



SECRETARIAT OF THE PACIFIC COMMUNITY

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

AGENDA ITEM 7: OPERATIONS AND MANAGEMENT DIRECTORATE REPORT

AGENDA ITEM 7.1: AUDIT AND RISK COMMITTEE REPORT

(Paper presented by the Secretariat)

PURPOSE

1. This paper presents the report prepared by the Secretariat of the Pacific Community Audit and Risk Committee (ARC) to update CRGA 44 on its work in 2014.

RECOMMENDATIONS

2. CRGA is invited to:
 - i. note the report from the Chair of the Audit and Risk Committee;
 - ii. approve the appointment of Pricewaterhouse Coopers as external auditor of SPC for the period 2014–2016; and
 - iii. approve the Financial Regulations.
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AUDIT AND RISK COMMITTEE REPORT

Background

3. The Audit and Risk Committee (ARC) was formally established at CRGA 42 in 2012 following a recommendation made by the Independent External Review (IER). At that meeting CRGA also endorsed the committee's charter and a charter for progressing and strengthening an internal audit function at SPC. The committee has met on three occasions in 2014 – in March, July and October.

Internal audit work plan

4. In 2013 the committee endorsed:
 - i. an assurance framework to provide a structure for the internal audit and risk function;
 - ii. a high-level strategic risk plan that reflected the areas of greatest potential risk given the nature of SPC's activities; and
 - iii. a three-year internal audit and risk plan outlining the audit coverage to be provided over the following three years.
5. Following a call for expressions of interest from qualified accounting firms, the committee appointed the international accounting firm Ernst and Young to undertake the three-year work plan. The coverage in the first year was to include a review of:
 - i. procurement policies and procedures;
 - ii. cash management and investment policies and procedures;
 - iii. foreign exchange management policies and procedures;
 - iv. consultant engagement policies and procedures; and
 - v. travel management and approval policies and procedures.
6. These areas had been identified as potential risk areas given the nature of SPC's activities.
7. To date, Ernst and Young has provided ARC with reports following their investigations in the areas of procurement, cash management and investment and foreign exchange management. All reports have indicated that, while some improvements can be made to strengthen procedures and compliance with approved policies, in general, SPC's current arrangements were sound. Ernst and Young has made a number of recommendations to further strengthen SPC's systems and procedures. ARC has endorsed these recommendations, and the management responses to them.
8. Ernst and Young is currently undertaking the field work for the remaining areas to be covered in 2014 – consultant engagement and travel management and approval – and ARC anticipates considering these reports at its next meeting.
9. The committee is satisfied that the work of Ernst and Young is contributing significantly to the overall objective of the internal audit and risk function in further strengthening SPC's already strong culture of financial probity and compliance.
10. Consistent with the agreed three-year work plan, ARC has approved the following areas for investigation by Ernst and Young in 2015:
 - i. follow-up of issues identified for all 2014 activities;
 - ii. grant management processes;
 - iii. asset management processes;
 - iv. information technology governance and control environment; and
 - v. business continuity and disaster recovery processes.

11. As reported to CRGA 43, the committee has noted with satisfaction that SPC is progressively funding the internal audit work programme as a core function and will be fully core-funding the programme from 2015 onwards.

Accounting framework

12. Although SPC has been successfully using its own accounting regulations for many years, ARC and SPC management agreed that it was necessary to adopt one of the major international accounting frameworks as international best practice in this area had evolved and donors and stakeholders would be looking for such a change. SPC engaged Ernst and Young to review this issue and make recommendations.
13. ARC endorsed Ernst and Young's recommendation that SPC adopt the International Public Sector Accounting Standards (IPSAS) framework. The adoption of IPSAS had also been recommended by SPC's external auditors. SPC's 2014 accounts are to be presented using the IPSAS format.

2013 external audit

14. ARC met with SPC's external auditors in July 2014 to review and consider the draft audited annual accounts for 2013 and the accompanying management letter from the external auditors. The committee noted with appreciation that the external auditors would be providing an unqualified audit opinion on the 2013 accounts. The external auditors emphasised that SPC's internal controls were strong and they commended the strong compliance culture of the organisation. The committee agreed that the Director-General sign off on the 2013 annual accounts.
15. ARC reviewed the matters raised in the external auditor's management letter and SPC management's responses. The committee is satisfied with the management responses and the actions that are being taken or proposed.

Appointment of external auditor for 2014–2016

16. In July, ARC, supported by SPC management, conducted interviews with three firms that had submitted proposals to undertake the external audit function for the 2014–2016 SPC accounts. This followed the technical assessment of proposals by SPC's Procurement Committee.
17. The Committee endorsed the recommendation of the Procurement Committee that Pricewaterhouse Coopers be appointed and accordingly recommends to CRGA that Pricewaterhouse Coopers be appointed as SPC's external auditor for the period 2014–2016. Pricewaterhouse Coopers has been SPC's external auditor for the past several years.

