



SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

Eighteenth SPREP Meeting

Apia, Samoa
11-14 September 2007

Agenda Item 5.3.2: Audited Annual Accounts for 2006

Purpose of Paper

1. To present the Audited Annual Accounts for the year ended 31 December 2006.

Background

2. Financial Regulation 27(e) requires the Director to submit audited financial statements to the SPREP Meeting, while Regulations 30-32 prescribes the manner in which the financial statements are to be presented and audited. Financial Regulation 33 requires the Director to circulate to each SPREP Meeting, the Auditors Report on the financial operations of SPREP, together with such remarks as the Director may wish to offer, prior to the SPREP Meeting.

3. The audited Financial Statements for the year ended 31 December 2006 have been prepared in accordance with the Financial Regulations and comprise the following documents:

- Audit Opinion
- Balance Sheet
- Income and Expenditure Statement
- Statement of Cash Flows
- Notes and Supporting Papers to the Accounts
- Auditors' Report to Management

4. Again the auditors have provided a clean and unqualified opinion of the Secretariat's financial operations for 2006.

Recommendation

5. The Meeting is invited to:
 - **review** and **adopt** the audited Financial Statements and Auditors' Report for 2006.

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**BALANCE SHEET
AS AT 31 DECEMBER 2006**

2005 \$	NON-CURRENT ASSETS	2006 \$	Notes
4,683,707	Property, Plant and Equipment	4,733,920	3
<u>4,683,707</u>	Total Non-Current Assets	<u>4,733,920</u>	
	CURRENT ASSETS		
540,486	Cash at Bank and on Hand	61,728	4
3,751,694	Bank Term Deposits	3,861,147	5
86,203	Accounts Receivables	142,387	6
<u>4,378,383</u>	Total Current Assets	<u>4,065,262</u>	
<u>\$9,062,090</u>	TOTAL ASSETS	<u>\$8,799,182</u>	
	REPRESENTED BY:		
	FUNDS AND RESERVES		
501,425	Reserve Fund	501,425	7
4,591,313	Capital Reserve	4,591,313	8
583,468	Exchange Variation Reserve	700,615	9
<u>5,676,206</u>	Total Funds and Reserves	<u>5,793,353</u>	
	NON CURRENT LIABILITIES		
70,805	Deferred Income	70,805	10
<u>70,805</u>		<u>70,805</u>	
	CURRENT LIABILITIES		
702,966	Creditors and Accruals	555,509	11
2,612,113	Programme & Core Funds	2,379,515	12
<u>3,315,079</u>		<u>2,935,024</u>	
<u>\$9,062,090</u>		<u>\$8,799,182</u>	

The balance sheet should be read in conjunction with the notes to the financial statements, which form an integral part of the financial statements.

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Asterio Takesy
Director

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

2005		2006	
Actual	CORE FUNDS	Actual	Notes
\$	INCOME	\$	
929,846	Members Contribution	878,306	
386,946	Programme Management Charge	463,270	
290,873	Interest	294,564	
1,863	Gain on sale of Fixed Assets	-	
50,627	Other income	115,686	13
<u>98,777</u>	Donor Funds	<u>51,883</u>	
<u>1,758,932</u>	TOTAL INCOME	<u>1,803,709</u>	
	EXPENDITURE		
<u>(1,646,064)</u>	Executive Management & Corporate Support	<u>(1,867,919)</u>	14/15
<u>(1,646,064)</u>	TOTAL EXPENDITURE	<u>(1,867,919)</u>	
112,868	EXCESS OF INCOME/(EXPENDITURE)	(64,210)	
<u>500,339</u>	Executive Mgt & Corp Support funds from prior years	<u>613,207</u>	
<u>613,207</u>	Funds to be carried forward	<u>548,997</u>	
	PROGRAMME FUNDS		
<u>5,573,613</u>	Funds received during the year	<u>5,429,666</u>	
	EXPENDITURE		
<u>(5,578,305)</u>	Programme Implementation	<u>(5,598,054)</u>	14/15
<u>(5,578,305)</u>	TOTAL EXPENDITURE	<u>(5,598,054)</u>	
(4,692)	Excess of expenditure over funds received	(168,388)	
<u>2,003,598</u>	Programme funds brought forward from prior year	<u>1,998,906</u>	
1,998,906	Programme Funds at year end	1,830,518	
<u>613,207</u>	Core Funds at year end	<u>548,997</u>	
<u>\$2,612,113</u>	TOTAL FUNDS TO BE CARRIED FORWARD	<u>\$2,379,515</u>	

The income and expenditure statement should be read in conjunction with the notes to financial statement, which form an integral part of the financial statements.

