

## Thirty Second SPREP Meeting of Officials

2-4 September 2025

Sheraton Aggie Greys Hotel & Bungalows  
Apia, Samoa

### Agenda item 6.2: Audit Committee Report

#### Purpose:

1. To present to Members the SPREP Audit Committee (AC) Report on the Committee's work over the past 12 months.

#### Background:

2. This report on the activities of the AC covers the period between 1 August 2024 to 31 July 2025.
3. The report is in accordance with the Governance Policy and Section 3 of the Audit Committee Charter which stipulates responsibilities of the AC.
4. The Committee is an integral, independent component of SPREP's governance arrangements. Its responsibilities are to provide structured, systematic oversight of the Secretariat's governance, risk, and internal control issues, and to offer independent advice and guidance on the adequacy and effectiveness of the Secretariat's practices and potential improvements.

#### Composition of the Audit Committee

5. For the period between 1 August 2024 to 31 July 2025 the Audit Committee was composed of the following members:
  - Chairman:
    - Mr. Tupuola Oloialii Koki Tuala, Partner, Koki Tuala Chartered Accountant (KTCA) (Following an open selection process undertaken in 2024, the Troika approved a further extension of Mr. Tupuola's appointment for an additional two years, through to 31 December 2026. This follows the completion of two consecutive four-year terms beginning in 2016, along with a one-year extension through to 31 December 2024.).
  - Member(s)
    - Ms. Rosalini Moli, Assistant Chief Executive Officer, Ministry of Finance, Samoa (Re-appointed for second term in March 2023 and concluded in July 2025).
    - Ms. Ake Puka-Mauga, Secretary to Council and Senior Policy Advisor, Office of the Council for the Ongoing Government of Tokelau, Tokelau Office, Apia (Appointed in July 2023).
    - Mr. Jonathan Lee, Second Secretary (Economic Affairs), New Zealand High Commission to Samoa (MFAT) (Appointed in March 2024).
    - Ms. Bridgette Cottrill, Senior Policy and Development Officer, Pacific Climate Negotiations and Oceans New Zealand, Partners and Pacific Climate Change Branch, Office of the Pacific, DFAT. (Appointed in April 2024 and concluded in July 2025).

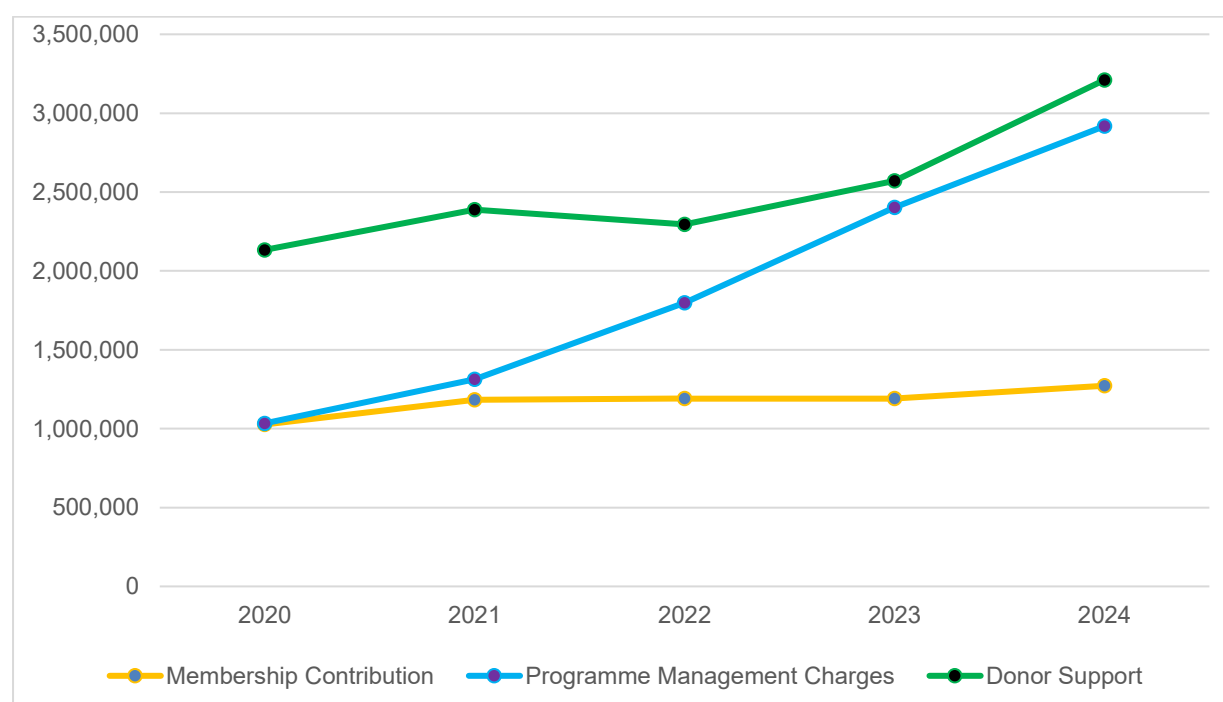
6. The Secretariat is currently facilitating the appointment process for replacements of outgoing Committee members to ensure continuity and maintain the required quorum and expertise.

