Report to the Assembly

on the audit of Government of Niue

For the year ended 30 June 2025

The Audit Office
Te Mana Arotake



21 July 2026

Hon. Billy Talagi
Speaker of the House
Niue Legislative Assembly
PO Box 40
Alofi
NIUE

Fakaalofa lahi atu Hon Speaker

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.

I am pleased to be able to report to you that the financial statements of the Government of Niue (the Government) and its State-Owned Entities (SOEs) for the year ended 30 June 2025 have been completed. We completed all associated audit work and issued our relevant audit opinions prior to 30 June 2026.

Proper functioning of the public financial management system is reliant on up-to-date financial information. The timely preparation and review of financial statements, and the scrutiny of the associated financial information is crucial for good financial accountability and transparency. I acknowledge the Government's ongoing commitment to maintaining timely reporting, transparency, and accountability.

Key progress by the Government in this regard has included:

- Maintaining the timely preparation of financial reporting, after a period of significant arrears.
- Improved capability and capacity within the Treasury which has improved processes and timeliness of financial reporting and budgeting. This has provided members of the Assembly with more up to date and reliable information to support scrutiny and robust decision making and members of the public with more transparency to support better accountability.
- 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.

Some key staffing risks remain, as does a continued reliance on external support for financial reporting of the Government and associated entities. It remains critical that the annual accountability and reporting cycle is maintained, however the Government should consider mitigations to manage the risks associated with key personnel, and the financial costs of reliance on external support.

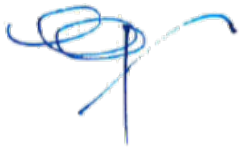
The Government should continue to embed improvements to systems, process, and practices to ensure that timely financial reporting is maintained and the quality of the reporting continues to be improved across the Government and associated entities.

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

Thank you

I would like to extend my thanks to the Government of Niue and public sector management and staff, particularly the Secretary of Government, the Financial Secretary, and the Chief Accountant for their co-operation and assistance during these audits.

Haau a Fakamooli



Grant Taylor
Controller and Auditor-General
21 July 2026

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 year ended 30 June 2025;
- 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

Since our previous report to the Assembly, the following audit reports have been issued for the year ended 30 June 2025:

Government of Niue

My audit report 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, 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 modifying 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: External donor funding is received for specific development projects. Unused funds are held in donor and trust funds bank accounts. In the current year, the Government has disclosed that $2,461,757 from these funds was used for operating (recurrent) expenditure and not applied to their intended purpose during the year. 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 also been acknowledged at the Assembly of Niue in previous years.

State Owned Entities

Broadcasting Corporation of Niue (BCN)

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 BCN's reliance on the Government of Niue for ongoing financial support.

Telecom Niue Limited (Telecom)

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 NCT and calculation of unrecognised taxable losses were completely recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on Telecom's reliance on the Government of Niue for ongoing financial support.

Niue Bond Liquor Company Limited (NBLCL)

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 taxes were completely recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on NBLCL's reliance on the Niue Philatelic and Numismatic Corporation for ongoing financial support.

Niue Philatelic and Numismatic Corporation (NPNC)

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 depreciation expenses, income tax expense, provision for income tax, other associated tax amounts were completely and properly recorded and disclosed.

Without further qualifying my opinion, I also drew attention to the disclosures within the financial statements on NPNC's failure to comply with tax laws.

Niue Development Bank (NDB)

My audit report included an unqualified (unmodified) audit opinion. This means that I am satisfied that the Niue Development Bank financial statements for the year ended 30 June 2025 was prepared, in all material respects, in accordance with the relevant accounting policies.

Niue Commercial Enterprise Limited (NCEL)

My audit report included a qualified audit opinion. The basis for my qualified opinion is due to my audit being limited in the prior year as I was unable to obtain appropriate audit evidence that certain revenue was completely and properly recorded and disclosed. Other than the 2024 comparative financial results I am satisfied that the NCEL financial statements for the year ended 30 June 2025 was prepared, in all material respects, in accordance with the relevant accounting policies.

