

**SPREP AUDIT COMMITTEE
MINUTES AND FOLLOW UP ACTIONS
11 April 2017**

Agenda Item	The meeting:	Resolution	Follow-up actions
<p>Agenda Item 1: Update on new members of the Audit Committee by the Director general</p>	<p><u>Independent Members</u></p> <ol style="list-style-type: none"> 1. (Chair) Mr. Tupuola Oloialii Koki Tuala, of the Koki Tuala Chartered Accountant. 2. (Tokelau) Mr. Jovilisi Suveinakama, General Manager Apia/National, Office of the Council for the Ongoing Government of Tokelau 3. (Samoa) Ms. Rosita Mauai Matalavea, Assistant Chief Executive Officer, Ministry of Finance <p><u>Troika</u></p> <ol style="list-style-type: none"> 4. (Niue) Dr. Josie M.M.M Tamate, Director-General, Ministry of Natural Resources 5. (Palau) Ms. Gwendalyn Sisor, Senior Projects Manager, Ministry of Natural Resources, Environment & Tourism 6. (New Zealand) HE. David Nicholson, High Commissioner, New Zealand High Commission 7. (New Zealand) Mr. Michael Appleton, Manager and Unit Manager for the Pacific Regional Institutions, Pacific Regional Division, MFAT <p><u>Apologies:</u></p> <ul style="list-style-type: none"> • Independent Member (New Zealand) Mr. Mike Walsh, Deputy High Commissioner, New Zealand High Commission <p><u>In attendance:</u></p> <ul style="list-style-type: none"> • Mr. Kosi Latu, Director General • Ms. Petra Suhren-Chan Tung, Finance and Admin Adviser (FAA) • Ms. Selesitina P. Meni-Reti, Internal Auditor 	<p>I. The Audit Committee <i>WELCOMED</i> the attendance of the new independent member for Samoa - Ms. Rosita Mauai and Troika members Niue - Dr. Josie M.M.M Tamate; Palau - Ms. Gwendalyn Sisor; and New Zealand - HE. David Nicholson, High Commissioner; and Mr. Michael Appleton.</p>	

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<p>Agenda Item 2: Minutes</p>	<ul style="list-style-type: none"> • Ms. Audrey Brown-Pereira, Executive Officer (Minutes) <p>Audit Committee Minutes 24 November 2016</p> <ol style="list-style-type: none"> 1. On the PJ Case the matter is before a committee in compliance with staff regulations. 2. It was noted issues regarding staff investigations conducted by the IA have been presented to the Audit Committee. Internal controls are needed to minimise risk when staff handle cash. This issue was raised by the Audit Committee members meeting in November 2016 when findings of the investigation for the CC personal Assistant were presented. AC members concern was the risk of cash being hand carried by Secretariat staff for overseas workshops. What action is taken by the Secretariat to mitigate this risk? 	<p>II. The Audit Committee <u>NOTED AND APPROVED</u> the minutes for 24 November 2016; and 23 March, 2017.</p>	<ol style="list-style-type: none"> 1. The IA and FAA to convey to the Executive the comments from members of the Audit Committee regarding effective processes and procedures for ensuring zero tolerance for fraud and theft to help minimise long term reputational risk to SPREP and to report back to the next Audit Committee meeting.
<p>Agenda Item 3: Report from (a) DG to the AC; (b) AC letter in response</p> <p>Briefing from SPREP Executive/ Kosi composition of the AC members and selection</p>	<ol style="list-style-type: none"> 3. The Director General acknowledged the hard work of the FAA, IA and SPREP Staff and conveyed appreciation to the Audit Committee. 4. The Director General noted the AC has emphasised the importance of addressing the negative equity. 5. Introduction of Troika and new member from Samoa. Only remaining issue for composition is the nominee from Australia, which is undergoing an internal process within the Government of Australia. 6. The AC reviewed the accounts and management letter in March and discussed outstanding issues with management. 7. NZ raised the issue of accreditation for the Global Environment Facility (GEF) in terms of what key issues were raised in the review process. The DG noted that it was to ensure the Secretariat was in conformance of the criteria set for accreditation. Examples include composition of the Audit Committee, issues such as structures, policies, and processes for fiduciary purposes, including procurement, sub-delegation of grants, and establishment of the Internal Audit Unit etc. 	<p>III. The Audit Committee <u>NOTED</u> the letter from the Director General which forms part of the Audit Report to SPREP Members.</p>	