Project audits

18. A substantial proportion of SPC's programme activity is delivered through project funding provided by a range of bilateral and multilateral development partners. These project activities incorporate their own audit requirements. ARC has included, as a standing item on each meeting agenda, a report on the audit outcomes on project-funded activities as they come to hand. With the exception of grant management issues, discussed below, all project audits received to date have provided unqualified audit opinions.

Grant management

19. In its report to CRGA 43, ARC noted that the audit of a United Nations Development Fund – Global Environment Facility (UNDP GEF) project had been qualified. This qualified audit related to the manner in which the funds are disbursed to national finance systems and the inability of recipient

countries to adequately acquit the funds received at the national level. While this project audit is unqualified for the subsequent year, the committee has noted that a qualified audit has been made on the Global Fund Consolidated Grant.

20. SPC management has undertaken significant investigation at its own expense into the circumstances that have led to these qualified audits. The issues are complex and include weaknesses in recipient countries' financial systems and acquittals as indicated above, and deficiencies in monitoring and follow-up procedures by SPC staff in the Grants Management Unit.
21. In the context of SPC's overall budget, the amounts involved are significant. SPC management is currently in discussions with the Global Fund to resolve the issues and agree a way forward.
22. The issues relate to grant management prior to 2013. Since 2013 SPC has recognised the problems and its procedures have been strengthened. The inclusion of a review of grant management processes in the internal audit work programme of Ernst and Young in 2015 should further strengthen and improve SPC's activities in this area.

Financial Regulations

23. ARC has reviewed the draft of the revised Financial Regulations for SPC. These regulations provide an over-arching framework that will govern the financial administration and activities of SPC. The regulations are supported by financial policies and procedures as well as financial delegations approved by the Director-General. CRGA has the authority to approve any proposed amendments to the regulations.
24. With one possible exception, the amendments proposed in the revised draft essentially comprise small changes to reflect changes that have been introduced in the way SPC operates over recent years, including, for example, providing clarity about the role of the Audit and Risk Committee following the decision of CRGA 42.
25. The committee draws the attention of CRGA to the proposed Regulation 33 – Borrowings and Overdraft. SPC's governing agreements and treaties neither expressly permit nor prohibit borrowing by SPC.
26. The proposed regulation would provide that the Director-General may enter into borrowing arrangements subject to two important conditions – that the borrowing can only be from a member country or development partner and that it must be specifically approved by CRGA. The authority to borrow would not extend to borrowing from a commercial financial institution.
27. While there is currently no intention on the part of SPC to enter into borrowing arrangements, the committee considers that this limited authority, with its important limitations and safeguards, is appropriate.
28. The Audit and Risk Committee recommends that CRGA approve the revised Financial Regulations.

Financial Policies and Procedures Manual

29. ARC has approved the terms of reference for the engagement of a consultant to review SPCs financial policies and procedures to reflect best practice and organisational needs. These policies and procedures will be aligned with the Financial Regulations. It is anticipated that this work will commence early in 2015.
30. The Director-General can approve these policies and procedures with advice to CRGA.

Other issues

31. ARC will further strengthen its oversight role through the addition of regular updates in a number of areas as standing items on its meeting agendas. These include: progress on implementation of recommendations from the internal auditors; a register of gifts received by staff in the context of their work activities; a register of any legal actions being taken against SPC; a report on compliance of investments with the agreed policies; and a report on any insurance claims made against SPC.
32. The committee has received regular briefing from SPC management on the implementation of the 2014 budget and the anticipated budget outcome, and the budget outlook for 2015 and beyond.
33. ARC has noted that SPC is currently undergoing a European Union Seven Pillar Assessment. This is a comprehensive assessment of its systems and procedures. If found to be compliant, this will mean that SPC can be entrusted with implementation of EU funds under indirect management. This would significantly enhance the relationship between SPC and the EU.

Conclusion

34. The committee would again like to record its appreciation of the support it has received from the Director-General and the senior management team at SPC. The relationship between the committee and management has been extremely open and constructive and has ensured that continuing progress is being made in embedding internal audit and risk management as core areas of SPC activity.

Recommendations

35. CRGA is invited to:
 - i. note the report from the Chair of the Audit and Risk Committee;
 - ii. approve the appointment of Pricewaterhouse Coopers as external auditor of SPC for the period 2014–2016; and
 - iii. approve the Financial Regulations.
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SECRETARIAT OF THE PACIFIC COMMUNITY

FINANCIAL REGULATIONS

Noumea, New Caledonia

2014

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Purpose

These Financial Regulations (the Regulations) shall govern the financial administration and activities of the Secretariat of the Pacific Community (the Secretariat) in relation to all its resources including core and non-core funds, in accordance with the responsibility for the proper control of these funds.