Niue Bank

My audit report included an unqualified (unmodified) audit opinion. This means that I am satisfied that the Niue Bank financial statements for the years ended 30 June 2025 was prepared, in all material respects, in accordance with the relevant accounting policies.

Uncorrected misstatements

We have discussed any misstatements that we found with management, other than those which were clearly trivial.

All misstatements, other than those misstatements that are individually and collectively immaterial, have been adjusted in the financial statements.

Other reports issued

We will provide individual reports to the Board of each SOE, which include any audit findings and recommendations relating to the individual entity. Any significant audit findings or recommendations have also been included within this report to the Assembly.

Focus areas from the Audit Plan

Focus area	Outcome
Donor funds and aid money management	
The Government is reliant on aid providers to fund its significant projects and receives external funding from several different donors (including cash, assets, and services). We have previously identified concerns in relation to the project management of donor related projects. These included key projects being behind schedule, instances of incorrect coding of donor projects and incorrect capitalisation. Additionally, there have been donor-initiated reports highlighting project management issues and the potential for funds to be refunded to the donor if they were applied for other purposes. A project coordination and management unit (PCMU) has been operating since December 2014 to centrally manage projects.	• We obtained a confirmation from significant donors to support the funding received by the Government. • We reviewed the donor reconciliations, which reconcile to the financial system, and tested a sample of expenditure items to ensure they were accurately accounted for and correctly coded to the relevant donor projects. • Consistent with prior years, we obtained confirmation from the Government that all donor projects and revenue have been included in the financial statements. The Government's financial statements for the year ended 30 June 2025 disclosed that the cash held in the donor and trust funds bank accounts (adjusted for accruals) is insufficient by $2,461,757 to complete the current donor funded projects. I have emphasised this in my audit opinion. This indicates that some donor cash has been used for recurrent expenditure rather than the respective donor projects. This may create future cash flow issues, insufficient funds to complete projects, reputational issues with donors, and the potential for donors to recover funds from the Government. Also refer to my comments in relation to donor funds and project management included within this report.
Risk of material misstatements flowing from significant components	
Significant components of the Government include: • Niue Bond Liquor Company.	I have considered the impact of audit findings arising from individual SOEs, including any financial results that I was unable to gain sufficient assurance of the completeness and accuracy and assessed the impact on the Government of

Focus area	Outcome
• Niue Numismatic and Philatelic Corporation. • Broadcasting Corporation of Niue. • Niue Development Bank. • Niue Commercial Enterprises Limited. • Telecom Niue Limited. Many of these entities individual financial statements received a modified audit report for various balances and transactions. Any modification highlighted in the state-owned enterprises (SOE) need to be considered as part of audit opinion for the Government of Niue – Group financial statements.	Niue Group financial statements. The material impacts have been included within my audit opinion for the Government of Niue financial statements. Our audit opinions for the individual entities detail those balances and transactions that we were unable to verify, and we will be providing individual reports to the Board of each SOE, which include any audit findings and recommendations to be considered. Any significant audit findings or recommendations have also been included within this report to the Assembly.
Revenue completeness	
The Government is potentially missing revenue due to not issuing timely tax assessments, not following up outstanding tax returns and payments, or failing to ensure all taxpayers are registered. 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 in prior years has indicated that not all import duty and port charges are being collected. During the preparation of the Government's financial statements the Chief Accountant reviews any tax assessments received in the months immediately preceding the end of the financial year and accounts for any associated tax revenue, but there is no revenue estimated and accounted for associated with any tax returns that have not been filed.	Although we understand that some improvements have been implemented in relation to the Tax Office and the management of tax returns, there continues to be the opportunity for further improvement. We also understand that tax audits are not being completed or scheduled on a regular basis. 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. The Niue Philatelic and Numismatic Corporation, Telecom Niue Limited, Niue Bond Liquor Company Limited, and Broadcasting Corporation of Niue have consistently failed to file income tax returns. The Niue Philatelic and Numismatic Corporation has also failed to file regular PAYE returns. This was disclosed within the relevant financial statements.

