

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



Captain Cook Hotel Ltd
For the Year Ended 31st December 2017

Kiribati Audit Office
February 2019

KIRIBATI AUDIT OFFICE



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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

**To the Readers of
Captain Cook Hotel Ltd Financial Statements
for the year ended 31 December 2017**

The Auditor-General, Mr Eriati Tauma Manaima, is the auditor of Captain Cook Hotel Ltd (CCHL)

The audit covered the CCHL's compliance with the requirements of Part VII of the Public Finances (Control and Audit) Ordinance 1976, the Company Ordinance, 1979 and SOE Act, 2013 that apply to the Financial Statements of CCHL for the year ended 31 December 2017.

CCHL's Board of Director's and Management's Responsibility.

The Board and Management are responsible for the preparation and fair presentation of the Financial Statements in accordance with Generally Accepted Accounting Practice in Kiribati, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

In accordance with Part VII of the Public Finance (Control and Audit), 1976, our responsibility is to express an opinion on the Financial Statements. We conducted the audit in accordance with International Standards of Supreme Audit Institutions (ISSAI).

Basis for Disclaimer Opinion

- We were unable to verify some of the account balances due to non-availability of records, supporting documents and Management cannot provide explanations to justify their reported balances. Refer further details as follows:
 - Prior Period Items (Suspense Account) of \$416,212 an amount brought forward from 2016 still cannot be explained. This amount was significant as it contributed to increasing the Net Loss of \$33k in 2016 to \$514k in 2017.
 - General Ledger (GL) for 2017 was not available. Without the GL it would be difficult to rely on balances presented in the Financial Statement. In addition, the GL is part

of the accounting process which must be prepared in order to form up the Financial Statement and the absence of such confirmed CCHL's non adherence to proper accounting process.

- 2017 Cash Receipt and Payment books were not available. Cash Receipt and Payment books record all cash inflows and outflows respectively, so without these books, detailed summary of the inflows and outflows of cash were missing making it difficult to ascertain correctness of reconciled Cash balance as at end of the Financial Year. Cash balance constituted more than half (55%) of the total current asset balance in 2017 and so was the level of uncertainty to be placed on total current asset balance.
- 2017 Board Minutes were not provided. The amount involved may be trivial but the information related to approvals and other matters discussed at the board level were important as they may have significant effects on the Financial Statements and the minutes would provide proof of approval.
- 2017 Payroll records were not available. Payroll was the major expense for CCH in 2017 and it represented 49% of the total expenditure for the year. This proportion of expenditure seemed significant hence indicated percentage which we cannot verify.
- Deposit book for the months January to March 2017, was missing. Without the deposit book, our audit testing of cash receipts and actual deposits throughout Jan to March were not possible.
- We were unable to verify Account Receivable balance of \$36,528.30 for the year 2017 due to the following:
 - Some of the Debtors with a total balance of \$12,872 were not recorded in the Debtors Ledger book. This constituted 35% of the total Account Receivable balance. The debtor's ledger provides details of transactions took place with a particular debtor throughout the financial year and to support the balance given in the FS. Without the ledger it would raise doubt as to the correctness of the balance provided in the FS for the concerned debtors as per the table below:

Table 1: Abstract from Debtors listing

Debtor	Amount \$	Comments
Linnix	8,005.56	no breakdown available
KIC	30.00	"
ATHKL	2,582.00	"
CPP	213.00	"
DOJIN	1,906.00	"
St Francis High School	24.00	
Naatua Store	20.00	\$65 as per ledger book
Villages Hotel	72.00	no breakdown available
KUC Kiritimati	20.00	no breakdown available
Total	\$ 12,872.56	

- Account Receivable aging report was not available. Without the aging report it would be difficult to assess the receivable turnover and more importantly the confirmation of recoverable and irrecoverable debts.
- Staff and Others balance of \$13,356.65 cannot be matched to breakdown provided.
- Staff Debt amounts cleared by Staff Payroll at the end of 2017 cannot be verified due to unavailability of the 2017 Payroll documents.
- We were unable to verify Fixed Assets balance and additions due to the following:
 - No Fixed Asset Register for 2017 therefore we were unable to confirm correctness of the balance of \$890,925. This represents 91% of the total asset for CCH thus confirms significance of the issue.
 - An amount of \$30,607.30 being Fixed Asset additions omitted last year's Financial Statement was again not included in 2017 Financial Statement.
 - 2015 Depreciation as per Profit and Loss Account of \$55,179.98 was different from that on the Note 11 of \$13,789.37 and a variance of \$41,390 was noted. This had also affected the accumulated depreciation in 2016 and also 2017 given there had not been any correction made.
 - 2017 accumulated depreciation balance had not taken any correction recommended in our audit report 2016 therefore confirmed that the balance as reported still carries the wrong balance.
 - There had not been any physical counting of Fixed Assets for the year 2017 therefore making it impossible for the audit to confirm existence of Fixed Assets and also the balance reported as at end of 2017.
 - Fixed Assets FS Note 11 did not match Schedule cost and accumulated depreciation refer table on the next page:

FA 2017	Note 11	Schedule	Variance
Cost	\$ 1,046,796.43	\$ 1,033,007.06	\$ 13,789.37
Addition	\$ 4,595.70	\$ 4,594.70	\$ 1.00
			\$ -
Acc dep	\$ 86,668.27	\$ 72,878.90	\$ 13,789.37
Current dep	\$ 73,797.85	\$ 73,797.85	\$ -

Disclaimer Opinion.

Because of the absence of records that leads to the limitation of scope, carrying wrong closing balances from 2016, together with other significant matters described in the Basis for Disclaimer Opinion paragraph above, I have not been able to obtain sufficient appropriate audit evidence, and accordingly I could not express an opinion on the Financial Statements of CCHL for the year ended 31st Dec, 2017.

The audit was completed on 20 Feb, 2019 and was the date at which my opinion was expressed.


Report on other Legal and Regulatory Requirements

CCHL submitted its 2017 Financial Statement on 8th Oct, 2018 therefore indicating CCHL's failure to comply with section 20 of the SOE Act, 2013.

Independence

Following the independence requirements stipulated under section 114 (4) of the Kiribati Constitution and the requirements of the International Standards of Auditing, auditors are required to sign off the Independence declaration form before carrying out their audit, to confirm that they have no independence issues with the company. Where there are independence issues, the responsibility rests with the concerned staff member to inform their superiors so that appropriate action is taken.

Other than the audit, we have no relationship with or interests in CCHL.



 Mr. Eriati Tauma Manaima.
Auditor General

Date..20 Feb, 2019



Captain Cook Hotel Limited

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FINAL ACCOUNTS 31/12/17


Alc Rec'd
8/10/2018
via Email - *[Signature]*

CAPTAIN COOK HOTEL LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER

OWNER'S EQUITY	Notes	2017	2016
Capital	16	42,476.00	500.00
Retained Profit/(Loss)	7	812,570.20	98,409.93
Assets Revaluation Reserve		1,428,135.58	1,428,135.58
		<u>858,041.30</u>	<u>1,330,225.65</u>
CURRENT LIABILITIES			
Accounts Payable	8	4,876.16	8,372.80
Accrued Expenses	9	20,401.00	5,401.00
Payroll Liabilities	10	95,991.58	65,426.29
		<u>121,268.74</u>	<u>79,200.09</u>
Total Equity & Liabilities		<u>979,310.04</u>	<u>1,409,425.74</u>
LONGTERM ASSETS			
Fixed Assets - Net Book Value	11	890,925.01	960,128.16
Suspense Account	12	0.00	416,212.00
		<u>890,925.01</u>	<u>1,376,340.16</u>
CURRENT ASSETS			
Cash & Bank	13	48,616.83	11,531.01
Accounts Receivable	14	36,528.30	15,016.27
Stock & Supplies	15	3,239.90	6,538.30
		<u>88,385.03</u>	<u>33,085.58</u>
Total Assets		<u>979,310.04</u>	<u>1,409,425.74</u>

Attached notes form part of these financial statements


Chairman
Mapuola Iosua


Managing Director
Beiata Ioane

CAPTAIN COOK HOTEL LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR PERIOD ENDING 31ST DECEMBER

INCOME		<u>2017</u>	<u>2016</u>
Trading Sales	2	461,030.04	339,333.55
Service Sales	3	238,135.32	278,604.66
		<u>699,165.36</u>	<u>617,938.21</u>
EXPENSES			
Deduct: Cost of Goods Sold	4	371,293.72	245,851.79
Gross Profit		<u>327,871.64</u>	<u>372,086.42</u>
Operating Expenses	5	337,022.14	384,839.98
Depreciation		73,797.85	72,878.90
		<u>410,819.99</u>	<u>457,718.88</u>
Net Operating Loss		<u>82,948.35</u>	<u>85,632.47</u>
Prior Period Items	6	431,212.00	52,262.94
Net Loss		<u>514,160.35</u>	<u>33,369.53</u>