These Regulations are made by the Conference of the Pacific Community (the Conference) as described by the Canberra Agreement of 1947, with the authority to amend these Regulations being delegated to the Committee of Representatives of Governments and Administrations (CRGA).

The primary objective of the Regulations is to ensure the proper use of funds and resources in a manner that satisfies the requirements for:

- accountability;
- financial visibility;
- fulfilment of the Secretariat's responsibility to provide effective financial control of the use funds under its management;
- safeguarding of the Secretariat's assets;
- compliance with all relevant laws;
- achievement of value for money; and
- management of financial risks.

The application of these Regulations should also provide the Conference with assurance that funds and resources are being properly applied for the achievement of the Secretariat's strategic plan and business objectives.

The financial regulations are supported by financial policies and procedures as well as financial delegations approved by the Director-General.

Authority and application

These Regulations form part of the Secretariat's overall governance framework and together with other regulations support its operations. These documents are subordinate to the resolutions of the Conference.

The Regulations set out the mutual responsibility and rights of the Director-General of the Secretariat, the Secretariat and its employees. They have been approved by the Conference of the Pacific and apply to all staff appointed to the Secretariat and where appropriate to the Director-General.

The Director-General is the ultimate authority for making the final decision on any financial matter relating to the organisation and is fully accountable to the Governing Body for such decisions. As a result, the Director-General may issue financial policies, procedures or instructions in support of the Regulations. All other policies regarding financial procedures are subordinate to the Regulations.

The Regulations apply to all Secretariat programmes, departments, sections and other entities whose financial results are included in the Secretariat's annual audited financial statements, except where specifically exempt elsewhere in these Regulations. The Regulations apply to operations of the canteen, the staff provident fund, housing account and all core funds received and held by the Secretariat, from whatever source.

The Regulations do not apply to any project or equivalent programme being implemented by the Secretariat that has its own financial policies (as specified by the sponsor) which have their own level of accountability which differ from those specified in these Regulations and subordinate policies and procedures. These projects or programmes shall develop their own regulations based on this document, appropriately amended to take account of their differing governance arrangements. In the absence of specific regulations for a project or programme, these Regulations shall be presumed to apply. Sponsored projects and programmes must also supply the Secretariat promptly on request with all such information within their control as may be needed by the Secretariat to fulfil its legal and financial obligations and prepare its annual budgets and financial statements.

Where any section or staff member within the Secretariat provides an accounting or other financial service for an organisation that is not a part of the Secretariat, it is acting as a custodian of the funds it is holding and has a duty to exercise the same care as with its own funds. The Regulations apply to these funds whilst the Secretariat controls them.

The Director-General may delegate all or any of the powers of the position except the power of delegation. When the Director-General is absent from the Secretariat's headquarters, or incapacitated, or in the event of the position being vacant, the powers and responsibilities of the position, as provided in these Regulations, shall during such periods devolve to the officer acting as, or performing the duties of, Director-General.

Definitions/glossary

In these Regulations, unless the contrary intention appears:

‘Accrual accounting’ means the accounting for expenses already incurred but not yet paid, and income earned but cash not yet received.

‘Administrative budget’ means a consolidation of statements of income and expenditure for all the heads of expenditure covering the director general’s office and support services under it , and the Operations & Management directorate covering corporate services , programme services and common services .

‘Annual budget estimates’ means the annual administrative budget and work programme budget.

‘Auditor(s)’ means the external auditor(s) or internal auditors appointed to carry out the audit functions of these Regulations.

‘Committee of Representatives of Governments and Administrations (CRGA)’ means the committee of the whole of Conference which deals with all the subject matters requiring the attention of the Conference of the Pacific Community.

‘Community’ means the Pacific Community (originally the South Pacific Commission) as established by the Canberra Agreement of 1947.

‘Conference’ means the Conference of the Pacific Community, the Governing Body as described in the Canberra Agreement of 1947 establishing the organisation.

‘Governing body’ means the Conference of the Pacific Community. However, except for the appointment of the Chief Executive of the organisation, in the years the Conference does not meet, CRGA is empowered to make policy decisions’ according to the Tahiti Nui Declaration.

‘Secretariat’ means the Secretariat of the Pacific Community, including all its personnel, premises and financial resources.

‘Core funds’ refers to income received from the following sources: assessed contributions of the members of the Pacific Community, host country grants, voluntary contributions, programme funding by members, management fees, bank interest and any miscellaneous income.

‘Director-General’ means the Chief Executive Officer of the organisation, who is appointed by the Conference.

‘Fiscal year’ means the calendar year, i.e. the twelve-month period January to December.

‘General reserve fund’ means the general purpose fund created out of the initial working funds of the organisation, and into which the annual operation of the operating fund is closed off.