### Financial Performance

7. The Committee acknowledges the collective and concerted efforts of the Secretariat in managing its financial position and performance. For the year ended 31 December 2024, the Secretariat recorded a net surplus of US\$660,824, compared with US\$1,260,299 in 2023. This outcome reflects continued efforts to strengthen financial discipline, enhance operational efficiency, and maintain alignment between revenue and expenditure.
8. The Committee commends the Secretariat for its consistent financial performance over recent years, which has contributed to a more stable and resilient financial footing.
9. The details of the Secretariat's principal revenue stream in US dollars for the last five years (2020–2024) are shown below:

| Year | Membership Contribution<br>US (\$) | Programme Management Charges<br>US (\$) | Donor Support<br>US (\$) |
|------|------------------------------------|-----------------------------------------|--------------------------|
| 2024 | 1,271,981                          | 2,917,705                               | 3,210,393                |
| 2023 | 1,190,245                          | 2,402,591                               | 2,570,374                |
| 2022 | 1,190,195                          | 1,797,631                               | 2,294,333                |
| 2021 | 1,183,955                          | 1,313,071                               | 2,388,092                |
| 2020 | 1,026,444                          | 1,033,668                               | 2,133,269                |

**Trends in the Secretariat's Principal Revenue Streams (2020–2024)**



## **Support from Partners and Donors**

10. The Committee recognises and greatly appreciates the ongoing and significant support provided by the Secretariat's core development partners, particularly Australia's DFAT and New Zealand's MFAT, which significantly contributes to advancing SPREP's strategic priorities and regional initiatives.
11. In addition, the Committee acknowledges the support received from development partners.. A key milestone in 2024 was the signing of a core funding agreement with the United Kingdom in June 2024, securing substantial financial support for the 2024–2025 period.
12. Total income from donor contributions in 2024 reached US\$3,210,393, an increase from US\$2,570,374 in 2023, representing 41.5% of total income for the year ended 31 December 2024. This growing support reflects strong donor confidence in SPREP's governance and strategic direction.

## **Membership Contribution**

13. The Committee warmly welcomes the resolution of the 31st SPREP Meeting to implement the 20% increase in membership contributions first proposed at the 28th Meeting effective from 2024. This marks a significant step in reinforcing the Secretariat's financial foundation.
14. The Committee expresses its sincere appreciation to Members who have honoured this increase. This collective commitment serves as a tangible demonstration of regional solidarity and shared ownership of SPREP's mandate. It also sends a strong and unified message to the international community regarding the region's commitment to environmental stewardship.
15. In 2024, membership contributions accounted for 16.4% of the Secretariat's total income. Timely and full payment not only fulfils a formal commitment but also upholds the principles of partnership, accountability, and collective responsibility.

