

**SECRETARIAT OF THE PACIFIC COMMUNITY****FORTY-FOURTH MEETING OF THE
COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS
(4–7 November 2014, Noumea, New Caledonia)**

AGENDA ITEM 7: OPERATIONS AND MANAGEMENT DIRECTORATE REPORT**AGENDA ITEM 7.2: FINANCIAL STATEMENTS FOR 2013 AND STATUS OF MEMBERS'
ASSESSED CONTRIBUTIONS AND HOST GRANTS**

(Paper presented by the Secretariat)

Summary

1. In accordance with SPC's financial regulations, this paper presents the audited 2013 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 2013.
3. As at 7 October 2014, 16 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 part during the year. Three members have not made payments in 2014.
4. The total outstanding amount is 2,331,406 CFP units, with ten members with amounts due. Seven members have outstanding 2014 contributions but no significant arrears, while three members have significant arrears.

Recommendations

5. CRGA is invited to:

concerning 2013 financial statements:

- i. accept the 2013 audited financial statements as unqualified, presenting a true and fair view of the financial position and financial performance of the secretariat 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 difficulties to agree on a payment plan with the secretariat; and
 - v. discuss the issue of long-standing arrears and provide the secretariat with guidance on how this matter should be pursued.
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FINANCIAL STATEMENTS FOR 2013 AND STATUS OF MEMBERS' ASSESSED CONTRIBUTIONS AND HOST GRANTS

Purpose

6. This paper presents the audited 2013 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 with the status of members' contributions.

Background

8. The SPC external auditors, PricewaterhouseCoopers of New Caledonia, after conducting the independent audit of the financial records of the organisation for the 2013 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 the SPC's Annual 2013 Report.
10. As part of the 2013 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 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. They noted that a number of members have fallen behind in their payment of their assessed contributions. The status of individual members' assessed contributions at 7 October 2014 is shown in the attached annex. 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 2013 records for both SPC's financial statements and the SPC Provident Fund, making it the 18th successive year. The audit was conducted in accordance with the International Standards on Auditing and the Secretariat's Financial Regulations. The external auditors also noted that their assessment of the effectiveness of internal controls tested was satisfactory in all areas tested. Recommendations for further improvement or best practice are noted in their management letter.
13. The following points are highlighted for members' interest:
 - A core fund surplus of 50,000 CFP units was returned, without the need to draw on carry-forward funds of 389,000 CFP units allowed for in the budget. The surplus is added to the total reserves which, at end of 2013, totalled 5.093 million CFP units. All divisions and divisions' expenditure were well controlled and within budget.
 - Non-core income (including carried-forward balances) remained steady in 2013 with 125.7 million CFP units in 2013 (compared to 126.5 million CFP units in 2012). The balance of non-core funds held was 49.5 million CFP units at the end of 2013, which is carried forward into 2014.
 - Net assets total 5.093 million CFP units, with liquid assets (cash and term deposits) at just under 60 million CFP units.
14. In line with international best practice, the 2014 financial statements will be prepared according to

the International Public Sector Accounting Standards.

Status of members' assessed contributions and host grants

15. As at 7 October 2014, 16 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 part during the year. Three members have not made payments in 2014 (see Table 1, and annexed table for details).
16. SPC has a formal monitoring and reminder schedule and its senior management has also pursued the issue directly with governments with arrears.
17. The total outstanding amount is 2,331,406 CFP units (approximately USD 2.6 million) and ten members have amounts due. Table 1 clusters members in three categories according to their payment status. Seven members have outstanding 2014 contributions but no significant arrears.

Table 1: Status of assessed contributions and host country grants

Members paid in full	Members with 2014 contribution unpaid and <u>no</u> significant arrears	Members with significant arrears
American Samoa Australia Cook Islands Federated States of Micronesia Fiji France French Polynesia Kiribati New Caledonia New Zealand Niue Pitcairn Island Samoa Tokelau Tuvalu Wallis & Futuna	Guam Marshall Islands Papua New Guinea Solomon Islands Tonga United States of America Vanuatu	Nauru (<i>133,000 CFP units – payment plan for 128,600</i>) Northern Mariana Islands (<i>451,000 CFP units</i>) Palau (<i>145,000 CFP units</i>)
Total: 16	Total: 7	Total: 3

18. Three members have significant arrears. Nauru entered into a payment plan in 2012 in which it committed to clearing the arrears within five years, whilst also making the payment for each year as it fell due. Nauru made a payment of 52,476 CFP units in 2014. This leaves arrears of 128,600 CFP units covering the 1997–2012 period under the plan to be settled in equal annual instalments by 1 January 2017. The remaining amount of 97,691 CFP units covering 2013/2014 is now overdue.
19. Palau made two payments totalling 134,578 CFP units in 2014. Approximately three years of arrears totalling 145,492 CFP units remains due.
20. CNMI has very old debts totalling 450,878 CFP units and has not made any payments in recent years. Nor has it responded to the secretariat's invitation to enter into a repayment plan to settle its arrears. The secretariat intends to reinitiate discussions with CNMI in 2015 in order to identify a way forward..

