



Report to the Assembly

Government of Niue

For the years ended 30 June 2022, 30 June 2023 and 30 June 2024



19 May 2025

Hon. Hima Douglas
Speaker of the House
Niue Legislative Assembly
PO Box 40
Alofi
NIUE

Fakalofa lahi atu Hon Speaker

I am pleased to report that the financial statements and associated audits of the Government of Niue (the Government) and its State-Owned Entities (SOEs) for the years ended 30 June 2022, and 30 June 2023 have now been completed and the audit opinions issued. The audits of the Government and SOEs for the year ended 30 June 2024 are also substantially complete and we expect to issue our audit opinions in May 2025. This means all Government and SOE audits will shortly be up to date.

I acknowledge the commitment of all that have been involved in achieving this significant milestone. Clearing the accountability backlog has been a significant programme of work for the Government, those assisting (Deloitte) the Government, and my auditors. This significant achievement has only been possible because of a genuine and continuing commitment to bringing the financial statements of the Government and SOEs up to date from all those involved.

The timely preparation of financial statements, timely audit, and timely review and scrutiny by the Assembly of independently verified financial information is crucial for good financial accountability and transparency.

Looking ahead, it is critical that the normalised annual accountability and reporting cycle is maintained. We plan to start the audits for year ending 30 June 2025 in November 2025 when financial statements and supporting information are ready. This will enable the subsequent accountability and scrutiny processes making timely use of the audited information.

Preparation and audit of annual reporting in Niue is now comparable from a timeliness lens to the best in the Pacific region. So that the Government fully realises the opportunity created by this achievement to deliver high quality accountability to the people of Niue work must continue to embed improvements to systems, process, and practices. The significant costs incurred by both the Government and my auditors in addressing the deferred reporting and audits will be wasted if the timely preparation and audit of all government entities is not maintained for future reporting periods.

My office remains committed to working closely with the Government and officials to ensure that audits can also be completed in a timely manner once information is ready for audit.

Under the Niuean constitution I am required to report to the Assembly each year. This report provides the Assembly with an update on the status of the audits of the Government and its SOEs. This report also sets out our findings from our audit and an update on the status of previous audit recommendations, up to the date of this report, and draws attention to areas where the Government of Niue is doing well and where I have made recommendations for improvement.

Thank you

I would like to extend my thanks to the Government of Niue and public sector management and staff, in particular the Secretary of Government and the Financial Secretary, for their co-operation and assistance during the course of these audits and the backlog elimination project.

I acknowledge the very positive efforts of the Government to bring it's financial reporting up to date.

Haau a Fakamooli

A handwritten signature in black ink, appearing to read 'JMRyan', with a stylized flourish at the end.

John Ryan
Controller and Auditor-General

Contents

| | |
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| Contents | 4 |
| Introduction..... | 5 |
| Audit opinions | 6 |
| Audit findings and recommendations | 10 |
| Prior audit findings and recommendations..... | 17 |
| Future Areas of Focus..... | 18 |
| Appendix 1: Summary of Audit opinions..... | 19 |
| Appendix 2: Prior outstanding audit findings and recommendations | 21 |
| Appendix 3: Disclosures | 23 |

Introduction

The Auditor-General is responsible for expressing an independent opinion on the financial statements of the Government and its SOEs and reporting that opinion to the Assembly. This responsibility arises from Article 60(1) of the Constitution of Niue.

Article 60 also specifies that the Auditor-General should report annually to the Assembly.

The Government of Niue is responsible for preparing financial statements that:

- comply with generally accepted accounting principles in Niue;
- fairly reflect, in accordance with the accounting principles of the Government, the Government and group's financial position, financial performance, and cash flows; and
- fairly reflect the Government and group's expenses incurred against appropriation and any unauthorised expenditure.

The Government's responsibilities arise from Section 25 of the Public Revenues Ordinance 1959. The financial statements are required to include the statement of unauthorised expenditure, pursuant to Article 59 (6) of the Constitution of Niue.