## **Outstanding Membership Contribution**

16. The Committee notes with concern that, as of 4 July 2025, outstanding membership contributions on a cash basis totalled US\$778,177, of which 66% (US\$510,869) was carried forward from 2024. This continuing trend has implications for the Secretariat's financial planning and service delivery.
17. While acknowledging the fiscal challenges faced by some Members, the Committee encourages ongoing consultation and proactive engagement to address outstanding contributions, in a spirit of mutual understanding and shared regional responsibility.

## **Project Management Charges**

18. The Committee acknowledges the significant improvement in project management charges, a primary revenue stream for the Secretariat. In 2024, revenue from this stream increased by 21.4%, rising from US\$2,402,591 in 2023 to US\$2,917,705, an increase of US\$515,114. This positive trend reflects the Secretariat's enhanced project implementation capacity, improved delivery performance, effective coordination, and strong collaboration with partners and Members.

19. Project management charges represented 38% of the Secretariat's total income for the year ended 31 December 2024, emphasising their strategic importance to the organisation's financial sustainability. The Committee highlights that strengthened project delivery not only contributes to achieving programmatic outcomes for Members but also reinforces the Secretariat's core funding base.
20. To sustain and build on these gains, the Committee encourages the Secretariat to maintain a focus on continuous improvement in project execution and delivery. Furthermore, it urges the Secretariat to strategically leverage its accreditation status and comparative advantages to expand this revenue stream, recognising that enhanced delivery performance directly translates into greater capacity to generate sustainable financing for core functions and long-term institutional resilience.

### **Improvement in Reserve Position**

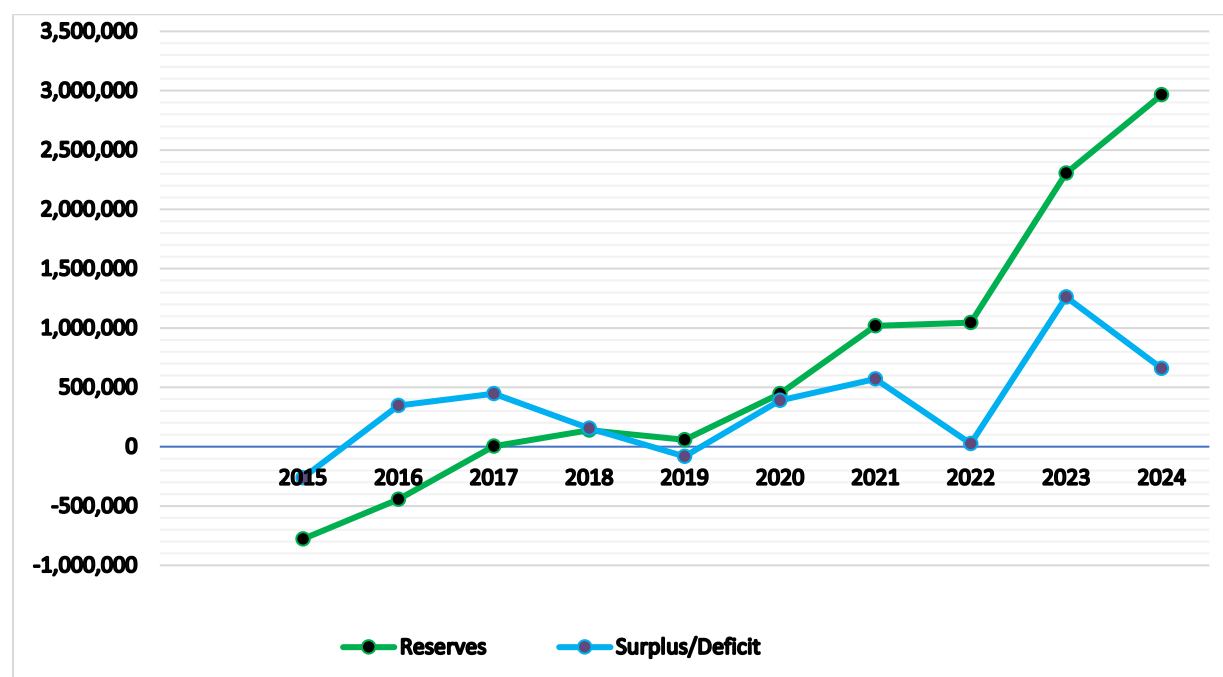
21. The Committee is pleased to acknowledge the continued strengthening of the Secretariat's financial reserves, which increased from US\$2,304,271 as of 31 December 2023 to US\$2,965,095 as of 31 December 2024. This positive trajectory reflects the Secretariat's prudent financial stewardship, the growing trust and confidence of Members and development partners, and the collective commitment of the Secretariat's leadership and staff. Importantly, the Secretariat now holds reserves sufficient to sustain approximately four to five months of operational expenditure in the event of unforeseen disruptions.
22. Looking ahead, the Committee underlines the strategic importance of safeguarding and where possible, further strengthening the Secretariat's reserve position. A robust and resilient financial buffer is essential to:
  - a) Sustain rising operating expenditure while ensuring the continuity and effectiveness of core programmes and services to Members.
  - b) Protect staff welfare and maintain institutional stability during periods of financial volatility or external uncertainty.
  - c) Enable timely and coordinated responses to external risks, including inflationary pressures, shifts in donor priorities, geopolitical developments, environmental emergencies, and unexpected funding disruptions that could affect the Secretariat's financial sustainability and operational resilience.
  - d) Provide the flexibility to pursue strategic priorities and invest in future organisational growth.

