

**SPREP**  
**Secretariat of the Pacific Regional Environment Programme**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

SPREP  
Financial Statements  
For the year ended 31 December 2015  
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**SPREP**  
**Executive Management's Report**  
**For the year ended 31 December 2015**

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We are pleased to present the Secretariat's financial statements and the independent auditors report thereon for the financial year ended 31 December 2015.

During the year we expended US\$17.7 million dollars compared to budgeted expenditure of US\$20.0 million dollars while our total cash holdings at year end amounted to US\$5.3 million dollars. The Secretariat has generated a negative operating result as per the income statement relative to a balanced budget for the same period.

**Responsibility for Financial Reporting**

The accompanying financial statements are the responsibility of management. The financial statements have been prepared according to International Financial Reporting Standards and include amounts based on management's best estimates and judgments.

Management has established and been maintaining accounting and internal control systems which include clearly stated policies and procedures. These systems are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

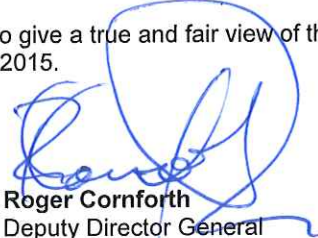
SPREP Members oversee management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the SPREP Members on recommendation from management.

Our independent auditors (Betham & Co.), having been appointed by the SPREP Members, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.

In our opinion:

- a. The accompanying statement of income is drawn up so as to give a true and fair view of the results of the Secretariat for the year ended 31 December 2015;
- b. The accompanying statement of financial position is drawn up so as to give a true and fair view of the state of the Secretariat's affairs as at 31 December 2015;
- c. The accompanying statement of movement in reserves is drawn up so as to give a true and fair view of the movement of funds and reserves of the Secretariat for the year ended 31 December 2015; and
- d. The accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows for the Secretariat for the year ended 31 December 2015.

  
**Leota Kosi Latu**  
Director General

  
**Roger Cornforth**  
Deputy Director General

30 May, 2016

**Independent Audit Report  
To the Members of  
Secretariat of the Pacific Regional Environment Programme (SPREP)**

We have audited the accompanying financial statements of the Secretariat of the Pacific Regional Environment Programme ("SPREP") which comprises the statement of income, statement of movement in reserves and statement of cash flows for the year ended 31 December, 2015, the statement of financial position as of that date, a summary of significant accounting policies and other explanatory notes.

**Managements' responsibility for the Financial Report**

Management is responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and with the requirements of the SPREP Financial Regulations. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion to the Members of SPREP, as a body, in accordance with SPREP Financial Regulation 32. Our audit work has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than SPREP and the SPREP Members as a body, for our audit work, for this report, or for the opinions we have formed. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

We confirm that we have no other relationship with SPREP other than the audit of the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the SPREP's Directors and Management, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### **Auditor's Opinion**

In our opinion, proper books of account have been kept by SPREP, so far as it appears from our examination of those books and the financial statements which have been prepared in accordance with International Financial Reporting Standards:

- (i) are in agreement with the books of account;
- (ii) to the best of our information and according to the explanations given to us:
  - a. give a true and fair view of SPREP's state of affairs as at 31 December, 2015 and of its statements of financial performance, changes in reserves, and its cash flows for the year ended on that date;
  - b. provide the information required by the SPREP Financial Regulations in the manner so required.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

### **Specific Reporting Requirements**

In accordance with SPREP's Financial Regulation 32 we report on the specific matters per the financial regulation as follows:

- a) The extent and character of our examination has been explained in the section on *Auditor's Responsibility* above and is based on the International Standards on Auditing. The financial statements for the year end of 31<sup>st</sup> of December, 2015 have been prepared in accordance with International Financial Reporting Standards.
- b) There are no matters affecting the completeness and accuracy of the accounts.
- c) We confirm the accuracy of the equipment records as determined by physical inspection of additions to assets and verification of disposals during the reporting period.
- d) The financial procedures of SPREP are adequate based on our examination of the financial procedures necessary for the purposes of formulating the auditor's opinion expressed above.
- e) Based on our examination of the insurance documentation the insurance cover for SPREP's assets is adequate.
- f) Others matters which do not affect our audit opinion have been brought to the attention of management in our report to management.

  
**BETHAM & CO.**  
**Chartered Accountants**  
Apia, Samoa

Dated 30<sup>th</sup> May, 2016

**SPREP**  
**Statement of Financial Performance**  
For the year ended 31 December 2015

	Notes	2015	2014
<b>Income</b>		\$	\$
Members contributions	5	1,427,454	1,342,600
Programme management charges	19	1,129,449	1,169,274
Programme/donor fund income	19	12,138,382	15,650,858
Other donor fund income	6	1,389,464	918,678
Amortisation of deferred income	8	83,256	83,225
Other income	7	185,887	108,268
<b>Total income</b>		<b>16,353,892</b>	<b>19,272,903</b>
<b>Expenses</b>			
Executive management & corporate Support		3,944,401	4,110,220
Climate change	20	4,461,049	8,718,844
Biodiversity	20	3,260,947	3,152,564
Waste management	20	3,537,387	2,440,544
Environment monitoring	20	892,761	1,400,038
Depreciation and amortisation expense	11/12	228,912	132,434
<b>Total expenses</b>		<b>16,325,457</b>	<b>19,954,644</b>
<b>Surplus / (Deficit) Before net finance income and foreign exchange</b>		<b>28,435</b>	<b>(681,741)</b>
Net finance income	9	54,169	113,042
Foreign exchange (loss)		(344,333)	(200,789)
<b>Net deficit</b>		<b>(261,729)</b>	<b>(769,488)</b>