CAPTAIN COOK HOTEL LTD
STATEMENT OF CASH FLOWS
FOR PERIOD ENDING 31ST DECEMBER

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	677,653.33	600,982.81
Payments to suppliers	540,541.42	424,012.42
Payments to employees	137,407.39	184,377.47
Net Cash Flow from Operating Activities	<u>20,004.52</u>	<u>7,407.08</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property and equipment	0.00	0.00
Purchases of property and equipment	4,594.70	0.00
Net Cash Flow from Investing Activities	<u>4,594.70</u>	<u>0.00</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of shares	41,976.00	0.00
Receipts from loan	0.00	0.00
Repayments to loan	0.00	0.00
Dividend paid	0.00	0.00
Net Cash Flow from Financing Activities	<u>41,976.00</u>	<u>0.00</u>
Net Increase/(Decrease) in Cash	37,085.82	7,407.08
Cash at the Beginning of the Year	11,531.01	18,938.09
Cash at the End of the Year	<u>48,616.83</u>	<u>11,531.01</u>

CAPTAIN COOK HOTEL LTD

Notes to and parts forming the Accounts

1 Statement of accounting policies

In order to assist an understanding of the figures presented, the following summary explains the significant accounting policies which have been adopted in the presentation of the accounts. These policies are consistent with those adopted in the prior year.

The accounts have been drawn up in accordance with Schedule 7 of the company Ordinance as in force immediately prior to 1 December 2015.

(i) General system of accounting

Subject to exceptions noted in the paragraph below dealing with the valuation of fixed assets, the accounts have been drawn up on the basis of historical cost principles using a straight line method.

(ii) Valuation of fixed assets

Certain assets have been revalued as shown in the accounts. Increments have been taken into account to assets revaluation reserve. Decrements have been offset against profits. However, no revaluation has been made to the financial years reported. Assets acquired in the revaluation have been brought to account at cost. Material profit or losses on disposal of fixed assets are taken into account in the Statement of Financial Performance.

(iii) Depreciation

Depreciation related to cost or revaluation is provided on fixed assets at rates based on Schedule 7 of the Income Tax Act 1990.

(iv) Inventories

Stocks & supplies are valued at the lower of cost and net realizable value.

2 Trading Sales

	2017	2016
Restaurant	107,629.68	125,190.58
Bar	82,902.05	83,365.23
Handicraft	0.00	90.00
Gas Station	270,498.31	128,034.04
Store	0.00	1,649.70
	461,030.04	338,329.55

3 Service Sales

Room	114,729.96	116,566.33
Rental/Hire	33,399.10	58,059.20
House Rent	45,900.38	44,161.40
Internet/Phone	4,256.60	3,720.20
Laundry	0.00	691.00
Gain on Exchange	285.60	3,991.00
Utilities	0.00	600.00
Guiding	28,111.92	44,969.26
Sundries	11,451.76	3,028.27
Tip Box	0.00	2,210.00
Bathing	0.00	608.00
	238,135.32	278,604.66

CAPTAIN COOK HOTEL LTD**Notes to and parts forming the Accounts (cont'd)**

	2017	2016
4 Cost of Goods Sold		
Opening Stock (31/12/16)	5,686.73	10,157.63
Add Purchases	367,525.04	241,556.25
Deduct Closing Stock (31/12/17)	1,918.05	5,862.09
	<u>371,293.72</u>	<u>245,851.79</u>
5 Operating Expenses		
Wages & Salaries	167,972.68	169,277.48
KPF Contribution	11,619.29	7,000.16
Guiding	8,380.00	16,680.80
Fuel & Oil	67,284.80	84,119.90
Operating Supplies	7,621.05	4,021.13
Repair & Manitenance	33,247.38	29,907.55
Office Expenses	2,183.05	1,659.80
Hire/Rental	10,256.40	12,233.18
Travel/Transport	0.00	28,609.04
Internet/Phone	5,261.31	3,097.98
Entertainment	936.50	3,442.10
Bank Charges	1,023.28	746.70
Board Meetings	4,115.00	5,684.50
License	1,710.00	3,305.50
Accounting Fee	0.00	4,330.00
Leave Grant	8,000.00	9,660.55
Sundries	7,411.40	1,063.51
	<u>337,022.14</u>	<u>384,839.88</u>
6 Prior Period Items		
Audit Fee Due	15,000.00	0.00
Suspense Account	416,212.00	0.00
TTT	0.00	43,991.09
MLIPD	0.00	24,239.30
ANZ Chargeback	0.00	13,717.45
Gulf Prot Primary School	0.00	2,250.00
	<u>431,212.00</u>	<u>56,762.94</u>
7 Retained Profit/(Loss)		
Balance	98,409.93	65,040.40
Net Loss (31/12/17)	614,160.35	33,369.53
	<u>612,570.28</u>	<u>98,409.93</u>
8 Accounts Payable		
TTT	1,273.06	0.00
FBRCV	1,603.10	0.00
Kiririki Community	2,000.00	0.00
JMB	0.00	5,822.80
Timee Ieremia	0.00	1,800.00
Betty Trading	0.00	750.00
	<u>4,876.16</u>	<u>8,372.80</u>