‘Members of the Conference of the Pacific Community’ means all the member countries or other states or territories and administrations that are full members of the Pacific Community.

‘Non-core funds’ refers to project contributions by development partners including SPC members and non-members that are earmarked for specific time-limited activities.

‘Operating fund’ means the general fund used for recording all core receipts and payments.

‘Specific funds’ means funds set up by the Director-General for specific purposes, as approved by the Governing Body. They are regarded as encumbered and generally not available for use other than for the specific purpose.

‘Special funds’ means funds set up specially for self-funding entities, namely the housing fund and canteen fund.

‘Work programme budget’ means a consolidation of statements of income and expenditure for all budget heads, approved by the Governing Body, forming the work programme budget and excluding expenditure heads falling under the administrative budget.

Risk management

Introduction

Accountability and responsibility for the organisation's performance lie with the Director-General. This includes accountability for the organisation's management of risk. While the Secretariat's senior officers are ultimately accountable for risk management, it is the responsibility of all staff members to manage risk.

Risk management is an integral part of good management practice and shall be integrated into the Secretariat's strategic and business planning processes. It is not cost effective to institute measures to address every possible business risk, including potential fraud. Therefore, the likely occurrence of fraud and its impact on the organisation's key objectives and/or core business must be carefully assessed. A risk-based approach enables the Secretariat to target its resources, both in prevention and detection, at problem areas.

Regulation

Regulation 1 – Risk management guidelines

Responsibility for the implementation of the organisation's risk management framework rests with the Director-General or a delegate who has been appointed to provide guidance to others on managing risk. This responsibility requires the development and maintenance of Risk Management Guidelines in accordance with an internationally recognised standard.

Relevant policies/procedures

SPC Corporate Services – Risk Management Guidelines (Version 2.0)

Fraud control

Introduction

Effective fraud control requires the commitment of all employees, contractors and third party providers. However, the primary responsibility for fraud control rests with the Director-General and the Conference. The Director-General plays a key role in ensuring that the Secretariat has appropriate fraud control arrangements and in setting a high ethical standard within the organisation.

Fraud risk assessments must consider internal and external fraud risks. Fraud risk should not be looked at in isolation from the ordinary business of the Secretariat but should be considered as an aspect of the Secretariat's broader risk assessment processes, including the security risk assessment.

Regulations

Regulation 2 – Fraud risk assessment

The Secretariat should undertake a fraud risk assessment at least once every two years with a summary of the assessment to be provided to the Conference.

Where a fraud risk is assessed to be high due to the nature of the business, specific fraud risk plans, at organisation or program level, must be implemented.

Regulation 3 – Fraud control plan

The Secretariat should develop a fraud control plan in response to the latest fraud risk assessment or where a significant fraud exposure has been identified.

The fraud control plan should, where appropriate, be integrated into the Secretariat's strategic, business plan or risk management plan. The plan should document the Secretariat's approach to controlling fraud at a strategic, operational and tactical level, and must encompass prevention, detection, reporting, and investigation measures.

Relevant policies/procedures

SPC Corporate Services – Policy for Managing Fraud and Misappropriation (Version 1.0)

Internal control

Introduction

Internal controls are the procedures or systems designed to:

- promote efficiency;
- assure the implementation of a policy;
- safeguard assets; and
- avoid fraud and error.

The governance framework and internal control arrangements within the Secretariat are also dependent upon the following:

- The Audit and Risk Committee;
- External audit (covered separately at 'External Audit'); and
- Internal audit.

The Audit and Risk Committee assists the Committee of Representatives of Governments and Administrations (CRGA) in fulfilling its oversight responsibilities for the financial reporting process, system of internal control, audit process, risk management, effectiveness and efficiency of operations, and compliance with legal and regulatory requirements. The composition of the Audit and Risk Committee is determined by CRGA.

The internal audit function is an independent support service established by CRGA to provide independent, systematic and objective approach to evaluate and improve the effectiveness of the organisation's internal control, risk management and governance processes.

Regulation

Regulation 4 – Development and maintenance of internal controls

The Director-General is responsible for the development and maintenance of internal controls appropriate to the requirements of the Secretariat. These internal controls shall be implemented through the relevant financial policies and procedures.

Regulation 5 – Audit and Risk Committee

CRGA is responsible for the establishment and maintenance of an Audit and Risk Committee. The Audit and Risk Committee is to be conducted in accordance with an operational charter. Review of the effectiveness of the Audit and Risk Committee shall be conducted on a periodic basis.

Regulation 6 – Internal audit function

The Audit and Risk Committee is responsible for the establishment and maintenance of an internal audit function. The internal audit function is to be conducted in accordance with an operational charter approved by CRGA.