The accompanying notes form an integral part of the above financial statement

SPREP  
Statement of Financial Position  
For the year ended 31 December 2015

	Notes	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, Plant and Equipment	11	3,154,998	3,247,864
Intangible Assets	12	375,097	468,872
		<u>3,530,095</u>	<u>3,716,736</u>
<b>Current assets</b>			
Cash at Bank and on Hand	13	4,178,036	3,102,350
Term Deposits	14	1,092,581	1,639,468
Receivables and prepayments	15	72,848	408,325
		<u>5,343,465</u>	<u>5,150,143</u>
<b>TOTAL ASSETS</b>		<u><b>8,873,560</b></u>	<u><b>8,866,879</b></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Core Funds		(1,501,343)	(1,238,598)
General		501,425	501,425
Specific Fund	16	221,806	244,542
<b>Total reserves</b>		<u><b>(778,112)</b></u>	<u><b>(492,631)</b></u>
<b>Non Current Liabilities</b>			
Deferred Income	8	2,874,140	2,957,426
<b>Total non current liabilities</b>		<u><b>2,874,140</b></u>	<u><b>2,957,426</b></u>
<b>Current Liabilities</b>			
Programme/Donor funds	19	5,467,956	4,735,411
Payables and accruals	18	348,649	583,280
Provision for employee entitlements	17	877,671	1,000,168
Current portion of deferred income	8	83,256	83,225
<b>Total current liabilities</b>		<u><b>6,777,532</b></u>	<u><b>6,402,084</b></u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u><b>8,873,560</b></u>	<u><b>8,866,879</b></u>

Signed on behalf of the SPREP Members

The accompanying notes form an integral part of the above financial statement

SPREP  
Statement of Changes in Funds and Reserves  
For the year ended 31 December 2015

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	Notes	Core Fund \$	General Reserve \$	Specific Reserve \$	Total \$
<b>Balance at 1st January 2014</b>		<b>(469,110)</b>	<b>501,425</b>	<b>35,133</b>	<b>67,448</b>
Net deficit for the year		(769,488)	-	-	(769,488)
Reserves used during the year			-	209,409	209,409
<b>Balance at 31 December 2014</b>		<b>(1,238,598)</b>	<b>501,425</b>	<b>244,542</b>	<b>(492,631)</b>
Net deficit for the year		(261,729)	-	-	(261,729)
Reserves used during the year	16	(1,016)		(22,736)	(23,752)
<b>Balance at 31st December 2015</b>		<b>(1,501,343)</b>	<b>501,425</b>	<b>221,806</b>	<b>(778,112)</b>

The accompanying notes form an integral part of the above financial statement



**SPREP**  
**Statement of Cash Flows**  
For the year ended 31 December 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Members contributions		1,243,135	1,388,419
Interest received		83,071	143,627
Program/donor funds	19	14,000,376	15,817,618
Non programme donor funds received	6	1,389,464	918,678
Other receipts		696,630	116,283
Personnel costs - corporate services		(2,564,484)	(2,563,391)
Personnel costs - programmes		(3,886,840)	(5,175,615)
Corporate services costs		(1,529,683)	(1,537,459)
Programme management charges		(8,516,264)	(10,358,207)
<b>Net cash flows from operating activities</b>		<u>915,405</u>	<u>(1,250,047)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property & equipment		-	-
Purchase of property and equipment	11	<u>(42,273)</u>	<u>(310,911)</u>
<b>Net cash flows for investing activities</b>		<u>(42,273)</u>	<u>(310,911)</u>
Net change in cash held		873,132	(1,560,958)
Cash at beginning of the year		4,741,818	6,503,565
Effects of foreign exchange		<u>(344,333)</u>	<u>(200,789)</u>
<b>Ending cash balances</b>	13	<u><u>5,270,617</u></u>	<u><u>4,741,818</u></u>

The accompanying notes form an integral part of the above financial statement

SPREP  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2015

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**1. General information**

The Secretariat of the Pacific Regional Environment Programme (SPREP) is an inter-governmental organization of the Pacific Region and is domiciled in Samoa.

The principal activity of SPREP is to promote co-operation in the Pacific Region and to provide assistance in order to protect and improve its environment and to ensure sustainable development for future generations.

These financial statements were authorized for issue by the Director General of SPREP on 30<sup>th</sup> May, 2016.

**2. Statement of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

**a. Statement of compliance**

These financial statements have been prepared in accordance with the requirements of the SPREP Financial Regulations which requires the adoption of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) in preparing its financial statements.

**b. Basis of preparation**

The financial statements have been prepared on the historical cost basis unless otherwise stated. The principal accounting policies are stated to assist in a general understanding of these financial statements.

**c. Functional and presentation currency**

Items included in the financial statements of the Secretariat are measured using the currency as mandated by the SPREP Financial Regulations ('the functional currency'). The functional currency is the United States dollar (\$US).

**d. Foreign currency transactions**

Transactions in foreign currencies are translated to functional currency at exchange rates ruling at the date of the transaction for the twelve months of the year. Hedging rates were also used for translation to functional currency of transactions above \$100,000 throughout the year. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in the statement of income in the period in which they arise.

