



INDEPENDENT AUDITOR'S REPORT

**To the readers of
the Government of Niue and group's
Financial Statements
for the year ended 30 June 2022**

I have audited the financial statements of the Government of Niue (the Government) and the consolidated (group) financial statements for the year ended 30 June 2022 using my staff and resources.

The financial statements comprise the balance sheet as at 30 June 2022, the income statement, statement of changes in equity, and statement of cash flows for the year ended on that date, and the notes to the financial statements, including significant accounting policies of the Government and group, on pages 5 to 27.

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 year ended 30 June 2022 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 30 October 2024. 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 Income Tax, Niue Consumption Tax (NCT), import duties and port charges (as set out in note 23). Therefore, I was unable to determine whether any adjustments were needed to the recorded taxes, duties & fines of \$7,572,147 nor the associated taxes receivable of \$3,038,686 (as set out in note 10).

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

My audit opinion for the five years ended 30 June 2021 was qualified in respect to Property, Plant and Equipment of \$70,569,784 because the Government did not maintain adequate systems and controls, nor provide all supporting documentation for recording its Property, Plant and Equipment.

Although I have been able to obtain assurance over additions to Property, Plant, and Equipment during the year ended 30 June 2022, the flow on effect of the qualification on the opening balances has meant I was unable to determine whether any adjustments were needed to the net book value of Property, Plant and Equipment of \$72,819,616 as at 30 June 2022 (as set out in note 14.1) and associated depreciation for the year of \$4,571,337 (as set out in note 14.1).

- ***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 \$81,068,575.

- ***My work over the Government's revenue, receivables, property, plant and equipment, and accumulated funds in the prior period, presented as comparative information, was limited***

I expressed a qualified opinion on the 30 June 2021 Government financial statements, because my work was limited in respect of the Government's taxes, duties and fines revenue from Niue Consumption Tax and import duties as well as related balances of taxes receivable, property, plant and equipment and accumulated funds for the same reasons as outlined above.

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 certain revenue from goods & services and debtors was limited***

The Government's subsidiaries Broadcasting Corporation of Niue, Niue Bond Liquor Company Limited, Telecom Niue Limited and Niue Commercial Enterprise Limited did not maintain adequate systems and controls, nor provide all supporting documentation for recording their revenue from the provision of goods and services of \$181,880, Bond Stores sales of \$1,526,728, international communication \$45,988, local communication \$41,339, shop sales (internet access) \$1,862,953, Western Union Commission of \$8,134, Main Services of \$30,990 and Prepaid Power Commission of \$20,004.

Therefore, I was unable to determine whether any adjustments were needed to the recorded group revenue from total sale of goods and services of \$9,321,266 (as set out in note 23) nor the associated debtors included in net value of accounts receivable of \$3,297,637 (as set out in note 10).

- ***My work over cost of sales was limited***

The Niue Philatelic and Numismatic Corporation and Telecom Niue Limited did not maintain adequate systems and controls, nor provide all supporting documentation for recording cost of goods sold of \$5,050 and \$1,210,322 respectively, for the year ended 30 June 2022.

In addition, the scope of my work over inventory and the associated cost of goods sold in the prior period for Niue Bond Liquor Company Limited, presented as comparative information, was limited. While I obtained sufficient assurance over the valuation of inventory as at 30 June 2022, any misstatement of the carrying value of inventory as at 30 June 2021 would consequently affect the costs of goods sold for the year ended 30 June 2022 of \$1,253,344.

Therefore, I was unable to determine whether any adjustments were needed to the recorded group cost of sales of \$5,880,441 for the year ended 30 June 2022.

- ***My work over property, plant and equipment of the Niue Philatelic and Numismatic Corporation was limited***

The Corporation did not maintain adequate systems and controls, nor provide all supporting documentation for recording property, plant and equipment of \$701,555 and related expenses.

Therefore, I was unable to determine whether any adjustments were needed to the recorded group property, plant and equipment of \$75,224,695 for the year ended 30 June 2022 and the related expenses.

- ***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 \$85,772,957.

- ***My work over the group's revenue, receivables, expenditure, cost of sales, inventory, property plant and equipment, cash and cash equivalents, personnel costs, trade and other creditors, accumulated funds and related balances in the prior period, presented as comparative information, was limited***

I expressed a qualified opinion on the 30 June 2021 Group financial statements, because my work was limited in respect of:

- The Government's revenue, receivables, property plant and equipment and accumulated funds, for the same reasons outlined in the basis for my qualified opinion on the financial statements of the Government above.

- Broadcasting Corporation of Niue, Niue Bond Liquor Company Limited, Telecom Niue Limited and Niue Commercial Enterprise Limited revenue from sales of goods and services, other income, and receivables, for the same reasons outlined above.
- Niue Philatelic and Numismatic Corporation's revenue from sale of goods, due to limited controls over this revenue.
- Niue Philatelic and Numismatic Corporation and Broadcasting Corporation of Niue expenditure, as adequate systems and controls were not maintained, nor all supporting documentation provided.
- Niue Philatelic and Numismatic Corporation, the Broadcasting Corporation of Niue, Niue Commercial Enterprise Limited, Telecom Niue Limited and Niue Bond Liquor Company Limited's cost of sales and inventory as I was unable to attend the inventory stocktake for all subsidiaries due to restrictions on travel as a result of Covid-19.
- Niue Philatelic and Numismatic Corporation's cash and cash equivalents, property, plant and equipment, personnel expenses, trade and other creditors and other liabilities for the same reasons outlined above and because significant financial records were lost or damaged due to impact of humidity and inadequate record keeping.
- Accumulated funds as a result of the matters outlined above.

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 26 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 7 and 8 on pages 17 to 20 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 \$5,232,523 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.

- ***Comparative financial statements were prepared for a multi-year period***

Without further modifying my opinion, I draw attention to the footnotes to the statement of financial performance and the statement of cashflows and note 2.1, that outline the comparative period was a multi-year period, with one set of financial statements compiled for the period 1 July 2016 to 30 June 2021. As a result of the comparative financial statements being prepared for a multiyear period, the financial performance and cash flows for the comparative period are not directly comparable with those for the year ended 30 June 2022.

- ***Delay in preparing the financial statements***

The Government did not prepare the financial statements in a timely manner. The Government has commenced a project to implement procedures to assist in the preparation of timely financial reporting.

Responsibilities of the Financial Secretary

The Financial Secretary is responsible for preparing financial statements in accordance with 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. The Financial Secretary is also responsible for, 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.

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 obtained 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, 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

While carrying out this audit, my staff complied with the Auditor-General's independence requirements, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

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 relationships with or interests in the Government of any of its subsidiaries.

John Ryan
Auditor-General
Niue