### **Financial Position and Performance (2015–2024)**

23. The Committee reviewed the Secretariat's financial performance and reserve position over the past decade. The data below highlights the Secretariat's financial evolution, illustrating a significant turnaround from technical insolvency in 2015–2016 to a strong reserve position in 2024. The table serves as a valuable reference point and reminder to Staff, Management, and Members of the importance of shared responsibility and continuous improvement in driving institutional resilience and long-term success.

| Year | Financial Position<br>Reserve<br>US (\$) | Financial Performance<br>Net Surplus/(Deficit)<br>US (\$) |
|------|------------------------------------------|-----------------------------------------------------------|
| 2024 | 2,965,095                                | 660,824                                                   |
| 2023 | 2,304,271                                | 1,260,299                                                 |
| 2022 | 1,043,972                                | 26,261                                                    |
| 2021 | 1,017,711                                | 570,573                                                   |
| 2020 | 447,139                                  | 389,376                                                   |
| 2019 | 57,763                                   | (81,977)                                                  |
| 2018 | 139,740                                  | 154,273                                                   |
| 2017 | 5,123                                    | 445,982                                                   |
| 2016 | (443,762)                                | 346,898                                                   |
| 2015 | (778,112)                                | (261,729)                                                 |

#### Secretariat's Financial Position (Reserves) and Performance (Surplus/Deficit) from 2015-2024



#### Sustain and Strengthen SPREP's Reserve Position

24. In light of the encouraging progress made, the Committee puts forward the following recommendations to further strengthen the Secretariat's reserve position and support its long-term financial resilience

- Maintain strategic focus on revenue generation, internal capacity building, and diversification of funding sources.
- Deepen engagement with all SPREP Members to encourage timely payment of membership contributions, active participation, and a shared sense of ownership in the Secretariat's mission. This includes enhancing the value proposition of membership by aligning services more closely with Members' evolving environmental priorities.