**e. Property and equipment**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets.

Depreciation is charged to financial performance on a straight-line basis over the estimated useful lives of each part of an item of property, and equipment. Land is not depreciated. The periods at which depreciation is charged are as follows:

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For the year ended 31 December 2015

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**2. Statement of significant accounting policies (cont'd)**

- |                        |               |
|------------------------|---------------|
| • Buildings            | 50 years      |
| • Furniture & fittings | 5 to 10 years |
| • Motor vehicles       | 5 years       |
| • Equipment            | 3 to 5 years  |

The residual value is reassessed annually. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net, in the income statement.

**f. Financial assets**

The Secretariat classifies its financial assets in the loans and receivables category. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are classified as other receivables, cash at bank and on hand and term deposits in the current assets section of the balance sheet. The Secretariat assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired.

**g. Receivables**

Receivables and prepayments are recognized initially at fair value and subsequently measured at cost, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Secretariat will not be able to collect all amounts due according to the original terms of the receivables.

**h. Payables**

Payables are recognised when the Secretariat becomes obliged to make future payments resulting from the purchase of goods and services (including consultancy services for SPREP Programmes). Payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received. Given the short term nature of most payables, the carrying amounts approximate fair value.

**i. Cash and cash equivalents**

Cash and cash equivalents consist of cash, bank deposits and term deposits which are subject to an insignificant change on drawdown net of bank overdrafts for the purposes of the statement of cash flows. Bank overdrafts are shown in current liabilities on the balance sheet.

**j. Reserves**

The following categories of Reserves are held in accordance with SPREP's Financial Regulations:

*General Reserve* – represents the sum total of the accumulated results arising from core activities and is assigned for unforeseen circumstances or emergencies.

*Specific Funds* – comprises funds earmarked for specific purposes and generally not available for uses other than those specified.

**k. Income**

Income primarily comprises the fair value of the member's contributions and donor or programme funds received or receivable.



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**2. Statement of significant accounting policies (cont'd)**

*Member contributions*

Member's contributions are recognized as a receivable only if there is objective evidence that the contribution for the current period will be received. Otherwise, Member's contributions are only recognized when they are received.

*Donor or Programme Funds*

Donor or Programme funds received are initially recorded as part of Donor or Programme Fund liability in the statement of financial position. Donor or Programme funds are not recognized as income until there is reasonable assurance that the Secretariat will comply with the conditions attaching to them i.e.: the incurrence of expenditure towards the performance of agreed programme activities.

Donor or Programme funds are recognized as income over the periods necessary to match them with the Programme costs for which they are intended to compensate, on a systematic basis.

Donor or Programme funds that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Secretariat with no future related costs are recognized in the income statement in the period in which they become receivable.

*Donor funded assets*

Donor funds whose primary condition is that the Secretariat should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet (or statement of financial position) and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

*Programme management charges*

Programme management charges are levied at an agreed percentage on Programme funds expended during the year.

*Interest revenue*

Interest revenue is recognised in the income statement as it accrues, using the effective interest rate method.

**l. Employee benefits**

For local employees, the Secretariat contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognised immediately in the income statement.

Liabilities for annual leave are accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

On resignation or cessation of service other than by misconduct, an expatriate employee is entitled to repatriation costs and is measured on an undiscounted basis and expensed as they become due.

**m. Net finance income**

Net finance income comprises interest income on bank term deposits and bank charges and bank overdraft fees that are recognised in the statement of income.

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**2. Statement of significant accounting policies (cont'd)**

**n. Impairment**

The carrying amounts of the Secretariat's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating amount exceeds its recoverable amount. Impairment losses are recognised immediately in the statement of income.

**o. Comparatives**

Where necessary previous periods comparatives have been changed to conform to the presentation of financial information for the current year in order to achieve consistency in disclosure.

**3. Financial risk management**

**a. Financial risk factors**

The Secretariat's principal financial instruments comprise cash and term deposits. The main purpose of these financial instruments is to provide finance for the Secretariat's operations. As a result of the Secretariat's operations and sources of finance, it is exposed to exchange rate and credit risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in Note 2 to the financial statements.

**Foreign currency risk**

Foreign currency risk is the risk of loss from changes in the exchange rates against the \$US dollar which is the functional currency of the Secretariat. The Secretariat receives funding from various member countries and donors in foreign currency. In addition, the Secretariat sometimes transacts in currencies other than the \$US dollar. This exposes the Secretariat to foreign currency risk. In order to reduce the exposure to foreign currency risks, the Secretariat operates various foreign currency bank accounts (such as Australia, New Zealand and Samoa dollar accounts) and transacts where required in these currencies.

The Secretariat's exposure to foreign currency risk was as follows based on notional amounts:

	Carrying Amounts	
	2015	2014
	\$	\$
AUD	479,816	530,863
NZD	268,326	298,197
WST	593,991	975,693

The following significant exchange rates applied at the reporting date:

	Reporting date rate	
	2015	2014
	\$	\$
AUD	0.5297	0.8172
NZD	0.5657	0.7796
WST	0.3858	0.4134



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**3. Financial risk management (cont'd)**

*Sensitivity analysis*

A 10 percent strengthening/weakening of the foreign currency against the \$US dollar at 31 December 2015 would have affected core fund reserves and income by the amounts shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

	Effect on Equity & Income	
	2015	2014
	\$	\$
AUD – Income and Core Fund reserve +10%	34,947	43,380
AUD – Income and Core Fund reserve -10%	(34,947)	(43,380)
NZD – Income and Core Fund reserve +10%	18,299	23,246
NZD – Income and Core Fund reserve -10%	(18,299)	(23,246)
WST – Income and Core Fund reserve +10%	22,916	40,335
WST – Income and Core Fund reserve -10%	(22,916)	(40,335)

The Secretariat does not manage foreign exchange risk by the use of foreign currency hedges or forward rate agreements due to the limited availability of these products in its primary economic environment.