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	<p>8. NZ queried the dissemination of policies to staff. It was noted that all policies have been shared with staff and been supported with training for implementation.</p>		
<p>Agenda Item 4: 2016 Audited Financial Report & Final Management Letter /Petra/External Auditor - 2017 February Financial report/ Petra</p>	<p>9. It was noted that there are improvement of changes in the final accounts since the last Audit Committee meeting in March. True and fair overview for the last financial year and reformatted to comply with IFRS standards with the audit opinion opening the report.</p> <p>10. Executive Management report spent US 16 million in 2016 and had a net surplus of \$346,898. A key concern raised by the Auditor is the accumulated deficit due to foreign exchange losses in the past.</p> <p>11. In reference to page 6 on the Profit and Loss there is a total income of US 16.5 million versus expenditure of US 16 million. This notes a net surplus of US 346,898.</p> <p>12. In reference to page 7 on the Statement of Financial Position there are US 10.7 million worth of assets. Total reserves noted at (US 468,160) which is an improvement from the negative reserves in 2016 of (US 778,112). Reduction in negative reserves is a result of the net surplus results in financial performance in 2016 of US \$346k.</p> <p>13. NZ sought advice as how the surplus was achieved. The FAA referred to page 24 which dissects expenditure by category including costs associated with the Executive Management and Corporate Support. Personnel costs for actuals of US 2.1 million in 2016 compared with US 2.3 million in 2015. The FAA noted measures to control costs normally US \$1.7 million as in 2015, which decreased to US \$1 million in 2016.</p> <p>14. NZ questioned how funds had been treated in relation to former Staff X. It was noted the amount of ST 16,000 was treated in the accounts as a debtor, the foreign exchange reflected in the repayments of former Staff X.</p> <p>15. NZ conveyed their sincere appreciation to the FAA for the</p>	<p>IV. The Audit Committee <u>ENDORSED</u> the audit opinion and emphasised the importance of the management and finance team effectively monitoring the accounts to reduce the negative reserve balance.</p> <p>V. The Audit Committee <u>NOTED</u> the US 300,000 yet to be collected from members contribution</p> <p>VI. The Audit Committee <u>NOTED AND ACCEPTED</u> the Management letter.</p> <p>VII. The Finance team to continue the improvement process identified by the External Auditor.</p>	

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	<p>clear communication and control of the SPREP accounts.</p> <p>16. The Chair raised the issue of equity in relation to membership contributions. Outstanding payments of US \$289K for membership contributions as at 31 Dec 2016. AC will raise the issue to the SPREP Meeting in terms of amount of unpaid contributions.</p> <p>17. The FAA noted the accounts are completed in excel. The FMIS requires additional modules which will cost more than US \$500,000 which does not include its existing annual subscription. The AC recommended that a donor be identified to address this gap for greater efficiency.</p>	<p>VIII. NZ indicated that they may be able to assist in this matter</p>	<p>2. FAA to check on costs of FMIS modules required and report back in the next meeting or liaise with NZ for assistance.</p>
<p>1st Quarterly financial report 2017.</p>	<p>18. The FAA noted the presentation of the report was made upon guidance from the Troika which includes current status and a forecast for coming months of income and expenditure against the budget.</p> <p>19. The FAA advised the driver of programme management fees are projects. In accordance with EU rules projects can only be charged 7% for programme manage fees. Other income refers to everything else other than core for generating revenue such as rentals, travel recovery etc. An unsecured budget of US 480,000 was approved at the 2016 SPREP Meeting.</p> <p>The key budget item is the Executive Management and Corporate Support which over the next 9 months the budget for the Executive has been reduced to US 260,000. The FAA notes a conservative Foreign Exchange loss of US 100,000 based on data from 2016.</p> <p>20. Tokelau noted in the March meeting the importance of achieving a sustainable and balanced budget, and addressing the reserves. It was raised as to how the outlook was derived in the quarterly report? The FAA responded that SMT had not met yet but all documents are ready for their review. Directors need to drive the change in light of</p>	<p>IX. The Audit Committee <u>ACKNOWLEDGED</u> with sincere appreciation the work of the FAA and the Finance team.</p> <p>X. The AC <u>ENDORSED</u> the first Quarterly Report for 2017.</p> <p>XI. The AC <u>COMPLIMENTS</u> the FAA and the Finance team for the high level of work produced.</p>	<p>3. The FAA to:</p> <ol style="list-style-type: none"> include a liquidity ratio on a quarterly basis and add to notes presented in the quarterly report; include the status of the reserves for the information of management; and Circulate via email the quarterly report to the Audit Committee through the Internal Auditor.