This report includes:

- a summary of audit opinions issued for the Government and its SOEs for the years ended 30 June 2022, 30 June 2023 and 30 June 2024;
- details of the significant audit findings arising from our audit of the Government; and
- the outstanding issues and recommendations raised in previous reports to the Assembly.

Audit opinions

A summary of all audit opinions issued for the Government and SOEs for years ended 30 June 2022, 30 June 2023 and 30 June 2024 is included in Appendix 1.

Since my previous report to the Assembly, the following audit reports have been issued:

Government of Niue

Audit reports for the years ended 30 June 2022, 30 June 2023 and 30 June 2024

My audit reports included a qualified audit opinion for the Government of Niue parent financial statements, and for the Government of Niue consolidated financial statements (including transactions and balances of the SOEs).

The basis for my qualified opinion for the parent financial statements is due to the scope of my audit being limited. I was unable to obtain sufficient appropriate audit evidence to determine whether revenue from taxes, duties and fines and associated balances, the net book value of property, plant and equipment and associated balances, and accumulated funds were completely and properly recorded and disclosed.

The basis for my qualified opinion for the Group financial statements is due to the scope of my audit being limited because the SOEs: Niue Philatelic and Numismatic Corporation, Telecom Niue Limited, Broadcasting Corporation of Niue, Niue Commercial Enterprise Limited and the Niue Bond Liquor Company Limited, have not maintained adequate systems, controls and supporting documentation.

Without further qualifying my opinion, I also drew attention to the Government's disclosures within the financial statements on the following matters:

- *Financial sustainability of the Government:* The Government has disclosed its reliance on New Zealand's on-going 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:* The Government has disclosed 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 from these funds was used for operating expenditure and therefore the funds available in the trust funds bank accounts may 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 (for 30 June 2022 only).
- *Delay in preparing the financial statements:* The Government did not prepare the financial statements in the timely manner for the years ended 30 June 2022, 30 June 2023 and 30 June 2024.

State Owned Entities

Broadcasting Corporation of Niue

Audit report for the years ended 30 June 2022, 30 June 2023 and 30 June 2024

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that revenue from the provision of goods and services and associated balances, and corresponding impact on Niue Consumption Tax (NCT) and calculation of taxable losses to carry forward were completely recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on reliance on the Government of Niue for financial support and comparative financial statements were prepared for a multi-year period (for 30 June 2022 only).

Telecom Niue Limited

Audit report for the year ended 30 June 2022

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that some sale of goods and services and associated balances, NCT, calculation of unrecognised taxable losses, inventory and cost of goods sold were completely recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on reliance on the Government of Niue for financial support and comparative financial statements were prepared for a multi-year period.

Audit report for the year ended 30 June 2023

My audit report included a qualified audit opinion. The basis for my qualified opinion was the same as for the 30 June 2022 year other than the further disclosure related to the comparatives being for a multi-year period.

Audit report for the year ended 30 June 2024

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that some sale of goods and services and associated balances, the calculation of income tax expense, Niue Consumption Tax (NCT) payable and unrecognised tax losses were completely recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on failure to comply with tax laws and reliance on the Government of Niue for financial support.

Niue Bond Liquor Company Limited

Audit report for the year ended 30 June 2022

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that sales revenue and associated balances, taxes and cost of goods sold were completely recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements that comparative financial statements were prepared for a multi-year period.

Audit reports for the years ended 30 June 2023 and 30 June 2024

My audit reports included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that sales revenue and associated balances, and taxes were completely recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on failure to meet statutory reporting deadline.

Niue Philatelic and Numismatic Corporation

Audit report for the year ended 30 June 2022

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that property, plant and equipment and associated expenses, taxes, inventory, cost of goods sold, and personnel expenses were completely and properly recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on failure to comply with tax laws and comparative financial statements were prepared for a multi-year period.

Audit report for the year ended 30 June 2023

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that property, plant and equipment and associated expenses, taxes, and cost of goods sold were completely and properly recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on failure to comply with tax laws and financial statements not submitted in time.