Relevant policies/procedures

SPC Corporate Services – Financial Policies and Procedures Manual

SPC Audit Risk Committee Charter

SPC Internal Audit Risk Charter

The budget

Introduction

The annual budget estimates shall cover at minimum:

- Core budget – general core budget income and core expenditure; and
- Non-core budget – work project funding and expenditure funded by donors.

Regulations

Regulation 7 – Annual budget estimates

The annual budget estimates shall cover income and expenditure of the Secretariat and its auxiliary and subsidiary bodies for the fiscal year to which they relate, and shall be presented in CFP units. The annual budget estimates incorporate expenditure proposals for the work programme budget and administrative budget.

Regulation 8 – Composition of the annual budget estimates

The annual budget estimates shall be arranged in such a form and in such parts, heads and sub-heads, as the Conference may from time to time direct.

The annual budget estimates shall comprise the following documents:

- (a) Budget document;
- (b) Budget narratives;
- (c) Any additional documents that the CRGA or Conference or Director-General may deem necessary and useful.

Regulation 9 – Transfer of core funds between budgets

The Director-General may:

- transfer anticipated core fund savings under any sub-head to meet anticipated expenditure under any other sub-head of the same head.
- under the administrative budget, transfer available core funds between budget heads; in the event there are excess funds under the administrative budget these can be transferred to the work programme budget.
- within the work programme budget, transfer core funds between budget heads, and transfer unutilised core funds available under the programme budget to rectify specific unforeseen and unbudgeted requirements in the administrative budget.

Details of such transfers are to be reported to the Governing Body.

Relevant policies/procedures

SPC Financial Policies and Procedures, 2.5 'Budget Approach and Development'.

Commitments to spend money and make payments

Introduction

Commitments of the Secretariat's money should only be made after consideration of whether the use of the money is efficient, effective, economical and ethical.

Before entering into an arrangement that may commit the Secretariat's money, an officer must be satisfied that:

- they have authority to enter into the arrangement;
- sufficient funds are available and have either been budgeted or included in funding agreements concluded subsequent to the adoption of the annual budget;
- they have acted in accordance with the Secretariat's procurement rules or other relevant regulations; and
- when required, the spending proposal has been approved by the CRGA or Conference.

Authority

The authority to enter into, vary or administer an arrangement may be delegated to staff of the Secretariat.

Regulations

Regulation 10 – Authority to incur expenditure

The adoption of the work programme budget and administrative budget by the Governing Body shall constitute an authorisation to the Director-General to incur commitments and make payments for the purposes for which the expenditure was approved and up to the amounts approved.

However, within the limits of items specified in the budget, the Director-General may incur commitments and make payments without an appropriation of core funds provided funds are available.

Similarly, for new projects which may not yet be included in the work programme budget, the Director-General may incur expenditure and make payments for these projects provided funds are available

Regulation 11 – Availability of, and accounting for, funds

Core funds appropriated in the budget shall be available for commitment during the fiscal year to which they relate.

Core income and expenditure shall be accounted for on an accrual accounting basis.

Non-core funds provided in the Budget shall be accessible for commitment once the funding is available.

Non-core income and expenditure shall be accounted for on an accrual accounting basis as soon as formal commitment is made by the donor.

Regulation 12 – Commitment of funds beyond the fiscal year

Core funds shall remain available for six months following the fiscal year to which they relate to the extent that they are required to liquidate commitments.

Non-core funds shall remain available for the duration of the project.

All commitments at the close of a fiscal year shall include liabilities for:

- goods supplied and services rendered during the year;
- goods and services ordered but not supplied or rendered at the close of the fiscal year; and
- any other commitment entered into or liability incurred, but not discharged, at the close of the fiscal year.

Any non-core funds remaining at the end of a project shall be refunded to the donor, if this is required by the donor.

The delegation of authority to enter an arrangement which gives rise to a multi-year commitment rests with the Director General.

Regulation 13 – Authority to spend funds prior to approval of the budget

Should the annual budget fail to be adopted before the beginning of the fiscal year to which it relates, the Director-General is authorised, pending approval of the budget, for a period not to exceed three months after the beginning of the fiscal year, to incur obligations and meet expenditure at the same rate and for similar purposes as were approved in the annual budget for the preceding year, subject to any reservations that may have been placed on any individual item. Contracts falling due or effective during that period may only be continued by provisional agreement and subject to final adoption of the budget.

Regulation 14 – Compliance with procurement processes

Arrangements to spend Secretariat money must be made in compliance with the Secretariat's procurement processes.

Regulation 15 – Authority to spend funds on specific types of expenditure

Authority to spend funds on specific types of expenditure including

- official travel,
- official hospitality,
- engagement of consultants and contractors, and
- engagement of legal services,

is subject to specific considerations and as a result can only be exercised after reference to the relevant policies and procedures relating to these types of expenditure.

