



INDEPENDENT AUDITOR'S REPORT

To the readers of the Government of Niue and group's Financial Statements for the five years ended 30 June 2021

I have audited the financial statements of the Government of Niue (the Government) and the consolidated (group) financial statements for the five years ended 30 June 2021 using my staff and resources.

The financial statements comprise the balance sheet as at 30 June 2021, the income statement, statement of changes in equity, and statement of cash flows for the five years ended on that date, and the notes to the financial statements, including significant accounting policies of the Government and group, on pages 5 to 30.

Qualified Opinion – My work on the audit of the Government and group was limited

In my opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of my report the financial statements of the Government and group for the five years ended 30 June 2021 have been prepared, in all material respects, in accordance with the accounting policies described in note 2, *Summary of Significant Accounting Policies*.

My audit was completed on 2 March 2023. This is the date at which my qualified opinion is expressed.

The basis for my qualified opinion is explained below, and I draw attention to other matters. In addition, I outline the responsibilities of the Financial Secretary and my responsibilities relating to the financial statements, I comment on other information, and I explain my independence.

Basis for Qualified Opinion

Reasons for my qualified opinion on the financial statements of the Government

The scope of my audit of the financial statements of the Government was limited because I was unable to obtain sufficient appropriate audit evidence for the matters described below to determine whether they were completely and properly recorded and disclosed. There were no satisfactory audit procedures that I could adopt to determine the effect of these limitations in scope.

- ***My work over taxes, duties & fines, and taxes receivable was limited***

The Government did not maintain adequate systems and controls, nor provide all supporting documentation for recording its revenue from Niue Consumption Tax (NCT) and import duties (as set out in note 22). Therefore, I was unable to determine whether any adjustments were needed to the recorded taxes, duties & fines of \$53,641,755 nor the associated taxes receivable of \$2,939,214 (as set out in note 9).

- ***My work over Property, Plant and Equipment was limited***

The Government did not maintain adequate systems and controls, nor provide all supporting documentation for recording its Property, Plant and Equipment. Therefore, I was unable to determine whether any adjustments were needed to the Property, Plant and Equipment of \$70,569,784.

- ***My work over accumulated funds was limited***

As a result of matters outlined above, which could affect the Government's accumulated funds, I was unable to determine whether any adjustments were needed to the recorded accumulated funds of \$71,864,644.

- ***My work over the comparative information for the Government's revenue, receivables, accumulated funds and commitments disclosures was limited***

I expressed a qualified opinion on the 30 June 2016 Government financial statements, because my work was limited in respect of:

- The Government's taxes, duties & fines revenue, Niue Consumption Tax (NCT), import duties, taxes receivable, port charges and accumulated funds for the same reasons as outlined above.
- The Government's telecom revenue associated trade debtors, and commitments disclosures because the Government did not maintain adequate systems and controls, nor did they provide supporting documentation to determine the completeness and accuracy of telecom revenue and commitments disclosures.

Reasons for my qualified opinion on the financial statements of the Group

The scope of my audit of the financial statements of the Group was limited for the reasons outlined above that relate to the Government, and because I was unable to obtain sufficient appropriate audit evidence for the matters related to the Government's subsidiaries as described below. I was unable to determine whether these matters were completely and properly recorded and disclosed and there were no satisfactory audit procedures that I could adopt to determine the effect of these limitations in scope.

- ***My work over the group's revenue from sale of goods & services, other income and debtors was limited***

The Government's Subsidiaries Broadcasting Corporation of Niue and Niue Bond Liquor Company Limited did not maintain adequate systems and controls, nor provide all supporting documentation for recording their revenue from sales of goods of \$867,617 and Bond Stores sales of \$8,574,146 respectively.

Also, the Government subsidiary Niue Philatelic and Numismatic Corporation had limited controls over its revenue from sale of goods of \$13,757,440.

The Government's subsidiary Telecom Niue Limited changed its telecom systems which maintain the records related to its telecom revenue during 2017. Telecom Niue does not have access to the information in its old system and did not maintain adequate backup or supporting documentation for recording the telecom revenue of \$7,672,230.

Therefore, I was unable to determine whether any adjustments were needed to the recorded group revenue from Total Sale of Goods & Services of \$54,500,016 (as set out in note 22) nor the associated debtors included in Net value of accounts receivable of \$1,948,811 (as set out in note 9) and its impact on tax losses.

In addition, the Niue Philatelic and Numismatic Corporation, and Niue Commercial Enterprise Limited had limited controls over their other revenue and therefore I could not obtain sufficient and appropriate evidence to determine if \$4,358,390 of the other income of \$15,373,165 presented in the Income Statement, required any adjustment.

- ***My work over expenditure, cost of sales and inventories was limited***

The Niue Philatelic and Numismatic Corporation and the Broadcasting Corporation of Niue did not maintain adequate systems and controls, nor did they provide all supporting documentation for recording their expenditure of \$14,240,395 and of \$2,966,783, respectively. Therefore, I was unable to determine whether any adjustments were needed to the recorded group expenditure of \$180,138,453.

Due to restrictions on travel as a result of Covid-19, my staff could not attend the inventory stocktakes for the Government subsidiaries Niue Bond Liquor Company Limited, the Broadcasting Corporation of Niue, Niue Commercial Enterprise Limited, Telecom Niue Limited and the Niue Philatelic and Numismatic Corporation as at 30 June 2021. There were no alternative procedures I could perform because there was no supporting documentation available. Therefore, I was unable

to determine whether any adjustments were needed to inventory of \$2,613,324 (as set out in note 8), nor the associated cost of sales of \$31,064,161.

