFPPM, staff performance appraisals should be performed prior to awarding bonuses. It should also be noted that the maximum allowable payout for bonus purposes is only 1% of total personnel appropriation for the year.</p>	<p>No bonuses paid out this financial year.</p> <p>Issue cleared.</p>

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
No outstanding matters		

5 Definitions – Risk Rating

The definitions used to rate the risks of review issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Management Report for 30 June 2016

Minister Glassie Support Office

Man Unuia, Chief Executive Officer

Distribution List:

*Hon Nandi Glassie, Minister of Health
Hon Mark Brown, Minister of Finance
Garth Henderson, Financial Secretary
Russell Thomas, PSC Commissioner
Geoff Stoddart, PERC Chairperson
Heinz Matysik, PERC Member
Joseph Caffery, PERC Member*

Date of Report: 15 September 2017



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1 Introduction

We have completed the review for Minister Glassie Support Office for the year ended 30 June 2016 in accordance with our arrangements letter dated 31 July 2017. This report presents our findings and draws attention to areas where the Minister Glassie Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2016.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Review Findings

We would like to encourage Office management to address prior year issues identified in prior year management reports. **Appendix 1** provides a summary of the status of prior year issues. We note that 2 of the 6 issues from prior year were addressed.

The following issues are raised for your attention:

Review Procedures	Risk Level	Finding	Recommendation	Office/ Head of Office Response
Personnel	High	<p>We identified the following anomalies during our testing of personnel expense:</p> <ol style="list-style-type: none"> 1. A contract worker who resides in Atiu continues to be paid out from the Office's operating funds instead of through the centralized Government payroll system. Total paid out to him during the year was \$10,520. This issue was raised in the prior year and represents a breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM) Part C Section 10 which states that all personnel related payments must be processed through the centralised Government payroll system. 2. Furthermore, we discovered that the contract worker in question was double paid for the week ending 15 April 2016. He was paid \$350 on the 22 April 2016 and again on the 25 May 2016 for the same pay week. 3. The remaining annual leave balance from prior year was not carried forward to the current year, resulting in the understatement of annual leave by \$3,475. An 	<p>We recommend that the Chief Executive Officer (CEO) and Finance Officer:</p> <ol style="list-style-type: none"> 1. Immediately refrains from paying its employees through its operating budget and comply with Part C Section 10 – Remuneration, Superannuation and Payroll of the CIGFPPM. 2. Seek recovery of the overpaid wages from the contract worker. Going forward, all regular payments made to contractors residing in Atiu should be reviewed for accuracy by 2 separate and independent individuals. 3. Ensures that the unused annual leave balances from prior year are accurately carried forward to the current year. Regular maintenance of the annual leave listing/schedule should also be performed to ensure that the leave balances at year end are valued correctly. 	<ol style="list-style-type: none"> 1. <i>The contractor will soon be transferred onto the office personnel payroll.</i> 2. <i>This matter have been the subject of dispute between our office and the Ministry of Finance and Economic Management (MFEM) salary division.</i> 3. <i>There should not have been an accumulation of leave unless there is evidence of</i>

		adjustment was subsequently raised to correct the annual leave balance.		<i>communication in writing by staff asking to carry forward unused annual leave. In the absence of such request all unused leave should have been forfeited in line with the Public Services Commission (PSC) policy.</i>
Operating Expenditure	Medium	<p>Our review of operating expenses revealed the following:</p> <ol style="list-style-type: none"> 1. Communication expenses totalling \$22,695 (2015: \$20,915) or equating to an average of \$1,891 per month, related to personal cellular calls. This is an increase by \$1,780 from prior year and considered excessive for a small office. There are also no internal controls in place to distinguish and monitor personal calls from work-related calls. 2. Included under travelling expenditure were air fares and travel allowances relating to the Minister's travel amounting to \$1,812. <p>This directly contravenes the CIGFPPM, Part D, Section 15, paragraph 3.2.3, which stipulates that travel and travel related costs should be paid from the Civil List</p>	<p>We recommend that the CEO and Finance Officer:</p> <ol style="list-style-type: none"> 1. Formalise and implement written policies and procedures governing communication expenses. These policies and procedures should define legitimate business calls from personal calls and include: <ol style="list-style-type: none"> a. The setup and use of a telephone log book to track official and personal phone calls; and b. Invoicing of Office employees for all personal calls made using the Office phones and mobiles. 2. Ensure that Part D Section 15 of the CIGFPPM are adhered to by using the Civil list budget alone, to finance all of the Minister's overseas travel. 	<p><i>The travel expenses incurred on behalf of the Minister should have been recovered from his Social Responsibility Fund (SRF) as a reimbursement.</i></p> <p><i>Likewise with the donations, this too would have to be reimbursed from the social responsibility fund.</i></p>

		<p>budget. Ministers are also strictly prohibited by Cabinet from using the Office's budget to cover overseas travel.</p> <p>3. Donations of \$2,988 was paid by the Office to various community groups during the year. This is breach of CIGFPPM, Part D, Section 15, Paragraph 3.2.1 & 3.2.2.</p>	<p>3. For future compliance with CIGFPPM, Part D, Section 15, 3.2.1 and 3.2.2, the CEO together with the Finance Officer should ensure that the Office budget is used solely for Office related expenditure. Costs relating to donations or community related work should be sourced from the Social Responsibility Fund.</p>	
Property, Plant & Equipment	Medium	<p>Our review of property, plant and equipment (PPE) revealed the following:</p> <p>1. The PPE register was not updated appropriately. It was also noted that the depreciation expense were incorrectly calculated in the prior year leading to an incorrect opening accumulated depreciation balance. Current year depreciation was also overstated by \$3,006. An adjustment was raised to correct the misstatement.</p> <p>The PPE register is an important tool used to ensure that all PPE currently under the control of the Office have been accurately captured or recorded in the general ledger. However, without regular reconciliation of the PPE register against the GL, the use of this tool becomes ineffective.</p>	<p>We recommend the following:</p> <p>The Office should ensure that the PPE register is appropriately updated and reviewed for accuracy, completeness and proper valuation of assets. This includes ensuring that depreciation of PPE is calculated correctly.</p> <p>Once Management is satisfied with the accuracy of the PPE register, this should then be reconciled to the general ledger to ensure that this information flows on to the Office's financial statements.</p>	<p><i>The office PPE record have just been updated in the 2016/17 financial year and should be reflected in the next audit of the office books.</i></p>
Bank Reconciliation	Low	<p>We noted from our review conducted on the bank reconciliation statements that a long outstanding amount of \$594 remains unreconciled from prior year. Further investigation revealed that the transaction dated 1 July</p>	<p>We recommend that outstanding cheques and deposits are followed up to ensure they are cleared in a timely manner. Unreconciled items outstanding for more than 3 months should</p>	<p><i>Steps have been taken to rectify the situation and to ensure that correct entries are reconciled</i></p>

		<p>2014 relates to an opening balance adjustment made to align it to the closing balance from prior year.</p> <p>The monthly bank reconciliation is a key internal control surrounding the bank account and use of public money. It is therefore imperative that this control is performed accurately.</p>	be investigated further to ensure that they are valid and not errors/ misstatements.	<i>against the bank statements.</i>
Accounts payable	Low	<p>There was no creditor reconciliations performed during the period. There was a variance of \$648 between Payables in the general ledger and subsidiary ledger. This variance has been carried forward from prior years and still hasn't been cleared. This indicates a weakness in the internal controls over the monthly accounts payable reconciliation process practised and described by management.</p>	<p>We recommend that current imbalances are cleared and that the subsidiary ledger always reconciles to the general ledger. This includes:</p> <ol style="list-style-type: none"> 1. performing monthly reconciliations of subsidiary accounts to vendor statements and control accounts; 2. investigating any variances and correcting these on a timely basis; 3. posting all payments through the subsidiary ledger and not the general ledger; and 4. retaining all reconciliations as evidence that these were prepared and reviewed for audit reference. 	<p><i>It is possible this is an entry error and should have been checked and cleared.</i></p> <p><i>Otherwise the matter would have been picked up by the supplier as unpaid accounts.</i></p>

3 Conclusion

I would like to thank you and your staff for the assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
Operating Expenditure		
<p>Our review of operating expenses revealed the following:</p> <ol style="list-style-type: none"> 1. Communication expenses totalling \$20,915 (average \$1,743 per month), additionally, costs for the month of May totalled \$5,562 of which \$4,974 related to personal cellular calls from overseas. This is considered significantly excessive, with no form of internal control to account for official or personal usage/ calls. 2. Travel expenses were used to pay for the Minister's airfare which is not in accordance to the policy. This directly contravenes the CIGFPPM, Part D, Section 15 - Ministerial Office's-Operations, paragraph 3.2.3, which stipulates: <i>"The appropriation is not intended to cover overseas travel. Cabinet approves the expenditure that a Minister may incur when travelling overseas and is paid from the Civil List. Ministers cannot override Cabinet's approval and use additional funds from the Office budget."</i> 	<p>We recommend the CEO:</p> <ol style="list-style-type: none"> 1. Formalise and implement written policies and procedures governing communication expenses. These policies and procedures should define and limit legitimate business calls from personal calls and should include: <ol style="list-style-type: none"> c. The setup and use of a telephone log book to track official and personal phone calls; and d. Invoicing of Office employees for all personal calls made using the Office phones and mobiles. 2. Formulates and implements written policies and procedures governing travel and entertainment expenses. The policies and procedures should define what legitimate travel and entertainment expenses are, in accordance with Part D Section 15, 3.2 of the CIGFPPM. 	Issue outstanding
Personnel		
<p>We identified the following anomalies during our testing of personnel expense:</p>	<p>We recommend that the Chief Executive Officer (CEO):</p> <ol style="list-style-type: none"> 1. Immediately refrains from paying its employees through its operating budget and comply with Part C Section 10 	Issue outstanding

<ol style="list-style-type: none"> 1. A contract worker who resides in Atiu continues to work and is paid by the Office from operating funds instead of through the centralized Government payroll system. 2. Opening annual leave balances did not agree to closing annual leaves balance in prior year as per annual leave schedule provided by client. 	<ul style="list-style-type: none"> – Remuneration, Superannuation and Payroll of the Cook Islands Government Policies and Procedures Manual (CIGFPPM). To ensure full accountability for each personnel payment from Office and that all personnel related payments to employees be processed through the centralised Government payroll system. 2. Should ensure that opening annual leave balances are correctly rolled-forward from prior period and that all leave taken by employees should be supported by annual leave forms and should be correctly reflected in the annual leave listing. 	
Bank Reconciliation		
<p>Additionally, we noted from our review conducted on both bank reconciliations (hardcopy and datafile), a difference of \$594 which relates to a general journal (GJ) transaction dated back to 1 July 2014, as a balancing entry to align opening bank balance to prior year audited closing bank balance. To date, this transaction have not been corrected or reconciled.</p>	<p>The CEO must review the bank reconciliation to ensure:</p> <ol style="list-style-type: none"> a. Bank balance per reconciliation agrees to the general ledger (or balance sheet); b. Expected bank balance per reconciliation agree to the actual bank statement; c. Outstanding cheques/ unreconciled items are followed up to ensure they are cleared in a timely manner. Where cheques/ unreconciled items are outstanding for more than 3 months, enquiries should be made as to why they have not been cleared and that appropriate supporting documentation of enquires undertaken are readily available for audit verification. 	<p>Issue outstanding</p>

Accounts Payable		
There was no creditor reconciliations performed during the period. There was a variance of \$648 between Payables in the general ledger and subsidiary ledger. This indicates a weakness in the internal controls over the monthly accounts payable reconciliation process practised and described by management.	<p>We recommend that current imbalances are cleared and that the subsidiary ledger always reconciles to the general ledger. This includes:</p> <ol style="list-style-type: none"> 1. performing monthly reconciliations of subsidiary accounts to vendor statements and control accounts; 2. investigating any variances and correcting these on a timely basis; 3. posting all payments through the subsidiary ledger and not the general ledger; and 4. retaining all reconciliations as evidence that these were prepared and reviewed for audit reference. 	Issue outstanding

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
Bank Reconciliation		
<p>The following anomalies were identified during our review of the 30 June 2015 bank reconciliation and the datafile:</p> <ol style="list-style-type: none"> 1. The bank reconciliation was not signed by the preparer but only by the reviewer. We were therefore unable to determine if the person who reviewed the reconciliation was separate from the person who prepared it; 2. There was more than one bank reconciliation report generated for 30 June 2015. The hard copy of the bank reconciliation report on client file did not agree to the one in the datafile. This indicates that either: <ol style="list-style-type: none"> 1) there is more than one datafile; or 	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. The bank reconciliation preparer and reviewer must physically sign and date all the bank reconciliations as stipulated under CIGFPPM Part B, Section 6, Subsection 3.1; and 2. The preparer must bring to the attention of CEO anomalies or issues identified in reconciling the bank account in a timely manner. The CEO must review the bank reconciliation to ensure: <ol style="list-style-type: none"> a. Bank balance per reconciliation agrees to the general ledger (or balance sheet); 	Issue cleared