Conclusion

21. The 2013 records for both SPC's overall finances and the Staff Provident Fund received clean audit opinions, making this the 18th 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 members with financial difficulties enter a repayment payment plan with the secretariat. CRGA is invited to discuss the approach in dealing with long-standing arrears.

Recommendations

23. CRGA is invited to:

concerning 2013 financial statements:

- i. accept that the 2013 audited financial statements were unqualified, presenting a true and fair view of the financial position and performance of the Secretariat 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 difficulties to agree on a payment plan with the secretariat; and
 - v. discuss the issue of long-standing arrears and provide the secretariat with guidance on how this matter should be pursued.
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STATUS OF ASSESSED CONTRIBUTIONS AND HOST GRANTS: SUMMARY AS AT 7 OCTOBER 2014

	Balance at 31/12/2013	Assessed Cont. 2014	Received 2014	Outstanding contributions/arrears by year								Total Balance at 30-Sep-14	
				1997-2008	2009	2010	2011	2012	2013	∑ Arrears	2014 AC Balance		
American Samoa	21,660	63,000	84,660	0	0	0	0	0	0	0	0	0	0
Australia	0	3,200,000	3,200,000	0	0	0	0	0	0	0	0	0	0
Cook Islands	0	52,000	52,327	0	0	0	0	0	0	0	(327)	(327)	
Federated States of Micronesia	(17,458)	63,000	48,418	0	0	0	0	0	0	0	(2,876)	(2,876)	
Fiji	(17,362)	193,600	178,601	0	0	0	0	0	0	0	(2,363)	(2,363)	
France	0	2,863,962	2,863,962	0	0	0	0	0	0	0	0	0	0
French Polynesia	0	130,000	130,000	0	0	0	0	0	0	0	0	0	0
Guam	63,449	69,000	98,074	0	0	0	0	0	0	0	34,375	34,375	
Kiribati	(20)	69,300	70,107	0	0	0	0	0	0	0	(827)	(827)	
Marshall Islands	373	52,000	52,138	0	0	0	0	0	0	0	235	235	
Nauru	223,667	55,100	52,476	40,076	22,131	22,131	22,131	22,131	42,591	171,191	55,100	226,291	
New Caledonia	0	420,000	420,000	0	0	0	0	0	0	0	0	0	0
New Zealand	0	2,050,000	2,050,000	0	0	0	0	0	0	0	0	0	0
Niue	0	42,000	42,000	0	0	0	0	0	0	0	0	0	0
Northern Mariana Islands	387,878	63,000	0	170,593	31,737	31,737	32,211	58,600	63,000	387,878	63,000	450,878	
Palau	228,070	52,000	134,578	0	0	0	0	41,492	52,000	93,492	52,000	145,492	
Papua New Guinea	3,584	360,000	0	0	0	0	0	0	3,584	3,584	360,000	363,584	
Pitcairn Island	0	42,000	42,000	0	0	0	0	0	0	0	0	0	0
Samoa	0	86,600	86,600	0	0	0	0	0	0	0	0	0	0
Solomon Islands	0	136,600	47,200	0	0	0	0	0	0	0	89,400	89,400	
Tokelau	0	55,100	55,100	0	0	0	0	0	0	0	0	0	0
Tonga	0	75,600	0	0	0	0	0	0	0	0	75,600	75,600	
Tuvalu	0	55,100	55,100	0	0	0	0	0	0	0	0	0	0
United States of America	0	1,417,665	425,300	0	0	0	0	0	0	0	992,365	992,365	
Vanuatu	85,004	86,600	101,798	0	0	0	0	0	0	0	69,806	69,806	
Wallis and Futuna	0	42,000	42,000	0	0	0	0	0	0	0	0	0	0
TOTAL	978,845	11,795,227	10,332,439	210,669	53,868	53,868	54,342	122,223	161,175	656,145	1,785,488	2,441,633	

Age of debts

8.6%

2.2%

2.2%

2.2%

5.0%

6.6%

26.9%

73.1%

100.0%

Notes:

1. Figures in brackets denote payment in advance.

2. America Samoa bank cheque for USD 84,390.30 is awaiting bank clearance and provisionally taken as full settlement of debt of 77,944 CFP units