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	the financial environment and the programme managers need to report efficiently and in a timely manner.		
Agenda Item 5: Secretariat Performance against Core Requirements of the Governance Policy	<p>21. Samoa raised the question of the performance of particular projects and how they are being assessed in terms of performance. The IA advised that there has only been one request from a donor for their project accounts to be certified by the Secretariat Internal Auditor in addition to the certification provided by the FAA. Other projects such as the CC UNDP projects assign their own External auditors to conduct their project audits at the end of each financial year.</p> <p>22. The AC noted the audit against contracted services is highly relevant as there are always issues with delays that the committee can assist with and it is equally important for the Executive to be informed. On the issue of contract management the IA is part of a routing slip process. It was noted that the contract management system needs to be included in the PMIS i.e. how many contracts have been issued, are current and status of deliverables of whether they have been achieved.</p>	XII. The Audit Committee ENDORSED the Secretariat's Performance against core requirements of the Governance Policy.	4. IA is going to follow-up on contract management and report back to the Audit Committee on the current status and how SPREP can improve future projects.
Agenda Item 6: IA report against 2016 work plan	<p>23. The AC requested that names not appear in the reports presented on staffing investigations.</p> <p>24. The AC reiterated the importance of the IA reporting to the Director General and maintaining the dates reported. The AC also requested the IA maintain independence particularly in terms of separation of roles and functions.</p> <p>25. The AC suggested the IA maintain a three year plan which includes systematic review of core functions at a strategic level and in terms of balancing core work, to create a percentage for reactive work. The IA advised the plan was developed based on high risk areas.</p> <p>26. The AC requested advice as to whether the IA is receiving professional training for upskilling. The IA responded she is a member of the Institute for Auditors of NZ and</p>	XIII. The Audit Committee NOTED the Internal Auditor's report against the 2016 work plan.	5. NZ will follow up on this and advise the IA of an opportunity in upskilling

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	<p>undertakes free training online through the Institute given the financial constraints NZ noted that there may be an opportunity for the IA to take up an attachment with their IA Unit.</p> <p>27. On the accounting software for SPREP it was suggested that the FAA undertake a cost benefit analysis to present to the Executive to improve performance.</p> <p>28. On revenue of the organisation the AC suggested the FAA do a review of the Strategic Plan and the budget including analysis of the budget for three years. Analyse what is the revenue source of the organisation and happening globally to help generate funds going forward if no revenue is received from traditional funders.</p> <p>29. The AC expressed the view to lift subscriptions seeking advice on what is the threshold for change and algorithm on how the subscriptions have been derived. Ac noted their concern of what the real risks are to the organisation if members do not pay membership contributions on time?</p>		with their Internal Audit Unit.
Agenda Item 7: Status of recommendations report /IA	30. The Audit Committee emphasised the importance of including timelines in reports for management to respond to issues.	XIV. The Audit Committee NOTED the report on status of recommendations	6. The IA to email to the Chair if responses are not forthcoming and he will follow-up.
Agenda Item 8: Revised IA charter and the AC Charter/ Governance Policy <ul style="list-style-type: none"> • Amendment to the IA charter • Amendments to the AC Charter • Internal Audit Policy name changed to Governance Policy 	<p>31. The IA noted the composition of the AC notes five independent member.</p> <p>32. There is also a process for the completion of a self-assessment questionnaire to be completed every two years and submitted to the Director General.</p> <p>33. The number of AC meetings will be at least three times per annum and special meetings may be called upon to discuss any other matters.</p> <p>34. Section 6.3 notes selection of the Chair every year by members of the committee.</p> <p>35. Section 4.1 notes independent members cannot be substituted by a proxy representative.</p>	XV. The Audit Committee NOTED the Revised Internal Audit Charter, Audit Committee Charter and Governance Policy.	