<p>2) late adjustments are being posted to the bank account after the bank reconciliation is done. Both of which compromise the effectiveness of the bank reconciliation process.</p> <p>The monthly bank reconciliation is a key internal control surrounding the bank account and use of public money. It is therefore imperative that this control is performed accurately.</p>	<p>b. Expected bank balance per reconciliation agree to the actual bank statement;</p> <p>Outstanding cheques/ unreconciled items are followed up to ensure they are cleared in a timely manner. Where cheques/ unreconciled items are outstanding for more than 3 months, enquiries should be made as to why they have not been cleared and that appropriate supporting documentation of enquires undertaken are readily available for audit verification.</p>	
General Journals		
<p>All general journals (GJ) posted during the year were not supported by adequate supporting documentation. There was also no evidence available to verify that the journals were reviewed and authorised by someone independent of the person who prepared the journal.</p> <p>Lack of supporting documentation for general journals increases the risk and likelihood of material misstatement due to fraudulent postings or error during the year.</p>	<p>We recommend that the CEO ensures that all general journals are:</p> <ol style="list-style-type: none"> 1. Appropriately supported with the relevant documentation, attached to a journal lead sheet the preparer must sign off before having it reviewed; and 2. The CEO or someone independent of the preparer must thoroughly check the journal for accuracy and approve it before posting. All general journals must be properly filed and referenced, and made available for audit. <p>This journal lead sheet should be signed by both the preparer and reviewer for evidence of proper authorisation and secondary review.</p>	<p>Supporting documents are filed separately.</p> <p>Issue cleared</p>

5 Definitions – Review Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

**Review
Management Report
30 June 2016**

Minister Nicholas Support Office

Teariki Anitonia, Chief Executive Officer

Distribution List:

*Honourable Albert Nicholas, Minister
Honourable Mark Brown, Minister of Finance
Garth Henderson, Financial Secretary
Russell Thomas, PSC Commissioner
Geoff Stoddart, PERC Chairperson
Heinz Matysik, PERC Member
Joe Caffrey, PERC Member*

Date of Report: 11 September 2017

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1 Introduction

We have completed the review for the Minister Nicholas Support Office for the year ended 30 June 2016 in accordance with our arrangements letter dated 01 August 2017. This report presents our findings and draws attention to areas where the Minister Nicholas Support Office ("Office") is doing well or where we have made recommendations for improvement.

The review we performed are summarized as follows:

- We performed a review of the financial statements of the Office, which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of appropriations and statement of cash flows for the year ended 30 June 2016.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Review Findings

The purpose of this report is to present the results of the Office's review for the 2016 financial year and of the issues arising out of the review that you should be made aware of. **Appendix 1** provides a summary of the status of prior year issues.

We would like to take this opportunity to commend Management on addressing two (2) of the four (4) issues raised in last year's management report.

The following issues are raised for your attention:

Review Procedures	Risk Level	Finding	Recommendation	Office/ Head of Office Response																												
Deficit Position	Medium	The Office reported a net deficit of (\$5,372) for the financial year ending 30 June 2016 (2015: (\$7,280)).	We recommend the following: 1. The Chief Executive Officer (CEO) together with the Finance Officer monitors all expenditure on (at least) a monthly basis to ensure that the Office remains within its budget limits at all times. 2. All expenditure is authorised by the CEO or delegated authorities pursuant to Section 39 of the MFEM Act 1995-96. 3. The CEO and Finance Officer should prepare a detailed analysis of the Office's 'realistic' funding requirements prior to budget submissions. Using prior year spending patterns and planned initiatives, the Office would be in a better position	We agree with the recommendation given and will monitor office spending to remain within budget limits at all times.																												
		Figure 1: Minister Nicholas Support Office 30 June 2016 - Over-expenditure analysis																														
		<table><tr><th></th><th>BUDGET (\$)</th><th>ACTUAL (\$)</th><th>VARIANCE (\$)</th></tr><tr><td>Personnel</td><td>131,829</td><td>136,469</td><td>(4,640)</td></tr><tr><td>Operating Expense</td><td>52,671</td><td>54,757</td><td>(2,086)</td></tr><tr><td>Depreciation</td><td>5,500</td><td>4,187</td><td>1,313</td></tr><tr><td>Gross Appropriation</td><td>190,000</td><td>195,413</td><td>(5,413)</td></tr><tr><td>Other Revenue</td><td>-</td><td>41</td><td>41</td></tr><tr><td>Net Appropriation</td><td>190,000</td><td>195,372</td><td>(5,372)</td></tr></table>				BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)	Personnel	131,829	136,469	(4,640)	Operating Expense	52,671	54,757	(2,086)	Depreciation	5,500	4,187	1,313	Gross Appropriation	190,000	195,413	(5,413)	Other Revenue	-	41	41	Net Appropriation	190,000	195,372	(5,372)
					BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)																									
		Personnel			131,829	136,469	(4,640)																									
Operating Expense	52,671	54,757	(2,086)																													
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Gross Appropriation	190,000	195,413	(5,413)																													
Other Revenue	-	41	41																													
Net Appropriation	190,000	195,372	(5,372)																													
This was due to: the high number of personnel employed during the year relative to the size and budget of the Office; high level of professional service costs; offset slightly by lower than expected depreciation expenses were the main reasons for the deficit position.																																

			to improve and strengthen its budgeting process.	
Operational Expenditure	Medium	<p>From our review of operating expenditure we observed the following:</p> <ol style="list-style-type: none"> 1. Non-office related expenses totalling \$3,098. This included: <ol style="list-style-type: none"> a. \$1,500 for catering to host Palmerston church group; b. \$1,598 for pareu material for Avatiu church group uniforms. <p>In accordance with the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D, Section 15, 3.2.1: <i>"Ministerial Support budgets are to be used for office support and not for discretionary purposes. Office support is intended to cover the normal cost of running an office which includes staffing, stationery, communication, etc"</i>.</p> <p>3.2.2: <i>"The appropriation is not intended to cover donations. The POBOC (Payment on Behalf of the Crown) Social Responsibility Fund is intended to cover all donations and grants"</i>.</p> <p>As a result of the above, the Office was in breach of the CIGFPPM, Part D, Section 15, subsection 3.2.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. For future compliance with CIGFPPM, Part D, Section 15, 3.2.1 and 3.2.2, the CEO together with the Finance Officer should ensure that the Office budget is used solely for Office related expenditure. Costs relating to donations or community related work should be sourced from the Social Responsibility Fund. 	<p>We will ensure that future operating expenditures complies with CIGFPPM as recommended.</p> <p>We will use the POBOC Social Responsibility Fund for all non-office related expenses</p>
Accounts Payable	Low	<p>There was a variance of \$1,000 between accounts payables in the general ledger and the subsidiary ledger. This indicates that the review of accounts payables is not adequate to ensure that it is complete and valued correctly.</p>	<p>We recommend that the Office appropriately review its listing of accounts payables to determine the reason for the \$1,000</p>	<p>We agree and will follow the recommendation given. We have identified the reason for</p>



COOK ISLANDS AUDIT OFFICE

			<p>variance.</p> <p>Going forward, the Office should always ensure that the accounts payables per the general ledger and subsidiary ledger reconciles at all times.</p>	<p>the variance and will make adjustments accordingly.</p>
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3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status																												
Deficit Position																														
<p>The Office reported a net deficit of (\$7,280) for the period between 1 April and 30 June 2015.</p> <p>Figure 1: Minister Nicholas Support Office 30 June 2015 - Over-expenditure analysis</p> <table><tr><th></th><th>BUDGET (\$)</th><th>ACTUAL (\$)</th><th>VARIANCE (\$)</th></tr><tr><td>Personnel</td><td>28,275</td><td>34,879</td><td>(6,604)</td></tr><tr><td>Operating Expense</td><td>41,662</td><td>43,761</td><td>(2,099)</td></tr><tr><td>Depreciation</td><td>1,378</td><td>-</td><td>1,378</td></tr><tr><td>Gross Appropriation</td><td>71,315</td><td>78,640</td><td>(7,325)</td></tr><tr><td>Other Revenue</td><td>-</td><td>45</td><td>45</td></tr><tr><td>Net Appropriation</td><td>71,315</td><td>78,685</td><td>(7,280)</td></tr></table> <p>The inadequate personnel budget, high level of expensed assets, inappropriate use of operating funds on social responsibility costs, offset slightly by zero depreciation expenses were the main reasons for the deficit position.</p> <p>Overspending is an indicator of weak internal controls over actual expenditure, poor monitoring of expenditure and/or budgeting.</p> <p>Section 39 (2) of The Ministry of Finance and Economic Management (MFEM) Act 1995-96 states that <i>"All Heads of Government Departments shall be responsible for ensuring that there is adequate control over the release of and use of funds in accordance with Section 29"</i>.</p> <p>Section 29 (2) (d) requires Heads of Government Departments to ensure that all financial management obligations are met including <i>"sound financial management</i></p>		BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)	Personnel	28,275	34,879	(6,604)	Operating Expense	41,662	43,761	(2,099)	Depreciation	1,378	-	1,378	Gross Appropriation	71,315	78,640	(7,325)	Other Revenue	-	45	45	Net Appropriation	71,315	78,685	(7,280)	<p>We recommend the following:</p> <ol style="list-style-type: none">1. The Finance Manager monitors all expenditure on (at least) a monthly basis to ensure that the Office remains within its budget limits at all times.2. All expenditure is authorised by the Chief Executive Officer of Parliament or delegated authorities pursuant to Section 39 of the MFEM Act 1995-96.3. The Finance Manager should prepare a detailed analysis of the Office's 'realistic' funding requirements prior to budget submissions. Using prior year spending patterns and planned initiatives, the Office would be in a better position to improve and strengthen its budgeting process.	<p>Office still has deficit in the 2016 financial year.</p> <p>Issue still outstanding</p>
	BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)																											
Personnel	28,275	34,879	(6,604)																											
Operating Expense	41,662	43,761	(2,099)																											
Depreciation	1,378	-	1,378																											
Gross Appropriation	71,315	78,640	(7,325)																											
Other Revenue	-	45	45																											
Net Appropriation	71,315	78,685	(7,280)																											

<p><i>systems and internal controls exist and these are operated so as to provide: (i) timely and materially accurate financial information; and (ii) reasonable assurances that the transactions recorded are within statutory authority and properly disclose the use of all public financial resources administered by the department on behalf of the Crown."</i></p> <p>Management needs to strengthen its internal control procedures over all areas of expenditure. The Cook Islands Government Policies and Procedures Manual (CIGFPPM) provides guidance on maintaining proper financial reporting systems and comprehensive systems of internal control, which should be utilised by the Office</p>		
<p>Operating Expenditures</p>		
<p>From our review of operating expenditure we observed the following issues:</p> <ol style="list-style-type: none"> 1. Non-office related expenses totalling \$4,106. These related to: <ol style="list-style-type: none"> a. Hireage of heavy machinery of \$2,500 to clean Panama dump site. b. Hosting of Ruatonga, Avatiu, Panama, Palmerston, Atupa (RAPPA) functions of \$938 c. Monetary donations of \$668 to schools and sports clubs. <p>In accordance with CIGFPPM, Part D, Section 15, 3.2.1: <i>"Ministerial Support budgets are to be used for office support and not for discretionary purposes. Office support is intended to cover the normal cost of running an office which includes staffing, stationery, communications etc"</i>.</p> <p>3.2.2: <i>"The appropriation is not intended to cover donations. The POBOC (Payment on Behalf of the Crown) Social Responsibility Fund is intended to cover all donations and grants"</i>.</p> <p>As a result of the above, the Office was in breach of the CIGFPPM, Part D, Section 15, subsection 3.2.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> 2. More prudence is exercised when spending on expensed assets. Whilst we acknowledge that some expensed assets were purchased out of necessity (e.g. air condition units no longer working), others were not (e.g. motor bike). 3. To ensure future compliance with CIGFPPM, Part D, Section 15, 3.2.1 and 3.2.2, the Chief Executive Officer should ensure that the Office budget is used solely for Office related expenditure. Costs relating to donations or community related work should be sourced from the POBOC Social Responsibility Fund. 	<p>Issue still outstanding</p>

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
<p>Property, Plant and Equipment</p> <p>The following issues were identified from our review of Property, Plant and Equipment (PPE):</p> <ol style="list-style-type: none"> 1. No stock-take of PPE was performed by the Office at year end resulting in a breach of Part B Section 2 subsection 3.10.2 of the CIGFPPM. 2. A number of PPE identification tags were missing from sighted PPE. As a result, it was difficult to reconcile physical PPE assets back to the PPE register. 3. PPE that have been traded-in, transferred out or no longer working were still listed in the PPE register. These include: <ol style="list-style-type: none"> a. Motor bike with registration GAA170 that was traded-in to a local auto dealer by previous Management in May 2011 for purchase of a new motor bike. b. Transfer to the former Deputy Prime Minister's Office of two (2) paintings valued at \$3,050 by previous Management in 2014. c. Two (2) air condition units, a fridge, LED 20 inch widescreen monitor, microwave and assorted PPE were no longer working. 	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. The Office should undertake a year end stock-take of all PPE. This will ensure the existence and completeness of the PPE register. It will also ensure compliance with Part B Section 2 subsection 3.10.2 of the CIGFPPM. 2. As per Part B Section 2 sub section 3.9.1, all assets need to be uniquely identifiable. The Office needs to remove all old tags and appropriately relabel the assets again. These new tags should be clearly identified on the PPE register and physical assets. 3. All assets that have been traded-in, transferred out or are no longer working should be removed from the PPE register. Part B Section 10 of the CIGFPPM outlines the proper process for removal of assets. 	<p>Issue cleared</p>
<p>Operating Expenditures</p> <p>From our review of operating expenditure we observed the following issues:</p> <ol style="list-style-type: none"> 1. In only 3 months of operation the Office spent \$17,114 on expensed assets. These included the purchase of laptops, air condition units, a lounge suite, motor bike, iphones, etc. Given the short period of operation and the limited budget available to the Office, spending on expensed assets was significant. This contributed in part to the net deficit position of (\$7,280). 	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. More prudence is exercised when spending on expensed assets. Whilst we acknowledge that some expensed assets were purchased out of necessity (e.g. air condition units no longer working), others were not (e.g. motor bike). 	<p>Issue cleared</p>

5 Definitions – Risk Rating

The definitions used to rate the risks of review issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Management Report for 30 June 2016

Minister Turepu's Support Office

Charlie Rani, Chief Executive Officer

Distribution List:

Hon Kiriau Turepu, Minister of Agriculture

Hon Mark Brown, Minister of Finance

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

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Joe Caffrey, PERC Member

Date of Report: 11 September 2017

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1 Introduction

We have completed the review for Minister Turepu's Support Office for the year ended 30 June 2016 in accordance with our arrangements letter dated 14 August 2017. This report presents our findings and draws attention to areas where the Minister Turepu's Support Office ("Support Office") is doing well or where we have made recommendations for improvement.