- c) Strategically implement the recommendations of the *Working Group<sup>1</sup> on Core Funding Review, Sustainable Financing and Resourcing Strategy* ensuring alignment with SPREP's evolving operational needs and long-term financial goals.
- d) Expand partnerships by securing new and innovative core funding arrangements, while reinforcing existing relationships, with particular attention to engaging remaining metropolitan Members and other development partners.
- e) Continue to strengthen internal systems and processes to support timely, efficient, and results-focused project delivery.
- f) Continue to maintain sound fiscal discipline through robust budgetary controls and the prudent, transparent use of core funds.

## Discussion and Review of Financial Statements

- 25. The Committee has thoroughly reviewed the 2024 audited financial statements, including the applicable accounting policies, in consultation with the Director General, the Director of Finance and Administration, and the external auditors, KPMG Fiji. In addition, the Committee examined the external auditor's report and the accompanying management letter, which included constructive recommendations to support continuous improvement in SPREP's financial and operational practices.
- 26. The Committee is pleased to note that the audit was conducted without any disagreements between the engagement team and management, no limitations in audit scope, and no adverse findings reported by the external auditors.
- 27. The Committee acknowledges the value of its annual consultations with the external auditors, which continue to serve as an important platform for exchanging perspectives, clarifying key issues, and jointly identifying opportunities for enhancement. This collaborative approach was acknowledged by the KPMG partner and has added tangible value to SPREP's audit process and financial oversight.
- 28. Following a review of the financials and discussions with management and KPMG, the Committee issued a statement on 13 June 2025, regarding internal control. This statement was based on the findings and outcomes of the audited financial statements for 2024.

## Regularisation of Carried Forward Overdrawn Project Balances

- 29. The Committee acknowledges the Secretariat's 2024 efforts to regularise and write off overdrawn project balances totalling US \$394,185, the majority of which relate to legacy balances from earlier periods (2008–2017). This action, undertaken as part of the audit review process, reflects a responsible and transparent approach to resolving long-standing accounting matters.
- 30. The Committee encourages the Secretariat to continue strengthening project closure protocols, enhancing financial oversight mechanisms, and reinforcing internal controls to minimise the risk of similar issues arising in the future.

---

<sup>1</sup> Fourth Executive Board Meeting

## **Contingent Liability**

31. The Committee notes the disclosure of a contingent liability arising from a litigation claim brought by a former project-based consultant, estimated at approximately US \$70,000. Based on in-house legal advice, the likelihood of a financial outflow is considered low.
32. The Committee commends the Secretariat for its transparent disclosure of this matter and encourages continued vigilance in monitoring its progress. Looking ahead, the Committee also encourages the Secretariat to further strengthen internal safeguards particularly in contract management and dispute resolution processes to mitigate the risk of similar legal claims in the future.

## **Fraud Prevention and Awareness Measures**

33. The Committee acknowledges with appreciation the continued confidence of donors and stakeholders in SPREP's governance and accountability mechanisms. It also stresses the critical importance of maintaining vigilance in the ongoing fight against fraud.
34. During the reporting period, no fraud incidents or complaints were received through the Secretariat's established reporting channels. Notably, no fraud cases have been formally reported over the past eight years since the introduction of the whistleblower mechanism a testament to the effectiveness of SPREP's internal controls and the strength of its ethical culture.
35. The Committee was pleased to note that targeted fraud awareness sessions were conducted to empower staff to identify, prevent, and report suspected fraud. These sessions also reinforced the importance of protecting whistleblowers and ensuring that reporting mechanisms remain clear, confidential, and accessible.
36. Importantly, elements of these sessions were extended to selected Member representatives involved in project implementation, helping to foster a broader culture of integrity, shared accountability, and responsible resource management.