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	36. The IA to insert a conflict of interest form for members of the AC that has been removed from the revised version		
Agenda Item 9: Other Matters- Next meeting proposed 20 th of July 2017.		XVI. The Audit Committee NOTED the next meeting will be on 20 July.	

**SPREP AUDIT COMMITTEE
MINUTES AND FOLLOW UP ACTIONS
23 March 2017**

Agenda Item	The meeting:	Resolution	Follow-up actions
Agenda Item 1:	<p><u>Independent Members</u></p> <ul style="list-style-type: none"> • (Chair) Mr. Tupuola Oloialii Koki Tuala, of the Koki Tuala Chartered Accountant. • (New Zealand) Mr. Mike Walsh, Deputy High Commissioner, New Zealand High Commission • (Tokelau) Mr. Jovilisi Suveinakama, General Manager Apia/National, Office of the Council for the Ongoing Government of Tokelau <p><u>In attendance:</u></p> <ul style="list-style-type: none"> • Mr. Taimalie Ernest Betham, External Auditor • Ms. Petra Suhren-Chan Tung, Finance and Admin Adviser (FAA) • Ms. Selesitina P. Meni-Reti, Internal Auditor • Ms. Audrey Brown-Pereira, Executive Officer (Minutes) 		
Agenda Item 2: SPREP Final Accounts and SPREP Management	1. The Finance and Admin Adviser (FAA) presented the Statement of Financial Performance. Due to the implementation of control measures there has been a favourable outcome with a surplus in 2016 of US\$ 437,000 before foreign exchange gain/loss and net surplus of US\$ 346,898. There was a total income of US\$ 16.4 million compared to	<p>I. The Audit Committee REVIEWED and ENDORSED the SPREP Financial Statements for the Year ended 31 December 2016.</p> <p>II. The Audit Committee REVIEWED and</p>	I. The reserve of the balance sheet is a remaining challenge that needs to be addressed by the Senior Management Team as it reflects negative equity. If SPREP