Regulation 16 – Guarantees, indemnities, warranties and other contingent liabilities

The delegation of authority to enter an arrangement that gives rise to a guarantee, indemnity, warranty or other contingent liability rests with the Director-General.

Regulation 17 – Making payments

The expenditure of the Secretariat's money can only occur if the officer has the authority to make the payment and the payment is supported by appropriate authorisation. The Director-General may nominate particular staff members to authorise or make payments and this extends to all forms all payments, including both manual and electronic payments.

Relevant policies/procedures

SPC Staff Regulations – Regulation 3 'Oath or Declaration of Office'.

SPC Financial Policies and Procedures – Chapter 5 'Purchasing of Goods and Services and Payments'.

SPC Manual of Delegations

SPC Travel Policy

SPC Consultancy Policy

SPC Staff Regulations

SPC Conference Policy

SPC Procurement Levels and Authority

Contributions

Introduction

Assessed contributions are a major source of revenue for the Secretariat. Changes to the level of assessed contributions and to a member's contribution require the approval of CRGA or Conference.

Host country grants are contributed by members that permanently host offices of the Secretariat in recognition of the economic benefits derived.

Regulations

Regulation 18 – Assessed contributions

The Director-General shall recommend to the CRGA the level of assessed contributions of member countries and territories, based on an approved formula.

Regulation 19 – Notification of assessed contributions and host country grants

After CRGA has adopted the work programme and budget, the Director-General shall inform the members of the Pacific Community of their commitments in respect of assessed contributions and host country grants, and the details of the organisation's bank account into which it is desired that the assessed contributions be paid.

Regulation 20 – Official currency of the organisation

Contributions shall be assessed and payable in CFP francs. However, the Director-General is empowered to accept, at his or her discretion, the total or partial payment of contributions by a member of the Pacific Community in a currency other than CFP francs.

Regulation 21 – Status of collection of assessed contributions & host country grants

The Director-General shall submit to each meeting of CRGA a status report on the collection of assessed contributions.

Relevant policies/procedures

Consolidation of Agreed Provisions and Practices Relating to the Establishment and Operation of the South Pacific Commission, including the Canberra Agreement as Amended.

Non-contribution revenue and debt management

Introduction

The Secretariat may receive non-contribution revenue from various sources. This revenue is to be accounted for in accordance with these Regulations. Additionally, where the Secretariat has a right to receive either income or other amounts owing to it, these also must be accounted for in accordance with these Regulations.

Regulations

Regulation 22 – Authority to receive revenue

The Director-General may designate particular staff members to receive revenue on behalf of the Secretariat.

Regulation 23 – Recovery of debts

To determine if the debt is recoverable, there is a need to ensure that there are adequate accounting records, contracts and agreements detailing the Secretariat's payment terms and conditions that the debtor has acknowledged.

Regulation 24 – Non-recovery of debts

Non-recovery (write off) of a debt is permitted where it would not be economical to pursue the recovery of the debt or where the debt is not legally recoverable. A decision to write off a debt does not legally extinguish the debt.

Regulation 25 – Waiver of debts

A waiver is a special concession granted to an individual or other body that extinguishes a debt or other amount owing to the Secretariat. This means that the amount owing is completely forgiven and can no longer be recovered (even if the debtor's circumstances change in the future). A waiver should be a last resort where it is considered appropriate because the recovery of the debt would be inequitable or cause ongoing financial hardship.

Regulation 26 – Recovery of debts by instalment or deferral of the time for payment

Amounts owing to the Secretariat should generally be paid in full immediately when they become due. However, there may be circumstances in which the Director-General allows a payment to be made in instalments or allows deferral of the time for payment.

Relevant policies/procedures

SPC Financial Policies and Procedures Manual – Chapter 4.6 'Invoices and Debtors'.

Secretariat funds

Introduction

The Secretariat has categorised reserves and funds into three groups according to the common purpose for which they have been established. These categories have been determined to assist in simplifying the presentation of reserves and funds.

Regulations

Regulation 27 – Principal funds of the organisation

The working funds of the organisation shall be held in two principal funds:

- (a) The operating fund, established pursuant to paragraph 48 of the Agreement establishing the organisation; and
- (b) The general reserve fund, into which the annual operations of the operating fund are closed off.

The assessed contributions from members of the organisation and any other core income shall be credited to the operating fund.

Regulation 28 – Setting up and use of special funds and specific funds

Special funds and specific funds may be established by the Director-General. The purpose and limits of each of these funds shall be clearly defined and unless otherwise directed by the Governing Body, such Funds shall be administered in accordance with these Regulations.

Regulation 29 – Authority to accept Noncore Funds – Contributions for new projects

The Director-General may accept contributions for new projects falling within the scope of the work programme approved by the Governing Body and shall inform the Governing Body of details of such contributions.