Audit report for the year ended 30 June 2024

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that property,

plant and equipment and associated expenses and taxes were completely and properly recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on failure to comply with tax laws and financial statements not submitted in time.

Niue Development Bank

Audit reports for the years ended 30 June 2022, 30 June 2023 and 30 June 2024

My audit reports included an unqualified (unmodified) audit opinion. This means that I am satisfied that the Niue Development Bank financial statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 were prepared, in all material respects, in accordance with the relevant accounting policies.

Niue Commercial Enterprise Limited

Audit report for the year ended 30 June 2022

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that certain revenue, cash and cash equivalents, and cost of goods sold were completely and properly recorded and disclosed.

Audit reports for the years ended 30 June 2023 and 30 June 2024

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to the scope of my audit being limited as I was unable to obtain appropriate audit evidence that certain revenue was completely and properly recorded and disclosed.

Niue Bank

Audit reports for the years ended 30 June 2022, 30 June 2023 and 30 June 2024

My audit reports included an unqualified (unmodified) audit opinion. This means that I am satisfied that the Niue Bank financial statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 were prepared, in all material respects, in accordance with the relevant accounting policies.

Audit findings and recommendations

There has been a large focus on bringing the financial statements up to date over the last few years. Now that this has been achieved, the audit findings and recommendations, along with the status of recommendations arising from prior audits will be assessed.

Included in Appendix 2, I list the prior audit findings and recommendations that remain to be addressed by the Government and/or assessed by us during future audit(s). We will share recommendations to be addressed by the SOEs in a separate report to the Board of each entity.

The key progress the Government has been able to achieve over the last few years includes:

- the continued progress in the completion of bringing the financial statements up to date, with the assistance of Deloitte;
- some staff changes within the Treasury to assist with increasing capability and capacity;
- review of the structure, administration, and reporting of the Government's commercial entities and applicable statutory entities;
- review of the capacity and effectiveness in relation to financial management and reporting; and
- the review of the legislative and audit frameworks.

These are positive steps in addressing some of the audit recommendations previously raised. We understand Covid-19 had a significant impact on the Government of Niue and its operations, so it is pleasing that a significant amount of progress has been made.

Please see my detailed audit findings on significant areas, including recommendations below.

Niue Response

The Government of Niue welcomes this report of the Auditor-General. The Government expresses its thanks to the Auditor-General and to the staff of Audit New Zealand and the Office of the Auditor-General for their work, which has been a key factor in enabling all Government and SOE audits now being up to date. This is a major achievement, and the Government acknowledges the work of all the officials, advisers and audit staff involved in achieving this outcome.

The Government agrees with the comments of the Auditor-General that, looking ahead, it is critical that the normalised annual accountability and reporting cycle now enabled is established and maintained, and that the Government must continue to focus on embedding improvements to systems, process, and practices to ensure that financial reporting is completed in a timely manner for future financial periods and the quality of the reporting is improved.

Achieving that outcome is the subject of Phase 2 of the Government's Financial Statements Completion and Audit Project (FISCAP) currently underway. Many of the findings and recommendations of the Auditor-General will be addressed as part of this project. In particular, an immediate focus of Phase 2 is establishing a standardised finance system, process and controls and shared finance service for some

Niue Response

of the SOEs. This will mean significant improvement in the timeliness and accuracy of financial information produced by the SOEs along with increased visibility and access to accounting records.

In respect of the Auditor-General's overall findings and recommendations, the Government considers these generally to be fair and constructive and demonstrate how much important work remains to be done. The Government in its comments below responds on aspects of those findings and recommendations, noting also that many of them are part of wider issues going to capacity, capability, systems and processes being addressed, or to be addressed, under FISCAP Phase 2.

Financial sustainability

New Zealand has a constitutional responsibility to provide financial support to the people of Niue. A significant portion of the Government's revenue comes from the New Zealand Government and other donor countries. This means the Government is reliant on financial support to meet its operating commitments and for the on-going development and maintenance of infrastructure.

