

**SPREP AUDIT COMMITTEE
MINUTES AND FOLLOW UP ACTIONS
24 November 2016**

Agenda Item	The meeting:	Resolution	Follow-up actions
<p>Agenda Item 1: Opening Prayer and welcome</p>	<p><u>Independent Members</u></p> <ul style="list-style-type: none"> • (Chairman) Mr. Tupuola Oloialii Koki Tuala, of the Koki Tuala Chartered Accountant. • (New Zealand) Mr. Mike Walsh, Deputy High Commissioner • (Tokelau) Mr. Jovilisi Suveinakama, General Manager <p><u>Non-independent Members</u></p> <ul style="list-style-type: none"> • (Secretariat) Mr. Clark Peteru (Acting Director of EMG and Legal Adviser) • (Secretariat) Ms. Simeamativa Vaai (HR Adviser) <p><u>In attendance:</u></p> <ul style="list-style-type: none"> • Mr. Kosi Latu, SPREP Director General • Mr. Roger Cornforth, Deputy Director General • Ms. Petra Suhren-Chan Tung, Finance and Admin Adviser • Ms. Selesitina P. Meni-Reti, Internal Auditor • Ms. Audrey Brown-Pereira, Executive Officer 		
<p>Agenda Item 2: Briefing from SPREP Executive (DG)</p>	<ol style="list-style-type: none"> 1. The Director General (DG) informed the Audit Committee on measures to address the deficit. One of the control measures is to ensure and cut costs to the core which is Corporate and Executive services. The deficit which will be elaborated on by the Finance and Admin Adviser (FAA) is currently US 351,338 2. SPREP received funding support from Sweden of US 2.1 	<ol style="list-style-type: none"> I. The Audit Committee <u>NOTED</u> the SPREP Executive Briefing. 	<ol style="list-style-type: none"> 1. The IA to work with the SPREP Executive on providing an update from the Audit Committee to Members as a result of the follow-up actions of the SPREP Meeting.

Agenda Item	The meeting:	Resolution	Follow-up actions
	<p>million. US 1 million will go towards the core to address the deficit and US 1 million to address 2017 budget shortfall from the Australian contribution. US 150,000 will be allocated for ocean activities as required by the donor. The balance will be used for staff development and the advance of US 15,000 and the reserves of US 10,000.</p> <ol style="list-style-type: none"> <li data-bbox="450 485 1216 687">3. The DG met with Swedish officials last month and conveyed the gratitude of SPREP. Discussions included exploring a long term partnership. This is the first time a Nordic country has provided core support to SPREP, which is also new to Sweden of support to the Pacific as most support is directed towards Asia and Africa. <li data-bbox="450 699 1216 1011">4. On the key outcomes of the 27th SPREP Meeting. The strategic plan has been approved and climate change has been identified as the most pressing concern reflecting Members' priorities. The other key theme is oceans which is a key cross cutting theme in the plan. The French and Swedish were pleased to hear the priorities identified in the plan. Follow-up work will be the development of the Performance Implementation Plan (PIP) and Results Framework. <li data-bbox="450 1023 1216 1193">5. Another key SPREP Meeting outcome is the setting up of an Executive Board after 2017 for the alternate years that the SPREP Meeting does not convene. A circular was sent out seeking interest in membership of the Friends of the Chair (FoC). <li data-bbox="450 1204 1216 1339">6. The Members' agreed to set up the FoC for Sustainable Financing to explore a whole range of issues on cost recovery and financing challenges for SPREP. This will be of interest to the Audit Committee. 		<ol style="list-style-type: none"> <li data-bbox="1657 268 2027 580">2. The SPREP Executive will work with the Chair of the SPREP Meeting to convey appreciation to the Government of Sweden, copied to Troika and SPREP Members, for the generous donation to SPREP,