The review we performed are summarized as follows:

- We confirmed crown appropriation revenue, crown receivable, crown payable, personnel and movements to property, plant and equipment to appropriation, MFEM records and source documentation.
- We documented and performed a walk-through of processes and internal controls of the Support Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Support Office's compliance with key legislation and regulations.

The review was conducted in accordance with the International Standard on Review Engagements (ISRE) 2400 – Engagements to Review Historical Financial Statements. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Review Findings

The purpose of this report is to present the results of the Support Office's review for the 2016 year and of the issues arising out of the review that we think management should be made aware of. **Appendix 1** provides a summary of the status of prior year issues.

We would like to take this opportunity to commend the Management team on addressing all five (5) of the issues raised in the prior year management report. This is a great achievement for the Support Office.

The following issues are raised for your attention:

Review Procedures	Risk Level	Finding	Recommendation	Support Office/ Head of Support Office Response
Property, Plant & Equipment (PPE)	Low	<p>Our review of property, plant and equipment (PPE) revealed that the treatment of PPE and expensed asset purchases were not consistently applied during the year. For example, two (2) executive chairs were purchased for \$1,700 and treated as an expensed asset. Meanwhile a microwave and shredder purchased for \$304 and \$462 respectively were capitalised as PPE.</p> <p>In accordance with the Cook Islands Government Financial Policies Procedures Manual (CIGFPPM), Part C, section 9 – <i>Expensed Assets</i>, para. 2.1: “<i>Expensed assets are assets purchased from operating funding or donor funding, or are donated, and the cost (excluding VAT) does not exceed \$3,000.</i>” Treatment of the above transactions pursuant to this policy would dictate expensing all 3 of the transactions above.</p> <p>Alternatively, International Public Sector Accounting Standards (IPSAS) 17 – <i>Property, plant and equipment</i>, section 13, defines PPE as: “... <i>tangible items that:</i></p>	<p>We recommend Management choose either to comply with CIGFPPM, Part C, Section 9 – Expensed assets or IPSAS 17 – PPE.</p> <p>Irrespective of the policy that is adopted, it is essential that this policy and treatment is applied consistently across all purchases.</p>	Received & Noted

	<p><i>(a) Are held for use in the production or supply of goods or services, for rental to others, of for administrative purposes; and</i></p> <p><i>(b) Are expected to be used during more than one reporting period."</i></p> <p>Pursuant to this standard, it would be possible to capitalise as PPE all 3 transactions if the expectation is that it will be used for more than one reporting period (or financial year).</p>		
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3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the review.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
No outstanding matters from prior year.		

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
Bank Reconciliations		
<p>Our review of bank reconciliation for June 2015 revealed the following anomalies:</p> <p>Bank reconciliation was not prepared correctly or consistently. Cheques and deposits that had been cleared through the bank were still showing as outstanding on the bank reconciliation.</p> <ol style="list-style-type: none"> 1. There were unpresented cheques of \$56,927 and outstanding deposits of \$56,931 on bank reconciliation report extracted from MYOB accounting database. 2. The above outstanding cheques and unpresented deposits date back as far as July 2014 through to June 2015. 3. The bank statement for June 2015 showed deposits and cheques presented during June were not cleared as reconciled by the Office. 4. The contracted accountant and the Chief Executive Officer (CEO) failed to ensure that cheques and deposits were accurately cleared on a timely manner. <p>The monthly bank reconciliation is a key internal control surrounding the bank account and use of public money. It is therefore imperative that this control is performed accurately.</p>	<p>We recommend that the bank account be reconciled on a monthly basis. These should be signed by the preparer Finance and Administration Manager (FAM) and reviewer (contracted accountant and/or CEO) as evidence of preparation and review process respectively. It is important to note that signed bank reconciliations alone do not provide evidence of effective review. The reviewer, likewise the preparer must ensure the following prior to signing off:</p> <ol style="list-style-type: none"> 1. Bank balance per reconciliation must reconcile to the general ledger. 2. Bank statement balance per the reconciliation should agree to the actual bank statement. 3. Bank reconciliation date is the end of the month 4. Reconciling items (outstanding deposits and cheques) are valid and cleared in a timely manner. 5. The FAM should also ensure that no changes are made to the bank general ledger after the review of the reconciliation is done and bring to the attention of the CEO anomalies or issues identified in 	<p>No significant bank reconciliation issues observed during the current financial year review.</p> <p>Issue cleared</p>

	reconciling the bank account in a timely manner.	
Property, Plant and Equipment		
<p>Our review of property, plant and equipment (PPE) revealed that:</p> <ol style="list-style-type: none"> 1. \$2,866 worth of mobile phones was purchased using operating funding. These were incorrectly classified as communication costs during the year instead of PPE which is more accurate. We have proposed a journal to correct these entries in the General Ledger (GL) however correction still needs to be made to the PPE register 2. The Support Office failed to correctly record all expensed assets totalling \$5,667 purchased during the year in the PPE register. 3. There was no evidence that the office performed a full stock take of all fixed assets held by the office at year end. This is a breach of Part B Section 2 subsection 3.10.2 of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM). The annual stock-take of PPE is an important tool for the Office in ensuring existence and completeness of the PPE. 4. There was no evidence that the PPE register was independently reviewed. <p>The PPE Register is an important internal control used to ensure that all assets currently under the control of the entity have been accurately captured in the general ledger and are controlled effectively.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. All items which are capital in nature are correctly recognised as PPE as per IPSAS 17 Property, Plant and Equipment. 2. The FAM should ensure all expensed assets purchased during the year are adequately recorded in the PPE register as stipulated in Part B, Section 10, paragraph 3.2, of the CIGFPPM. 3. The FAM should undertake a year end stock-take of all PPE. This will ensure the existence and completeness of the PPE register as well as ensuring compliance with Part B Section 2 subsection 3.10.2 of the CIGFPPM. 4. Once a stock-take is undertaken, this will provide a basis for correcting the PPE register. The PPE register should be reconciled to the General Ledger on a monthly basis by the FAM. Lastly, an independent review of the reconciliation should be undertaken by the CEO. This will help minimise the likelihood of errors within the PPE register and General Ledger existing. 	<p>Issue cleared</p>
General Journals		
<p>All general journals posted during the year have no authority controls in place. Lack of controls and supporting documentation for general journals increases the risk and likelihood of material misstatement due to error or fraudulent postings.</p>	<p>We recommend that the CEO ensures that all general journals are:</p> <ol style="list-style-type: none"> 1. Appropriately supported with the relevant documentation and attached to a journal lead sheet. 2. This lead sheet should be signed by both the preparer and reviewer for evidence of 	<p>Finance Manager drafts journals and external consultant reviews it. Given the small size of the entity this was considered reasonable level of control.</p> <p>Issue cleared</p>

	proper authorisation and secondary review.	
Non-Compliance with MFEM Act Section 28 (4)		
Section 28(4) of the MFEM Act 1995-1996 requires all Ministries and Government agencies to submit their financial statements to Government auditors by 30 September of the subsequent financial year.	<p>Management should strive to adhere to section 28(4) by placing emphasis on the preparation of the financial statements at year end.</p> <p>Should professional assistance be required to complete the financial statements on time, Management can contact the MFEM finance team. In the absence of this assistance, Management should then look externally for help in meeting the reporting deadline.</p>	Issue cleared
Operating Expenses		
<p>The review of Operating Expenditure revealed the following anomalies:</p> <ol style="list-style-type: none"> 1. Communication expenses totalling \$10,438, included costs for 3 mobile phones incorrectly classified as communication costs. Also there was no form of internal control to account for official or personal usage/calls for the Office; 2. Fuel costs incurred by the Office included fuel charged for Office and various private vehicles. There were no checks performed to separately identify work-related from private fuel consumption. There was also no evidence available to determine whether proper authority was obtained prior to charging to the Office fuel account; 3. Travel costs incurred by the Office were in breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D Sections 15, 3.2.5. Payments were made from the Office budget for travel expenses of the Secretary of Agriculture, Teariki Pura. Pursuant to Part D Section 15, 3.2.5 <i>"The appropriation is intended to cover approved Office related travel for staff who are actually employed in the office."</i> 4. The Office has no internal policies in place as guidance for staff as to what is appropriate expenditure for communication, fuel, travel and entertainment; and 5. There was no formal written notice of engagement for an external consultant to provide project advice to the Minister. A binding term of reference should be agreed to and signed by both parties, prior to services 	<ol style="list-style-type: none"> 1. Comply to approved government policies and procedures as stipulated in the CIGFPPM, in particular, ensure that all payments for the Support Office are: <ul style="list-style-type: none"> • properly authorised by the CEO; • clearly include full details (on the payment voucher) of payments being made; • supported by valid and appropriate supporting documentation; • correctly classified and posted into the system; • bona fide expenses; and • actual staff or office related expenses in accordance with Part D Section 15, 3.2 of the CIGFPPM. 2. Formulates and implements written policies and procedures governing communication, fuel, travel and entertainment expenses. The policies and procedures should define and limit legitimate business related expenses. 3. All agreements to engage the professional 	<p>There were no significant issues identified with regard to Communication, Fuel and Travel costs this financial year. The need for internal policies surrounding this type of expenditure and others like entertainment expenses was also revisited and deemed unnecessary given the existence of the CIGFPPM and the small size of the entity. Issue therefore considered resolved.</p> <p>Issue cleared</p>

	services of a consultant should be formalised in writing. It should be retained in a safe place for audit purposes and future reference in the event of disputes arising.	
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5 Definitions – Review Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

2015 Financial Year

1. Prime Ministers Support Office – Honorable Henry Puna
2. Office of the Deputy Prime Minister – Honorable Teariki Heather
3. Office of the Leader of Opposition
4. Minister Mark Brown's Support Office
5. Minister Nadi Glassie's Support Office
6. Minister Albert Nicholas's Support Office
7. Minister Kiriau Turepu's Support Office

Agreed Upon Procedures (AUP) Management Report for 30 June 2015

Prime Minister's Support Office

Edwin Pittman, Chief Executive Officer

Distribution List:

Hon Henry Puna, Prime Minister

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddart, PERC Chairman

Heinz Matysik, PERC Member

Joe Caffrey, PERC Member

Date of Report: 25 October 2016

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5 DEFINITIONS – AUDIT OPINION AND RISK RATING7

1 Introduction

We have completed the Agreed Upon Procedures (AUP) for the Prime Minister's Support Office for the year ended 30 June 2015 in accordance with our arrangements letter dated 05 October 2016. This report presents our findings and draws attention to areas where the Prime Minister's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The agreed upon procedures we performed are summarized as follows:

- We confirmed crown appropriation revenue, crown receivable, crown payable, personnel and movements to property, plant and equipment to appropriation, MFEM records and source documentation.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, fixed assets, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The AUP was conducted in accordance with the Standards (APS-1) and Guidelines (APG-1) for Agreed upon procedures Engagements promulgated by the Chartered Accountants Australia and New Zealand (CAANZ). The procedures we performed did not constitute an audit or a review and, consequently, no assurance on any assertions contained in the financial information was expressed. We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Audit Findings

The purpose of this report is to present the results of the Office's AUP for the 2015 year and issues arising out of the AUP that you should be made aware of.

Appendix 1 provides a summary of the status of prior year issues. We would like to commend the Office for clearing the two (2) management issues raised in the prior year management report.