In its 2021/22, 2022/23 and 2023/24 financial statements, the Government has noted the reliance on the New Zealand Government's ongoing support, which included annual budget support, annual sector support, annual funding for administrative and technical assistance, funding for specified development projects and contributions to the NITF.

I have emphasised the Government's financial statements disclosure in relation to this reliance within my opinions for all three years.

In addition to the New Zealand government's support a number of other projects have been completed using other external funding, such as the significant contribution to the Niue roading project using funding from the Chinese Government.

The Government has implemented some improvements to the financial budgeting and management of the Government and SOEs. This has included increased scrutiny and oversight by the Public Accounts Committee on the financial budgets and results of the Government and SOEs.

It is pleasing that there have been some improvements to the financial management and oversight of the Government's and SOEs' financial information. It remains important that the Government maintains up to date financial information and reporting. This will assist in the effective and transparent monitoring by the Cabinet, the Public Accounts Committee and the Assembly of the Government's financial position to ensure it continues to operate within the funding and appropriation available.

Niue Response

The Government agrees with the Auditor-General's comments on the continued importance of, and reliance on, donor funding. Post Covid, the re-development of tourism as an important alternative source of revenues is positive. The Government continues to explore other areas of revenue, and opportunities for improved quality or savings in expenditure, such as the renewable energy project. Having timely and fit-for-purpose public financial management and reporting will significantly assist the Government in progressing such initiatives, as well as providing confidence to donor countries.

Capability and capacity

The delays in the preparation of the financial statements for the Government and SOEs has highlighted the need for improvements in the capability and capacity of the finance functions and supporting systems of the Treasury and SOEs.

There has also been a continued increase in the size and complexity of entities related to the Government over recent years.

As a result, the task of maintaining financial information and preparing financial statements has also become more challenging. To ensure that financial information is maintained and is complete, accurate and timely this needs to be supported by appropriate staffing and systems. The current level of resource is insufficient to be able to prepare the Government and Group financial statements, including its SOEs.

I continue to be supportive of the engagement of Deloitte to assist the Government and SOEs with the compilation of financial statements. I also understand that Deloitte have also been engaged to provide some additional assistance including reviewing the processes at some of the SOEs, and the suitability of the financial systems, processes, and controls.

We acknowledge the Government has made some improvements to the capability and capacity, particularly in relation to finance and asset/infrastructure staff, and note there have been changes in the quality of reporting as a result.

I encourage the Government to complete the capability and capacity review, including staffing and systems, needs of the Treasury and the individual public sector entities to ensure that they are sufficient to support the operations, and timely, accurate and complete reporting to the Assembly, Cabinet and, importantly, the public. Once appropriate capability and capacity has been established the Government should undertake regular reviews to ensure that it remains appropriate.

Niue Response

Capability and capacity continue to be a major issue for Niue, particularly given the small size of its population, and the range of activities which as a Government it must undertake. It is an issue which will likely always need to be addressed. In the immediate term:

- The work on FISCAP Phase 2 relating to shared services is expected to significantly improve financial reporting and management of SOEs.
- The work on FISCAP Phase 2 to establish a standard finance system for the SOE's will enable the use of technology and improve the quality of financial reporting and management.
- The Government is addressing the governance structures and processes of SOEs including options of shared back-office services, as well as better coordination through, for example, statement of intent processes. This continues to be a work-in-progress.

Tax department

I have previously raised concerns that the Government is potentially missing out on revenue due to not issuing timely assessments or following up outstanding tax returns and payments. Many of Niue's

registered companies, and where applicable public sector entities, are not completing a tax return for company tax or Niue Consumption Tax (NCT) each year.

Additionally, our audit work has found that not all import duty and port charges are being collected.

Treasury have appointed a Revenue manager to assist with tax and other revenue collection and expanded the tax team. I understand an online system has also been implemented but is still in relatively early stages.

