



OFFICE OF THE FINANCIAL SECRETARY
Ministry of Finance and Economic Management

Released 29 October 2020

Media Release

**Government of the Cook Islands Financial Statements years ending 2015 to 2017
Independent Audit Reports**

In view of recent media stories about the reports listed above, I wish to clarify the following:

1. The Independent Audit Reports **should not** have been released into the public domain until after tabling in Parliament as is the usual practice. These reports were posted on the MFEM website by one of our staff and were removed mid-October once the error was identified. This was not a sinister move to hide from public scrutiny. Nevertheless, in the public interest I make the following statements.
2. In the matter of the claim by the Audit Office that the government has not kept appropriate records of assets. **This is not disputed.** It is a long running issue that government has failed to address appropriately. In 2014, government introduced the AssetFinda, a respected asset management system. However, limited training and support came with the introduction and we have not seen a quick uptake from agencies, nor the benefits we should be expecting. In September 2019, MFEM instigated the Asset Management Working Group (AMWG) which was made up of the main stakeholders (CIIC, ICI, OPM, MFEM) with the purpose of putting together an annual work plan to remove the qualifications with Property Plant and Equipment (PPE) that have been raised by the Audit Office in successive years.
3. In the matter of the claim by Audit Office that it was not given access to underlying tax records to assess tax revenues. **This is not disputed.** The Cook Islands tax system is based on voluntary compliance and people submitting their personal information to Revenue Management for the purpose of filing tax returns. Section 7 (Officers to maintain secrecy) of the Income Tax Act 1997 (section 7) ensures that taxpayers personal information remains confidential and is not used for any unintended purpose. Sharing personal information unlawfully is an offence under section 7 and can result in the person disclosing the information being prosecuted. Prior to audit of Financial Statements Year ending 2015, Audit Office staff were provided access to tax payers data including names. This has no legal basis and was stopped to protect tax payers. Revenue Management Division's (RMD) efforts to develop a method to provide anonymized tax data (without names) prior to audit was unsuccessful. We have since come to agreement with the Audit Office on potential ways to audit tax revenues when we start the 30th June 2020 audit of

Government Financial Statements from mid-November 2020. We are looking to use the same approach to retrospectively review tax revenues for the years ending 2015 to 2017.

4. Government and in particular MFEM and its staff **value sound public financial management** (PFM) of which both asset management and tax revenue form a substantive part. The independent audit process is recognized for its important role in ensuring due diligence of public financial management. This, together with the strategies, policies and procedures that have been implemented by the MFEM over the past five years, has resulted in many benefits at a national level. It has:
 - a. Enabled the unprecedented economic growth in recent years,
 - b. Managed our debt at prudent levels and provided debt headroom to fund economic response measures to combat economic and health impacts of COVID-19,
 - c. Created the savings and establishment of the Stabilization Fund of \$57.0 M that was set aside last year and sustains our economy today.
 - d. Enabled the management of two important subsidies, the airline subsidy that supported our tourism industry and the domestic shipping subsidy that has increased cargo volumes and quality of life in the Pa Enea over last 12 months.
 - e. Allowed us to engage with development partners to access technical assistance, concessionary finance and grants from countries who also value the reporting of expenditure of their own tax payer funds.
5. MFEM is small in size relative to the task it is assigned to undertake. The challenges related to COVID-19 from both a health and economic perspective have placed additional significant burdens upon our staff and other resources as we (i) maintain core services (ii) develop new policies, systems and procedures and roll out the economic measures to provide support to big and small business, employees and our vulnerable. Nevertheless, I am confident that we can continue to do the good work required.

Garth T Henderson
Financial Secretary

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29 October 2020