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006**

2005	CASH FLOWS FROM OPERATING ACTIVITIES	2006
\$		\$
	INFLOWS	
5,672,390	Donor Funds	5,481,549
929,846	Members Contributions	878,306
386,946	Program Management Charge	463,270
298,994	Interest receipts	258,984
<u>134,163</u>	Miscellaneous receipts	<u>189,689</u>
7,422,339	Cash Generated from Operating Activities	7,271,798
	OUTFLOWS	
(2,528,789)	Salaries and related costs	(2,579,974)
<u>(6,694,288)</u>	Other operating expenses	<u>(5,010,916)</u>
<u>(1,800,738)</u>	Net cash from operating activities	<u>(319,092)</u>
	CASH FLOWS FROM INVESTING ACTIVITIES	
	INFLOWS	
17,486	Proceeds from sale of property, plant & equipment	-
	OUTFLOWS	
<u>(180,988)</u>	Purchase of property, plant and equipment	<u>(50,213)</u>
(163,502)	Net cash used in investing activities	(50,213)
(1,964,240)	Net decrease in cash and cash equivalents	(369,305)
<u>6,256,420</u>	Cash and cash equivalents at beginning of period	<u>4,292,180</u>
<u>\$4,292,180</u>	Cash and cash equivalents at end of period	<u>\$3,922,875</u>
	Represented By:	
592,794	Cash on hand and balances with banks	134,618
<u>3,915,810</u>	Short-term investments	<u>3,671,110</u>
4,508,604	Cash and cash equivalents as previously reported	3,805,728
(216,424)	Effect of exchange rate changes	117,147
<u>\$4,292,180</u>	Cash and cash equivalents as restated	<u>\$3,922,875</u>

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies is given in order to assist in understanding

(a) **Accounting System**

- (i) The financial statements are prepared on the basis of historical costs and do not take into account current valuation of non-current assets.
- (ii) The concepts of the accrual method and going concern basis of accounting are applied.
- (iii) The financial statements are prepared in accordance with the accounting standards and disclosure requirements of the International Accounting Standards, except where stated otherwise.
- (iv) All amount shown in the financial statements are expressed in US dollars.

- (b) The Secretariat has adopted a fund accounting system, as considerable part of its annual fund, comprises of aid funds for specified projects and programmes.

The identification of funds is maintained throughout the accounting system thus providing the control necessary to ensure that each fund is used only for the purpose, which it is received.

(c) **Depreciation**

Fixed Assets are not being depreciated as from 2003 to coincide with the Fund Accounting policy and to recognise the fact that to replace and maintain the fixed assets expenditure, provisions are included in the annual budget.

(d) **Foreign Currency Transactions**

All foreign currency transactions during 2006 have been brought to account using the bank exchange rate in effect at the date of the transaction. Realised exchange gain/losses on term deposits matured during the year have been taken to the statement of income and expenditure.

Foreign currency monetary items at balance date are translated at the closing exchange rate existing at that date.

Unrealised exchange gains and losses, arising on translation of monetary items at balance sheet date are taken to the Exchange Variation Reserve to accommodate future losses or gains due to fluctuation of rates in the foreign currency market. The increase in the exchange variation reserve in 2006-year was due to the strengthening of various currencies used for operations against the United States currency.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

(e) Revenue Recognition

Revenue is recognised in the accounts using the cash basis concept of for interest income. Expenditure is accounted for on an accrual basis.

(f) Donor Funds

Donations from Aid Agencies are usually for specified purposes. These funds are separately identified in the accounting system and expenditure recorded against each fund. Donor Funds, which are applied to capital items of programmes are charged to expenditure at time of acquisition and are brought into the accounts as fixed assets at the completion of programmes and are valued at their carrying value.

(g) Commitment Accounting

The Secretariat operates a system of commitment accounting for its non-salary expenditure. Expenditure is recognised when purchase orders are placed and charged against the appropriate code.

(h) Donor Funded Assets

Assets acquired by programmes during the year are not included in SPREP's balance sheet as the ownership of these assets remains with the donor. The treatment at this level is to expense these assets in the Income Statement as the disbursement is incurred. At the completion of these programmes, donors generally donate these assets to SPREP, at which time the assets will be included on the Balance Sheet at their carrying value.

(i) Capital Funds

Capital Funds of \$52,867 has been amalgamated with Reserve Funds under the heading Reserve Funds.