**Credit risk**

Credit risk is the potential risk for loss arising from failure of Members to meet their agreed contributions or other counter-party to a financial instrument fails to meet its contractual obligations. The risk in relation to Members contributions is not considered significant because the Secretariat's policy is to only accrue Members contribution's where there is objective evidence that there is an insignificant risk of counterparty default. The Secretariat's receivable balances are monitored on an ongoing basis in order to reduce any exposure to bad debts.

Financial instruments that potentially subject the Secretariat to concentrations of credit risk consist principally of cash at bank and bank term deposits.

The Secretariat places its cash and bank term deposits with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution in accordance with its Executive approved cash management policy.

The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Secretariat's maximum exposure to credit risk.

**b. Fair value estimation**

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values.

**4. Critical accounting estimates and judgments**

Preparing financial statements to conform to IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the Secretariat's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts

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recognised in these financial statements. The financial statements are affected by estimates and judgments in valuation of Property and Equipment (Note 2.e) and Receivables (Note 2.g).

**5. Member contributions**

Details of member contributions are specified as follows:

	2015	2014
	\$	\$
American Samoa	10,184	10,184
Australia	185,106	185,106
Cook Islands	10,184	10,214
Federated States of Micronesia	10,184	10,184
Fiji	20,422	20,265
France	140,883	268,399
French Polynesia	20,360	20,360
Guam	20,360	-
Kiribati	10,165	10,180
Marshall Islands	10,184	10,184
Nauru	10,184	189,181
New Caledonia	16,366	21,202
New Zealand	134,202	134,202
Niue	-	10,209
Northern Marianas	-	-
Palau	-	-
Papua New Guinea	20,360	-
Papua New Guinea – voluntary contribution	353,140	-
Samoa	20,380	20,340
Solomon Islands	20,360	20,390
Tokelau	10,184	10,184
Tonga	30,553	-
Tuvalu	10,184	10,184
United Kingdom	134,202	134,202
United States of America	200,000	210,000
Vanuatu	8,980	19,629
Wallis & Futuna Islands	-	17,801
Samoa Host Country Contribution	20,327	-
<b>Total</b>	<b>1,427,454</b>	<b>1,342,600</b>

**6. Other donor fund income**

Funds received from aid agencies under additional extra budgetary work programmes are usually for specified purposes and administered by the executive management and corporate support. For 2015 funds received were from NZAID, AusAID and UNDP to fund the Medium Size Project, Monitoring & Evaluation costs, Media Operations, IT Operations, Executive Officer costs, and the Sub Regional costs. The total other income from donor funds for 2015 is \$1,389,464 (2014: \$918,678).

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**7. Other income**

Details of other income are specified as follows:

	2015	2014
	\$	\$
Income from rental of office space	43,198	50,259
Director General's travel savings	6,742	13,055
Travel and other recoveries	98,615	20,065
Accounts Payable accounts written back to income		17,370
Miscellaneous	37,332	7,519
Total other income	<u>185,887</u>	<u>108,268</u>

**8. Deferred income liability**

Deferred income relates to the following buildings and office equipment and furniture funded by donors for SPREP's activities – i) SPREP Complex funded by Donor Governments; ii) Training and Education Centre (TEC) funded by Japan; and iii) Information Resource Centre funded by the European Union. The deferred income liability is amortised to income over 50 years for buildings and 10 years for office equipment and furniture which are the same rates at which the assets are depreciated.

	2015	2014
	\$	\$
<b>Cost of donated assets</b>		
SPREP Complex funded by donor Governments	1,822,798	1,822,798
Training and education centre project by Japan	2,374,692	2,374,692
Information and research centre by european union	350,000	350,000
Total cost of assets	<u>4,547,490</u>	<u>4,547,490</u>
<b>Accumulated amortisation</b>		
Opening accumulated amortisation	1,506,838	1,423,613
Amortisation for current year	83,256	83,225
Closing accumulated amortisation	<u>1,590,094</u>	<u>1,506,838</u>
<b>Unamortised amount</b>	<u>2,957,396</u>	<u>3,040,652</u>
<b>Current portion of amortisation</b>	83,256	83,225
<b>Non-current portion of amortisation</b>	<u>2,874,140</u>	<u>2,957,427</u>
<b>Unamortised amount</b>	<u>2,957,396</u>	<u>3,040,652</u>

**9. Net finance income**

Net finance costs are specified as follows:

	2015	2014
	\$	\$
Interest income on bank term deposits	57,537	115,366
<i>Less finance costs relating to:</i>		
Bank charges	(3,368)	(2,324)
Net finance income	<u>54,169</u>	<u>113,042</u>



SPREP  
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**10. Senior Management Team (key management personnel)**

During the year the following persons were the management executives that were identified as key management personnel with the greatest authority for planning, directing and controlling the activities of the Secretariat:

Mr David Sheppard – Director General, ceased office on 31 Dec 2015  
Mr Kosi Latu – Deputy Director General, started office 1 January 2016  
Dr. Netatua Pelesikoti – Director, Climate Change  
Mr Stuart Chape – Director, Biodiversity & Ecosystem Management  
Dr David Haynes – Director, Waste Management & Pollution Control, ceased office December 2015  
Mr Sefanaia Nawardra – Director, Environment Monitoring & Governance, ceased office in August 2015  
Mr Clark Peteru – Legal Adviser  
Ms Simeamativa Vaai – Human Resource Adviser  
Ms Alofa Tuuau – Finance and Administration Adviser