I continue to recommend that the Government review the accounting treatment of revenue associated with tax revenue for which tax returns have not been received, ensure that public entities are compliant with tax legislation, assessments for company tax are issued in a timely manner (including an assessment for any company that has not filed a tax return for any given year), and that a schedule of tax audits is established and regularly completed.

Niue Response

The Government acknowledges the issues raised by the Auditor-General. Various initiatives are underway to address these issues, including:

- The Customs department has implemented an import management system that is widely used in the South Pacific, ASYCUDA; this system has automated the assessment and debt management processes relating to imports.
- Recognising that the Tax Office needs strong leadership, Treasury is seeking support from international agencies to help recruit a Tax Accountant from overseas to focus on bringing the tax assessments and collections up to date.
- A new Tax Administration Bill is currently before the Assembly, which will harmonise and streamline the assessment and collection processes that currently exist under the various tax acts and provide the Tax Office with stronger enforcement tools.

Donor funds and aid money management

The Government receives donor funds and aid money from a number of sources. This money is held until it is spent on the project it was provided for. Treasury has a centralised system for the receipt and management of donor funds to ensure all funds are recorded and managed.

In my last report to the Assembly, I raised concerns around project management, including key projects being behind schedule and over budget, unfavourable donor-initiated audits, poor record keeping, instances of incorrect coding and costs which has resulted in incorrect capitalisation.

Poor project management could result in projects not being completed, future funding being at risk or, depending on the donor agreement, could require the Government to repay funds it has received. This is also a risk that funds are not fully accounted for as some funds are being directed to SOEs or departments when they should be centrally coordinated.

For the year ended 30 June 2022, and the years previous, the financial statements of the Government showed the total donor trust funds balance outstanding for projects that were a work in progress to be higher than the available cash held in donor trust funds deposit. This indicates that

excess donor funds have been used to provide cash for expenditure relating to the recurrent budget such as wages and pension payments, and creates significant risk if the full value of donor “ring-fenced” funds are not fully applied to the donor projects, that there may be future cash flow issues, insufficient funds to complete projects, trust issues with donors, and the potential for donors to recover funds from other Government revenue under donor agreements.

For the years ended 30 June 2023 and 30 June 2024, we have seen an improvement in this area as there is now more cash held in donor trust funds deposits than the total donor trust funds outstanding for projects that are a work in progress. However, the Government continue to use funds received for other projects to cover over expenditure in asset management.

I continue to recommend that:

- due to the significance of the projects managed by Niue, the PCMU continues to review the level of resource and expertise required, and seek external assistance where required;
- the donor funds are restricted to each individual project and not utilised for any other purpose; and
- procurement policy recently implemented from 1 July 2024 is applied for the procurement of goods and services to ensure that there is consistency and robustness in the procurement decisions.

As this policy has been in effect after the 30 June 2024 year end, we will review the policy and its compliance as part of our 2024/25 audit. We therefore continue to raise this recommendation for 2023/24.

Niue Response

The Government agrees with the Auditor-General on the need for further work in this area and will be addressing it in the forthcoming year.

Unauthorised expenditure

The Government has consistently breached the requirements of the Constitution and Public Revenues Act 1959 by incurring unauthorised expenditure. The financial statements for 2021/22, 2022/23 and 2023/24 indicate that the Government has continued to incur unauthorised expenditure that was not approved by Cabinet.

The permitted excess set out in the Act allows Cabinet to approve additional expenditure in excess of up to 1.5% of appropriated expenditure.

The unauthorised expenditure in excess of 1.5% of appropriated expenditure which requires a supplementary appropriation, has not been authorised by an Appropriation Act, which is a breach of articles 56(3) and 59(4) of the Constitution and section 19 of the Public Revenues Act 1959.

I continue to recommend that the Treasury ensure that any expenditure in excess of appropriation is properly approved.

Niue Response

The Government agrees that improvements are needed to address these issues. This will be further addressed in the forthcoming year.