NOTE 2. CHANGE IN ACCOUNTING POLICY

There have been no significant changes in the Accounting Policies

NOTES 3. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

WDV 31-Dec-05	Description	Cost/Valuation				31-Dec-05
		31-Dec-05	Addition	Disposal	Adj	
3,959,674	Property	4,222,741	8,634		-	4,231,375
145,602	Computer Equip	186,161	31,651			217,812
482,462	Equipment	551,103	9,554			560,657
33,067	Furniture	126,071	374			126,445
62,902	Vehicles	62,902	-	-		62,902
\$4,683,707		\$5,148,978	\$50,213	\$0	\$0	\$5,199,191

Description	Accumulated Depreciation			WDV	
	1-Jan-06	Depn	Disposal	31-Dec-06	31-Dec-05
Property	(263,067)			(263,067)	3,968,308
Computer Equip	(40,559)			(40,559)	177,253
Equipment	(68,641)			(68,641)	492,016
Furniture	(93,004)			(93,004)	33,441
Vehicles	(16,291)		-	(16,291)	62,902
	(\$481,562)	\$0	\$0	(\$481,562)	\$4,733,920

Fixed assets are not being depreciated in 2006 in accordance with the Secretariat policy adopted in 2003. Assets are shown at the balance sheet at their written down value at 31 December 2002 while assets purchased since 2003 are recorded at their historical value.

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

2005		2006
NOTE 4.	CASH AT BANK AND ON HAND	
	Local Currency	
57,060	ANZ - SAT Account	(65,973)
31,244	WBC - Int Waters SAT Account	(13,238)
96,172	WBC - EU PEIN SAT Account	38,339
181	Petty Cash	186
<u>184,657</u>		<u>(40,686)</u>
	Foreign Currency	
26,707	ANZ - USD Account	42,801
22,894	ANZ - AUD Account	25,252
2,808	ANZ - NZD Account	13,860
(9,131)	WBC - USD Account	(25,628)
217,651	WBC - Int Waters USD Account	12,677
46,229	WBC - Int Maritime Org Account	8,938
48,671	WBC - NZD Call Account	24,514
<u>355,829</u>		<u>102,414</u>
<u>\$540,486</u>	Closing Balance as at 31 December 2006	<u>\$61,728</u>
NOTE 5.	BANK TERM DEPOSITS	
	Local Currency	
798,476	WBC - SAT Account	201,540
936,827	SCB - SAT Account	1,038,625
398,187	NBS - SAT Account	829,675
-	ANZ - SAT Account	373,200
<u>2,133,490</u>		<u>2,443,040</u>
	Foreign Currency	
767,096	WBC - AUD Account	477,101
851,108	WBC - NZD Account	941,006
<u>1,618,204</u>		<u>1,418,107</u>
<u>\$3,751,694</u>	Closing Balance as at 31 December 2006	<u>\$3,861,147</u>
NOTE 6.	ACCOUNTS RECEIVABLE	
1,996	Debtors	3,860
279	Credit cards	349
63,909	Accrued Interest	99,489
-	Withholding tax	1,350
934	Interbank	15,000
19,085	Prepayments	22,339
<u>\$86,203</u>	Closing Balance as at 31 December 2006	<u>\$142,387</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

2005		2006
NOTE 7.	RESERVE FUND	
448,558	Opening balances as at 1 January 2006	448,558
52,867	Add: Capital Funds balance	52,867
<u>\$501,425</u>	Closing Balance as at 31 December 2006	<u>\$501,425</u>
<p>The General Reserve Fund represents the sum total of accumulated results arising from Primary Function and Project Management activities for the purpose of covering the organisation in cases of emergencies or unforeseen circumstances and unexpected budget shortfalls.</p>		
NOTE 8.	CAPITAL RESERVE	
	Capital Reserve is represented by the following capital donations:	
1,870,480	SPREP Complex by Donor Governments	1,870,480
2,370,833	Training and Education Centre Project by Japan	2,370,833
350,000	Information Resource Centre by European Union	350,000
<u>\$4,591,313</u>	Closing Balance as at 31 December 2006	<u>\$4,591,313</u>
NOTE 9.	EXCHANGE VARIATION RESERVE	
799,892	Opening Balances as at 1 January 2006	583,468
(216,424)	Plus: Exchange difference arising from translation	117,147
<u>\$583,468</u>	Closing Balance as at 31 December 2006	<u>\$700,615</u>
NOTE 10.	DEFERRED INCOME LIABILITY	
88,506	Represents Deferred Income and Assets acquired through Donor Funds	88,506
(17,701)	Less: Accumulated Amortisation	(17,701)
<u>\$70,805</u>	Closing Balance as at 31 December 2006	<u>\$70,805</u>
NOTE 11.	CREDITORS AND ACCRUALS	
143,799	Provision for Leave Entitlement	130,788
136,662	Provision for Repatriation	114,379
366,343	Trade Creditors	279,797
-	Payroll Creditors	1,673
75,197	Other Creditors and Accruals	28,872
<u>\$722,001</u>	Closing Balance as at 31 December 2006	<u>\$555,509</u>