## **Enhancing Cybersecurity Resilience and Safeguards**

37. The Committee acknowledges the measures taken by the Secretariat following the cyber incident reported in December 2023. While these efforts are recognised, the Committee emphasises that cybersecurity remains a dynamic and increasingly sophisticated area of risk a concern also echoed in discussions with the external auditors, KPMG. In this context, sustained vigilance, adaptability, and strategic investment are critical to safeguarding the Secretariat's systems, data, funds and operations from future threats.
38. Building on the progress made, the Committee encourages the Secretariat to further strengthen its cybersecurity posture by:
  - a) Regularly reviewing, testing, and enhancing its cybersecurity risk management plan to ensure it remains responsive, forward-looking, and resilient to emerging threats;
  - b) Enhancing IT infrastructure and policy frameworks to safeguard critical systems and data, in alignment with international good practices;

- c) Continuing to foster an organisation-wide culture of cyber awareness through ongoing staff training, knowledge-sharing, and timely communication of risks and mitigation strategies; and;
  - d) Embedding cybersecurity as a core component of the enterprise risk management (ERM) framework to enable effective governance, monitoring, and response.
39. The Committee will continue to monitor developments and encourages the Secretariat to maintain a proactive, integrated, and strategic approach to cybersecurity thereby enhancing stakeholder confidence and ensuring business continuity in an increasingly digital operating environment.

#### **Implementation Progress on the 3rd Independent Corporate Review (ICR) and Mid-Term Review (MTR) of the SPREP Strategic Plan Recommendations**

40. The Committee noted that the Secretariat is progressing with the implementation of the seven high-priority recommendations identified and prioritised by the Members Working Group, following the review of 36 recommendations arising from the joint Independent Corporate Review (ICR) of the Secretariat's overall performance and the Mid-Term Review (MTR) of the SPREP Strategic Plan 2017–2026 conducted in 2021.
41. The Committee acknowledges the progress made and urges the Secretariat to prioritise actions, allocate adequate resources, and sustain momentum to ensure timely implementation of the review team's recommendations, in line with the prioritisation established by the ICR and MTR Working Group, ahead of the next scheduled review.

#### **Progress on Country and Territory Strategic Partnership Frameworks (CTSPFs)**

42. The Committee noted with appreciation that Country and Territory Strategic Partnership Frameworks (CTSPFs) have been finalised and signed with Palau, American Samoa, Nauru, and Vanuatu. The Committee was further informed that preparatory work is well underway for CTSPFs with Tuvalu, French Polynesia, Niue, and the Marshall Islands.
43. The Committee strongly encourages the remaining seventeen (17) Member countries and territories to maintain their valuable engagement and collaboration with the Secretariat in finalising their respective CTSPFs. These frameworks serve as critical instruments for aligning national and regional priorities and will enable the Secretariat to more effectively plan, design, and deliver tailored project support and interventions to address the unique and pressing environmental challenges faced by each Member.

#### **Project Management Information System**

44. The Committee notes that the strong financial performance from project management charges relies not only on delivery capacity but also on robust systems that enable effective oversight and timely project monitoring. In earlier reports, the Committee drew attention to the limitations of the existing Project Monitoring Information System (PMIS) in supporting effective project delivery.



45. The Committee welcomes the Secretariat's decision to prioritise the upgrade of the PMIS, with its integration now planned under the proposed Integrated Enterprise Management System (IEMS). While recognising the interim use of a manual project tracking tool, the Committee notes that this approach has inherent constraints.
46. Therefore, the Committee underscores the importance of strengthening project monitoring controls and accelerating the development of a more robust and integrated system to support real-time tracking, enhance reporting, and inform strategic decision-making, all critical for sustaining and enhancing project delivery performance.

### **Project Sustainability and Strategic Planning for Resource Mobilisation**

47. Looking ahead, the Committee notes that a number of projects are scheduled to conclude during the 2025–2027 period, while new project proposals are being developed and are in the approval process in collaboration with donor partners.
48. The Committee emphasises the importance of forward-looking and coordinated planning to secure successor or replenishment projects in a timely manner. This approach is vital for maintaining operational continuity, sustaining programme momentum, and retaining technical expertise and institutional capacity.
49. In this context, the Committee encourages stronger engagement and collaboration between the Secretariat and Members to strategically leverage SPREP's existing Green Climate Fund (GCF) and Adaptation Fund (AF) accreditations, as well as other partnerships, to enhance resource mobilisation and broaden the project portfolio in alignment with Members' evolving environmental priorities.

