

**SPREP AUDIT COMMITTEE  
MINUTES AND FOLLOW UP ACTIONS  
28 July 2016**

Agenda Item	The meeting:	Resolution	Follow-up actions
<p><b>Agenda Item 1:</b> Introduction by the DG of the new Deputy Director General and the new Finance Admin Adviser</p>	<p><b><u>Independent Members</u></b></p> <ul style="list-style-type: none"> <li>• <b>(Chair)</b> Mr. Tupuola Oloialii Koki Tuala, of the Koki Tuala Chartered Accountant.</li> <li>• <b>(New Zealand)</b> Mr. Mike Walsh, Deputy High Commissioner</li> <li>• <b>(Tokelau)</b> Ms. Margaret Sapolu</li> </ul> <p><b><u>Non-independent Members</u></b></p> <ul style="list-style-type: none"> <li>• <b>(Secretariat)</b> Mr. Clark Peteru (Acting Director of EMG and Legal Adviser)</li> <li>• <b>(Secretariat)</b> Ms. Simeamativa Vaai (HR Adviser and Acting Finance and Admin Adviser)</li> </ul> <p>Apologies:</p> <ul style="list-style-type: none"> <li>• <b>(Tokelau)</b> Mr. Jovilisi Suveinakama overseas in Tokelau)</li> </ul> <p><b><u>In attendance:</u></b></p> <ul style="list-style-type: none"> <li>• Mr. Kosi Latu, SPREP Director General</li> <li>• Mr. Roger Cornforth, Deputy Director General</li> <li>• Mr. Taimalie Ernest Betham, External Auditor for Betham &amp; Co</li> <li>• Ms. Petra Suhren-Chan Tung, Finance and Admin Adviser</li> <li>• Ms. Selesitina P. Meni-Reti, Internal Auditor</li> <li>• Ms. Audrey Brown-Pereira, Executive Officer</li> </ul>	<p>I. The Audit Committee welcomed Mr. Roger Cornforth, Deputy Director General and Ms. Petra Suhren-Chan Tung, Finance and Admin Adviser.</p>	
<p><b>Agenda Item 2:</b> Briefing</p>	<p>1. The Director General (DG) informed the Audit Committee of the 2015 net deficit of USD \$769,488 had been reduced to USD</p>	<p>II. The Audit Committee <b><i>NOTED</i></b> the SPREP Executive Briefing.</p>	<p>I. The draft SPREP Strategic</p>

Agenda Item	The meeting:	Resolution	Follow-up actions
from SPREP Executive (DG)	<p>\$261,729. Finances are a challenge faced by all of the Council of Regional Organisations of the Pacific (CROP) agencies and a key priority for SPREP.</p> <ol style="list-style-type: none"> <li>2. The Secretariat has adopted a more disciplined approach to expenditure including: staff to seek travel sponsorship from organisations that seek their attendance at meetings; a quicker turn-around of staff acquittals for accountable advances; and savings from vacant positions and deferred appointments.</li> <li>3. The DG has waived his contractual right for some of his travel to use business class in the region. Savings will go to training for staff and other areas such as the Lui Bell Fund.</li> <li>4. The regional workshop for the strategic plan was held on 18 and 19 July. A revised draft will be submitted to members on Friday seeking comments for further refinement. It is an important document as it sets out the ten year plan for SPREP. Consultations from members confirmed the existing strategic priorities of biodiversity and ecosystem management, climate change, environmental monitoring and governance, waste management and pollution control remain.</li> <li>5. The regional workshop also confirmed the key role of SPREP as the lead agency for the environment and its coordinating role in climate change in its area of competence and expertise.</li> <li>6. The Performance Implementation Plan (PIP) which will complement the strategic plan will be for a two year cycle.</li> <li>7. Governance issues to be considered include the biennial cycle of the SPREP Meeting which shall meet every two years after 2017. A high level outcomes reporting mechanism to members on the strategic plan every six months from 2017 onwards. PIP report to members at the end of every two years at the programme level.</li> </ol>		Plan 2017-2027 to be shared with the Audit Committee. (done by Audrey)

Agenda Item	The meeting:	Resolution	Follow-up actions
	<p><b>8.</b> The Troika meets a minimum of two to three times per year including at least one Audit Committee meeting. The members raised the need for enhancing the Troika or expanding the membership. These issues will be raised in an options paper to be presented to the SPREP Meeting including the Troika to report to Members.</p> <p><b>9.</b> The Green Climate Fund (GCF) raises strategic issues for SPREP as a Regional Implementing Entity (RIE) which is an evolving process. The Secretariat is looking at developing a strategy for SPREP on its engagement with GCF and members, including the capacity to support members. Climate finance is a crowded space due to funding available. There will be a high level ministerial meeting in Fiji in the week of 01 August, 2016.</p> <p><b>10.</b> The Pacific Climate Change Centre (PCCC) is advancing forward with the Exchange of Notes to be signed on Friday 29 July 2016 between the Governments of Samoa and Japan. There is also a request with JICA for technical assistance for the development of capacity building programmes in the PCCC. The AC noted their concern as to what this would mean for SPREP in terms of costs??</p> <p><b>11.</b> The MSP funded by the Global Environment Facility (GEF) through UNDP is an excellent opportunity for SPREP to strengthen compliance requirements for the GEF, GCF, Adaptation Fund, EU and other donors. A Team of consultants are visiting in August to provide training on the policies and outcomes developed for SPREP. The MSP will put SPREP in good stead for accreditation to the GEF.</p> <p><b>12.</b> SPREP opened an office in Fiji on 26 July which will form as the base for the Pacific Ecosystem Based Adaptation to Climate Change (PEBACC) Project for Fiji, Vanuatu and the Solomon</p>		