Regulation 30 – Maintenance of trust funds and special accounts

Separate accounts shall be maintained for all trust funds and special accounts, and appropriate annual statements of accounts shall be prepared for these.

Relevant policies/procedures

SPC Financial Policies and Procedures Manual, Chapter 2.4 'Reserves Policy'.

Bank accounts and investment of Secretariat funds

Introduction

This Regulation provides instruction to staff members on the proper management of Secretariat money. The Secretariat's money is money in the custody, or under the control, of the Secretariat or any person acting for or on behalf of the Secretariat in that respect. This includes money that is held on behalf of another entity or individual, such as money held in trust.

Regulations

Regulation 31 – Bank accounts

The Director-General shall authorise the opening and closing of all the organisation's bank accounts.

A register of accounts shall be maintained that also specifies the Secretariat staff members who are authorised to operate/transact on these accounts.

Bank accounts shall be maintained with financial institutions that meet the credit risk criteria determined by the Secretariat.

Regulation 32 – Investment of funds

The Director-General may make short-term, low-risk, non-speculative investments of funds not needed for immediate requirements and shall inform the Governing Body of the details of such investments and interest revenue earned.

Secretariat funds shall be managed by the Director-General having regard to the:

- (a) interest rate risk;
- (b) exchange risk;
- (c) liquidity risk; and
- (d) credit risk.

A register of investments shall be maintained which also specifies the Secretariat staff members who are authorised to operate/transact on these investments. This register shall be reported regularly to the Audit and Risk Committee.

Regulation 33 – Borrowings and Overdraft

The Director-General has authority to enter into borrowing arrangements on behalf of the Secretariat.

The Director-General may only enter into a borrowing arrangement which will be used to fund SPC's core corporate activities or services provided to Member countries and territories if such an arrangement has:

- (a) the prior authorisation of the Governing Body; and
- (b) is concluded with either a Member country or territory of the Pacific Community or a development partner.

The Director-General has the authority to transfer funds from within the Secretariat's reserve sources to meet the operating costs of the Organisation.

Relevant policies/procedures

SPC Financial Policies and Procedures Manual – Chapter 4 ‘Cash and Bank’.

SPC Management of Cash Holdings and Investments.

Asset management

Introduction

This Regulation provides instruction on the proper management of public property, including acquisition, disposal, custody, use and loss.

The Secretariat's property is defined as either property in the custody, or under the control, of the Secretariat or any person acting for or on behalf of the Secretariat in that respect. This includes leased property and property held by the Secretariat on behalf of another entity or individual. The Secretariat's property also encompasses gifts given to the Secretariat and its employees.

Regulations

Regulation 34 – Acquisition of property

The Secretariat can acquire or hold property in a number of ways, such as procuring the property (by purchase or lease) or being given the property as a gift or donation.

When procuring property, staff of the Secretariat must:

- act in an efficient, effective, economical and ethical manner that is consistent with the policies of the Secretariat; and
- act in accordance with the Secretariat's procurement policy.

Regulation 35 – Disposal of property

The Secretariat may dispose of property in a number of ways, such as by sale, trade-in, destruction, recycling or dumping. Generally, disposal of the Secretariat's property should be at market price, wherever such action is economical.

If the Secretariat cannot sell the property, any disposal must be an efficient, effective, economical and ethical use of the Secretariat's resources. All disposals of property need to be adequately recorded and reported. All disposals need to be documented on the Secretariat's asset register, along with the disposal date and any proceeds received.

Regulation 36 – Custody and use of Secretariat property

All staff members must ensure the proper use and security of any property they receive or have custody of. Secretariat property may only be used for official purposes, unless permission for private use has been given by the officer with the requisite delegation.

Regulation 37 – Loss and recovery of property

Loss of property may result in a debt owed to the Secretariat by a staff member. If a loss of Secretariat property occurs whilst the property is in the nominal custody of a staff member, they will be liable to pay the Secretariat an amount equal to the loss, unless they are able to demonstrate that they took reasonable steps to prevent the loss.

Relevant policies/procedures

SPC Corporate Services – Fixed Asset Policy and Guidelines.

SPC Financial Policies and Procedures Manual – Chapter 7 'Fixed Assets'.

Accounting and financial statements

Introduction

The financial position of the Secretariat and the financial results for the fiscal year shall be determined through the preparation of annual statements of accounts.

Regulations

Regulation 38 – Maintenance of accounting records

The Director-General shall:

- (a) maintain such accounting records as are necessary and shall prepare annual statements of accounts for the fiscal year to which they relate, showing:
 - a. the income, expenditure and balance of each fund;
 - b. the status of core fund appropriations and the operations of the:
 - i. operating fund;
 - ii. general reserve fund;
 - c. the assets and liabilities of the organisation.
- (b) give such other information to CRGA as he/she may deem appropriate to indicate the current financial position of the organisation;
- (c) ensure that the annual statements of accounts are prepared in accordance with international professional accounting practices and incorporate accrual accounting concept.
- (d) provide for the replacement of fixed assets either through a provision for depreciation or through the established Replacement of fixed assets fund.