### **Digital Transformation: Integrated Enterprise Management System (IEMS)**

50. The Committee welcomes the commencement of Phase 1 of the Integrated Enterprise Management System (IEMS), a key institutional strengthening initiative funded at NZ\$3.85 million through the New Zealand Climate Fund. This strategic investment represents a significant milestone in SPREP's digital transformation journey, aimed at modernising its technology and information systems to improve operational efficiency, service delivery, and organisational effectiveness.
51. The Committee underlines the importance of a scalable and well-architected system design to support future phases of implementation. A flexible and forward-looking architecture will be critical to ensuring the long-term relevance and adaptability of the platform in meeting SPREP's evolving operational and programmatic needs.

### **Cultivating a Risk-Aware Culture**

52. The Committee stresses the importance of embedding a proactive and dynamic risk management culture across all levels of the Secretariat. Key actions include:
  - a) Regularly meeting, reviewing and updating the risk management plan to ensure alignment with the evolving risk landscape.
  - b) Promoting a culture that values risk-awareness, encourages responsible risk-taking, and reinforces accountability at all levels.

- c) Fostering early identification and mitigation of risks through collaborative and forward-looking approaches.
- d) Ensuring risk considerations are systematically integrated into strategic planning and operational decision-making.

53. The Committee encourages and supports Management's ongoing efforts to strengthen risk management frameworks that are practical, relevant, and effective in safeguarding the Secretariat's performance, reputation, and long-term sustainability.

### **Recruitment and Workforce Planning**

54. The Committee acknowledges the Secretariat's ongoing efforts to strengthen staff onboarding processes. However, it notes that delays in recruitment continue to pose operational challenges. The Committee recognises that planned enhancements to the Human Resources system prioritised under Phase 1 of the Integrated Enterprise Management System (IEMS) are expected to streamline and automate recruitment processes, thereby improving efficiency and responsiveness.

55. The Committee encourages continued and proactive workforce planning to anticipate staffing needs, initiate timely recruitment, and leverage CROP harmonisation efforts by drawing on shared knowledge, tools, and experiences across regional agencies.

### **Development of the Project Grievance Redress Mechanism**

56. The Committee noted the ongoing development of the Project Grievance Redress Mechanism (GRM), recognising it as a critical safeguard to prevent, mitigate, and respond to concerns that may arise during project implementation.

57. The Committee notes that the establishment of the GRM has experienced delays, as previously reported, and emphasises the importance of accelerating its finalisation and operationalisation. The Committee encourages the Secretariat to prioritise this work, ensuring that the mechanism is accessible, well-publicised, and underpinned by clear, transparent, and responsive procedures. This will be essential to reinforcing stakeholder confidence, demonstrating SPREP's commitment to high standards of project governance, and meeting donor and partner expectations for grievance redress systems.

### **Infrastructure Management: Ongoing Improvements and Strategic Outlook**

58. The Committee acknowledges the Secretariat's ongoing efforts to enhance and maintain its campus infrastructure. Looking ahead, it encourages the Secretariat to adopt a structured, forward-looking approach to infrastructure management to address remaining gaps and ensure long-term sustainability, resilience, and operational efficiency. Such an approach would strengthen strategic planning, support effective prioritisation and resource allocation, and facilitate timely maintenance, as well as the progressive expansion and modernisation of core facilities.