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	<p>7. The FoC for Remuneration Harmonisation has also been established in response to an invitation from the Chair of the Forum Officials Committee extended to all Chairs of the respective CROP Governing Councils.</p> <p>8. The SPREP Meeting also agreed to the establishment of the Steering Committee for the Pacific Climate Change Centre (PCCC) which will examine the governance issues and arrangements for the PCCC.</p> <p>9. The Chair noted the positive report and acknowledged the leadership of the DG, particularly on enhancing relationships with the donor community including the Swedish Government.</p> <p>10. It was also noted the Financial and Audit Report was approved at the SM27 and should be noted by the Senior Management Team (SMT) as a positive.</p> <p>11. New Zealand noted the assistance from Sweden and the report from the FAA. With respect to the SM27 Report and minutes from Agenda Item 6.1. Audit Committee it was requested that the Audit Committee respond to the points raised by Members' accordingly. Attention was given to para 84 'repeated deficits have to be addressed'. The FAA report from Jan-Oct 2016 and Forecast for Nov-Dec 2016 noted the US 36,000 surplus for 2016, which was a positive. Another issue raised at the SPREP Meeting was the continuation of the existing Auditor under a new business. As noted in the SM27 Report it was important to have a new auditor after the one year contract, as requested by Members particularly the US.</p> <p>12. The DG noted that there will be quarterly reporting to the Troika. The issue of the rolling over of the Auditor is duly</p>		

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	<p>noted. The DG further noted the issue of the composition of the AC and the desire for extended membership to SPREP Members.</p> <p>13. Tokelau noted the presentation of the SPREP Meeting was much better in 2016 than in previous years. A question was raised on whether there is an opportunity to look at the ratio for supporting projects by corporate services? On the Swedish funding there is a need to be sure that allocation of funds meets the requirements of the donor and done in a transparent manner. A template for the allocation is something to be considered.</p>		
<p>Agenda Item 3: Minutes and Matters Arising of the Audit Committee meeting 28 July 2016</p>	<p>14. The FAA provided a written report of the follow-up actions contained in the minutes. As at October 2016 SPREP has maintained the tala account as operations are in Samoa and the USD currency account. There are some cash holdings in NZD due to credit card payments. The positive impact is showing with the closure of accounts and minimising foreign exchange exposure.</p> <p>15. The debt of a former staff member which occurred in 2012 has been written off by SMT in their meeting of 22 November 2016.</p> <p>16. In reference to the excel sheet of currency on tracking the foreign currency it was noted a lot of forecasting is undertaken in terms of booking rates in advance. Most of the exchange rate losses in 2015 were from term deposits and holding various bank accounts in multiple currencies. In 2015 there was a US 344,000 exchange rate loss.</p> <p>17. SDR is used for staff payments EPAL staff in tala and EPAI staff in tala converted from US. Operational accounts are with ANZ and BSP. FAA advised her progress on looking for</p>	<p>II. The Audit Committee <u>ACCEPTED</u> the minutes.</p> <p>III. The Audit Committee <u>APPROVED</u> the follow-up documents prepared by the Finance and Admin Adviser.</p> <p>IV. The Audit Committee <u>NOTED</u> the matters arising.</p>	<p>3. FAA will be providing quarterly updates of the financial accounts to the AC.</p>

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	competitive rates and negotiating accordingly.		
Agenda Item 4: Financial Report / Petra Chang Tung, FAA Jan-Sept 2016	<p>18. The FAA noted US 351,338 deficit at the end of September. October month alone the collections have improved to US 1.8 million compared to US 1.6 million of costs. The FAA has placed control measures on managing costs. On members contributions the outlook for November is US 140,000 which includes the outstanding collection from the UK. The remaining November and December period the maximum expenditure will be no more than US 1 million. The aim of SPREP as a non-profit organisation, is at the end of the financial year to break even or get a surplus. It was noted there is US 18.7 million income and the Secretariat has spent US 18.6 million, where a surplus of 36,573 is expected for the end of 2016. FY</p> <p>19. The Secretariat have achieved a number of important measures over the past few months. Measures have been undertaken in 2016 to address the exchange rate losses from 2015. The FAA has examined the root cause of the exchange rate loss and there is a positive outlook as a consequence of actions taken.</p> <p>20. It was noted by Tokelau one of the key challenges for the Secretariat is membership contributions, particularly from Guam and Northern Marianas. While these two members remain a challenge the FAA has followed up with other members and has been successful in collection. The FoC on Sustainable Financing will continue to address the key challenges faced by the Secretariat.</p> <p>21. The FAA noted SPREP does not state in the accounts</p>	<p>V. The Audit Committee <u>RECEIVED</u> and <u>NOTED</u> the financial statements up to September and the forecast up to December 2016.</p> <p>VI. The Audit Committee <u>COMMENDED</u> SMT and the Finance and Admin Adviser for their significant efforts in collecting revenue and maintaining costs within budget.</p> <p>VII. The Audit Committee <u>NOTED</u> a word of caution on the USD for transactions before the end of the year.</p>	<p>4. The Chair requested the FAA and IA to follow-up the legal implication of debtors (<i>countries with outstanding membership contributions</i>) not being reflected in the financial accounts as it contradicts International Financial Standards and requires clarification of how it is reported.</p>