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Letter	<p>US\$ 16.3 in 2015. Total expenses have also been reduced by US\$ 281k.</p> <ol style="list-style-type: none"> 2. On foreign exchange there was significant improvement from the previous year with the foreign exchange loss for 2016 of US\$ 98,258 compared with US\$ 344,333 in 2015. The measures implemented for addressing foreign exchange losses were implemented in August 2016, not long after the appointment of the FAA. It was noted that foreign exchange exposure will always be an aspect of the work of SPREP due to the multiple currencies of transactions and location in Samoa of having to hold a tala account. 3. The Chair observed there was a 71% reduction in foreign exchange losses from 2015. The FAA noted the term deposits of US\$ 1 million were held in non-US dollar currency and exposed SPREP to such risk. A recommendation was made with the DG and actions were made to close non-US dollar accounts. The Chair emphasized the importance of effectively managing US currency movement constantly to ensure the best exchange rate deals for SPREP. 4. Tokelau raised whether the result is sustainable to which the FAA responded it is sustainable. SPREP spends money in different currencies and works closely with managers to anticipate when revenue is expected from donors to help negotiate best rates with the banks. 5. On revenue from membership contributions four members have not paid any contributions.. The exception for this is RMI, the UK and Vanuatu which have been delayed because of their financial year. Receipts were issued for both the UK and Vanuatu as membership contributions were received for the first quarter of 2017. The FAA informed the meeting that no accruals are reflected in the accounts for membership contributions. For the UK it is noted they have made measures to remit before the end of the year for 2017. 6. On membership contributions follow-up was made on reporting standards by the FAA and Internal Auditor (IA). The first SPREP regulations were developed where members stated they would make voluntary contributions. The financial reporting is still aligned to International Financial Reporting Standards as it is better to understate 	<p><u>ENDORSED</u> the SPREP External Audit Management Letter for the Year Ending 31 December 2016 noting that all matters raised have been addressed and resolved by the Senior Management Team.</p> <ol style="list-style-type: none"> III. The Audit Committee <u>RECOMMENDS</u> with respect to the statement of financial position to take note of the: <ol style="list-style-type: none"> a. total negative reserves of the organisation of US \$ 468,000 as a result of the accumulated core funds of US\$ 1.1 million; and b. the working capital ratio of 1:0.87 is below the standard ratio of 1:1; and c. as a result that the management set a realistic target of how to resolve the negative result this has on SPREP. d. Bank Reconciliations- FAA advised that the bank Reconciliations for 2017 have been updated and the matter had been resolved and closed. IV. The Audit committee <u>NOTES</u> the improvement of the financial results from last year particularly the net surplus and the reduction of 71% in foreign exchange losses. V. The Audit Committee <u>WELCOMES</u> the reduction in the foreign exchange losses for the financial year ending 	<p>does not receive additional funding in the long term it will not address managing the costs. The build-up of reserves is necessary.</p> <ol style="list-style-type: none"> II. The IA and FAA to consider the inclusion of a disclosure for 2017 on membership contributions as it is a material amount. III. With respect to the Executive Management report the FAA to populate this issue so that it is transparent and clear. IV. The FAA to present all of the unpaid membership contributions to the next meeting to help guide the Audit Committee recommendations to the SPREP Meeting on the impact of non-payment to the SPREP budget and deficit. V. The FAA to effectively manage and continuously monitor US currency movement to ensure the best foreign currency exchange rates for SPREP. VI. With reference to page 21 note 20 there is a US\$ 3.8 million difference in the cost from 2015. The FAA was requested by the AC to ensure that the variance between Budget and Actuals is properly tracked and explained in financial reports to be

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	<p>than overstate. As noted in the accounts PNG made a voluntary contribution of US\$ 353,000 (\$1 million Kina) and it is up to the respective governments to contribute more at their discretion. A table of membership contributions is provided to members at the SPREP Meeting.</p> <p>7. Notes 6 and 7 on page 14 relate to the one off contribution from the Government of Sweden. The Chair noted the US\$ 900,000 reduction on Executive Management Support which is significant due to vacant positions and reduction in travel.</p> <p>8. The Chair noted on page 5 of the Statement of Financial Position at the end of 2016 there was an increase of US\$ 1.8 million in total assets.</p> <p>9. The FAA noted the cash holdings and term deposits matched donor liabilities, which was a going concern in the previous period. The amount in term deposits is US\$ 6,000 the rest of which is in cash. The Chair noted the liquidity position is still weak but improved from the previous period i.e. for every US\$ 1 dollar worth of debt there is 87 cents worth of assets with which to pay. This is a remaining challenge for liquidity.</p> <p>10. The Chair noted the reserves of the balance sheet is a remaining challenge that needs to be addressed by the Senior Management Team as it reflects negative equity. The FAA noted the accumulated losses have been building gradually since 2011 and the ideal situation is a balanced budget that needs to be addressed through surplus to build the reserves. The FAA noted realistically US\$500,000 is a hard target to be addressed by 2018.</p> <p>11. The Chair noted that if SPREP does not receive the additional funding it will not address managing the costs. Reserves are necessary.</p> <p>12. New Zealand notes the challenge has been put to the Secretariat but there is a need for the Secretariat to come forward with proposals to members of how to manage it. Pleased to see SPREP is heading in the right direction. The ideal situation is a surplus from now on.</p> <p>13. A question was raised on the new Pacific Climate Change Centre (PCCC) and the impact on SPREP and the work it does. The FAA noted the PCCC will start construction in 2018 as it has been delayed by six</p>	<p>2016.</p> <p>VI. The Audit Committee <i>CONGRATULATES</i> the Senior Management Team and Finance Team and particularly the leadership provided by the new Finance and Admin Adviser on the positive outcome of the Audit Report</p> <p>VII. The Audit Committee <i>NOTES</i> the timely manner the report has been received and extends its <i>APPRECIATION</i> to the External Auditor of BDO.</p> <p>VIII. The Audit Committee <i>NOTES</i> the next meeting of the Audit Committee will convene on <i>Tuesday 11 April 2017</i> and will include the SPREP Troika of Niue, Palau and New Zealand.</p>	<p>presented to both management and AC so that they could monitor progress.</p> <p>VII. AC reminded the FAA to ensure that the monthly bank reconciliations are a priority.</p> <p>VIII. With reference to note 19 on page 20 the issue of the negative balances reflected under donor /program schedule The FAA is to provide commentary to the next Audit committee meeting on negative balances reflected and how these will be rectified or experienced challenges etc to the Audit Committee.</p> <p>IX. With respect to the Executive Management Report AC advised that it would be expand upon the paragraph highlighted on the reserves issue. To include text that states the total revenue, compared to budget and expenses; reduction in loss and net surplus for 2016; and highlight that despite all of the positive improvements – the remaining challenge of eliminating the negative equity; and that these are challenges that SPREP are working to address through a plan.</p> <p>X. The SPREP Audited Financial Accounts will be finalised and</p>