Focus area	Outcome
	We continue to recommend review of the accounting treatment of revenue associated with tax revenue, including: • assessments for company tax are issued in a timely manner, including a default (estimate) assessment for any company that has not filed a tax return for a particular tax period. This will ensure that a robust estimate of all company tax revenue due is assessed and appropriately accounted for; • a schedule of tax audits is established, and these are completed regularly to ensure compliance with the Government's tax laws; and • ensuring that all government agencies and subsidiaries are compliant with tax legislation and tax returns for all relevant taxes are completed within the required timeframe.
Going concern and financial sustainability	
The Government is reliant on financial support to meet its operating commitments and for the on-going development and maintenance of infrastructure. New Zealand has a constitutional responsibility to provide financial support to the people of Niue, and a significant portion of the Government's revenue is provided by the New Zealand Government and other donor countries. The Government has additional ongoing financial certainty through access to the Niue International Trust Fund.	The Government has noted within the 2025 financial statements its reliance on the New Zealand Government's ongoing support, which includes annual budget support, annual sector support, annual funding for administrative and technical assistance, and funding for specified development projects. I have emphasised the Government disclosure of this reliance within my opinion, and the appropriateness of the Government therefore preparing the financial statements on a going concern basis. The Government has implemented 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. My office is also working with Government members and officials to provide support to scrutiny improvements. It remains important that the Government maintains up to date financial

Focus area	Outcome
	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.
The risk of management override of internal controls	
There is an inherent risk of fraud in every organisation due to management override of internal controls. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	To address this risk, we: • tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • reviewed accounting estimates for any management bias; and • evaluated any significant transactions outside the normal course of business, or that otherwise appeared to be unusual for indications of fraudulent financial reporting or concealment of misappropriation. The internal control processes currently in place do not require journals to be independently reviewed. This increases the risk of misstatements or fraudulent financial reporting. We continue to recommend that independent review processes are established. We did not identify any of fraud, fraudulent financial statements, or management override of internal controls.

Other matters identified during the audit

Matters identified
Capability and capacity
As you are aware a significant milestone was achieved in May 2025 when the Auditor-General signed the 2023 and 2024 audit reports during his visit to Niue. This marked the completion of the longstanding project to bring Niue accountability and audit processes up to date. This was the first time we can recall the financial statements and audits being completed prior to the completion of the next financial year. It is pleasing that the Government's 2025 Financial Statements have again been prepared, and audited, before the start of the next financial year. The delays experienced over previous years highlighted the need for improvements in the capability and capacity of the finance functions and supporting systems of the Treasury and SOEs. Consideration also needs to be given to the finance related resources needed to respond to a continued increase in the size and complexity of entities related to the Government over recent years. The Government has made some improvements to the capability and capacity, and we are aware these efforts have continued. The focus of these changes has particularly been in relation to finance and asset/infrastructure staff, where there have been changes in personnel and systems to improve financial and asset management and reporting, however, there remains some key person risks. As noted above, the task of maintaining financial information and preparing financial statements has continued to become more challenging. To ensure that financial information is accurately maintained, complete, and financial reporting is timely, there is a need to ensure that the Government and SOE's have appropriate staffing and systems. For the audit for the year ended 30 June 2025 the level of internal resource was still insufficient to enable preparation of the Government and Group financial statements, including its SOEs, and therefore the Government continues to engage the support of an external firm to assist the compilation of financial statements. I also understand that the external firm has 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. Some key staffing risks remain, as does the risk created by a continued reliance on external support for financial reporting of some SOEs. It remains critical that the annual accountability and reporting cycle is maintained, however the Government should consider mitigations for managing the risks associated with key personnel, and the financial costs of reliance on external support. I encourage the Government to continue reviewing the capability and capacity, 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. This will support effective scrutiny, decision making, accountability and transparency.