The remuneration of key members of management during the year was as follows:

	2015	2014
	\$	\$
Salaries and short-term employment benefits	<u>1,317,464</u>	<u>1,143,452</u>

**11. Property and equipment**

Property and equipment is specified as follows:

	Buildings	Computer equipment	equipment & furniture	Motor vehicles	Total
<b>Gross carrying amount</b>					
Cost at 1st January 2014	4,157,473	409,863	758,625	103,002	5,428,963
Additions	6,289	29,971	21,618	-	57,878
Disposals	-	-	-	-	-
Balance at 31st December 2014	<u>4,163,762</u>	<u>439,834</u>	<u>780,243</u>	<u>103,002</u>	<u>5,486,841</u>
Additions	-	13,406	28,867	-	42,273
Disposals	-	-	-	-	-
Balance at 31st December 2015	<u>4,163,762</u>	<u>453,240</u>	<u>809,110</u>	<u>103,002</u>	<u>5,529,114</u>
<b>Accumulated depreciation</b>					
Balance at 1st January 2015	(1,114,038)	(354,500)	(733,404)	(37,035)	(2,238,977)
Depreciation charge for the year	(83,257)	(30,098)	(11,482)	(10,301)	(135,138)
Disposals	-	-	-	-	-
Balance at 31st December 2015	<u>(1,197,295)</u>	<u>(384,598)</u>	<u>(744,886)</u>	<u>(47,336)</u>	<u>(2,374,115)</u>
<b>Net book value</b>					
As at 31st December 2014	<u>3,049,724</u>	<u>85,334</u>	<u>46,839</u>	<u>65,967</u>	<u>3,247,864</u>
As at 31st December 2015	<u>2,966,467</u>	<u>68,642</u>	<u>64,224</u>	<u>55,666</u>	<u>3,154,998</u>

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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2015

## 12. Intangible Assets

	2015	2014
	\$	\$
Computer Software	468,872	215,839
Additions		253,033
Less Amortisation	(93,775)	
Net book value	<u>375,097</u>	<u>468,872</u>

The computer software is purchased as part of a system upgrade and was under development up to December 2014. This software is assessed as having a finite life and amortised at 20% over the estimated useful life of the asset in 2015. This asset is not internally generated. The asset was in full use in 2015.

## 13 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	2015	2014
	\$	\$
Cash on hand	200	200
Cash at bank	<u>4,177,836</u>	<u>3,102,150</u>
	4,178,036	3,102,350
Bank term deposits	<u>1,092,581</u>	<u>1,639,468</u>
Cash and cash equivalents for purpose of cash flow statement	<u>5,270,617</u>	<u>4,741,818</u>

Cash and Bank balances are allocated to the following currencies in \$US dollars at balance date:

	2015	2014
	\$	\$
SAT denominated cash balances in \$US currency	196,141	108,152
AUD denominated cash balances in \$US currency	44,677	49,092
NZD denominated cash balances in \$US currency	8,734	8,242
USD denominated cash balances in \$US currency	<u>3,928,284</u>	<u>2,936,864</u>
	<u>4,177,836</u>	<u>3,102,350</u>

## 14. Bank term deposits

Bank term deposits are specified as follows:

	2015	2014
	\$	\$
Total bank term deposits	<u>1,092,581</u>	<u>1,639,468</u>

The bank term deposits have an average maturity of 203 days and a weighted average interest rate of 2.5% per annum. The carrying value of the term deposits equals their fair value.

Bank term deposits are allocated to the following currencies in \$US dollars at balance date:



**SPREP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2015	2014
	\$	\$
SAT denominated bank term deposits in \$US currency	397,850	867,742
AUD denominated bank term deposits in \$US currency	435,139	481,771
NZD denominated bank term deposits in \$US currency	259,592	289,955
Total bank term deposits	<u>1,092,581</u>	<u>1,639,468</u>

**15. Receivables and prepayments**

Receivables and prepayments are specified as follows:

	2015	2014
	\$	\$
Receivables	34,018	346,217
Prepayments	27,969	25,713
Accrued interest on bank term deposits	10,861	36,395
	<u>72,848</u>	<u>408,325</u>

**16. Specific Funds Reserve**

The Specific Funds Reserve contains funds which are earmarked for specific purposes and are generally not available for uses other than those specified.

The Specific Funds Reserve as of 2015 represents medical evacuation funds as follows:

	2015	2014
	\$	\$
Opening balance	244,542	35,133
Less reserves used during the year	(22,736)	-
2013 medical evacuation costs recovered	-	70,273
Plus reserves during the year	-	139,136
Closing balance	<u>221,806</u>	<u>244,542</u>

SPREP  
NOTES TO THE FINANCIAL STATEMENTS  
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**17. Provisions for employee entitlements**

Provisions for employee entitlements are specified as follows:

	2015	2014
	\$	\$
<i>Leave entitlement</i>		
Opening balance	444,095	371,691
Entitlements accrued during the year	122,777	123,959
Entitlements used during the year	(133,466)	(51,555)
Closing balance	<u>433,406</u>	<u>444,095</u>
<i>Repatriation entitlement</i>		
Opening balance	556,073	575,756
Additions during the year	39,019	109,455
Repatriation costs paid during the year	(150,827)	(129,138)
Closing balance	<u>444,265</u>	<u>556,073</u>
Total provision for employee entitlements	<u><u>877,671</u></u>	<u><u>1,000,168</u></u>