The following issues are raised for your attention:

Agreed Upon Procedure	Risk Level	Finding	Recommendation	Office/ Head of Office Response
Personnel Expenses	Low	<p>From review of personnel internal controls, we discovered the following issue:</p> <p>Employee Joseph Hiro who commenced employment with the Office in April 2015 was not paid for the first week of his employment.</p> <p>Although the amount involved is minimal at \$318, the effectiveness of the Office's personnel controls are in doubt. Had the reconciliation of the Office's payroll records to the Ministry of Finance and Economic Management (MFEM) records been done correctly, the error would have been identified sooner. Full compensation to Hiro for the unpaid hours worked would have also taken place. In this case, full payment has yet to be made as at the date of this report.</p> <p>An adjustment has been proposed to account for the unpaid salary.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. The Office to fully remunerate Joseph Hiro \$318 for the unpaid hours worked. 2. Due care and diligence is exercised when reconciling the Office's monthly payroll records with MFEM's. Any variances identified to be resolved with MFEM in a timely manner. 	<p>Firstly, I would like to thank you and your team for completing the audit of our office accounts for the year ending 30 June 2015.</p> <p>Following our discussions this morning during the exit meeting and noting the findings highlighted in the AUP management report for 30 June 2015, we accept your findings to be correct.</p> <p>Our Office will comply with the recommendations and fully remunerate Joseph Hiro \$318 for the unpaid hours worked. We will further ensure that any variances identified will be resolved with MFEM in a timely manner.</p>

3 Conclusion

I would like to thank you and your staff for the assistance received during the audit.

To conclude, the Cook Islands Audit Office is always looking at ways of improving our service and would appreciate any feedback you and your staff may wish to make. Please ensure that you complete and return the client survey questionnaire upon the completion of this audit, this can be accessed by clicking on the following link;
<http://www.surveymonkey.com/s/JQ26TL2>

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Cleared Matters**

Matter	Recommendation	Outcome and Status
Deficit Position		
<p>The Office reported an operating deficit of (\$9,479) for the year 30 June 2013, and (\$5,518) for the year 30 June 2014.</p> <p>Overspending is an indicator of weak internal controls over actual expenditure, poor monitoring of expenditure and/or budgeting.</p> <p>Section 39 (2) of The Office of Finance and Economic Management (MFEM) Act 1995-96 states that <i>"All Heads of Government Departments shall be responsible for ensuring that there is adequate control over the release of and use of funds in accordance with Section 29"</i>.</p>	<p>We recommend:</p> <ul style="list-style-type: none"> The Finance Division monitors all expenditure on a monthly basis to ensure that the Office remains within its budget limits at all times. All expenditure is authorised by the Head of Office or delegated authorities pursuant to Section 39 of the MFEM Act 1995-96. The Finance Division prepares a detailed analysis of the Office's 'realistic' funding requirements using prior year spending patterns as a basis for predicting future expenditure and in consideration of planned initiatives, to strengthen its budget submissions. <p>All significant purchases should be pre-approved by the Finance Division in concurrence with the Head of Office or his delegated authority.</p>	<p>We note that the Office has a Net Surplus of \$2,017 in the 2014/15 financial year.</p> <p>Issue cleared.</p>
Property, Plant and Equipment (PPE)		
<p>We identified \$2,667 worth of expensed assets purchased out of operating funding which should have been capitalised based on nature of the asset and a estimated useful life of over 12 months.</p> <ol style="list-style-type: none"> 1x laptop and monitor amounting to \$1,768 1x phone JISAM19300 which cost \$899 <p>While the treatment taken by the Office is consistent with the CIGFPPM, it is not in line with IPSAS 17 – Property, Plant and Equipment</p> <p>An audit adjustment was proposed to correct this and accepted by the Office.</p>	<p>All items which are capital in nature and expected to have a useful life exceeding 12 months should be recognised as Property, Plant and Equipment as per IPSAS 17 - Property, Plant and Equipment</p>	<p>No additional assets noted for the year. Expensed assets and repairs and maintenance accounts were also reviewed for any capital items. None was noted.</p> <p>Issue cleared.</p>

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
None		

5 Definitions – Audit Opinion and Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

**Agreed Upon Procedures (AUP)
Management Report
for 30 June 2015**

Office of the Deputy Prime Minister

Ben Mose, Chief Executive Officer

Distribution List:

Hon Teariki Heather, Deputy Prime Minister

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddard, PERC Chairman

Heinz Matysik, PERC Member

Joe Caffrey, PERC Member

Date of Report: 4 November 2016

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5 DEFINITIONS – AUDIT RISK RATING.....7



1 Introduction

We have completed the Agreed Upon Procedures (AUP) for the Office of the Deputy Prime Minister for the year ended 30 June 2015 in accordance with our arrangements letter dated 24 October 2016. This report presents our findings and draws attention to areas where the Office of the Deputy Prime Minister ("Office") is doing well or where we have made recommendations for improvement.

The agreed upon procedures we performed are summarized as follows:

- We confirmed crown appropriation revenue, crown receivable, crown payable, personnel and movements to property, plant and equipment to appropriation, MFEM records and source documentation.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The AUP was conducted in accordance with the Standards (APS-1) and Guidelines (APG-1) for Agreed upon procedures Engagements promulgated by the Chartered Accountants Australia and New Zealand (CAANZ). The procedures we performed did not constitute an audit or a review and, consequently, no assurance on any assertions contained in the financial information was expressed. We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Audit Findings

The Office's AUP engagement for the 2015 financial year did not reveal any significant issues that we think that Management should be aware of. This was consistent with prior year's management report where no issues were identified.

We would therefore like to commend Management on the great effort in maintaining the good performance from prior year. This is an excellent achievement, reflective of the strong internal controls present within the Office.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the engagement.

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.

Table A: Outstanding Matters

Matter	Recommendation	Outcome and Status
There were no significant 'outstanding matters' raised in the prior year management report.		

5 Definitions – Audit Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Agreed Upon Procedures (AUP) Management Report for 30 June 2015

The Office of the Leader of the Opposition

Edward Drollet, Chief Executive Officer

Distribution List:

Honourable Teina Bishop, Leader of the Opposition

Honourable Mark Brown, Minister of Finance and Audit

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddard, PERC Chairman

Heinz Matysik, PERC Member

Joe Caffrey, PERC Member

Date of Report: 10 May 2016

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4 DEFINITIONS – AUP RISK RATING.....10



1 Introduction

We have completed the Agreed Upon Procedures (AUP) for **Office of the Leader of the Opposition** for the year ended 30 June 2015 in accordance with our arrangements letter dated 7 April 2016. This report presents our findings and draws attention to areas where the **Office of the Leader of the Opposition** ("Support Office") is doing well or where we have made recommendations for improvement.

The agreed upon procedures we performed are summarized as follows:

- We confirmed crown appropriation revenue, crown receivable, crown payable, personnel and movements to property, plant and equipment to appropriation, MFEM records and source documentation.
- We documented and performed a walk-through of processes and internal controls of the Support Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, fixed assets, receivables, and payables.
- We undertook an examination of the Support Office's compliance with key legislation and regulations.

The AUP was conducted in accordance with the Standards (APS-1) and Guidelines (APG-1) for Agreed upon procedures Engagements promulgated by the New Zealand Institute of Chartered Accountants. The procedures we performed did not constitute an audit or a review and, consequently, no assurance on any assertions contained in the financial information was expressed. We agreed to report to you any matters which come to our attention that you need to be aware of.

2 AUP Findings

It should be noted that a change in the appointment of the current Leader of the Opposition, came into effect on 23 March 2016. This occurred due to the formation of the Democratic and One Cook Islands coalition party, which saw Hon Teina Bishop, replace Hon William Heather as the newly elected Leader of Opposition to lead the coalition party.

The AUP of the period ending 30 June 2015 was conducted as a result of the change of Leader of Opposition following the outcome of a coalition. The period covered by this AUP relate to the period that the former Leader (Hon William Heather) was responsible for the Office of the Leader of Opposition.

The purpose of this report is to present the results of the **Office of the Leader of the Opposition's** AUP for the 2015 financial years and of the issues arising out of the AUP that we think management should be made aware of. The following issues are raised for your attention:

Agreed Upon Procedure	Risk Level	Finding	Recommendation	Office/CEO Response
Property, Plant & Equipment (PPE) Register	Medium	<p>Our review of the PPE register revealed the following anomalies:</p> <ol style="list-style-type: none"> 1. A number of assets valued at \$7,717, were recorded as 'additions' in the PPE register, rather than specifically itemised as computers, laptops, mobile phone, printer, etc. These additions relate to assets purchased during the 2014 financial year using operating funds. This issue has since been rectified by the office, with the assistance of audit prior to this report. 	<p>We recommend the Chief Executive Officer (CEO) ensure the following:</p> <ol style="list-style-type: none"> 1. Refrain from grouping assets under one line items and totals. All assets should be itemised on the PPE register and uniquely identifiable. This can be achieved by using control numbers as stipulated in the Cook Island Government Financial Policy and Procedure Manual (CIGFPPM) Part B, Section 2. Additionally, management should ensure all audit proposed adjustments relating to fixed assets as capital in nature must be correctly reflected in the amended PPE register and aligned to amended general ledger (GL). 	<ol style="list-style-type: none"> 1. The concern on the grouping of assets under one line has been noted. This was a result of the last audit in 2014 financial year whereby a lump sum was provided by audit to correct the accounts without the breakdown of the assets individually. This information was only made available during the current audit and accordingly the PPE or FAR as at 30 June 2015 has been adjusted as noted.

		<p>2. There were assets identified in the expensed assets listing which are obsolete and no longer operational. Appropriate action is required by management to write these assets off and update the PPE register accordingly.</p>	<p>2. Should identify all obsolete and assets no longer in use and have them written off in accordance with Part B, Section 10 of the CIGFPPM.</p> <p>3. Monthly reconciliations of the PPE register to the GL are performed and that these reconciliations are subject to a secondary review and should be signed and dated as evidence by those responsible.</p>	<p>2. The obsolete and assets no longer in use are identified and will be written off as required.</p> <p>3. Noted the request for monthly reconciliations of the PPE register to the GL, however given the size of the Office, 6 months reconciliations in December and June are carried out with our external consultant doing the secondary review. This meets the MFEM requirements to submit FAR Asset Register as part of the monthly variance financial reports for December and June. Noted and accepted that the reconciliations should be signed and dated.</p>
Operating Expenses	Medium	<p>Our review over the operating expenses account revealed the following anomalies:</p> <p>1. The Support Office incurred travel costs for the former Leader of Opposition, Hon. Wilkie Rasmussen. This is in breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D Sections 15, paragraph 3.2.3.</p>	<p>We recommend the CEO ensure the following:</p> <ul style="list-style-type: none"> Comply with CIGFPPM, Part D, Section 15 - <i>Ministerial Office's-Operations</i>, paragraph 3.2.3, which stipulates; <i>"The appropriation is not intended to cover overseas travel. <u>Cabinet approves the expenditure that a Minister may incur when travelling overseas and this is paid from the Civil List.</u> Ministers</i> 	<p>1. This outer island travel to Aitutaki was for the former Leader of the Opposition, Hon Wilkie Rasmussen to attend the funeral of the late Kete loane.</p> <p>Recommendation is noted.</p>

		<p>2. There was no formal written notice of engagement for an external consultant to provide political advice to the Leader. A binding term of reference should be agreed to and signed by both parties, prior to services performed and payments made.</p>	<p><u>cannot override Cabinet's approval and use additional funds from the Office Support budget."</u></p> <ul style="list-style-type: none"> All legal documentation pertaining to binding agreements and engagements for professional services rendered should be retained in a safe place for future reference, in the case of any subsequent dispute and for audit purposes. <p>Any deviation from the CIGFPPM must have the written authorisation and approval of the Financial Secretary.</p>	<p>2. The external consultant was engaged by Hon William Heather, Leader of the Opposition based on a verbal agreement between the two parties. The engagement was for the external consultant to provide political advice to the Leader on a weekly basis. Recommendation is noted.</p>
Personnel Expense	Medium	<p>We found the following anomalies in our testing of personnel expenditure:</p> <ol style="list-style-type: none"> Personnel files were not maintained and updated for staff employed by the Support Office. We could not obtain an appointment letter or salary advice notice to support the payroll rate for employees. The Support Office employed a worker to perform general office duties on a part time basis, without a formal notice of employment or employment contract. Additionally, 	<p>The Chief Executive Officer (CEO), along with the Finance Manager should ensure:</p> <ul style="list-style-type: none"> Personnel files should be maintained and updated for all employees and should have sufficient supporting documents to ascertain employees' remuneration, annual leave entitlements, date of commencement, any remuneration adjustments, and other benefits and retained for future references and audit purposes. That all employees (and part-timers alike) have binding and valid 	<p>1. The personnel files containing staff contracts and appointment letters were kept under lock in the Leader's office due to confidentiality. These files were found missing during the audit process and may have been misplaced during the handover process between Leaders. Until we locate the missing files, we will attempt to collect the supporting documents</p>

		<p>wage payments were paid through the operating expenditure, rather than through the payroll system, by submitting the relevant timesheets to MFEM.</p>	<p>contracts of employment or notice of appointment to ensure payments made have been appropriately authorized and in accordance to signed legitimate contracts and/or notice of employment.</p> <ul style="list-style-type: none"> • That all personnel related payments to employees be processed through the centralised Government payroll system via MFEM and not through the operating expenditure. As required by Part D, Section 15 - <i>Ministerial Office's-Operations</i>, paragraphs 3.5.1 and 3.5.2 of the CIGFPPM. 	<p>from the MFEM payroll division, and the contracts from the staff copy.</p> <p>Each permanent staff of the office has a copy of their signed three-year contracts from 2012-2015. These can verify the payroll rates and are available for viewing.</p> <ol style="list-style-type: none"> 2. The part time worker was employed by the former Leader of the Opposition as an administrative assistant. 3. Noted and will make the relevant changes for future part time workers to be issued with an employment notice and placed on the MFEM payroll system.
Bank Reconciliation	Medium	<p>Bank reconciliation were not signed and dated by preparer, also there was no evidence of an independent review of the reconciliation. This is a breach of Part B, Section 6 - <i>Bank Reconciliation</i> of the CIGFPPM.</p>	<p>We recommend that the CEO ensures that all monthly bank reconciliations are prepared and that these reconciliations are subject to a secondary review and should be signed and dated as evidence by those responsible, in accordance with Part B, Section 6, paragraph 3.1 of the CIGFPPM.</p>	<p>Bank reconciliations are done on a monthly basis and forms part of the monthly LOP Variance Report submitted to MFEM. The Variance Reports are signed by the CEO and Finance Officer. It was assumed that the signatures cover the Variance Report which includes the bank reconciliation and MFEM have not raised any concerns on it.</p> <p>Recommendation is noted and any future bank reconciliation will be signed by both</p>

				the preparer and an independent person who will review the reconciliation.
Accounts Receivables	Low	Our review of receivables revealed doubtful debts of \$1,630 were provided for in the previous year. No further action has been taken to recover this debt or requesting approval from the Financial Secretary to have them written off.	We recommend the CEO gets approval from the Financial Secretary, as under Part D, Section 12 - <i>Bad Debts/Provision for doubtful debts</i> of the CIGFPPM, to have all historical doubtful debts written off as bad debts.	The CEO will undertake to seek approval from the Financial Secretary to write off the historical debt as bad debt.