Matters identified
Once appropriate capability and capacity have been established the Government should undertake regular reviews to ensure that the approach remains appropriate. It should also continue to assess whether external support continues to be required and assess what is the most cost efficient and effective model to deliver annual accountability obligations. The Government should also continue to embed improvements to systems, process, and practices to ensure that the timely annual financial reporting is maintained and the quality issues currently present and impacting audit reports (modified opinions) are systematically addressed. These actions are required so that the reporting continues to be improved across the Government and associated entities. My office remains committed to working closely with the Government and officials to ensure that audits can also be completed in a timely manner.
Unauthorised expenditure
The Government has breached the requirements of the Constitution and Public Revenues Act 1959 by incurring unauthorised expenditure. The 2025 financial statements disclose that the Government has incur unauthorised expenditure that was not approved by Cabinet. This is consistent with prior years reporting. Appropriations give legal authority for government spending and ensure that members of the Assembly approve how money can be spent before expenditure occurs and strengthens democratic oversight and accountability. It also supports transparency, public trust, scrutiny, and assessment of value for money. The permitted excess is where Cabinet can approve additional expenditure in excess of up to 1.5% of appropriated expenditure. The unauthorised expenditure in excess of 1.5% of appropriated expenditure, amounting to $167,730, 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. Unauthorised expenditure of $1,214,376 was not approved by Cabinet under article 59(4) of the Constitution, which is a breach of article 59(4) of the Constitution. I continue to recommend that the Treasury implement strong appropriation monitoring and reporting that ensures that any expenditure in excess of appropriation is properly approved, ideally before being incurred, in accordance with the legislation.

Matters identified

Donor funds and aid money management

The Government receives donor funds and aid money from several external sources. This funding is critical to the financial sustainability and infrastructure improvements of Niue and Niuean's.

The donor and aid funding received is allocated to individual projects and "ring-fenced" for the specific purposes for which the funding is provided. Treasury has a centralised system for the receipt and management of donor funds to ensure all funds are recorded and managed, and the Project Coordination and Management Unit (PMCU) provide oversight, coordination, and project management of significant donor projects.

In my previous reports to the Assembly, I have 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, not achieving the planned benefits, negatively impacting the value for money, future donor funding being at risk, or depending on the donor agreement it could require the Government to repay funds to a donor. There is also a risk that donor funds are not accurately and completely accounted for, especially if the details of a donor project are not well understood by the Treasury or donor funds are received directly by SOEs or departments rather than centrally coordinated.

I therefore continue to support the centralisation of donor funds with the Treasury and all donor projects being coordinated by PMCU.

There continues to be donor funds that are inappropriately used for recurrent expenditure, with the Government disclosing within the 2025 financial statements that the cash held in the donor and trust funds bank accounts (adjusted for accruals) is insufficient by $2,461,757 to complete the current projects.

This could potentially impact the trust, confidence, and reputation of the Government with donors and influence future donor funding being provided. It could also result in significant cashflow issues when the additional cash is required to complete donor projects or a reduction in the quality of the donor projects.

The Government implemented a procurement policy from 1 July 2024 for the management of procurement of goods and services to ensure that there are consistent and robust procurement decisions and management. This is a positive improvement to procurement processes, and the policy should be regularly reviewed and compliance tested.

I also continue to recommend that:

- due to the significance of the projects supported by donor funding, the PCMU continues to review the level of resource and expertise required, receives regular procurement and contract management training, and seeks external assistance where required to ensure that donor projects are managed

Matters identified
appropriately; • all donor funding should be centrally accounted for by the Treasury and coordinated by the PMCU. There should be a single source of donor financial information managed by the Treasury, and oversight of all projects by the PMCU; and • the donor funds should be restricted to the relevant donor project and not utilised for any other project or recurrent expenditure. The Government should implement a planned approach for removing the cash deficit in donor and trust funding.

Appendix 1

Disclosures 

Our responsibilities in conducting the audit

I am responsible for expressing an independent opinion on the financial statements and reporting that opinion to you.

The audit of the financial statements does not relieve management or the Government of Niue of their responsibilities. Our audit engagement letter contains a detailed explanation of the responsibilities of me, as the auditor, and the Government of Niue.