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	<p>months. This is an opportunity to attract more donor funding to make use of the Centre as the Centre is for the member countries.</p> <p>14. On the SPREP Meeting moving to biennial arrangements including a two year budget plan, the FAA noted in 2018 it would have an immediate cost savings of US\$100,000.</p> <p>15. Page 21 note 20 US\$ 3.8 million difference in the Actual cost and the budget for 2016. The Chair requested a brief summary from the FAA of why there is a major difference between budget and actual cost for 2016 as per note 20. With respect to programmes and new projects there are challenges of capacity. The FAA stated that a monthly statement on the financial implications of programmes and projects are presented to the Senior Management Team meeting. Directors are informed of their responsibility and need to follow-up with staff on what projects have to be reported on.</p> <p>16. The issues raised in the draft management letter by the External Auditor have been resolved and closed after discussions with the Audit Committee members</p>		<p>presented to the Troika in 10-12 April and included in the SPREP Meeting papers.</p> <p>XI. The IA will circulate to members by email the signing of declaration by the DG and the AC members that will go into the SPREP 2016 Annual Report.</p>

**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>	<p>17. 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</p> <p>18. SPREP received funding support from Sweden of US 2.1 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</p>	<p>IX. The Audit Committee <u>NOTED</u> the SPREP Executive Briefing.</p>	<p>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.</p> <p>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,</p>

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	<p>US 10,000.</p> <p>19. 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.</p> <p>20. 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.</p> <p>21. 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).</p> <p>22. 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.</p> <p>23. 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>24. 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>25. 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>26. It was also noted the Financial and Audit Report was approved at</p>		

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	<p>the SM27 and should be noted by the Senior Management Team (SMT) as a positive.</p> <p>27. 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>28. The DG noted that there will be quarterly reporting to the Troika. The issue of the rolling over of the Auditor is duly noted. The DG further noted the issue of the composition of the AC and the desire for extended membership to SPREP Members.</p> <p>29. 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>30. 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>31. 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>X. The Audit Committee <u>ACCEPTED</u> the minutes.</p> <p>XI. The Audit Committee <u>APPROVED</u> the follow-up documents prepared by the Finance and Admin Adviser.</p> <p>XII. 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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	<p>32. 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>33. 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 competitive rates and negotiating accordingly.</p>		
<p>Agenda Item 4: Financial Report / Petra Chang Tung, FAA Jan-Sept 2016</p>	<p>34. 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>35. 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>36. 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>XIII. The Audit Committee RECEIVED and NOTED the financial statements up to September and the forecast up to December 2016.</p> <p>XIV. The Audit Committee COMMENDED SMT and the Finance and Admin Adviser for their significant efforts in collecting revenue and maintaining costs within budget.</p> <p>XV. The Audit Committee NOTED 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>