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	<p>outstanding membership contributions; hence the 'debt' of members is omitted as the accounts are reflected on a cash basis only. Furthermore membership contributions are voluntary.</p> <p>22. The Chair noted that not stating outstanding membership contributions as a debt are not compliant with the International Financial Standards. The FAA noted to her understanding there is no legal obligation by SPREP Members and this has been discussed with the external auditor. The Chair clarified with respect to off balance sheet items. The current ratio for every dollar of debt SPREP owes, SPREP can only pay 60 cents. Hence not reflecting debtors distorts the financial statement.</p>		
<p>Agenda Item 5: Internal Auditor progress Report May-Nov 2016/ IA</p>	<p>23. The HR Adviser updated the AC on a personnel issue regarding the PJ Case. It was noted that the DDG will head a three member inquiry. The Director of BEM was included and another member nominated by the 'staff member'. The meeting has not taken place yet, due to the availability of staff.</p> <p>24. The PJ legal case is pending on a substantive issue before the Chief Justice. Liability is a key issue for SPREP, where measures have been implemented to address weaknesses in systems and processes.</p> <p>25. The HR Adviser noted a proposal has been submitted for a Risk Manager from the Peace Corps Rapid Response. Advice will be forthcoming in the next few weeks.</p>	<p>VIII. The Audit Committee <u>ACCEPTED</u> the Internal Auditor Progress Report May - November 2016</p>	<p>5. The HR Adviser reports the outcome of the inquiry to the next Audit Committee.</p>
<p>Agenda Item 6: Tabling of Investigation</p>	<p>26. The IA presented to the AC investigation reports from July to October 2016.</p> <p>27. The AC discussed Case A and options for recovery of SAT 14,998.28 and the risk to SPREP in not pursuing further</p>	<p>IX. The Audit Committee <u>NOTED</u> the disciplinary report</p>	<p>6. IA to draft memo to the Executive to ensure the breakdown in systems is not repeated regarding</p>

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Reports from July to October 2016 /IA	<p>action and the accountability to members and donors. A key issue is addressing the areas of weakness identified. Also raised by AC members the risks for the Staff to hand carry any funds leftover from workshops. Given that staff concerned in case A is now employed at Taumesina AC members raised that there is a need for the Executive to recover the substantial funds outstanding given the precedence now set if a similar case recurs in the future.</p> <p>28. The AC discussed Case B. It was noted the matter was resolved requiring no further action.</p> <p>29. Tokelau requested clarification on why HR matters are being brought before the AC. The IA informed the AC that such matters are presented to the committee when the investigation is undertaken by the IA.</p>		<p>Case A. Also to raise the concerns of the AC regarding authority to carry large amounts of cash for projects overseas and the importance of compliance with reporting by staff within 14 days.</p> <p>7. Executive to consider recovery measures including possible criminal charges relating to Case A given the amount is substantial to Secretariat and reputational risk to donors, members and other staff within SPREP as well as the precedence this case may set for other staff in the future.</p>
Agenda Item 7: Composition of the Audit Committee	30. New Zealand suggested the inclusion of an official from the Government of Samoa with expertise in finance such as the Ministry of Finance. The Chair suggested also the Audit Office. The IA confirmed that no approach has been made yet. It was also suggested contacting the US Mission.	X. The Audit Committee <u>ACCEPTED</u> the composition of the Audit Committee.	8. The IA to work with the Executive and convey the suggestion of the Audit Committee for an official with appropriate skill set from the Government of Samoa either from the Audit Office or the

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			Ministry of Finance.
Agenda Item 8: Internal Audit Plan for 2017/IA	31. The IA Plan for 2017 was presented to the AC.	XI. The Audit Committee <u>ACCEPTED</u> the Internal Audit Plan for 2017.	
Agenda Item 9: Summary of Recommendations and status of implementation by SPREP/IA		XII. The Audit Committee <u>NOTED</u> the Summary of Recommendations and status of implementation by SPREP/IA.	
Meeting Closed at 1.30p.m			