Regulation 39 – Annual statements of accounts

The annual statements of account shall be prepared in accordance with the appropriate international accounting standard framework.

The annual statements of accounts of the organisation shall be presented in CFP francs. Accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary. The rates of exchange used in the preparation of the annual statements of accounts shall be based on the official bank rates at 31 December of the fiscal year to which they relate.

Regulation 40 – Audit of annual statements of accounts

The annual statements of accounts shall be submitted by the Director-General to the external auditors as soon as possible following the end of the fiscal year, but no later than May of the following year.

Relevant policies/procedures

SPC Financial Policies and Procedures Manual, Chapter 2.6 'Financial Reporting'

External audit

Introduction

Clause 51 of the Canberra Agreement requires that:

'Audited statements of account for each fiscal year shall be forwarded to each participating Government as soon as possible after the close of the fiscal year.'

Regulations

Regulation 41 – Appointment of external auditor(s)

The Governing Body shall appoint one or more suitably qualified auditors on the recommendation of the Audit and Risk Committee. External auditors so appointed shall provide evidence of insurance cover against professional liability. The audit shall be performed in conformity to accepted international standards on auditing.

Regulation 42 – Regularity of external audit

The external auditors shall make annually, and at such other times as the Governing Body may consider necessary, an independent audit of the organisation's records in order to provide an opinion as to whether or not:

- (a) the financial statements are in accordance with the records of the organisation;
- (b) the financial transactions are fairly reflected in the financial statements and are in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
- (c) the securities and money on deposit and on hand have been verified by certificates received directly from the organisation's bankers or by actual count;
- (d) the records of stores, furniture, equipment and other property of the organisation are accurate, and the control exercised over these is adequate.

Regulation 43 – Assistance to external auditor(s)

The Director-General shall ensure that the external auditors are supplied with every facility and information required for the proper discharge of their duties.

Regulation 44 – Scope of external audit report

The external auditor(s), in expressing an opinion on the annual statements of accounts, shall prepare a report in which they mention:

- (a) the extent and character of their examination and any important changes in the financial system of the organisation that may have affected the preparation of the annual statements of accounts;
- (b) matters affecting the completeness or accuracy of the annual statements of accounts;
- (c) the accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records;
- (d) the adequacy of the financial procedures of the organisation, including internal control measures and adherence to financial rules and regulations;
- (e) the adequacy of insurance cover for the buildings, stores, furniture, equipment and other property of the organisation;
- (f) any other matters that they deem necessary to be brought to the attention of CRGA and Conference.

Regulation 45 – Timing of the external audit

The external auditors shall submit their report to the Director-General as soon as possible following the end of the fiscal year to which it relates, but no later than 31 July. The Director-General shall circulate the full report of the auditors, including comments on the financial operations of the organisation and accounts, together with such remarks as they may wish to offer to the Audit and Risk Committee and to Members, prior to the following session of the Governing Body.

Regulation 46 – Acceptance of the external audit report

Subject to any direction that the Governing Body may issue, the acceptance by the Governing Body of the annual statement of accounts shall constitute a discharge to the Director-General in respect of the year covered thereby.

Relevant policies/procedures

Consolidation of Agreed Provisions and Practices Relating to the Establishment and Operation of the South Pacific Commission, including the Canberra Agreement as Amended.

Taxation

Introduction

The Secretariat operates across a number of jurisdictions and as a result must comply with various taxation regimes.

Regulation

Regulation 47 – Secretariat tax compliance

The Director-General shall be responsible for ensuring there are appropriate policies and procedures in place to meet the Secretariat's taxation obligations in each jurisdiction. These policies and procedures shall address the maintenance of appropriate records for the Secretariat in meeting its taxation obligations.

Relevant policies/procedures

(Existing Financial Policies and Procedures Manual should be expanded to include this)

Insurance

Introduction

Generally, an organisation is able to manage certain risks through the maintenance of insurance cover. Key risks include:

- property loss, destruction or damage;
- legal liability claims;
- motor vehicle loss, destruction or damage;
- workers' compensation claims; and
- various other claims.

Regulation

Regulation 48 – Determination of insurable risks

The Director-General shall be responsible for the development and implementation of an insurance risk assessment process. This process shall determine whether a risk could be covered by a relevant insurance policy and if a risk is not able to be covered, shall develop appropriate risk management strategies.

Relevant policies/procedures

SPC Corporate Services – Risk Management Guidelines (Version 2.0)