Agenda Item	The meeting:	Resolution	Follow-up actions
	<p>37. The FAA noted SPREP does not state in the accounts 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>38. 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>39. 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>40. 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>41. 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>XVI. 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 Reports from July to October 2016 /IA</p>	<p>42. The IA presented to the AC investigation reports from July to October 2016.</p> <p>43. The AC discussed Case A and options for recovery of SAT 14,998.28 and the risk to SPREP in not pursuing further 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</p>	<p>XVII. 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 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>

Agenda Item	The meeting:	Resolution	Follow-up actions
	<p>outstanding given the precedence now set if a similar case recurs in the future.</p> <p>44. The AC discussed Case B. It was noted the matter was resolved requiring no further action.</p> <p>45. 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>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>
<p>Agenda Item 7: Composition of the Audit Committee</p>	<p>46. 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.</p>	<p>XVIII. The Audit Committee <u>ACCEPTED</u> the composition of the Audit Committee.</p>	<p>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 Ministry of Finance.</p>
<p>Agenda Item 8: Internal Audit Plan for 2017/IA</p>	<p>47. The IA Plan for 2017 was presented to the AC.</p>	<p>XIX. The Audit Committee <u>ACCEPTED</u> the Internal Audit Plan for 2017.</p>	
<p>Agenda Item 9: Summary of Recommendations and status of implementation by SPREP/IA</p>		<p>XX. The Audit Committee <u>NOTED</u> the Summary of Recommendations and status of implementation by SPREP/IA.</p>	
<p>Meeting Closed at 1.30p.m</p>			

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

Agenda Item	The meeting:	Resolution	Follow-up actions
<p>Agenda Item 1: Introduction by the DG of the new Deputy Director General and the new Finance Admin Adviser</p>	<p><u>Independent Members</u></p> <ul style="list-style-type: none"> • (Chair) Mr. Tupuola Oloalii Koki Tuala, of the Koki Tuala Chartered Accountant. • (New Zealand) Mr. Mike Walsh, Deputy High Commissioner • (Tokelau) Ms. Margaret Sapolu <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 and Acting Finance and Admin Adviser) <p>Apologies:</p> <ul style="list-style-type: none"> • (Tokelau) Mr. Jovilisi Suveinakama overseas in Tokelau) <p><u>In attendance:</u></p> <ul style="list-style-type: none"> • Mr. Kosi Latu, SPREP Director General • Mr. Roger Cornforth, Deputy Director General • Mr. Taimalie Ernest Betham, External Auditor for Betham & Co • Ms. Petra Suhren-Chan Tung, Finance and Admin Adviser • Ms. Selesitina P. Meni-Reti, Internal Auditor • Ms. Audrey Brown-Pereira, Executive Officer 	<p>XXI. The Audit Committee welcomed Mr. Roger Cornforth, Deputy Director General and Ms. Petra Suhren-Chan Tung, Finance and Admin Adviser.</p>	
<p>Agenda Item 2: Briefing from SPREP</p>	<p>48. The Director General (DG) informed the Audit Committee of the 2015 net deficit of USD \$769,488 had been reduced to USD \$261,729. Finances are a challenge faced by all of the Council of Regional</p>	<p>XXII. The Audit Committee <i>NOTED</i> the SPREP Executive Briefing.</p>	<p>XII. The draft SPREP Strategic Plan 2017-2027 to be shared with the Audit Committee. (done by</p>

Agenda Item	The meeting:	Resolution	Follow-up actions
Executive (DG)	<p>Organisations of the Pacific (CROP) agencies and a key priority for SPREP.</p> <p>49. 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.</p> <p>50. 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.</p> <p>51. 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.</p> <p>52. 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.</p> <p>53. The Performance Implementation Plan (PIP) which will complement the strategic plan will be for a two year cycle.</p> <p>54. 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.</p> <p>55. 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>56. The Green Climate Fund (GCF) raises strategic issues for SPREP as a Regional Implementing Entity (RIE) which is an evolving process. The</p>		Audrey)