Auditing standards

We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity, or inefficiency that are immaterial to your financial statements. The Government of Niue and management are responsible for implementing and maintaining a system of internal control for detecting these matters.

Auditor independence

We confirm that, for the audit of the Government of Niue's financial statements for the year ended 30 June 2025, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners*, issued by New Zealand Auditing and Assurance Standards Board.

Fees

The audit fee for the year is $566,740, as detailed in our Audit Proposal Letter. No other fees have been charged in this period.

The summary of fees for subsidiaries is detailed in Appendix 3.

Other relationships

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.

We are not aware of any situations where a staff member of the Audit Office has accepted a position of employment with the Government of Niue during or since the end of the financial year.

Appendix 1: Less significant audit findings and recommendations

We identified less significant audit findings and recommendations through our audit of the Government of Niue and individual public sector entities.

State-Owned Enterprises audit findings and recommendations

We will report the less significant audit findings and recommendations identified through the SOE audits to the Boards of the individual entities as part of our separate reporting to each entity.

Any significant audit findings and recommendations arising from the SOE audits have been included in this Report to the Assembly.

Government of Niue

We will report the less significant audit findings and recommendations identified through the Government of Niue audit to the Financial Secretary. These include those audit findings and recommendations included in appendix 2 below which remain outstanding and consistent with our audit findings during the 2025 audit.

Appendix 2: Prior outstanding audit findings and recommendations

Open recommendations

Recommendation	Response
Sensitive expenditure Sensitive expenditure is expenditure by the Government or a public entity that provides, or could be perceived to provide, a private benefit to a member of the Assembly, a staff member, or their associates, over and above the benefit derived by the Government or business itself. There is a 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** The Government has a travel policy, procurement policy, delegations' policy, and Public Service Regulations. We have completed a comparison of the Government's sensitive expenditure related policies against the Audit Office 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. There remain further enhancements to the Governments travel policy to be more consistent with our guidance. This includes the need for the policy to include guidance in relation to entertainment, hospitality, gifts, loyalty schemes, motor vehicles, and staff support. We will provide our recommendations for policy enhancement separately to the Treasury and recommend that these are considered in the next review and update of the policy. We also completed a review of a sample of sensitive expenditure transactions. These predominately related to travel and entertainment allowances. All transactions selected were appropriately authorised and related to appropriate Government business. We identified instances where expenditure did not have sufficient supporting documentation, included personal or family related travel, did not follow the accepted practice, or where the transactions were of high

Recommendation	Response
	value and may not withstand public scrutiny. We continue to highlight the need for the Government, members of the Assembly, and officials to be conscious of the level of costs incurred and ensure that they would withstand public scrutiny.
Asset management 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.	This recommendation remains to be addressed.
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 valued in 1998 for inclusion in the financial statements at deemed cost. In accordance with the Government accounting policies there has been no subsequent revaluation or fair value assessment completed. We recommend that the Government implement a regular, robust, and consistent review of the fair value and impairment assessment for significant (in value and nature) assets.	This recommendation remains to be addressed.
Public Financial Management Report In August 2011, a report on Public Expenditure and Financial Accountability (PEFA) was issued. Since then, we understand that some	A PEFA self-assessment was completed in 2020 and published in 2021 using resources provided by the Asia Development Bank, and peer reviewed by PFTAC.

Recommendation	Response
progress has been made against the recommendations; however, some remain to be addressed.	Since the 2011 PEFA and the 2020 self-assessment the Government has completed all arrears financial reporting and the Governments financial statements are now up to date, which will positively impact the PEFA assessment. There remain several areas for further improvement noted in the self-assessment which I continue to recommend the Government implement a plan to resolve.
Shipping Registrations The Government should consider seeking advice regarding the risks and responsibilities related to outsourcing the shipping register responsibilities.	This recommendation remains to be addressed.
Fully depreciated property, plant and equipment Property, Plant and Equipment: There remain significant fully depreciated property, plant and equipment. We recommend the Fixed Asset Register is reviewed to remove any assets that are fully depreciated and no longer in use, and that the useful lives are reviewed to ensure they are appropriate.	This recommendation remains to be addressed. The last review of fully depreciated assets was mostly completed in 2024 and resulted in disposals being processed at that time. There continues to be significant fully depreciated property, plant and equipment.
Payroll reconciliation There is no reconciliation prepared to ensure that the payroll system and financial system reconcile.	This recommendation remains to be addressed. There continues to be no payroll reconciliations regularly completed.
Payroll Masterfile changes review Not all payroll Masterfile changes are reviewed and approved by a someone with appropriate authority. Masterfile changes are also not always sufficiently documented.	This recommendation remains to be addressed. There continues to be no consistent review of payroll Masterfile changes.

