



SPC/CRGA 45 (15)

Paper 9.2
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**FORTY-FIFTH MEETING OF THE
COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS**
(Alofi, Niue, 31 October–2 November 2015)

AGENDA ITEM 9.2: FINANCIAL YEAR 2014 ACCOUNTS AND UPDATE ON ASSESSED CONTRIBUTIONS

(Paper presented by the secretariat)

Summary

1. In accordance with the Pacific Community's (SPC's) financial regulations, this paper presents the audited 2014 SPC financial statements and audit reports for the consideration of CRGA. It also updates CRGA on the status of membership contributions.
2. The records for both SPC's overall finances and the Staff Provident Fund received unqualified audit opinions for the financial year 2014.
3. As at 4 September 2015, 14 of SPC's 26 members had fully settled their assessed contributions to SPC. The majority of members made significant efforts to make payments in full or in part during the year. Six members have not made payments in 2015.
4. The total outstanding amount of assessed contributions is 2,806,958 CFP units (approximately USD 3.1 million), with 12 members with amounts due. Ten members have outstanding 2015 contributions but no significant arrears, while two members have significant arrears.

Recommendations

5. CRGA is invited to:

concerning 2014 financial statements:

- i. accept the 2014 audited financial statements as unqualified, and as presenting a true and fair view of the financial position and financial performance of the Pacific Community and of its Staff Provident Fund, and note that proper accounting records have been kept;

concerning the status of assessed contributions:

- ii. acknowledge the significant efforts made by many members;
 - iii. request those members with outstanding contributions, in particular those with arrears, to settle these as early as possible;
 - iv. request members in financial difficulty to agree on a payment plan with the secretariat.
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AGENDA ITEM 9.2: FINANCIAL YEAR 2014 ACCOUNTS AND UPDATE ON ASSESSED CONTRIBUTIONS

Purpose

6. This paper presents the audited 2014 SPC financial statements and audit reports for the consideration of CRGA, as required under the financial regulations.
7. In accordance with the financial regulations, this paper also updates CRGA on the status of members' contributions.

Background

8. SPC's external auditors, PricewaterhouseCoopers of New Caledonia, after conducting the independent audit of the financial records of the organisation for the 2014 financial year, provided an unqualified audit opinion. The audit provides assurance that the financial statements presented are free from material misstatement.
9. The financial statements are presented as part of SPC's Annual Report 2014.
10. As part of the 2014 audit, the auditors also provided a letter to management on internal controls, which they found to be strong for the areas tested. The management letter, attached as Annex 1, has been reviewed by the Audit and Risk Committee, which was satisfied with the management responses to the recommendations made.
11. The review of outstanding assessed contributions forms part of the auditors' work programme. The auditors noted that a number of members have fallen behind in their payment of their assessed contributions. The status of individual members' assessed contributions, at 4 September 2015, is shown in the attached Annex 2. The secretariat has been following up regularly with reminder letters to members with outstanding amounts.

Audit results

12. Unqualified audit reports were received for the 2014 records for both SPC's financial statements and the SPC Provident Fund, representing the nineteenth successive year that SPC has received unqualified audit reports. Due to a delay in the technical assistance received for the implementation of the IPSAS accounting standards, as adopted by CRGA 44, the audit was conducted in accordance with the International Standards on Auditing and SPC's financial regulations. 2014 IPSAS accounts are being finalised, and SPC's 2015 accounts will be completed under the IPSAS methodology.
13. The external auditors noted that their study and evaluation of the organisation's system of internal accounting control was performed to the extent considered necessary under the international auditing standards. Recommendations for further improvement or best practice are noted in the auditors' management letter.

Status of members' assessed contributions and host grants

14. As at 4 September 2015, 14 of SPC's 26 members had fully settled their assessed contributions to SPC. The majority of members made significant efforts to make payments in full or in part during the year. Six members have not made payments in 2015 (see Table 1, below, and Annex 2, for details).
15. SPC has a formal monitoring and reminder schedule for outstanding contributions, and its senior management has also pursued the issue directly with governments with arrears.
16. Twelve members have amounts due, with a total outstanding amount of 2,806,958 CFP units (approximately USD 3.1 million). Table 1 clusters members in three categories, according to their payment status. Ten members have outstanding 2015 contributions but no significant arrears.

Table 1: Status of assessed contributions and host country grants

Members paid in full	Members with 2015 contribution not fully paid but no significant arrears	Members with significant arrears
Australia Cook Islands France French Polynesia Nauru New Caledonia New Zealand Niue Pitcairn Island Samoa Tokelau Tonga Tuvalu Wallis & Futuna	American Samoa Federated States of Micronesia Fiji Kiribati Guam Marshall Islands Papua New Guinea Solomon Islands United States of America Vanuatu	Commonwealth of the Northern Mariana Islands (CNMI) (513,878 CFP units) Palau (197,492 CFP units)
Total: 14	Total: 10	Total: 2

17. Two members have significant arrears. One of these (Palau) has made no payments in 2015.
18. CNMI has very old debts, totalling 513,878 CFP units, and has not made any payments in recent years. As mandated by CRGA 44, the Director-General has discussed this issue directly with the Governor of CNMI, and a payment plan was drafted by SPC and proposed to CNMI.
19. The Governor of CNMI formally responded that, due to the challenges posed by the passage of Typhoon Soudelor on 2 August 2015, and other ongoing challenges, CNMI was not able to make any immediate financial response as regards its membership dues with SPC. However, the Governor indicated that CNMI remains committed to revisiting and addressing the issue as soon as conditions improve.

20. Nauru, which has had significant arrears in the past, has now fully paid its assessed contribution and all outstanding amounts under the agreed payment plan. This is a very significant effort, to which the secretariat wishes to draw CRGA's attention and for which it is extremely grateful.

Conclusion

21. The 2014 records for both SPC's overall finances and the Staff Provident Fund received clean audit opinions, which makes the 2014 reporting year the nineteenth successive year that SPC has received unqualified audit reports.
22. The status of members' assessed contributions is presented to be noted by CRGA. The secretariat requests that members with outstanding arrears in assessed contributions settle their arrears as soon as possible, and that members with financial difficulties enter a repayment payment plan with the secretariat.

Recommendations

23. CRGA is invited to:

concerning 2014 financial statements:

- i. accept that the 2014 audited financial statements were unqualified, and as presenting a true and fair view of the financial position and performance of the Pacific Community and of its Staff Provident Fund, and note that proper accounting records have been kept;

concerning members' assessed contributions and host grants:

- ii. acknowledge the significant efforts made by many members;
 - iii. request those members with outstanding contributions, in particular those with arrears, to settle these as early as possible;
 - iv. request members in financial difficulty to agree on a payment plan with the secretariat.
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