Agenda Item	The meeting:	Resolution	Follow-up actions
	<p>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>57. 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>58. 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>59. 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 Islands. The Suva office also enhances SPREP's sub-regional presence.</p> <p>60. 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>		

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<p>Agenda Item 3: Minutes and Matters Arising of the Audit Committee meeting 14 April 2016</p>	<p>61. 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>62. The writing off of the debt of a former staff member will be submitted to SMT by the FAA.</p> <p>63. The new DDG will take over the Risk Committee Chairmanship.</p> <p>64. 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>XXIII. The Audit Committee <u>ACCEPTED</u> the minutes with amendment.</p>	<p>XIII. 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>XIV. The FAA to prepare a paper for 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>
<p>Agenda Item 4: 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 to be submitted to AC rather than</i></p>	<p>65. 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>66. 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>67. 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>68. The Audit Committee notes the Auditors letter. The External Auditor agrees with the Audit Committee to review the financial accounts</p>	<p>XXIV. The Audit Committee <u>ADOPTED</u> the SPREP 2015 Financial Accounts and revised note 21 to the accounts.</p> <p>XXV. The Audit Committee <u>ACCEPTED</u> the Management Letter.</p> <p>XXVI. The IA and FAA to convey the revised note 21 to the Executive.</p> <p>XXVII. 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>XXVIII. The Audit Committee <u>RECOMMENDED</u> to the FAA, and HRA the preparation of detailed answers for clarification to the SPREP Meeting</p>	<p>XV. The next Audit Committee meeting will be in October.</p> <p>XVI. 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 the 2015 Audit Report.</p> <p>XVII. The FAA to also provide the foreign exchange calculation details reflected in the 2015 Financial Accounts to the Audit Committee.</p>

Agenda Item	The meeting:	Resolution	Follow-up actions
<p><i>the Final Audited Accounts.</i></p>	<p>while still in draft form prior to External Auditors issuing their opinion and before responding to the management letter and signing. 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>69. 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>70. 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>71. The Auditors letter is very clear on exchange losses and the Secretariat needs to look at reducing its risk exposure.</p> <p>72. 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>73. 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.</p>	<p>on the issues raised in the 2015 SPREP Audit Report.</p> <p>XXIX. The Audit Committee AGREED 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>XVIII. The FAA to explore options for negotiations with commercial banks of foreign transactions to manage the foreign exchange risks</p> <p>XIX. Change to note 21 of Audited Accounts as discussed with the External Auditor to reflect pending court decision on PJs case.</p>

Agenda Item	The meeting:	Resolution	Follow-up actions
	<p>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>74. 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>Agenda Item 5: Audit Committee Report to the SPREP meeting 2016- Draft</p>	<p>75. The IA presented the draft Audit Committee report for the SPREP Meeting for comments.</p>	<p>XXX. The Audit Committee <u>ACCEPTED</u> with revisions the Audit committee report for the SPREP meeting prepared by the Internal Auditor.</p>	<p>XX. The IA to complete and circulate the amendments to the Audit Committee.</p>
<p>Other matters</p>			
<p>Agenda Item 6: Composition of the AC members – view from the AC whether non-Independent members are to be included</p>	<p>76. On the composition of the Audit Committee NZ sought advice as to why there are no other SPREP members represented.</p> <p>77. 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>78. The Nataji consultant through the MSP raised concern that non-independent members should not be included for independence of the Audit Committee.</p> <p>79. 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.</p> <p>NZ noted there is a lot of responsibility on the members.</p> <p>80. Tokelau expressed strengthening the Audit Committee and</p>	<p>XXXI. The Audit Committee <u>NOTED</u> the discussion on the composition of the committee and will revisit the agenda item at the next meeting in October/November.</p>	

Agenda Item	The meeting:	Resolution	Follow-up actions
	increasing the number of independent members. The presence of non-independent members provides input and understanding into the Secretariat processes.		
Agenda Item 7: GEF-MSP training on 17 th August 2016 for the AC members	81. 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.	XXXII. The Audit Committee <i>NOTED</i> the training for 17 August.	