- ***My work over the cash and cash equivalent, property, plant and equipment, trade and other creditors and other liabilities of the Niue Philatelic and Numismatic Corporation was limited***

A significant amount of the Niue Philatelic and Numismatic Corporation's financial records have been lost or damaged due to the impact of humidity, and inadequate record keeping. In addition, the Corporation did not maintain adequate systems and controls. As a result, I was unable to obtain sufficient appropriate audit evidence to determine whether any adjustments were needed to the cash and cash equivalent of \$1,050,804, property, plant, and equipment of \$823,774, trade and other creditors of \$1,331,448, and other liabilities of \$158,606 of the Niue Philatelic and Numismatic Corporation which form part of the Group's financial statements.

- ***My work over accumulated funds was limited***

As a result of matters outlined above relating to both the Government and its subsidiaries, which could affect the Group's accumulated funds, I was unable to determine whether any adjustments were needed to the recorded accumulated funds of \$75,409,303.

- ***My work over the comparative information for the group's revenue, receivables, expenditure, property plant and equipment, cash and cash equivalents, personnel costs, and related balances was limited***

I expressed a qualified opinion on the 30 June 2016 Group financial statements, because my work was limited in respect of:

- The Government's revenue, receivables, accumulated funds and commitments disclosures for the same reasons outlined in the basis for my qualified opinion on the financial statements of the Government above.
- Broadcasting Corporation of Niue's revenue from the provision of goods and services, Niue Bond Liquor Company Limited's bond stores sales, Niue Commercial Enterprise Limited's revenue and associated debtors for the same reasons as outlined above.
- Niue Philatelic and Numismatic Corporation's property, plant and equipment, trade and other creditors, revenue, expenditure, and related balances for the same reasons as outlined above.
- Niue Bond Liquor Company Limited's inventory and associated cost of sales because supporting documentation could not be provided for items selected for testing.

As described above, I did not receive all the information and explanations I required. However, I believe that I have obtained sufficient and appropriate audit evidence to provide a basis for my qualified opinion.

I draw your attention to other significant matters

Without further qualifying my opinion, I draw attention to the following matters:

- ***Financial sustainability of the Government***

Note 21 on page 30 outlines the Government's reliance on New Zealand's ongoing support for the economic and administrative assistance it needs, and the Government's commitment to improving its financial sustainability.

- ***Donor trust funds and related cash and cash equivalents balance***

Notes 6 and 7 on pages 19 to 22 outline that external donor funding is received for specific development projects. Unused funds are held in donor and trust funds bank accounts. The Government notes that an amount of \$9,559,528 from these funds was used for operating expenditure and therefore the funds available in the trust funds bank accounts will not be sufficient to complete the development projects for which the funding was intended. This practice has been acknowledged at the Assembly of Niue in previous years.

- **Impact of Covid-19**

Note 3.4 on page 16 outlines the impact of Covid-19 on the Government and its subsidiaries.

Responsibilities of the Financial Secretary

The Financial Secretary is responsible for preparing financial statements in accordance with the Public Revenues Act 1959 (amended by the Public Revenues (Financial Reporting and Audit Special Provisions) Amendment Act 2022), which permits multi-year financial statements and the accounting policies described in note 2, *Summary of Significant Accounting Policies*.

The Financial Secretary is responsible for such internal control as she determines is necessary to enable her to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In carrying out her responsibilities for the financial statements of the Government and group, the Financial Secretary is responsible for assessing the Government and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The Financial Secretary is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Financial Secretary's responsibilities arise from Section 25 of the Public Revenues Act 1959 (amended by the Public Revenues (Financial Reporting and Audit Special Provisions) Amendment Act 2022).

My Responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements of the Government and group, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts and disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

For the budget information reported in the financial statements, my procedures were limited to checking that the information agreed to the Appropriations Bill.

I did not evaluate the security and controls over the electronic publication of the financial statements of the Government and group.

I carried out my audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. I have fulfilled my responsibilities in accordance with these standards.

As part of an audit in accordance with the Auditor-General's Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- I identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government and group's internal control.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Financial Secretary.
- I conclude on the appropriateness of using the going concern basis of accounting that has been used by the Financial Secretary to prepare the financial statements of the Government and group, up to the date of my audit opinion, based on the audit evidence I have obtained.
- I obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the group to express an opinion on the financial statements. I am responsible for the direction, supervision, and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the Financial Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

My responsibility arises from Article 60 of the Niue Constitution, which appoints the Auditor-General of New Zealand as the auditor of the Niue Government Account and all other public funds or accounts of all Departments and offices of executive government. Article 60 also requires me to report to the Assembly at least once a year. This responsibility is discharged separately.

Other information

The Financial Secretary is responsible for the other information. The other information comprises the information included on pages 1 to 4 and 31 to 37, but does not include the financial statements, and my audit report thereon.

My opinion on the information I audited does not cover the other information and I do not express any form of audit opinion or assurance conclusion thereon.

My responsibility is to read the other information. In doing so, I consider whether the other information is materially inconsistent with the information I audited, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on my work, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Independence

I am an Officer of the New Zealand Parliament and constitutionally and operationally independent of the Government of Niue. Other than in exercising functions and powers under Article 60 of the Constitution of Niue, I have no relationship with or interests in the Government or any of its subsidiaries.



John Ryan
Controller and Auditor-General
Wellington
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