3 Conclusion

I would like to thank you and your staff for the assistance received during the AUP.

To conclude, the Cook Islands Audit Office is always looking at ways of improving our service and would appreciate any feedback you and your staff may wish to make. Please ensure that you complete the client survey questionnaire upon the completion of this AUP, this can be accessed by clicking onto the following link <https://www.surveymonkey.com/s/JQ36TL2>.

Yours sincerely



Allen Parker
Director of Audit



4 Definitions – AUP Risk Rating

The definitions used to rate the risks of AUP issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Agreed Upon Procedures (AUP) Management Report for 30 June 2015

Minister Brown's Support Office

Nooroa Roi, Chief Executive Officer

Distribution List:

Honourable Mark Brown, Minister for the Support Office

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddart, PERC Chairman

Heinz Matysik, PERC Member

Joe Caffrey, PERC Member

Date of Report: 17 October 2016

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1 Introduction

We have completed the Agreed Upon Procedures (AUP) for Minister Brown's Support Office for the year ended 30 June 2015 in accordance with our arrangements letter dated 20 September 2016. This report presents our findings and draws attention to areas where Minister Brown's Support Office ("Office") is doing well or where we have made recommendations for improvement.

The agreed upon procedures we performed are summarized as follows:

- We confirmed crown appropriation revenue, crown receivable, crown payable, personnel and movements to property, plant and equipment to appropriation, MFEM records and source documentation.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The AUP was conducted in accordance with the Standards (APS-1) and Guidelines (APG-1) for Agreed upon procedures Engagements promulgated by the Chartered Accounts Australia and New Zealand (CAANZ). The procedures we performed did not constitute an audit or a review and, consequently, no assurance on any assertions contained in the financial information was expressed. We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Audit Findings

The purpose of this report is to present the results of the Office's AUP for the 2015 year and of the issues arising out of the AUP that you should be made aware of. In **Appendix 1** provides a summary of the status of prior year issues is also provided. We would like to take this opportunity to commend Management for addressing three (3) of the four (4) prior year management issues.

The following issues were identified in this current financial year audit and are raised here for your attention:

Agreed Upon Procedure	Risk Level	Finding	Recommendation	Office/ Head of Office Response																												
Deficit Position	High	<p>The Office reported a net deficit of (\$12,354) for the year 30 June 2015, following deficits in the previous years:</p> <ul style="list-style-type: none">➤ 30 June 2014 (\$5,808)➤ 30 June 2013 (\$5,053) <p>Figure 1: Minister Brown Support Office 30 June 2015 - Over-expenditure analysis</p> <table><tr><th>2015</th><th>BUDGET (\$)</th><th>ACTUAL (\$)</th><th>VARIANCE (\$)</th></tr><tr><td>Personnel</td><td>186,455</td><td>194,583</td><td>(8,128)</td></tr><tr><td>Operating Expense</td><td>81,613</td><td>77,971</td><td>3,642</td></tr><tr><td>Depreciation</td><td>6,802</td><td>14,670</td><td>(7,868)</td></tr><tr><td>Gross Appropriation</td><td>274,870</td><td>287,224</td><td>(12,354)</td></tr><tr><td>Other Revenue</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Net Appropriation</td><td>274,870</td><td>287,224</td><td>(12,354)</td></tr></table> <p>The increase in personnel and depreciation expenses to budget were the main reasons for the deficit position. This is indicative of Management's need to better control actual expenditure when compared to budget and strengthen its overall internal control process over expenses.</p>	2015	BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)	Personnel	186,455	194,583	(8,128)	Operating Expense	81,613	77,971	3,642	Depreciation	6,802	14,670	(7,868)	Gross Appropriation	274,870	287,224	(12,354)	Other Revenue	-	-	-	Net Appropriation	274,870	287,224	(12,354)	<p>We recommend the following:</p> <ol style="list-style-type: none">1. The Finance Manager monitors all expenditure on a monthly basis to ensure that the Office remains within its budget limits at all times.2. All expenditure is authorised by the Chief Executive Officer or delegated authorities pursuant to Section 39 of the MFEM Act 1995-96.3. The Finance Manager should prepare a detailed analysis of the Office's 'realistic' funding requirements using prior year spending patterns as a basis for predicting future expenditure and in consideration of planned initiatives, to strengthen its budget submissions.	<p>Management agrees with this finding and will aim to improve and monitor expenses as recommended. However, the depreciation deficit was beyond control due to the transfer of asset motor vehicle in the last quarter of this financial year although an earlier request had been submitted in 2011.</p>
		2015	BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)																											
		Personnel	186,455	194,583	(8,128)																											
		Operating Expense	81,613	77,971	3,642																											
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Other Revenue	-	-	-																													
Net Appropriation	274,870	287,224	(12,354)																													

		<p>Section 39 (2) of The Ministry of Finance and Economic Management (MFEM) Act 1995-96 states that <i>"All Heads of Government Departments shall be responsible for ensuring that there is adequate control over the release of and use of funds in accordance with Section 29"</i>.</p> <p>Section 29 (2) (d) requires Heads of Government Departments to ensure that all financial management obligations are met including <i>"sound financial management systems and internal controls exist and these are operated so as to provide: (i) timely and materially accurate financial information; and (ii) reasonable assurances that the transactions recorded are within statutory authority and properly disclose the use of all public financial resources administered by the department on behalf of the Crown."</i></p>		
Staff Bonus Payments	Medium	<p>The Office paid out \$3,567 worth of performance bonuses for the year. However, we noted that there were no staff appraisals performed prior to the payment of the bonuses. Also the total bonus payments exceeded the maximum allowable payout of 1% of total personnel appropriation for the year or in this case \$1,865.</p> <p>In accordance with Part C, section 10A, paragraph 5.3 of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM) <i>"Heads of Ministries (or Offices) are required to conduct comprehensive performance appraisals of all staff before determining whether to award performance bonus payments"</i>.</p> <p>Paragraph 6.3 then states that <i>"a provision of 1% of the gross personnel appropriation of a Ministry (or Office) shall be allocated specifically for performance bonus payments in each financial year"</i>.</p>	In order to avoid future breaches of the CIGFPPM, staff performance appraisals should be performed prior to awarding bonuses. It should also be noted that the maximum allowable payout for bonus purposes is only 1% of total personnel appropriation for the year.	Management will adhere to recommendations by Audit.

3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the engagement.

To conclude, the Cook Islands Audit Office is always looking at ways of improving our service and would appreciate any feedback you and your staff may wish to make. Please ensure that you complete and return the client survey questionnaire upon the completion of this audit. Refer <https://www.surveymonkey.com/s/JQ36TL2>

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Cleared Matters**

Matter	Recommendation	Outcome and Status
Property, Plant and Equipment (PPE)		
<p>We identified \$3,647 worth of expensed assets purchased out of operating funding which should have been capitalised based on the nature of the asset and the estimated useful life of over 12 months. This is in accordance with International Public Sector Accounting Standards (IPSAS) 17 – Property, Plant and Equipment (PPE). This was subsequently corrected via an audit adjustment.</p> <p>We also identified an unrecorded motor vehicle purchased in late 2010 by the Cook Islands Investment Corporation (CIIC) and given to the Office for daily use. There was no record of this asset in the Office's PPE register or supporting documents formally transferring ownership and title from CIIC to the Office.</p>	<p>All items which are capital in nature and expected to have a useful life exceeding 12 months should be recognised as PPE as per IPSAS 17.</p> <p>The Office should arrange with CIIC to formally transfer the ownership and title of the vehicle across to them. Particularly since the Office has used the vehicle for most of its estimated useful life.</p> <p>All future transfers of PPE should be done in accordance with Part B Section 12A of the CIGFPPM.</p>	<p>In the current 2015 financial year, a \$2,995 motor bike was purchased using operating funds. However unlike the prior year, the purchase was correctly capitalised as the vehicle had an expected useful life greater than a year in accordance with IPSAS 17.</p> <p>Issue cleared.</p>
Cash at Bank		
<p>There was no evidence of monthly reconciliations prepared or reviewed for the bank account held. This is a breach of Part B Section 6 subsection 3.1 of the CIGFPPM.</p>	<p>The bank account should be reconciled on a monthly basis. This should be signed by the preparer and reviewer as evidence of preparation and review.</p>	<p>Bank reconciliations are prepared on a monthly basis.</p> <p>Issue cleared.</p>
Operating Expenditures		
<p>There was no evidence of checks being done to ensure goods or services received were agreed to invoices</p>	<p>The Finance Manager should initial the invoice confirming that all goods invoiced were physically received and confirming that services were actually performed.</p>	<p>There were evidences of checks performed on invoices reviewed. No further issues were observed in the current 2015 financial year.</p> <p>Issue cleared.</p>

Table B: Outstanding Matters

Matter	Recommendation	Outcome and Status
<p>Deficit Position</p> <p>The Office reported an operating deficit of (\$5,053) for the year 30 June 2013, and (\$5,807) for the year 30 June 2014.</p> <p>The deficit was due to the inclusion of the above motor vehicle, resulting in an additional \$6,738 in depreciation which was not budgeted for by the Office</p>	<p>The Office's depreciation appropriation for the 2015 financial year will need to be increased by \$6,738 to account for the inclusion of the motor vehicle.</p>	<p>Office still has a deficit position for the 2015 financial year.</p> <p>Issue still outstanding.</p>

5 Definitions – Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Agreed Upon Procedures (AUP) Management Report for 30 June 2015

Minister Glassie Support Office

Man Unuia, Chief Executive Officer

Distribution List:

Hon Mark Brown, Minister for Finance and Audit

Hon Nandi Glassie, Minister of Health

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddart, PERC Chairperson

Heinz Matysik, PERC Member

Joe Caffrey, PERC Member

Date of Report: 25 January 2017

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5 DEFINITIONS – AUP RISK RATING.....13



1 Introduction

We have completed the Agreed Upon Procedures (AUP) for Minister Glassie Support Office for the year ended 30 June 2015 in accordance with our arrangements letter dated 19 September 2016. This report presents our findings and draws attention to areas where the Minister Glassie Support Office ("Support Office") is doing well or where we have made recommendations for improvement.

The agreed upon procedures we performed are summarized as follows:

- We confirmed crown appropriation revenue, crown receivable, crown payable, personnel and movements to property, plant and equipment to appropriation, Ministry Financial & Economic Management (MFEM) records and source documentation.
- We documented and performed a walk-through of processes and internal controls of the Support Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, property, plant and equipment, receivables, and payables.
- We undertook an examination of the Support Office's compliance with key legislation and regulations.

The AUP was conducted in accordance with the Standards (APS-1) and Guidelines (APG-1) for Agreed upon procedures Engagements promulgated by the Chartered Accountants Australia and New Zealand. The procedures we performed did not constitute an audit or a review and, consequently, no assurance on any assertions contained in the financial information was expressed. We agreed to report to you any matters which come to our attention that you need to be aware of.

2 AUP Findings

We would like to encourage Support Office management to address prior year issues identified in prior year management reports, for the period under review; all issues raised in prior years remain unresolved. This reflects poorly on management and has the potential for significant negative impact on the Support Office's ability to achieve its objectives. **Appendix 1** provides a summary of the status of prior year issues.

The purpose of this report is to present the results of the Support Office's AUP for the 2015 year and of the issues arising out of the AUP that we think management should be made aware of.