Recommendation	Response
Annual leave We were unable to obtain sufficient supporting documentation for annual leave taken by some staff during the period.	This recommendation remains to be addressed. We continue to identify instances where annual leave documentation is not sufficient.
Inventory stocktake - health We were unable to obtain sufficient supporting information for the stocktake of health inventory.	A health inventory stocktake was completed for 30 June 2026. We have been provided with the proposed valuation and supporting documentation and will complete our audit work on this as part of the 2026 audit.
Expenditure approval We identified instances where expenditure transactions were not appropriately approved by a delegated authority, not approved in a timely manner, or supporting documentation could not be located.	This recommendation remains to be addressed. We continued to identify instances of expenditure transactions that were not appropriately approved.
Related party disclosure The Government and SOEs do not disclosure related party transactions withing the financial statements. This is consistent with Niue accounting policies but is not consistent with good practice financial reporting.	This recommendation remains to be addressed. The Government of Niue and associated entities have not reported related party transactions in the 2025 financial statements.
Independent review of journals There is no independent review of all journals processed in the financial system.	This recommendation remains to be addressed. There continues to be no requirement for the independent review of journals.
Interest Register The Government should implement an interest register to keep track of related party transactions and disclose those that are material.	This recommendation remains to be addressed. There continues to be no interest register implemented and maintained.

Implemented/closed recommendations

Recommendation	Audit Response
Procurement Policy The Government should review the Terms of Reference of its Tender Board against good practice guidelines.	We have closed off this matter as we have confirmed that the Cabinet have approved the new procurement policy which addressed this recommendation.
Asset Disposal Approval A disposal approval form should be implemented to document all disposals within the various government departments in a timely manner.	The asset disposal process is described in detail in the Niue Fixed Assets Policy 2024. There were very low disposals during the 2024/25 financial year. We have therefore cleared this recommendation and complete further testing of the application of the Fixed Assets Policy during our 2025/26 audit.
Fraud Policy The Government should implement a fraud policy.	The Government has implemented a fraud policy. This policy has yet to be tested in practice. We have reviewed the fraud policy against guidance issued by my Office and concluded that it is predominately consistent with the guidance with some minor improvement suggestions that we will provide to the Treasury separately. Our previous recommendation related to the development of a fraud policy. We have therefore closed this recommendation, however, continue to note that the policy still needs to be fully implemented, communicated, and tested to ensure there is full understanding by staff and to ensure the processes supporting the policy are appropriate. This should also include the Government implementing a system for undertaking regular review of transactions, activities, or locations that may be susceptible to fraud based on a fraud risk assessment.

Appendix 3: MFAT support for audit related costs

Since September 2024 there has been an agreement with the New Zealand Ministry of Foreign Affairs and Trade (MFAT) to contribute over a five-year period to the audit costs associated with the audit of the Government of Niue and associated entities audits. This agreement is based on the expectation of all parties that the preparation of the financial statements and associated audits will be completed more efficiently, on a timelier basis, and therefore also a reduced costs basis. At the completion of each financial year, we perform an analysis of the audit costs incurred and forecast whether the costs are expected to be within the overall funding provided by the MFAT agreement. We have not yet completed this analysis for the 2025/26 financial year and once completed should we determine that the costs will exceed the MFAT funding agreement (over the five-year period) we will correspond further with the Government and MFAT.

The Audit Office
Te Mana Arotake

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