

**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 Maui 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 	<ol style="list-style-type: none"> I. The Audit Committee <u>WELCOMED</u> the attendance of the new independent member for Samoa - Ms. Rosita Maui 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. 	

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	<p>In attendance:</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 • Ms. Audrey Brown-Pereira, Executive Officer (Minutes) 		
<p>Agenda Item 2: Minutes</p>	<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>	<p>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>
<p>Agenda Item 3: Report from (a) DG to the AC; (b) AC letter in response</p> <p>Briefing from SPREP Executive/ Kosi</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 	<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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composition of the AC members and selection	<p>from Australia, which is undergoing an internal process within the Government of Australia.</p> <p>6. The AC reviewed the accounts and management letter in March and discussed outstanding issues with management.</p> <p>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> <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>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>	

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	<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 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.</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>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. 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</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"> a. include a liquidity ratio on a quarterly basis and add to notes presented in the quarterly report; b. include the status of the reserves for the information of management; and c. Circulate via email the quarterly report to the Audit Committee through the Internal Auditor.

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	documents are ready for their review. Directors need to drive the change in light of 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>	<p>XII. The Audit Committee <u>ENDORSED</u> the Secretariat's Performance against core requirements of the Governance Policy.</p>	<p>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.</p>
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>XIII. The Audit Committee <u>NOTED</u> the Internal Auditor's report against the 2016 work plan.</p>	

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	<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 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>		<p>5. NZ will follow up on this and advise the IA of an opportunity in upskilling with their Internal Audit Unit.</p>

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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 <u>NOTED</u> 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> <p>36. The IA to insert a conflict of interest form for members of the AC that has been removed from the revised version</p>	XV. The Audit Committee <u>NOTED</u> the Revised Internal Audit Charter, Audit Committee Charter and Governance Policy.	
Agenda Item 9: Other Matters- Next meeting proposed 20 th of July 2017.		XVI. The Audit Committee <u>NOTED</u> the next meeting will be on 20 July.	