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

NOTE 12 DONOR FUNDS & OTHERS

DETAILS	Balance 1-Jan-06	Income	Expenses	Other Adjs	Balance 31-Dec-06
Asian Development Bank	(4,508)				(4,508)
AusAID Extra Budget	275,677	844,740	(852,721)		267,696
AusAID Extra Extra Budget	17,768	1,680	(6,131)		13,317
Canadian International Development Agency	24,633		(22,133)	(2,500)	-
Commonwealth Secretariat	8,932				8,932
Conservation International Development		141,406	(148,182)		(6,776)
Department of International Development	8,136				8,136
European Union	89,725	196,499	(253,108)		33,116
Government of France	180,284	124,263	(59,678)		244,869
Government of Japan	61,850	310	(49,828)		12,332
Government of the United Kingdom	8,806				8,806
International Maritime Organisation	46,209	301	(42,970)		3,540
John D & Catherine T MacArthur Foundation	20,378	55,000	(37,840)		37,538
Multiple Donors	246,884	219,137	(694,208)	209,303	(18,884)
Netherlands Red Cross Society	7,746				7,746
NZ Aid PIE	27,920	349	(15,093)		13,176
NZ Aid Extra Budget	15,670	605,334	(498,335)		122,669
NZAid Extra Extra Budget	227,212	544,540	(582,167)		189,585
Pacific Development & Conservation Trust	6,920		(51)		6,869
People's Republic of China	160,000				160,000
Other Funds (include core)	760,183	1,743,684	(1,481,187)	(206,803)	815,877
Ramsar Secretariat	4,832	64,485	(56,247)		13,070
The Nature Conservancy	26,366	71,431	(104,943)		(7,146)
United Nations Convention to Combat Desertification	1,592				1,592
United Nations Development Program	154,476	2,121,647	(1,980,419)		295,704
United Nations Environment Program	180,124	155,155	(262,503)		72,776
United Nations Tech Co-Op Activities (part of UNDESA)	(20,668)				(20,668)
UN Economics & Social Commission for Asia & the Pacific (UNESCAP)	6,646				6,646
UN Office of Project Services	4,103	96,077	(94,089)		6,091
US Additional Member Contributions	2,577				2,577
US Dept of Energy/Los Alamos University	4,801				4,801
US Fish & Wildlife Atmospheric Administration	14,625				14,625
US National Oceanic Atmospheric Administration	22,149	129,656	(124,172)		27,633
US Western Pacific Regional Fisheries Management Council	20,065	117,681	(99,968)		37,778
	\$2,612,113	\$7,233,375	(\$7,465,973)	\$0	\$2,379,515

Core funds income/expenditure	1,803,709	1,867,919
Programme funds income/expenditure	5,429,666	5,598,054
	<u>7,233,375</u>	<u>\$7,465,973</u>

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

2005		2006
NOTE 13.	OTHER INCOME	
350	Insurance Recovery	-
535	Publication Sale	396
33,545	Rental income	29,252
4,251	Miscellaneous	11,277
2,544	Prior Year adjustments	61,545
3,252	Commission	1,336
6,150	Travel & Other Recoveries	11,880
<u>\$50,627</u>	Total	<u>\$115,686</u>

NOTE 14.	EXPENDITURE SUMMARY			
		Personnel	Operating	Total
		Cost	Costs	
2,903,029	Island Ecosystem Programme	702,879	3,124,028	3,826,907
2,637,556	Pacific Futures Programme	691,719	1,079,428	1,771,147
37,720	Core - Programme Funds	-	-	-
1,646,064	Executive Mgt & Corp Support	1,150,082	717,837	1,867,919
<u>\$7,224,369</u>	Total	<u>\$2,544,680</u>	<u>\$4,921,293</u>	<u>\$7,465,973</u>

NOTE 15.	ACTUAL VS BUDGET EXPENDITURES						
		Personnel Cost		Operating Cost		Capital Costs	
		Budget	Actual	Budget	Actual	Budget	Actual
2,903,029	Island Ecosystem Programme	756,627	702,879	2,095,507	3,001,289	8,700	122,739
2,637,556	Pacific Futures Programme	1,177,751	691,719	2,122,857	1,064,072	23,020	15,356
37,720	Core - Prog Funds	-	-	-	-	-	-
1,646,064	Executive Mgt & Corp Support	1,181,204	1,150,082	607,180	667,624	68,945	50,213
<u>\$7,224,369</u>	Total	<u>\$3,115,582</u>	<u>\$2,544,680</u>	<u>\$4,825,544</u>	<u>\$4,732,985</u>	<u>\$100,665</u>	<u>\$188,308</u>

NOTE 16. CONTINGENT LIABILITIES

The Secretariat has no contingent liabilities as at 31 December 2006.

NOTE 17. CAPITAL COMMITMENTS

The Secretariat has no commitments with respect to capital expenditure.