Sensitive expenditure

Sensitive expenditure is expenditure by a public entity that provides, or could be perceived to provide, a private benefit to a staff member or their associates, over and above the benefit derived by the business itself. There is also heightened public sensitivity around effective and efficient use of resources, waste, and a lack of probity or financial prudence and, as a result, we review these areas each year.

Review of policies

We have completed a comparison of the Government's sensitive expenditure policies against The Office of the Auditor-General's (OAG) good practice guidance on controlling sensitive expenditure. The purpose of this review was to confirm whether the Government's policies covering hospitality, gifts, entertainment, travel, contractors and business expenditure are in line with the recommended good practice.

As these policies are effective from 1 July 2024, we will share the aspects where policies can be further improved as part of 2024/25 audit planning.

Supporting documentation related to sensitive expenditure

We tested a sample of travel, accommodation, entertainment, hospitality and contractor expenditure and identified following exceptions:

- Contractor expenses – A contractor was appointed to assist Government with significant infrastructure procurement during 2022/23 and 2023/24. Expenses incurred by the contractor on behalf of the Government were reimbursed. However, we are unable to obtain original supplier invoice to assess whether amounts reimbursed to the contractor were accurate, complete and had a valid business purpose.
- Travel expenses – we noted that description of some contractor related travel expenses was inconsistent with the supporting documents.

When auditing sensitive expenditure decisions, we assess whether these decisions:

- have a justifiable business purpose;
- preserve impartiality;
- are made with integrity;
- are moderate and conservative;

- are made transparently; and
- are made with proper authority.

These principles underpin decision making about sensitive expenditure and should be applied together.

I recommend that sensitive expenditure should be treated in accordance with the principles highlighted above and approved only when there is a clear business purpose supported by appropriate supporting documentation.

Niue Response

The Government will further address these issues in conjunction with the Office of the Auditor-General and Audit New Zealand.

Asset impairment and valuation

The Government's accounting policy is that non-current assets are not regularly reviewed for impairment, but impairment adjustments are made if indications of impairment exist.

The Government is responsible for a portfolio of significant assets, with some of these being critical assets.

The land and buildings were last valued in 1998. There has been no subsequent revaluation or fair value assessment completed.

We have reviewed the impairment assessment of the significant assets, including infrastructure and building assets, completed by the Government for each reporting balance date to ensure that the value of the asset portfolio is accurately reported within the financial statements. The impairment assessment completed by the Government was adequate and we are satisfied with the assessments completed. The impairment of significant assets largely involved updating the estimated useful lives. We are satisfied this has been applied accordingly.

Niue Response

The Government thanks the Auditor-General for his supportive feedback. As noted above there were no indicators of impairment in the year, and therefore no further assessment was considered necessary. Further, as noted non-current assets are valued at historical cost less depreciation. The reason for the valuations in 1998 was to facilitate first time recognition of the assets in the Government's Financial Statements. It is not expected that valuation would be required again unless there is an indicator of impairment (as the cost of any new non-current assets are known at the time of recognition).

Prior audit findings and recommendations

Included in Appendix 2, I list the additional significant prior audit findings and recommendations that still require action by the Government.

There has been minimal progress by the Government in addressing these recommendations.

Niue Response

To have the financial statements of the Government and subsidiaries brought up to date is a major achievement. As noted in the Government's response above however, there is still significant work to be done to address the findings and recommendations, including prior findings and recommendations. This will continue to necessarily involve prioritisation given resource constraints.

The Government looks forward to continuing to engage with the Auditor-General and the Assembly as this work progresses.

Future Areas of Focus

The completion, and public reporting, of the financial statements of the Government and its subsidiaries in a timely manner is critical. This is a key mechanism in providing accountability and transparency of the Government's operations to the people of Niue and other stakeholders.

It is therefore important that now that the preparation and audit for the financial statements of the Government and SOEs are up to date, that this remains so.

To ensure that financial information is maintained and is complete, accurate and timely, this needs to be supported by appropriate staffing and systems. The previous levels of resource have been insufficient to enable preparation of the Government and Group financial statements, including its SOEs in a timely manner. The Government engaged Deloitte to assist them in bridging this gap to complete the financial statements.