Agenda Item	The meeting:	Resolution	Follow-up actions
	<p>Islands. The Suva office also enhances SPREP's sub-regional presence.</p> <p><b>13.</b> New Zealand (NZ) congratulated the Executive on what had been achieved to date with the reduction in the deficit and the recent opening of the Fiji office. While there are cost savings from vacant positions and deferred appointments there are also indirect costs to the organisation. The strategic plan is viewed as heading in the right direction, and it is important for members to agree and sign off on the plan. It would be best to send the document out sooner rather than later for feedback including follow-up with individual members before the SPREP Meeting by the Secretariat. There is great interest in the governance arrangements for the biennial meeting and how this matter will proceed.</p>		
<p><b>Agenda Item 3:</b> Minutes and Matters Arising of the Audit Committee meeting 14 April 2016</p>	<p><b>14.</b> The analysis of foreign currency exchange is to be completed by Finance. The majority of currency used is in USD\$ and SAT. On a monthly basis it is used for salaries and wages and travel and consultancies.</p> <p><b>15.</b> The writing off of the debt of a former staff member will be submitted to SMT by the FAA.</p> <p><b>16.</b> The new DDG will take over the Risk Committee Chairmanship.</p> <p><b>17.</b> The new process for the financial accounts will begin in 2017 and this will enable the Audit Committee to receive the <u>draft</u> accounts for the year ending, before it is finalised and signed by the DG and Chair of the Audit Committee.</p>	<p><b>III.</b> The Audit Committee <b><u>ACCEPTED</u></b> the minutes with amendment.</p>	<p><b>II.</b> The FAA to provide an analysis of where currencies for expenditure are spent on a monthly basis to the AC. This will provide better understanding and monitoring of foreign exchange losses/gains for SPREP.</p> <p><b>III.</b> The FAA to prepare a paper for</p>

Agenda Item	The meeting:	Resolution	Follow-up actions
			SMT on the former staff member's debt noting the debt is written off because the expenses associated with recuperating the debt would exceed the amount of the debt. Report back to the next Audit Committee.
<p><b>Agenda Item 4:</b> Presentation of the 2015 Financial Accounts / Management Letter – External Auditor/ Finance</p> <p><i>Establishment of the process in the future to follow for Financial accounts draft</i></p>	<p><b>18.</b> The Chair expressed concern with the 2015 Audit Report in relation to the deficit reflected for over a period of 2 years. It was noted that SPREP is not a commercial entity and is a unique organisation where much of its income is on a reimbursement basis from donors that can have an impact on cash flow. Nevertheless SMT must note that this is a going concern risk to the Organisation.</p> <p><b>19.</b> AC advised the Secretariat that it needs to prepare proper detailed explanations for the SPREP Meeting and the remedies to address the concerns raised. Members will want to know more about the negative balance in the balance sheet after going through the audit accounts. This is a priority that management has to prepare for.</p> <p><b>20.</b> Foreign exchange loss is an issue for SPREP. The Audit committee requested FAA to provide exchange loss details in order for the AC to review and provide some recommendations accordingly.</p>	<p><b>IV.</b> The Audit Committee <b><u>ADOPTED</u></b> the SPREP 2015 Financial Accounts and revised note 21 to the accounts.</p> <p><b>V.</b> The Audit Committee <b><u>ACCEPTED</u></b> the Management Letter.</p> <p><b>VI.</b> The IA and FAA to convey the revised note 21 to the Executive.</p> <p><b>VII.</b> The FAA to present the outstanding internal financial reports to the next meeting particularly on the exchange losses and the negative account balances.</p>	<p><b>IV.</b> The next Audit Committee meeting will be in October.</p> <p><b>V.</b> The FAA to prepare the six months accounts for circulation by email to the Audit Committee. The report to include an update of the budget and reforecasting that may be required as well as the going concern identified in</p>