The following issues are raised for your attention:

Agreed Upon Procedure	Risk Level	Finding	Recommendation	Support Office/Head of Support Office Response
Personnel	High	<p>We identified the following anomalies during our testing of personnel expense:</p> <ol style="list-style-type: none"> 1. A contract worker who resides in Atiu continues to work and is paid by the Support Office from operating funds instead of through the centralized Government payroll system. 2. Employee bonuses of \$2,132 were paid from operating funds rather than through the Government centralised payroll system. Additionally, there were no supporting documents such as performance reviews or appraisal assessments undertaken to justify payments made. 3. Misclassification of personnel costs of \$500 to professional services paid from operating funds. 4. Opening annual leave balances did not agree to closing annual leaves balance in prior year as per annual leave schedule provided by client. <p>We have proposed adjusting journals to correct errors found in points 2 & 3 above.</p>	<p>We recommend that the Chief Executive Officer (CEO):</p> <ol style="list-style-type: none"> 1. Immediately refrains from paying its employees through its operating budget and comply with Part C Section 10 – Remuneration, Superannuation and Payroll of the Cook Islands Government Policies and Procedures Manual (CIGFPPM). To ensure full accountability for each personnel payment from Support Office and that all personnel related payments to employees be processed through the centralised Government payroll system. 2. Should ensure that opening annual leave balances are correctly rolled-forward from prior period and that all leave taken by employees should be supported by annual 	<p><i>Will comply and have the said staff transferred to the payroll system.</i></p> <p><i>Likewise, will be addressed with a monthly recording established.</i></p>

			leave forms and should be correctly reflected in the annual leave listing.	
Operating Expenditure	Medium	<p>Our review of operating expenses revealed the following:</p> <ol style="list-style-type: none"> 1. Communication expenses totalling \$20,915 (average \$1,743 per month), additionally, costs for the month of May totalled \$5,562 of which \$4,974 related to personal cellular calls from overseas. This is considered significantly excessive, with no form of internal control to account for official or personal usage/ calls. 2. Professional service expense of \$1,000 was not supported with an invoice. As such, we were not able to substantiate if this expense was bona fide. 3. Travel expenses were used to pay for the Minister's airfare which is not in accordance to the policy. This directly contravenes the CIGFPPM, Part D, Section 15 - Ministerial Office's-Operations, paragraph 3.2.3, which stipulates: <i>"The appropriation is not intended to cover overseas travel. Cabinet approves the expenditure that a Minister may incur when travelling overseas and is paid from the Civil List. Ministers cannot override Cabinet's approval and use additional funds from the Office budget."</i> 4. \$817 worth of donations were paid, the Support Office lacks a policy that governs disbursements of donations, which also contravenes the CIGFPPM, Part D, Section 15, Paragraph 3.2.1 & 3.2.2 which states: <p style="text-align: center;"><i>3.2.1 "Ministerial Support budgets are to be used for office support and not for discretionary purposes. Office support is intended to cover the normal cost of running an office which includes</i></p> 	<p>We recommend the CEO:</p> <ol style="list-style-type: none"> 1. Formalise and implement written policies and procedures governing communication expenses. These policies and procedures should define and limit legitimate business calls from personal calls and should include: <ol style="list-style-type: none"> a. The setup and use of a telephone log book to track official and personal phone calls; and b. Invoicing of Office employees for all personal calls made using the Office phones and mobiles. 2. Complies with the approved CIGFPPM by ensuring that all payments are: <ol style="list-style-type: none"> a. properly authorised by the CEO; b. clearly include full details (on the payment voucher) of payments being made; c. supported by valid and appropriate supporting documentation; d. correctly classified and posted into the system; e. bona fide expenses; and f. actual staff or office related expenses in accordance with Part D Section 15, 3.2 of the CIGFPPM. 	<p><i>Will apply</i></p> <p><i>Noted, and steps has been started to overcome this anomaly.</i></p>

		<p><i>staffing, stationery, communications etc", and that</i></p> <p><i>3.2.2 " The appropriation is not intended to cover donations. The POBOC "Social Responsibility Fund" is intended to cover all donations and grants."</i></p> <p>5. Any deviation from the CIGFPPM must have the written authorisation and approval of the Financial Secretary.</p>	<p>3. Formulates and implements written policies and procedures governing travel and entertainment expenses. The policies and procedures should define what legitimate travel and entertainment expenses are, in accordance with Part D Section 15, 3.2 of the CIGFPPM.</p> <p>4. Obtain written authorisation and approval from the Financial Secretary for disbursements that do not qualify as "normal costs of running an office".</p>	
Bank Reconciliation	Medium	<p>The following anomalies were identified during our review of the 30 June 2015 bank reconciliation and the datafile:</p> <ol style="list-style-type: none"> 1. The bank reconciliation was not signed by the preparer but only by the reviewer. We were therefore unable to determine if the person who reviewed the reconciliation was separate from the person who prepared it; 2. There was more than one bank reconciliation report generated for 30 June 2015. The hard copy of the bank reconciliation report on client file did not agree to the one in the datafile. This indicates that either: <ol style="list-style-type: none"> 1) there is more than one datafile; or 2) late adjustments are being posted to the bank account after the bank reconciliation is done. Both of which compromise the effectiveness of the bank reconciliation process. 3. Additionally, we noted from our review conducted on both bank reconciliations (hardcopy and datafile), a difference of \$594 which relates to a general journal (GJ) transaction dated back to 1 July 2014, as a 	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. The bank reconciliation preparer and reviewer must physically sign and date all the bank reconciliations as stipulated under CIGFPPM Part B, Section 6, Subsection 3.1; and 2. The preparer must bring to the attention of CEO anomalies or issues identified in reconciling the bank account in a timely manner. The CEO must review the bank reconciliation to ensure: <ol style="list-style-type: none"> a. Bank balance per reconciliation agrees to the general ledger (or balance sheet); b. Expected bank balance per reconciliation agree to the actual bank statement; c. Outstanding cheques/ unreconciled items are followed up to ensure they 	<p><i>Noted and will take steps to ensure compliance in all matters raised.</i></p> <p><i>Noted and will be adhered to.</i></p>

		<p>balancing entry to align opening bank balance to prior year audited closing bank balance. To date, this transaction have not been corrected or reconciled.</p> <p>The monthly bank reconciliation is a key internal control surrounding the bank account and use of public money. It is therefore imperative that this control is performed accurately.</p>	<p>are cleared in a timely manner. Where cheques/ unreconciled items are outstanding for more than 3 months, enquiries should be made as to why they have not been cleared and that appropriate supporting documentation of enquires undertaken are readily available for audit verification.</p>	
Property, Plant & Equipment (PPE)	Medium	<p>Our review of property, plant and equipment (PPE) register revealed the following anomalies:</p> <ol style="list-style-type: none"> 1. The PPE register provided by the Support Office was incomplete and inaccurate. There were also variances found between the PPE register and the general ledger (GL); 2. No evidence that the periodic reconciliation of the PPE register to the GL was performed by the Support Office. 3. No record of expensed assets of \$2,384 purchased during the year in the PPE register. <p>The PPE register is an important internal control used to ensure that all PPE currently under the control of the Support Office have been accurately captured in the general ledger and are controlled effectively. However without regular reconciliations against financial records this internal control is not effective.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. The Support Office should undertake an annual stock-take of all its PPE. This will ensure the accuracy and completeness of the PPE register as well as ensuring the compliance with Part B Section 2 subsection 3.10.2 of the CIGFPPM. 2. The PPE register should be reconciled to the GL on a monthly basis and the CEO should review and address any variances found. 3. Any obsolete, damaged, or disposed assets need to be removed from the PPE register in adherence to Part B Section 10 of the CIGFPPM. 4. All expensed assets purchased during the year are adequately recorded in the PPE register as stipulated in Part B, Section 10, paragraph 3.2, of the CIGFPPM. 	<p><i>Noted and will take steps to have this sorted.</i></p>
General Journal	Medium	<p>All general journals (GJ) posted during the year were not supported by adequate supporting documentation. There was also no evidence available to verify that the journals</p>	<p>We recommend that the CEO ensures that all general journals are:</p>	

		<p>were reviewed and authorised by someone independent of the person who prepared the journal.</p> <p>Lack of supporting documentation for general journals increases the risk and likelihood of material misstatement due to fraudulent postings or error during the year.</p>	<ol style="list-style-type: none"> 1. Appropriately supported with the relevant documentation, attached to a journal lead sheet the preparer must sign off before having it reviewed; and 2. The CEO or someone independent of the preparer must thoroughly check the journal for accuracy and approve it before posting. All general journals must be properly filed and referenced, and made available for audit. 3. This journal lead sheet should be signed by both the preparer and reviewer for evidence of proper authorisation and secondary review. 	<p><i>Duly noted and will take steps to have this sorted.</i></p>
Accounts payable	Low	<p>There was no creditor reconciliations performed during the period. There was a variance of \$648 between Payables in the general ledger and subsidiary ledger. This indicates a weakness in the internal controls over the monthly accounts payable reconciliation process practised and described by management.</p>	<p>We recommend that current imbalances are cleared and that the subsidiary ledger always reconciles to the general ledger. This includes:</p> <ol style="list-style-type: none"> 1. performing monthly reconciliations of subsidiary accounts to vendor statements and control accounts; 2. investigating any variances and correcting these on a timely basis; 3. posting all payments through the subsidiary ledger and not the general ledger; and 4. retaining all reconciliations as evidence that these were prepared and reviewed for audit reference. 	<p><i>Noted</i></p>

3 Conclusion

I would like to thank you and your staff for the assistance received during the AUP.

To conclude, the Cook Islands Audit Office is always looking at ways of improving our service and would appreciate any feedback you and your staff may wish to make. Please ensure that you complete the client survey questionnaire upon the completion of this AUP, this can be accessed by clicking on to the following link <https://www.surveymonkey.com/s/JQ36TL2>

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
Operating Expenditure		
<p>The review of Operating Expenditure revealed the following anomalies:</p> <ol style="list-style-type: none"> 1. Professional services relating to Atiu contract workers totaling \$24,975 were incorrectly posted and should be classified as personnel costs for the Support Office. We have proposed an adjustment to correct this error; 2. Communication expenses totaling \$16,680 (average \$1,390 per month) is considered significantly excessive, with no form of internal control to account for official or personal usage/calls; 3. Expenses totaling \$2,784 were not authorized; and 4. Expenses totaling \$550 were without invoices attached to payment voucher. As such, audit was not able to substantiate if the expenses were bona fide expenses of the support office. 	<p>We recommend the CEO:</p> <ol style="list-style-type: none"> 1. Ensures that all contracted workers have contractual or arrangement documents in place to validate payments made for services rendered and for audit purpose. 2. Formalize and implement written policies and procedures governing communication expenses. The policies and procedures should define and limit legitimate business and personal communication expenses; <ul style="list-style-type: none"> o obtain and use a telephone log book to track personal phone calls and use; and o ensures that all employees of the Office are invoiced for all personal calls made using the Office phones and mobiles. 3. All funds expensed to have appropriate supporting documents. 4. All expenses to be appropriately authorized. 	Issue outstanding
Personnel		
<p>Following our review over wages paid to contracted workers residing in Atiu by the Support Office, that 2 workers were also receiving wages paid by Atiu Island Administration (AIA), on a fortnightly basis, who is their primary employer.</p> <p>A staff member worked and was paid 35 hours per week by AIA, in addition also worked and was paid 25 hours per week by the Support Office. A total of 60 hours worked per week, during the year.</p> <p>Where hours claimed and paid by the Support Office, fall within their normal working hours - this would be seen as double payment of wages</p>	<p>We recommend that the CEO immediately refrain from paying these workers who are currently receiving wages through their primary jobs with Atiu Island Administration. Additionally, ensure that individuals hours of service to the Support Office does not fall within their normal working hours for AIA (8am - 4pm), which would be seen as double dipping of wages received. If this is the case, recovery of wages paid on top of their primary jobs must be recovered.</p>	Issue outstanding

and steps should be taken to recover double payment of wages from the staff member.		
Property, Plant and Equipment		
<p>Our testing of property, plant and equipment (PPE) revealed the following anomalies:</p> <ol style="list-style-type: none"> the PPE register provided by Support Office was incomplete and inaccurate and there were variances found between the PPE register and the general ledger (GL); no proper reconciliation between the PPE register and the GL was performed by Support Office; there were damaged assets that required approval for write off; and We identified \$3,359 worth of capital expenditure purchased out of operating funding. We proposed an adjustment to correct this error. <p>The PPE register is an important internal control used to ensure that all assets currently under the control of the entity have been accurately captured in the GL as well as ensuring that assets are controlled effectively. However without regular reconciliations against financial records this internal control is not effective.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> A full annual stock take of PPE should be taken and PPE register should be updated accordingly, to ensure full compliance with the CIGFPPM, Part B, Asset Management. The PPE register must be reconciled to the GL on a monthly basis, and the CEO must review and address any variances found. Any obsolete, damaged, or disposed assets need to be removed from the PPE register in adherence with Part B Section 10 of the CIGFPPM. All items which are capital in nature are correctly recognised as PPE as per IPSAS 17 Property, Plant and Equipment. 	Issue outstanding
Accounts Payable		
<p>There was an imbalance of \$648 between the aged payables report and the payables control account. Management failed to address as part of their monthly reconciliation process. Although this imbalance isn't significant it indicates a weakness in the internal controls over monthly accounts payable reconciliation process practiced and described by management.</p>	<p>We recommend that current imbalances are cleared and that the subsidiary ledger always reconciles to the general ledger. This includes:</p> <ul style="list-style-type: none"> performing monthly reconciliations of subsidiary accounts to vendor statements and control accounts; investigating any variances and correcting these on a timely basis; posting all payments through the subsidiary ledger and not the general ledger; and retaining all reconciliations as evidence that these were prepared and reviewed for audit reference. 	Issue outstanding
General Journals		
<p>All general journals posted during the year have no authority controls in place. Lack of controls and supporting documentation for general journals increases the risk and likelihood of material misstatement due to fraudulent postings or error during the year.</p>	<p>We recommend the CEO ensures:</p> <ul style="list-style-type: none"> That all general journals (GJs) have appropriate supporting documents attached to each journal lead 	Issue outstanding