## **Strengthening the Internal Audit Function**

59. Strengthening the Internal Audit Function remains a key focus of the Committee's ongoing commitment to reinforcing the Secretariat's governance framework and fostering a culture of continuous improvement. To this end, the Committee supported an independent review of the Internal Audit (IA) function. This review was conducted in close consultation with the Secretariat during the third quarter of 2024, with the final assessment completed in October 2024.
60. The review, carried out by an external consultant to ensure independence and objectivity, provides a clear roadmap to enhance SPREP's governance maturity. Key priorities include:
- a) Promoting greater alignment with globally recognised internal audit standards and best practices.
  - b) Addressing persistent capacity and resourcing constraints to ensure the IA function is adequately equipped to fulfil its mandate; and
  - c) Investing in professional development to build and sustain the technical capabilities of internal audit personnel.
61. The Committee has identified the implementation of these recommendations as a strategic governance priority for the 2025–2026 period and will continue to provide oversight, guidance, and direction to support their effective implementation.

## **Ongoing Consultations with Management and Follow-Up**

62. The Committee remains firmly committed to upholding high standards of governance, accountability, and continuous improvement. It values the ongoing collaboration with the Secretariat as part of shared commitment to innovation and institutional strengthening.
63. The Committee and the Secretariat continue to work closely to address the issues and challenges identified in the Committee's current and past reports, with a shared commitment to implementing sustainable solutions and strengthening organisational performance.
64. The Committee appreciates the cooperation and openness of all stakeholders in supporting these efforts. It also commends Management and staff for their ongoing commitment and dedication, which have contributed to delivering strong financial performance and meaningful outcomes for SPREP.
65. The Committee strongly supports the continuation of regular consultations with the Senior Leadership Team throughout the year. These engagements have proven to be highly effective in fostering open dialogue, facilitating informed decision-making, and expediting the implementation of practical and timely solutions to emerging challenges faced by the Secretariat.

**Recommendations:**

66. The Meeting is invited to:

- 1) **Note and approve** the report of the Audit Committee for the period 1 August 2024 to 31 July 2025.
  - 2) **Acknowledge** the significant improvement in the Secretariat's reserve position, from US\$2,304,271 in 2023 to US\$2,965,095 in 2024.
  - 3) **Welcome** the increased support from partners and donors.
  - 4) **Encourage** strengthened engagement between Members and the Secretariat, alongside the timely settlement of Member contributions, to support SPREP to effectively fulfil its mandates.
  - 5) **Encourage** the Secretariat to sustain and build momentum in addressing and implementing the recommendations prioritised by the ICR and MTR Working Group, ensuring that adequate resources are allocated for their timely completion ahead of the next scheduled review.
  - 6) **Encourage** Members' active engagement and collaboration in finalizing their respective Country and Territory Strategic Partnership Frameworks (CTSPFs).
  - 7) **Urge** the Secretariat to strengthen project monitoring and prioritise the development of an integrated Project Management Information System (PMIS) under the IEMS initiative to enable real-time tracking and improved reporting.
  - 8) **Encourage** the Secretariat to strategically continue leveraging on its GCF and AF accreditation status to explore and access new project opportunities.
  - 9) **Encourage** the Secretariat to continue embedding a proactive risk management culture across all levels of the organisation, ensuring timely risk identification, clear accountability, and the integration of risk considerations into strategic and operational decision-making.
  - 10) **Urge** the expedited development and implementation of a Project-level Grievance Redress Mechanism (GRM) to enhance accountability and responsiveness.
  - 11) **Urge** the Secretariat to prioritise resolving human resource challenges and to strengthen capacity-building efforts, ensuring that the Internal Audit function is adequately resourced and empowered to deliver its essential oversight responsibilities.
  - 12) **Encourage** the Secretariat to address the identified gaps and leverage the opportunities highlighted in current and previous Committee reports, ensuring alignment with SPREP's strategic priorities and commitment to continuous improvement.
  - 13) **Record** its appreciation for the continued cooperation and support of the Director General, Senior Leadership Team, and all staff of SPREP over the past 12 months.
-