I encourage the Government to continue to focus on enhancing capability and capacity. This should include considering the staffing, systems, processes, and practices needed by the Treasury and individual public sector entities. This is to ensure that they are sufficient to support normal operations, as well as the timely, accurate and complete reporting to the Assembly, Cabinet, and the public.

I understand that the Government has engaged Deloitte to assist in implementing systems, controls, and processes to support timely financial reporting, with the medium-term plan to have these embedded within each entity to produce financial information. In addition, there are other public financial management improvement projects supported by the New Zealand government and other development agencies underway. The integration and coordination of these projects under the leadership of the Government is also critical to achieving coherent and sustained systems improvements.

Once appropriate systems, controls, processes, capability, and capacity has been established the Government should undertake regular reviews to ensure that these remain appropriate.

My office is committed to continue to work with the Treasury and public sector entities to ensure that the audits can be completed in a timely manner following the preparation of the financial statements. We are also committed to working with the Public Accounts Committee and the Assembly to enhance scrutiny processes so that they can effectively close the loop on the planning, budgeting and reporting processes, using audited results, to assist with driving systems improvements.

Appendix 1: Summary of Audit opinions

This table outlines a summary of the audit opinion issued for each entity and financial period.

| Entity | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|
| Government and parent | <i>Qualified</i> Audit opinion including: Taxes, duties and fines and associated balances, the net book value of property, plant and equipment and associated balances and accumulated funds. | <i>Qualified</i> Audit opinion including: Taxes, duties and fines and associated balances, the net book value of property, plant and equipment and associated balances and accumulated funds. | <i>Qualified</i> Audit opinion including: Taxes, duties and fines and associated balances, the net book value of property, plant and equipment and associated balances and accumulated funds. |
| Broadcasting Corporation of Niue | <i>Qualified</i> Audit opinion including: Revenue from the provision of goods and services and associated balances, and taxes. | <i>Qualified</i> Audit opinion including: Revenue from the provision of goods and services and associated balances, and taxes. | <i>Qualified</i> Audit opinion including: Revenue from the provision of goods and services and associated balances, and taxes. |
| Telecom Niue Limited | <i>Qualified</i> Audit opinion including: Sale of goods and services and associated balances, taxes, inventory and cost of goods sold. | <i>Qualified</i> Audit opinion including: Sale of goods and services and associated balances, taxes and cost of goods sold. | <i>Qualified</i> Audit opinion including: Sale of goods and services and associated balances and taxes. |
| Niue Bond Liquor Company Limited | <i>Qualified</i> Audit opinion including: Sales revenue and associated balances, and taxes and cost of goods sold. | <i>Qualified</i> Audit opinion including: Sales revenue and associated balances, and taxes. | <i>Qualified</i> Audit opinion including: Sales revenue and associated balances, and taxes. |
| Niue Philatelic Numismatic Corporation | <i>Qualified</i> Audit opinion including: Property, plant and equipment and associated expenses, taxes, inventory, cost of goods sold and personnel expenses. | <i>Qualified</i> Audit opinion including: Property, plant and equipment and associated expenses, taxes, and cost of goods sold. | <i>Qualified</i> Audit opinion including: Property, plant and equipment and associated expenses and taxes. |

| Entity | 2021/22 | 2022/23 | 2023/24 |
|-------------------------------------|---|---|---|
| Niue Development Bank | Unqualified Audit opinion | Unqualified Audit opinion | Unqualified Audit opinion |
| Niue Commercial Enterprises Limited | Qualified Audit opinion including: Certain revenue, cash and cash equivalents and cost of goods sold. | Qualified Audit opinion including: Certain revenue. | Qualified Audit opinion including: Certain revenue. |
| Niue Bank | Unqualified Audit opinion | Unqualified Audit opinion | Unqualified Audit opinion |