Agenda Item	The meeting:	Resolution	Follow-up actions
<p><i>to be submitted to AC rather than the Final Audited Accounts.</i></p>	<p><b>21.</b> The Audit Committee notes the Auditors letter. The External Auditor agrees with the Audit Committee to review the financial accounts while still in draft form prior to External Auditors issuing their opinion and before responding to the management letter and signing.</p> <p>The key issues raised focuses on the financial position and financial performance of SPREP. The AC Chair noted that the current assets ratio is .79 to \$1 meaning for every \$1 liability for the Secretariat; SPREP only has .79 cents available to pay for the current liabilities . In commercial terms this is not a good reflection on the ability of the Organisation to pay its short term debts or its liquidity position.</p> <p>Are there any SPREP regulations that guide the Secretariat in this area? This is a responsibility for management to the members.</p> <p><b>22.</b> Clarification was sought on the USD\$ 344,33 exchange losses and whether it is related to the USD and how this can be addressed. It was noted there are several reasons such as non-USD denominated accounts and vendor funds. Functional reporting is USD\$ and is an issue.</p> <p><b>23.</b> The recommendation from the Nataji consultant for the MSP is to remove exposure at this point in time. A recommendation includes non-USD account to be closed immediately. It is suggested however to leave open the tala account for operations to minimise the risks and losses. Use the tala account as an imprest account and do not hold for too long and pay as soon as possible. Only transfer what is required. Chair noted the need for the Secretariat to manage cash closely on a monthly basis.</p>	<p><b>VIII.</b> The Audit Committee <b><u>RECOMMENDED</u></b> to the FAA, and HRA the preparation of detailed answers for clarification to the SPREP Meeting on the issues raised in the 2015 SPREP Audit Report.</p> <p><b>IX.</b> The Audit Committee <b><u>AGREED</u></b> to the process that once the draft accounts are completed for the external audit and management letter, they are to be presented to the Audit Committee for discussion before finalizing and signing by the DG and Chair.</p>	<p>the 2015 Audit Report.</p> <p><b>I.</b> The FAA to also provide the foreign exchange calculation details reflected in the 2015 Financial Accounts to the Audit Committee.</p> <p><b>VII.</b> The FAA to explore options for negotiations with commercial banks of foreign transactions to manage the foreign exchange risks</p>

Agenda Item	The meeting:	Resolution	Follow-up actions
	<p><b>24.</b> The Auditors letter is very clear on exchange losses and the Secretariat needs to look at reducing its risk exposure.</p> <p><b>25.</b> Page 11 of accounts foreign currency risk. The information is the actual bank account balances and the exposure at that point in time at the end of December 2015. This is a disclosure requirement on SPREP holdings. There have also been New Zealand foreign exchange losses for the last three years.</p> <p><b>26.</b> The contingency liability needs to be addressed and make sure that the damages as claimed by Pauline Johnson be noted given the case decisions is still pending 2015. NZ noted the need for transparency and for members to be aware of the contingency liability. Supportive of the new wording as per revised note 21 circulated in the meeting.</p> <p><b>27.</b> Page 6 reserve use USD\$ 209,409 (specific reserve). Based on financial reports this has mainly been used for medical reserves and evacuations. The scheme is self-funded for medical coverage and medical evacuations. In recent time three staff including one have fully utilised the full medical coverage.</p>		<p><b>VIII.</b></p> <p>Change to note 21 of Audited Accounts as discussed with the External Auditor to reflect pending court decision on PJs case.</p>
<p><b>Agenda Item 5:</b> Audit Committee Report to the SPREP meeting 2016- Draft</p>	<p><b>28.</b> The IA presented the draft Audit Committee report for the SPREP Meeting for comments.</p>	<p><b>X.</b> The Audit Committee <b><i>ACCEPTED</i></b> with revisions the Audit committee report for the SPREP meeting prepared by the Internal Auditor.</p>	<p><b>K.</b> The IA to complete and circulate the amendments to the Audit Committee.</p>
<p><b>Other matters</b></p>			

Agenda Item	The meeting:	Resolution	Follow-up actions
<p><b>Agenda Item 6:</b> Composition of the AC members – view from the AC whether non-Independent members are to be included</p>	<p><b>29.</b> On the composition of the Audit Committee NZ sought advice as to why there are no other SPREP members represented.</p> <p><b>30.</b> The IA responded the intention was for representation by NZ on behalf of metropolitan members and Tokelau for small islands. On non-independent members at the time, it was to provide feedback directly to the Audit Committee on processes and issues directly from the Secretariat.</p> <p><b>31.</b> The Nataji consultant through the MSP raised concern that non-independent members should not be included for independence of the Audit Committee.</p> <p><b>32.</b> The Chair noted consideration by the Audit Committee that non-independent members may be present in the meeting but not vote. The Audit Committee will continue to discuss options for SPREP considering these factors and noting the financial implications and strategic governance issues relating to the new strategic plan. The Chair will also look at other similar organisations. NZ noted there is a lot of responsibility on the members.</p> <p><b>33.</b> Tokelau expressed strengthening the Audit Committee and increasing the number of independent members. The presence of non-independent members provides input and understanding into the Secretariat processes.</p>	<p><b>XI.</b> The Audit Committee <b><u>NOTED</u></b> the discussion on the composition of the committee and will revisit the agenda item at the next meeting in October/November.</p>	
<p><b>Agenda Item 7:</b> GEF-MSP training on 17<sup>th</sup> August 2016 for the AC members</p>	<p><b>34.</b> The IA informed the Audit Committee there is a training proposed by Nataij either one full day or 2 half days. Audit committee confirmed that they are only able to attend one full day of training.</p>	<p><b>XII.</b> The Audit Committee <b><u>NOTED</u></b> the training for 17 August.</p>	

FINAL