**18. Payables and accruals**

Payables and accruals are specified as follows:

	2015	2014
	\$	\$
Payables	316,236	578,775
Accrued salaries and others	32,413	4,505
	<u><u>348,649</u></u>	<u><u>583,280</u></u>

**19. Donor and Programme Fund liability**

**a. Movement summary schedule**

	2015	2014
	\$	\$
Opening balance	4,735,411	5,737,925
Funds received during the year	14,000,376	15,817,618
Total funds available	18,735,787	21,555,543
Less Programme expenditure during the year	(12,138,382)	(15,650,858)
Less Programme management charge	(1,129,449)	(1,169,274)
Closing balance	5,467,956	4,735,411

**SPREP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**b. Detailed movement schedule**

Detailed Movement Schedule						
DONOR/PROGRAMME	Balance	Actual Funds	Total Funds	Prog.	Prog.	Balance
	1/01/2015	Received	Available	Support	Expenses	31/12/2015
Asian Development Bank	-137,576	1,302,408	1,164,832	-119,020	-708,185	337,627
Australian Bureau of Metrology	0	27,100	27,100	-2,064	-23,410	1,626
Govt. of Aust. Extra Budget	-133,727	2,343,193	2,209,466	-279,143	-1,744,316	186,007
Govt. of Aust. Extra Extra Budget	110,681	79,699	190,380	-14,434	-227,108	-51,162
British High Commission	5,391	10,864	16,255	-697	-2,446	13,112
Climate Analytics		115,285	115,285		-103,759	11,526
Commonwealth Secretariat	11,175	0	11,175			11,175
Conservation International	69,077		69,077			69,077
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	379,527	49,145	428,672	-8,860	-206,357	213,455
European Union	1,751,994	2,692,397	4,444,391	-126,055	-2,041,763	2,276,573
Food and Agriculture Organisation	21,405	79,830	101,235	-190	-9,926	91,119
Government of Canada	11,497		11,497			11,497
Government of Finland	316,465	750,683	1,067,148	-75,349	-628,028	363,771
Government of France	256,455	53,375	309,830	-19,595	-109,614	180,620
Government of Germany	112,587	237,925	350,512	-41,550	-326,702	-17,740
Government of Japan	6,092	0	6,092			6,092
Government of Switzerland	-1,212	149,969	148,757	-18,372	-129,925	460
Government of Wallis and Futuna		17,802	17,802		-10,910	6,892
Institute of Global Environment Strategies		10,830	10,830	-300	-7,868	2,662
International Maritime Organisation	17,197	107,833	125,030	-19,190	-56,929	48,911
International Unit of conservation on nature		56,375	56,375	-10,573	-88,224	-42,422
John D & Catherine T MacArthur Foundation	6,303	0	6,303			6,303
NZ Aid PIE	4,812	0	4,812			4,812
NZ Aid Extra Budget	-53,773	925,306	871,533	-89,948	-759,272	22,312
NZAid Extra Extra Budget	56,857	961,896	1,018,753	-56,175	-422,367	540,211
Pacific Islands Forum Secretariat			0	-15,171	-53,136	-68,307
Parkard Foundation	5,460	0	5,460	-498	-4,126	837
PEW		79,343	79,343	-1,083	-18,152	60,107
Other Funds	674,768	100,922	775,690	-15,027	-486,292	274,371
Ramsar Secretariat	-159,857		-159,857	-5,754	-40,643	-206,253
Secretariat of the Pacific Community		97,887	97,887	-9,535	-96,638	-8,287
The Nature Conservancy	41	0	41			41
The Christensen Foundation	8,178	0	8,178			8,178
United Kingdom Meteorology Office	190,764	220,530	411,294	-14,597	-145,965	250,732

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NOTES TO THE FINANCIAL STATEMENTS  
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United Nations Development Program	15,857	992,283	1,008,140	-65,530	-791,997	150,613
United Nations Environment Program	904,318	1,663,588	2,567,906	-39,661	-1,922,385	605,860
United Nations Institute for Training & Research	53,538	0	53,538	-3,852	-32,032	17,654
UN Economics & Social Commission for Asia & the Pacific (UNESCAP)	8,786	0	8,786		-47	8,739
UN Office of Project Services	7,055	0	7,055			7,055
US Dept of Energy/Los Alamos University	4,471	0	4,471			4,471
US Fish & Wildlife	14,625	0	14,625			14,625
US Dept. of State	83,575	1,196	84,771	-6,287	-81,229	-2,745
USAID	37,333	638,626	675,959	-57,392	-664,423	-45,856
US National Oceanic Atmospheric Administration	97,109	24,997	122,106	-5,547	-55,296	61,263
US Western Pacific Regional Fisheries Management Council	1,059	0	1,059			1,059
World Meteorological Organisation	-22,895	209,091	186,196	-8,000	-138,911	39,285
	<b>4,735,412</b>	<b>14,000,378</b>	<b>18,735,790</b>	<b>-1,129,449</b>	<b>-12,138,382</b>	<b>5,467,956</b>



**SPREP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2015

**20. Expenditure by function and comparison to budget**

A comparison of actual expenditures versus budgeted expenditure is for 2015 is as follows:

	2015		2014	
	Actual	Budget	Actual	Budget
<b>Climate Change</b>				
Personnel Costs	1,116,584	1,205,461	1,413,279	1,480,597
Operating Costs	3,342,622	2,987,686	7,224,207	7,241,831
Capital Costs	1,843	14,000	81,358	155,029
	<u>4,461,049</u>	<u>4,207,147</u>	<u>8,718,844</u>	<u>8,877,457</u>
Programme Support Costs	428,171	486,732	585,979	547,036
	<u>4,889,220</u>	<u>4,693,879</u>	<u>9,304,823</u>	<u>9,424,493</u>
<b>Biodiversity &amp; Ecosystem Management</b>				
Personnel Costs	1,228,038	1,211,465	1,317,512	1,257,154
Operating Costs	2,021,851	1,935,401	1,820,110	2,122,800
Capital Costs	11,058	5,750	14,942	6,250
	<u>3,260,947</u>	<u>3,152,616</u>	<u>3,152,564</u>	<u>3,386,204</u>
Programme Support Costs	218,362	208,881	240,484	101,983
	<u>3,479,309</u>	<u>3,361,497</u>	<u>3,393,048</u>	<u>3,488,187</u>
<b>Waste Management &amp; Pollution Control</b>				
Personnel Costs	767,461	813,110	1,610,284	791,304
Operating Costs	2,768,854	3,325,542	712,577	2,914,200
Capital Costs	1,072	2,545	117,683	0
	<u>3,537,387</u>	<u>4,141,197</u>	<u>2,440,544</u>	<u>3,705,504</u>
Programme Support Costs	291,050	367,686	141,744	233,574
	<u>3,828,437</u>	<u>4,508,883</u>	<u>2,582,288</u>	<u>3,939,078</u>
<b>Environment Monitoring &amp; Governance</b>				
Personnel Costs	700,602	1,014,130	864,329	729,480
Operating Costs	183,069	545,458	527,828	703,170
Capital Costs	9,090	3,500	7,881	3,000
	<u>892,761</u>	<u>1,563,088</u>	<u>1,400,038</u>	<u>1,435,650</u>
Programme Support Costs	99,494	158,761	139,935	74,302
	<u>992,255</u>	<u>1,721,849</u>	<u>1,539,973</u>	<u>1,509,952</u>
<b>Executive Management &amp; Corporate Services</b>				
Personnel Costs	2,383,626	2,696,500	2,586,323	2,364,000
Operating Costs	1,672,650	1,345,727	1,523,897	1,298,336
Capital Costs	42,273	36,000	310,910	115,400
	<u>4,098,549</u>	<u>4,078,227</u>	<u>4,421,130</u>	<u>3,777,736</u>
Programme Support Costs	92,372	105,846	61,133	3,840
	<u>4,190,921</u>	<u>4,184,073</u>	<u>4,482,263</u>	<u>3,781,576</u>



SPREP  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2015

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**21. Contingent liabilities and capital commitments**

As at 31st December 2015 and as at the date of signing these financial statements, SPREP has outstanding legal proceedings relating to a dispute on a claim by a consultant over contractual benefits. The Court is yet to rule on the outcome of the legal proceedings. No liability has therefore been recognized in the financial statements at year end until the Court decision is made.

**22. Events after reporting period**

There were no significant events after the reporting period.

20th June 2016

Afioga Leota Kosi Latu  
Director General  
SPREP  
SPREP Compound  
VAILIMA

Dear Sir,

**REPORT TO MANAGEMENT  
FINANCIAL STATEMENT AUDIT FOR THE YEAR ENDED 31 DECEMBER 2015**

In planning and performing our audit of the financial statements of SPREP as of and for the year ended 31 December 2015, in accordance with International Standards on Auditing, we considered SPREP's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organisation's internal control. Accordingly, we do not express an opinion on the effectiveness of SPREP's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

However, as discussed below, we identified certain deficiencies in internal control and recommendations for improvements to operational processes that we summarize in the attached memorandum.

We have discussed these issues in detail with Finance management and have noted their comments in this letter. We understand however that SPREP has already implemented corrective action and have taken steps to address the issues that are raised in this report. We look forward to reviewing the status of these issues at our next audit.

This communication is intended solely for the information and use of management of SPREP and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Yours sincerely,  
BETHAM & CO.

  
**Taimalieutu Ernest Betham**  
Partner

SPREP  
Financial Statement Audit  
For the Year Ended December 31, 2015

**Memorandum on internal controls and operational improvements**

## 1. Financial performance results during the year

The results of the overall financial performance during the year show a net deficit of \$261,729 dollars which is a notable improvement from the net deficit of the prior year of \$769,487 dollars.

Despite the net deficit result, there is however, a surplus before net finance income and foreign exchange loss of \$28,435 dollars versus a deficit before net finance income and foreign exchange loss of \$681,741 dollars in the previous year. This is also a noticeable improvement in the results compared to the previous year and is a result of increases in Members Contribution income and a reduction in Executive Management & Corporate support expenses.

Therefore we support and encourage SPREP's executive to continue to seek discretionary sources of funding that will support the corporate activities of SPREP. This is important for two primary reasons:

1. SPREP needs to address the erosion in the net asset position in its Statement of Financial position. SPREPs net assets position is actually a net deficit and it has increased from a negative \$492,631 dollars in 2014 to a negative \$778,111 dollars in 2015<sup>1</sup>. There may be issues with going concern in the future should the net deficit position continue to increase;
2. Without adequate funding to support corporate and management costs including depreciation, SPREP is forced to 'borrow' from the pool of Program Donor Funds which are earmarked for specific programs.