	<p>sheet and have been reviewed and authorized before posting to the general ledger.</p> <ul style="list-style-type: none"> That all GJs posted have been signed by a preparer and reviewer for evidence of checks being physically conducted. 	
Operating Expense		
<p>We identified the following weaknesses in the internal controls over Operating Expenditure selected for testing:</p> <ul style="list-style-type: none"> Expenses tested totaling \$2,448 were not appropriately authorized; Expenses totaling \$1,158 were without invoices attached to payment voucher. As such, we were not able to substantiate if the expenses were bona fide expenses of the support office; and Expenses totaling \$10,083 were incorrectly classified in the general ledger, of which \$9,042 related to capital expenditure and purchased using operating funding. 	<p>We recommend the CEO ensures:</p> <ul style="list-style-type: none"> All expenses are appropriately authorized; All funds expensed have appropriate supporting documents such as original invoices; and That all vouchers are accurately coded to the correct account prior to approving vouchers for payment and posted accordingly in the general ledger. 	Issue outstanding

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
No prior year matters were cleared.		

5 Definitions – AUP Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

**Agreed Upon Procedures (AUP)
Management Report
for the period 1 April to 30 June 2015**

Minister Nicholas Support Office

Teariki Anitonia, Chief Executive Officer

Distribution List:

*Honourable Albert Nicholas, Minister
Garth Henderson, Financial Secretary
Russell Thomas, PSC Commissioner
Geoff Stoddart, PERC Member
Heinz Matysik, PERC Member
Joe Caffrey, PERC Member*

Date of Report: 19 October 2016

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1 Introduction

We have completed the Agreed Upon Procedures (AUP) for the Minister Nicholas Support Office for the year ended 30 June 2015 in accordance with our arrangements letter dated 29 August 2016. This report presents our findings and draws attention to areas where the Minister Nicholas Support Office ("Office") is doing well or where we have made recommendations for improvement.

The agreed upon procedures we performed are summarized as follows:

- We confirmed crown appropriation revenue, crown receivable, crown payable, personnel and movements to property, plant and equipment to appropriation, MFEM records and source documentation.
- We documented and performed a walk-through of processes and internal controls of the Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, fixed assets, receivables, and payables.
- We undertook an examination of the Office's compliance with key legislation and regulations.

The AUP was conducted in accordance with the Standards (APS-1) and Guidelines (APG-1) for Agreed upon procedures Engagements promulgated by Chartered Accountants Australia and New Zealand (CAANZ). The procedures we performed did not constitute an audit or a review and, consequently, no assurance on any assertions contained in the financial information was expressed. We agreed to report to you any matters which come to our attention that you need to be aware of.

2 Audit Findings

The purpose of this report is to present the results of the Office's AUP for the 2015 year and of the issues arising out of the AUP that you should be made aware of. The following issues are raised for your attention:

Agreed Upon Procedure	Risk Level	Finding	Recommendation	Office/ Head of Office Response																												
Deficit Position	High	The Office reported a net deficit of (\$7,280) for the period between 1 April and 30 June 2015.	We recommend the following: 1. The Finance Manager monitors all expenditure on (at least) a monthly basis to ensure that the Office remains within its budget limits at all times. 2. All expenditure is authorised by the Chief Executive Officer of Parliament or delegated authorities pursuant to Section 39 of the MFEM Act 1995-96. 3. The Finance Manager should prepare a detailed analysis of the Office's 'realistic' funding requirements prior to budget submissions. Using prior year spending patterns and planned initiatives, the Office would be in a better position to improve and strengthen its budgeting process.	We acknowledge the Auditors findings in this report of the net deficit figure stated for the period 01 April to 30 June 2015 and are very remorseful to be in this position. We advise that we have highly considered and accepted the recommendations stated in this report and have begun the process of implementing them in our Office procedures in order to prevent this from happening again in future. In our review of the reasons for the deficit position, it was realised that ; 1) Personnel budget was understated and a big portion of it was mainly because the last fortnight total salary for June 2015 was not included in the budget.																												
		Figure 1: Minister Nicholas Support Office 30 June 2015 - Over-expenditure analysis																														
		<table><tr><th></th><th>BUDGET (\$)</th><th>ACTUAL (\$)</th><th>VARIANCE (\$)</th></tr><tr><td>Personnel</td><td>28,275</td><td>34,879</td><td>(6,604)</td></tr><tr><td>Operating Expense</td><td>41,662</td><td>43,761</td><td>(2,099)</td></tr><tr><td>Depreciation</td><td>1,378</td><td>-</td><td>1,378</td></tr><tr><td>Gross Appropriation</td><td>71,315</td><td>78,640</td><td>(7,325)</td></tr><tr><td>Other Revenue</td><td>-</td><td>45</td><td>45</td></tr><tr><td>Net Appropriation</td><td>71,315</td><td>78,685</td><td>(7,280)</td></tr></table>				BUDGET (\$)	ACTUAL (\$)	VARIANCE (\$)	Personnel	28,275	34,879	(6,604)	Operating Expense	41,662	43,761	(2,099)	Depreciation	1,378	-	1,378	Gross Appropriation	71,315	78,640	(7,325)	Other Revenue	-	45	45	Net Appropriation	71,315	78,685	(7,280)
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The inadequate personnel budget, high level of expensed assets, inappropriate use of operating funds on social responsibility costs, offset slightly by zero depreciation expenses were the main reasons for the deficit position.																																
Overspending is an indicator of weak internal controls over actual expenditure, poor monitoring of expenditure and/or budgeting.																																

		<p>Section 39 (2) of The Ministry of Finance and Economic Management (MFEM) Act 1995-96 states that <i>"All Heads of Government Departments shall be responsible for ensuring that there is adequate control over the release of and use of funds in accordance with Section 29"</i>.</p> <p>Section 29 (2) (d) requires Heads of Government Departments to ensure that all financial management obligations are met including <i>"sound financial management systems and internal controls exist and these are operated so as to provide: (i) timely and materially accurate financial information; and (ii) reasonable assurances that the transactions recorded are within statutory authority and properly disclose the use of all public financial resources administered by the department on behalf of the Crown."</i></p> <p>Management needs to strengthen its internal control procedures over all areas of expenditure. The Cook Islands Government Policies and Procedures Manual (CIGFPPM) provides guidance on maintaining proper financial reporting systems and comprehensive systems of internal control, which should be utilised by the Office</p>		<p>Due to the understatement of the Personnel budget mentioned in 1) above, the Operating Expense budget was therefore overstated contributing to the cause of our overspending and the deficit position.</p>
Property, Plant and Equipment	High	<p>The following issues were identified from our review of Property, Plant and Equipment (PPE):</p> <ol style="list-style-type: none"> 1. No stock-take of PPE was performed by the Office at year end resulting in a breach of Part B Section 2 subsection 3.10.2 of the CIGFPPM. 2. A number of PPE identification tags were missing from sighted PPE. As a result, it was difficult to reconcile physical PPE assets back to the PPE register. 3. PPE that have been traded-in, transferred out or no longer working were still listed in the PPE register. These include: 	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. The Office should undertake a year end stock-take of all PPE. This will ensure the existence and completeness of the PPE register. It will also ensure compliance with Part B Section 2 subsection 3.10.2 of the CIGFPPM. 2. As per Part B Section 2 subsection 3.9.1, all assets need to be uniquely 	<p>We acknowledge the issues identified in your review and accept the recommendations given.</p> <p>We advise that we have started to enforce and improve on our Office procedures in regards to proper treatment of PPE and it's an ongoing process to ensure we are in compliance with the policies.</p>

		<ul style="list-style-type: none"> a. Motor bike with registration GAA170 that was traded-in to a local auto dealer by previous Management in May 2011 for purchase of a new motor bike. b. Transfer to the former Deputy Prime Minister's Office of two (2) paintings valued at \$3,050 by previous Management in 2014. c. Two (2) air condition units, a fridge, LED 20 inch widescreen monitor, microwave and assorted PPE were no longer working. 	<p>identifiable. The Office needs to remove all old tags and appropriately relabel the assets again. These new tags should be clearly identified on the PPE register and physical assets.</p> <p>3. All assets that have been traded-in, transferred out or are no longer working should be removed from the PPE register. Part B Section 10 of the CIGFPPM outlines the proper process for removal of assets.</p>	<p>We have scheduled another review of our PPE next month in December, as a check up on where we are at with making the changes as recommended.</p>
Operational Expenditure	Medium	<p>From our review of operating expenditure we observed the following issues:</p> <ul style="list-style-type: none"> 1. In only 3 months of operation the Office spent \$17,114 on expensed assets. These included the purchase of laptops, air condition units, a lounge suite, motor bike, iphones, etc. Given the short period of operation and the limited budget available to the Office, spending on expensed assets was significant. This contributed in part to the net deficit position of (\$7,280). 2. Non-office related expenses totalling \$4,106. These related to: <ul style="list-style-type: none"> a. Hireage of heavy machinery of \$2,500 to clean Panama dump site. b. Hosting of Ruatonga, Avatiu, Panama, Palmerston, Atupa (RAPPA) functions of \$938 	<p>We recommend the following:</p> <ul style="list-style-type: none"> 1. More prudence is exercised when spending on expensed assets. Whilst we acknowledge that some expensed assets were purchased out of necessity (e.g. air condition units no longer working), others were not (e.g. motor bike). 2. To ensure future compliance with CIGFPPM, Part D, Section 15, 3.2.1 and 3.2.2, the Chief Executive Officer should ensure that the Office budget is used solely for Office related expenditure. 	<p>Upon review of your findings for Operational Expenditure, we acknowledge the issues raised and thank you for the recommendations.</p> <ul style="list-style-type: none"> i. We will ensure that our expensed asset spending is out of a need for the office. We advise that since our office was setup in those first 3 months of operation, we haven't had much spending on expensed assets since then. ii. We have tightened up and basically stopped the non-office related expenses being

		<p>c. Monetary donations of \$668 to schools and sports clubs.</p> <p>In accordance with CIGFPPM, Part D, Section 15, 3.2.1: <i>"Ministerial Support budgets are to be used for office support and not for discretionary purposes. Office support is intended to cover the normal cost of running an office which includes staffing, stationery, communications etc"</i>.</p> <p>3.2.2: <i>"The appropriation is not intended to cover donations. The POBOC (Payment on Behalf of the Crown) Social Responsibility Fund is intended to cover all donations and grants"</i>.</p> <p>As a result of the above, the Office was in breach of the CIGFPPM, Part D, Section 15, subsection 3.2.</p>	<p>Costs relating to donations or community related work should be sourced from the POBOC Social Responsibility Fund.</p>	<p>paid through our Office operations and instead have used the Social Responsibility Funds to pay for any items of this sort. The same treatment is done for donations.</p> <p>We appreciate your Audit report and thank you for your recommendations and your services. We will ensure we improve our Office procedures and comply accordingly with the policies in place so we won't fall into a deficit position again.</p>
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3 Conclusion

I would like to take this opportunity to thank you and your staff for the kind assistance received during the audit.

To conclude, the Cook Islands Audit Office is always looking at ways of improving our service and would appreciate any feedback you and your staff may wish to make. Please ensure that you complete the client survey questionnaire upon the completion of this AUP, this can be accessed by clicking on to the following link <https://www.surveymonkey.com/s/JQ36TL2>

Yours sincerely



Allen Parker
Director of Audit



4 Definitions – Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Agreed Upon Procedures (AUP) Management Report for 30 June 2015

Minister Turepu's Support Office

Julian Dashwood, CEO

Distribution List:

Hon Mark Brown, Minister for Finance and Audit

Hon Kiriau Turepu, Minister of Agriculture

Garth Henderson, Financial Secretary

Russell Thomas, PSC Commissioner

Geoff Stoddart, PERC Chairman

Heinz Matysik, PERC Member

Joe Caffrey, PERC Member

Date of Report: 24 October 2016

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1 Introduction

We have completed the Agreed Upon Procedures (AUP) for Minister Turepu Support Office for the year ended 30 June 2015 in accordance with our arrangements letter dated 06 September 2016. This report presents our findings and draws attention to areas where the Minister Turepu Support Office ("Support Office") is doing well or where we have made recommendations for improvement.