CAPTAIN COOK HOTEL LTD**Notes to and parts forming the Accounts (cont'd)**

	2017	2016
9 Accrued Expenses		
Auditor General's Office	15,000.00	0.00
Tamaroa Business Advisory	3,650.00	3,650.00
Tekanaokoro Brick	1,751.00	1,751.00
	<u>20,401.00</u>	<u>5,401.00</u>
10 Payroll Liabilities		
KPF	76,052.61	52,813.83
KPF Loan	3,594.95	3,594.95
Income Tax	8,156.15	3,137.05
House Rent - Linnix	5,328.37	3,497.23
Water - Linnix	2,859.50	2,383.23
	<u>95,991.58</u>	<u>65,426.29</u>
11 Fixed Assets		
Cost	1,046,796.43	1,046,796.43
Additions	4,594.70	0.00
	<u>1,051,391.13</u>	<u>1,046,796.43</u>
<u>Deduct Depreciation</u>		
Accumulated Depreciation	86,668.27	13,789.37
Current Depreciation	73,797.85	72,878.90
	<u>160,466.12</u>	<u>86,668.27</u>
Net Book Value	<u>890,925.01</u>	<u>960,128.16</u>
12 Suspense Account		
Debtors	0.00	46,595.00
Advance & Imprest	0.00	4,897.00
Prepayment	0.00	1,812.00
Audit Fee	0.00	5,000.00
Sundry Creditors	0.00	36,976.00
Bulk Stock & Supplies	0.00	414,678.00
	<u>0.00</u>	<u>416,212.00</u>
13 Cash & Bank		
Petty Cash	499.90	102.50
Bank	48,116.93	11,428.51
	<u>48,616.83</u>	<u>11,531.01</u>
14 Accounts Receivable		
APIL (Linnix)	2,542.80	0.00
Staff & Others	13,356.65	10,372.97
Inhouse Guests	10,483.50	0.00
Government Ministries & Others	10,145.35	4,643.30
	<u>36,528.30</u>	<u>15,016.27</u>

CAPTAIN COOK HOTEL LTD

Notes to and parts forming the Accounts (cont'd)

	<u>2017</u>	<u>2016</u>
15 Stock & Supplies		
Restaurant	903.16	896.37
Bar	199.06	1,082.02
Gas Station	815.83	3,708.34
Store	0.00	175.36
Supplies	1,321.85	676.21
	<u>3,239.90</u>	<u>6,538.30</u>
16 Capital		
Balance	500.00	500.00
Addition - Government Aid	41,976.00	0.00
	<u>42,476.00</u>	<u>500.00</u>

FIXED ASSETS SCHEDULE

31/12/17

	Cost	Additions	Total Cost	Accumulated Depreciation	Current Depreciation	Total Depreciation	Net Book Value
Boat & Engines	23,949.24		23,949.24	2,440.69	2,440.69	4,881.38	19,067.86
Buildings	899,951.89		899,951.89	45,423.44	45,423.44	90,846.88	809,105.01
Furniture & Fittings	8,837.63		8,837.63	1,854.45	1,854.45	3,708.90	5,128.73
Motor Vehicles	42,939.47		42,939.47	11,153.11	11,153.11	22,306.22	20,633.25
Plant & Equipment	57,328.83	4,594.70	61,923.53	12,007.21	12,926.16	24,933.37	36,990.16
	1,033,007.06	4,594.70	1,037,601.76	72,878.90	73,797.85	146,676.75	890,925.01