Appendix 2: Prior outstanding audit findings and recommendations

| Findings | Response |
|--|--|
| <p>Asset management</p> <p>The Government has developed an Asset Management Plan, but further progress is required. This will aid the Government in assessing the need for maintenance and funding for infrastructure projects. This is an area where we will continue to review developments.</p> <p><i>Update</i></p> <p><i>We understand that the Government appointed Asset and Infrastructure Management Adviser to commission work over annual costed workplan 2024/25 to maintain Niue's assets and findings were shared with the Government. We will review this workplan as part of 2024/25 audit.</i></p> | <p>Noted. The Government looks forward to discussing this as part of the 2024/25 audit.</p> |
| <p>Public Financial Management Report</p> <p>In August 2011 a report on Public Expenditure and Financial Accountability (PEFA) was issued. Since then we understand that some progress has been made against the recommendations; however some remain to be addressed.</p> | <p>This work will be absorbed into FISCAP Phase 2 to the extent still relevant.</p> |
| <p>Shipping Registrations</p> <p>The Government should consider seeking advice regarding the risks and responsibilities related to outsourcing the shipping register responsibilities.</p> | <p>An audit of aspects of the shipping registry was conducted by a specialist consultant in December 2023. In 2024, as part of the work being undertaken by the Government in relation to the FATF APG Mutual Evaluation Review, further changes were made to the processes the shipping registry manager undertakes. This continues to be a work in progress.</p> |
| <p>Asset Disposal Approval</p> <p>A disposal approval form should be implemented to document all disposals within the various government departments in a timely manner.</p> | <p>Noted.</p> |

| Findings | Response |
|--|--|
| <p>Interest Register</p> <p>We recommend that the Government implement an interest register to keep track of related party transactions and disclose those that are material.</p> | <p>Noted. The register and the criteria for materiality will need to reflect the particular circumstances of Niue's small population, including family relationships and the proximity of connections.</p> |
| <p>Procurement Policy</p> <p>The Government should review the Terms of Reference of its Tender Board against good practice guidelines.</p> <p>Update</p> <p><i>We understand that this is now Implemented for 2024/25 year. We will review the policy as part of our work during the 2024/25 audit.</i></p> | <p>Noted. A new Procurement Policy was approved by Cabinet in 2024. We note its implementation will be reviewed as part of the 2024/25 audit.</p> |
| <p>Fraud Policy</p> <p>The Government should implement a fraud policy.</p> <p>Update</p> <p><i>Implemented for 2024/25 year. We will review the policy as part of our work during the 2024/25 audit.</i></p> | <p>Noted</p> |

Closed recommendations as at 30 June 2024

| Finding | Audit Response |
|--|--|
| <p>Commitments Schedule</p> <p>A commitments schedule should be maintained and reviewed periodically to ensure commitments disclosed in the financial statements are complete and accurate.</p> | <p>We have closed off this matter as we have not had issues with the commitment schedule in 30 June 2022, 30 June 2023 or 30 June 2024 audits.</p> |
| <p>Documentation of decisions</p> <p>Decision is made by Cabinet should be clearly documented, including any financial or legal implications.</p> | <p>We have closed off this matter as we have seen improvement in this area from our review of Cabinet minutes.</p> |

Appendix 3: Disclosures

| Area | Key messages |
|--|---|
| Our responsibilities in conducting the audit | <p>I am responsible for expressing an independent opinion on the financial statements and reporting that opinion to you.</p> <p>The audit of the financial statements does not relieve management or the Government of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of me, as the auditor, and the Government.</p> |
| Auditing standards | <p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Government and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p> |
| Auditor independence | <p>We are independent of the Government in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> |
| Fees | <p>The total audit fee for the years ended 30 June 2022, 30 June 2023, and 30 June 2024 is detailed in our Audit Proposal Letter.</p> <p>No other fees have yet been charged in this period.</p> <p>Disbursements for necessary expenses incurred in carrying out our audit have been on-charged to the Government.</p> |
| Other relationships | <p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Government that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of my office has accepted a position of employment with the Government of Niue during or since the end of the financial year.</p> |