The agreed upon procedures we performed are summarized as follows:

- We confirmed crown appropriation revenue, crown receivable, crown payable, personnel and movements to property, plant and equipment to appropriation, MFEM records and source documentation.
- We documented and performed a walk-through of processes and internal controls of the Support Office in respect of trading revenue, personnel costs, cash at bank, operating expenditure, fixed assets, receivables, and payables.
- We undertook an examination of the Support Office's compliance with key legislation and regulations.

The AUP was conducted in accordance with the Standards (APS-1) and Guidelines (APG-1) for Agreed upon procedures Engagements promulgated by the Chartered Accountants Australia and New Zealand (CAANZ). The procedures we performed did not constitute an audit or a review and, consequently, no assurance on any assertions contained in the financial information was expressed. We agreed to report to you any matters which come to our attention that you need to be aware of.

2 AUP Findings

The purpose of this report is to present the results of the Support Office's AUP for the 2015 year and of the issues arising out of the AUP that we think management should be made aware of. **Appendix 1** provides a summary of the status of prior year issues.

The following issues are raised for your attention:

Agreed Upon Procedure	Risk Level	Finding	Recommendation	Support Office/Head of Support Office Response
Bank Reconciliation	Medium	<p>Our review of bank reconciliation for June 2015 revealed the following anomalies:</p> <p>Bank reconciliation was not prepared correctly or consistently. Cheques and deposits that had been cleared through the bank were still showing as outstanding on the bank reconciliation.</p> <ul style="list-style-type: none"> There were unrepresented cheques of \$56,927 and outstanding deposits of \$56,931 on bank reconciliation report extracted from MYOB accounting database. The above outstanding cheques and unrepresented deposits date back as far as July 2014 through to June 2015. The bank statement for June 2015 showed deposits and cheques presented during June were not cleared as reconciled by the Office. The contracted accountant and the Chief Executive Officer (CEO) failed to ensure that cheques and deposits were accurately cleared on a timely manner. <p>The monthly bank reconciliation is a key internal control</p>	<p>We recommend that the bank account be reconciled on a monthly basis. These should be signed by the preparer Finance and Administration Manager (FAM) and reviewer (contracted accountant and/or CEO) as evidence of preparation and review process respectively. It is important to note that signed bank reconciliations alone do not provide evidence of effective review. The reviewer, likewise the preparer must ensure the following prior to signing off:</p> <ol style="list-style-type: none"> 1. Bank balance per reconciliation must reconcile to the general ledger. 2. Bank statement balance per the reconciliation should agree to the actual bank statement. 3. Bank reconciliation date is the end of the month 4. Reconciling items (outstanding deposits and cheques) are valid and cleared in a timely manner. 5. The FAM should also ensure that no 	<p><i>Agreed. It is acknowledged that a break down in processing and reconciliation has taken place due to misinformation and/or unclear instructions previously imparted.</i></p> <p><i>As discussed, monthly reconciliation of accounts or quarterly review by accountant should identify that accounts are reconciled and balanced</i></p>

		surrounding the bank account and use of public money. It is therefore imperative that this control is performed accurately.	changes are made to the bank general ledger after the review of the reconciliation is done and bring to the attention of the CEO anomalies or issues identified in reconciling the bank account in a timely manner.	
Property, Plant & Equipment (PPE)	Medium	<p>Our review of property, plant and equipment (PPE) revealed that:</p> <ol style="list-style-type: none"> 1. \$2,866 worth of mobile phones was purchased using operating funding. These were incorrectly classified as communication costs during the year instead of PPE which is more accurate. We have proposed a journal to correct these entries in the General Ledger (GL) however correction still needs to be made to the PPE register 2. The Support Office failed to correctly record all expensed assets totalling \$5,667 purchased during the year in the PPE register. 3. There was no evidence that the office performed a full stock take of all fixed assets held by the office at year end. This is a breach of Part B Section 2 subsection 3.10.2 of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM). The annual stock-take of PPE is an important tool for the Office in ensuring existence and completeness of the PPE. 4. There was no evidence that the PPE register was independently reviewed. <p>The PPE Register is an important internal control used to ensure that all assets currently under the control of the entity have been accurately captured in the general ledger and are controlled effectively.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. All items which are capital in nature are correctly recognised as PPE as per IPSAS 17 Property, Plant and Equipment. 2. The FAM should ensure all expensed assets purchased during the year are adequately recorded in the PPE register as stipulated in Part B, Section 10, paragraph 3.2, of the CIGFPPM. 3. The FAM should undertake a year end stock-take of all PPE. This will ensure the existence and completeness of the PPE register as well as ensuring compliance with Part B Section 2 subsection 3.10.2 of the CIGFPPM. 4. Once a stock-take is undertaken, this will provide a basis for correcting the PPE register. The PPE register should be reconciled to the General Ledger on a monthly basis by the FAM. Lastly, an independent review of the reconciliation should be undertaken by the CEO. This will help minimise the likelihood of errors within the PPE register and General Ledger existing. 	<p><i>Agreed. All purchases need to be classified and entered correctly.</i></p> <p><i>Agreed.</i></p>

Operating Expenditure	Medium	<p>The review of Operating Expenditure revealed the following anomalies:</p> <ol style="list-style-type: none"> 1. Communication expenses totalling \$10,438, included costs for 3 mobile phones incorrectly classified as communication costs. Also there was no form of internal control to account for official or personal usage/calls for the Office; 2. Fuel costs incurred by the Office included fuel charged for Office and various private vehicles. There were no checks performed to separately identify work-related from private fuel consumption. There was also no evidence available to determine whether proper authority was obtained prior to charging to the Office fuel account; 3. Travel costs incurred by the Office were in breach of the Cook Islands Government Financial Policies and Procedures Manual (CIGFPPM), Part D Sections 15, 3.2.5. Payments were made from the Office budget for travel expenses of the Secretary of Agriculture, Teariki Porea. Pursuant to Part D Section 15, 3.2.5 <i>"The appropriation is intended to cover approved Office related travel for <u>staff who are actually employed in the office.</u>"</i> 4. The Office has no internal policies in place as guidance for staff as to what is appropriate expenditure for communication, fuel, travel and entertainment; and 5. There was no formal written notice of engagement for an external consultant to provide project advice to the Minister. A binding term of reference should be agreed to and signed by both parties, prior to services performed and payments made. 	<p>We recommend that the CEO and the Finance & Administration Manager (FAM) ensure the following:</p> <ol style="list-style-type: none"> 1. Comply to approved government policies and procedures as stipulated in the CIGFPPM, in particular, ensure that all payments for the Support Office are: <ul style="list-style-type: none"> • properly authorised by the CEO; • clearly include full details (on the payment voucher) of payments being made; • supported by valid and appropriate supporting documentation; • correctly classified and posted into the system; • bona fide expenses; and • actual staff or office related expenses in accordance with Part D Section 15, 3.2 of the CIGFPPM. 2. Formulates and implements written policies and procedures governing communication, fuel, travel and entertainment expenses. The policies and procedures should define and limit legitimate business related expenses. 3. All agreements to engage the professional services of a consultant should be formalised in writing. It should be retained in a safe place for audit purposes and future reference in the event of disputes arising. 	<p>Agreed.</p> <p>Agreed.</p> <p>Agreed.</p>
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General Journal	Medium	All general journals posted during the year have no authority controls in place. Lack of controls and supporting documentation for general journals increases the risk and likelihood of material misstatement due to error or fraudulent postings.	<p>We recommend that the CEO ensures that all general journals are:</p> <ol style="list-style-type: none"> 1. Appropriately supported with the relevant documentation and attached to a journal lead sheet. 2. This lead sheet should be signed by both the preparer and reviewer for evidence of proper authorisation and secondary review. 	<i>Agreed.</i>
Non-compliance with MFEM Act Section 28(4)	Low	Section 28(4) of the MFEM Act 1995-1996 requires all Ministries and Government agencies to submit their financial statements to Government auditors by 30 September of the subsequent financial year.	<p>Management should strive to adhere to section 28(4) by placing emphasis on the preparation of the financial statements at year end.</p> <p>Should professional assistance be required to complete the financial statements on time, Management can contact the MFEM finance team. In the absence of this assistance, Management should then look externally for help in meeting the reporting deadline.</p>	<p><i>Agreed.</i></p> <p><i>Agreed.</i></p>

3 Conclusion

I would like to thank you and your staff for the assistance received during the AUP.

To conclude, the Cook Islands Audit Office is always looking at ways of improving our service and would appreciate any feedback you and your staff may wish to make. Please ensure that you complete the client survey questionnaire upon the completion of this AUP, this can be accessed by clicking on to the following link <https://www.surveymonkey.com/s/JQ36TL2>

Yours sincerely



Allen Parker
Director of Audit



4 Appendix 1: Status of recommendations made in previous management reports.**Table A: Outstanding Matters**

Matter	Recommendation	Outcome and status
Property, Plant and Equipment		
<p>Our review of property, plant and equipment (PPE) revealed that \$9,042 worth of capital expenditure was purchased during the year, using operating funding. The FAR should be amended to include these assets recognized as PPE additions for the year. We have proposed an adjustment to correct this error.</p> <p>The Fixed Asset Register is an important internal control used to ensure that all assets currently under the control of the entity have been accurately captured in the general ledger as well as ensuring that assets are controlled effectively.</p>	<p>We recommend that all items which are capital in nature are correctly recognized as PPE as per IPSAS 17 Property, Plant and Equipment.</p>	Issue outstanding
General Journals		
<p>All general journals posted during the year have no authority controls in place. Lack of controls and supporting documentation for general journals increases the risk and likelihood of material misstatement due to fraudulent postings or error during the year.</p>	<p>We recommend the CEO ensures:</p> <ul style="list-style-type: none"> That all general journals (GJs) have appropriate supporting documents attached to each journal lead sheet and have been reviewed and authorized before posting to the general ledger. That all GJs posted have been signed by a preparer and reviewer for evidence of checks being physically conducted. 	Issue outstanding
Operating Expense		
<p>We identified the following weaknesses in the internal controls over Operating Expenditure selected for testing:</p> <ul style="list-style-type: none"> Expenses tested totaling \$2,448 were not appropriately authorized; Expenses totaling \$1,158 were without invoices attached to payment voucher. As such, we were not able to substantiate if the expenses were bona fide expenses of the support office; and Expenses totaling \$10,083 were incorrectly classified in the general ledger, of which \$9,042 related to capital expenditure and purchased using operating funding. 	<p>We recommend the CEO ensures:</p> <ul style="list-style-type: none"> All expenses are appropriately authorized; All funds expensed have appropriate supporting documents such as original invoices; and That all vouchers are accurately coded to the correct account prior to approving vouchers for payment and posted accordingly in the general ledger. 	Issue outstanding

Table B: Cleared Matters

Matter	Recommendation	Outcome and Status
No prior year matters were cleared.		

5 Definitions – AUP Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavourable or noticeable negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organisation's objectives.
Medium	Potential for unfavourable or negative impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organisation's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Part 4 – Review Opinion and Risk Rating

The definitions used to rate the risks of audit issues has been adopted from the Cook Islands Audit Office's risk criteria.

Risk Rating	Definition
High	Potential for unfavorable or noticeable negative impact on the organization's objectives, income, expenditure, human resources and/or reputation. Management attention is required to ensure that the risk is managed in line with the organization's objectives.
Medium	Potential for unfavorable or negative impact on the organization's objectives, income, expenditure, human resources and/or reputation. Management needs to establish controls to address risk identified.
Low	Potential minor impact on the organization's objectives, income, expenditure, human resources and/or reputation. Management needs to identify if there is a cost benefit in establishing increased controls.

Review Conclusion	Definition				
Unmodified Conclusion	An unmodified opinion is expressed when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework ² .				
Modified Conclusion	<p>A modified opinion is expressed if the auditor:</p> <ul style="list-style-type: none"> a) Concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or b) Is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, <p>In order of severity (most to least), modified audit opinions may take the following form:</p> <table border="1"> <tr> <td>Disclaimer Conclusion</td><td>A disclaimer opinion shall be expressed when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive³.</td></tr> <tr> <td>Adverse Conclusion</td><td>An adverse opinion is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements</td></tr> </table>	Disclaimer Conclusion	A disclaimer opinion shall be expressed when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive ³ .	Adverse Conclusion	An adverse opinion is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements
Disclaimer Conclusion	A disclaimer opinion shall be expressed when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive ³ .				
Adverse Conclusion	An adverse opinion is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements				

² The current applicable financial reporting frameworks in use are: (1) New Zealand equivalent to International Financial Reporting Standards (NZ IFRS) (2) New Zealand Public Benefit Entity International Public Sector Accounting Standards (NZ PBE IPSAS) (3) International Public Sector Accounting Standards (IPSAS)

³ Pervasive – A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in the auditor's judgment:

- (i) Are not confined to specific elements, accounts or items of the financial statements;
- (ii) If so confined, represent or could represent a substantial proportion of the financial statements; or
- (iii) In relation to disclosures, are fundamental to users' understanding of the financial statements.

	Qualified Conclusion	<p>A qualified opinion is express when:</p> <ul style="list-style-type: none"> a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. 	
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