### *Management Comment*

SPREP notes and appreciates the comments and advice provided by the Auditor. We continue to make every effort to improve core funds and the net liquidity of the organization, including seeking further contributions from member countries to directly support the core budget. PNG has led the way with a \$1m kina voluntary payment. We continue to encourage such voluntary contributions from our member countries as demonstration of the value they place on SPREP's support to achieving national environmental priorities. SPREP is also working with CROP colleagues to determine realistic cost recovery levels and establishing a common policy. Many geographically distant donors have yet to appreciate the full cost of operating in the Pacific – it is an expensive place to do business.

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<sup>1</sup> Refer to Statement of Financial Position in the section on Reserves.



## **2. Foreign exchange losses**

As discussed in the previous section 1. above the results of the overall financial performance during the year show a net deficit of \$261,729 dollars which is a notable improvement from the net deficit of the prior year of \$769,487 dollars.

However, these results show that foreign exchange loss of \$344,333 dollars has a significant impact on the net or bottom line financial performance of SPREP. The financial results of the previous year's also show a significant effect on the bottom line financial performance.

SPREP's reserves continue to be eroded by net foreign exchange losses. We recommend that SPREP look at ways in order to address or mitigate the impact of foreign exchange losses on the organisation.

### *Management Comment*

Management notes the comments and recommendations provided by the Auditors. As advised, work continues by consultants funded under a UNDP project in 2014 to strengthen and enhance the capabilities of SPREP's financial systems, processes and procedures to put the organisation in a better position to respond/adapt to the changing financial environment. This work is contributing to the development of a foreign exchange policy to mitigate the impacts of foreign exchange losses on the organization. In parallel, an assessment of the operation of SPREP's FMIS has been initiated. This will include a staff training component.

## **3. Negative balances in the Program/Donor Fund balances**

The Statement of Financial Position at 31 December 2015 from SPREP's annual financial statements shows a liability in Programme/Donor Funds of \$5,467,956 dollars. This balance represents unused Programme/Donor funds at 31 December 2015 and are usually available and applied to Programme activities in the subsequent financial year.

Note 19 of the annual financial statements for SPREP at 31 December 2015 discloses the Donor/Programme balances at 31 December 2015 and the movements from the start of the financial year.

At 31 December 2015 some of the Donor/Programme balances show a negative balance or negative amount. For example the following Donors/Programmes are some that had negative balances:

- Government of Germany - (\$17,740)
- International Unit of Conservation on Nature - (\$42,422)
- Pacific Islands Forum Secretariat - (\$68,307)
- USAID - (\$45,856)

The negative balances prima facie are a result of incurring costs without available funding to meet those costs. It also suggests that the costs are being funded from other Donor/Program funds.

We recommend that SRPEP review this issue to ensure that proper procedures are in place to ensure that costs are not incurred without ensuring that funds are available for a



particular program. As part of such procedures the decision to 'overdraw' on the funds should only be made on confirmation from the Donor/Programme that subsequent funding is confirmed. It would be disastrous for a program to be overdrawn at year end without any confirmed subsequent funding - in which case it becomes a cost for the Core (i.e.:corporate support) function to bear.

*Management Comment*

Management notes the recommendations provided. The situation described largely reflects differences in the way that funding arrangements are required by some of SPREPs donor partners. Certain donors including those identified above, operate on a reimbursement basis, so that despite the fact that an agreement/promise of funds has been declared, approved, and entered into the budget, the requirement that SPREP report on already spent funds before further disbursement of funds can be made from these donors through their disbursement mechanisms creates delays in expenditure. In the 2014 financial statements, all those donors which registered negative balances were netted out during 2015. There are also cases where donor reimbursements were delayed and received later than the financial reporting period. SPREP allows for projects to operate under this arrangement when there is confirmation from donors that funds will be forthcoming. When projects are into their last 6 months of operation we ensure funds are already with SPREP to finalise all payments required before project financial closure. These negative balances have already been netted out in 2016.



# SPREP

Secretariat of the Pacific Regional  
Environment Programme

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*The Pacific environment, sustaining our livelihoods and natural heritage in harmony with our cultures.*

May 30<sup>th</sup>, 2016

Betham & Co.  
Chartered Accountants  
Betham & Co. House  
LALOVAEA

Dear Sirs

**LETTER OF REPRESENTATION ON AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED  
December 31, 2015**

We are providing this letter in connection with your audit of the statement of financial position of Secretariat of the Pacific Regional Environment Programme (SPREP) as of December 31, 2015, and the related statements of income, movements in reserves, and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of SPREP in conformity with International Financial Reporting Standards. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with International Financial Reporting Standards. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 30, 2016, the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with International Financial Reporting Standards.
- 2) We have made available to you all Financial records and related data.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 5) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

- 7) We have no knowledge of any fraud or suspected fraud affecting the organisation involving:
- a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 8) We have no knowledge of any allegations of fraud or suspected fraud affecting the secretariat received in communications from employees, former employees, regulators, or others.
- 9) The secretariat has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 10) There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the secretariat vulnerable to the risk of a near-term severe impact that have not been properly disclosed in the financial statements.
- 11) There are no:
- a) Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.
  - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.
- 12) The secretariat has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 13) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 14) No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.



**Leota Kosi Latu**  
Director General



**Simeamativa L. Vaai**  
Acting Finance and Administration Adviser.