



Lesā ma Penn
Certified Public Accountants

Lesā ma Penn Compound
 Fugalei Street by the Bridge
 Fugalei
 PO Box 1599
 Apia, Samoa

Telephone: (685) 20321
 (685) 20322
 Fax: (685) 23722
 (685) 21335
 Email: lesapenn@samoa.ws

AUDITORS' REPORT

TO THE MEMBERS OF THE

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME (SPREP)

We have audited the financial statements of SPREP as set out on pages 3 to 11, for the year ended 31 December 2008. The financial statements provide information on the financial performance of the organization, and its financial position as at 31 December 2008.

Management responsibilities

The management is responsible for the preparation and presentation of the financial statements that comply with generally accepted accounting practice, and that gives a true and fair view of the financial position of SPREP as at 31 December 2008, and its financial performance and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by management, and to report our opinion to you.

Basis of Opinion

An audit includes examining on a test basis, evidence relevant to the amounts, and disclosures in the financial statements; and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgements made by management in the preparation of the financial statements; and
- Whether the accounting policies are appropriate to the circumstances of the organization, consistently applied and adequately disclosed.

We conducted our audit in accordance with International Standards on Auditing. We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence, to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud and error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Specific reporting requirements

In accordance with the specific audit reporting requirements of SPREP's Financial Regulation 32 (a) to (f), we report as follows:

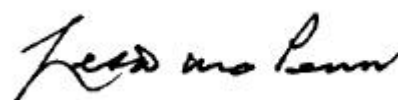
- (a) Extent and character of examination is as explained in the section above under the heading "Basis of Opinion"
- (b) Matters affecting the completeness and accuracy of the accounts, there were no material matters noted which may affect the completeness and accuracy of the accounts .
- (c) The accuracy or other wise of the supplies and equipment records as determined by stocktaking and examination of the records. The fixed assets register has been completed following the physical count of all SPREP assets carried out in February 2009.
- (d) Financial procedures of SPREP including internal controls and adherence to Financial Procedure Manual, Administration Manual are satisfactory.
- (e) The adequacy of insurance cover for the buildings, stores, furniture, equipment and other property of SPREP. Insurance cover for buildings, furniture, equipment and other property is adequate.
- (f) Other matters, the matters raised in our report to management have been addressed.

We also examined on a test basis, evidence supporting the amounts of funds received by the Organisation from NZAID and AUSAID. We confirm that funds were spent in accordance with the Memorandum of Understanding (MOU) signed between the respective parties.

Unqualified Opinion

In our opinion, the financial statements gives a true and fair view of the financial position of the Secretariat of the Pacific Regional Environment Programme (SPREP) as of 31 December 2008, and of the results of its operations for the year then ended in accordance with generally accepted accounting principles and in accordance with the SPREP Financial Regulations.

Our audit was completed on 16th April 2009 and our opinion is expressed as at that dated.



Apia, Samoa

Certified Public Accountants

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME (SPREP)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

2007 \$	NON-CURRENT ASSETS	2008 \$	Notes
<u>4,932,975</u>	Property, Plant and Equipment	<u>4,974,462</u>	3
<u>4,932,975</u>	Total Non-Current Assets	<u>4,974,462</u>	
	CURRENT ASSETS		
292,700	Cash at Bank and on Hand	285,764	4
3,078,201	Bank Term Deposits	2,453,083	5
<u>197,766</u>	Accounts Receivables	<u>147,666</u>	6
<u>3,568,667</u>	Total Current Assets	<u>2,886,513</u>	
<u>\$8,501,642</u>	TOTAL ASSETS	<u>\$7,860,975</u>	
	REPRESENTED BY:		
	FUNDS AND RESERVES		
501,425	Reserve Fund	501,425	7
4,591,313	Capital Reserve	4,591,313	8
140,000	Medical Evacuation Reserve	140,000	
<u>845,448</u>	Exchange Variation Reserve	<u>303,698</u>	9
<u>6,078,186</u>	Total Funds and Reserves	<u>5,536,436</u>	
	NON CURRENT LIABILITIES		
<u>70,805</u>	Deferred Income	<u>70,805</u>	10
<u>70,805</u>		<u>70,805</u>	
	CURRENT LIABILITIES		
560,759	Creditors and Accruals	881,065	11
<u>1,791,892</u>	Programme & Core Funds	<u>1,372,669</u>	12
<u>2,352,651</u>		<u>2,253,734</u>	
<u>\$8,501,642</u>		<u>\$7,860,975</u>	

The balance sheet should be read in conjunction with the notes to the financial statements, which form an integral part of the financial statements.

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Kosi Latu
Acting Director

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

2007		2008	
Actual	CORE FUNDS	Actual	Notes
\$	INCOME	\$	
917,496	Members Contribution	947,510	
455,451	Programme Management Charge	500,489	
362,875	Interest	293,348	
17,138	Exchange Gain	10,743	
35,364	Other income	103,258	13
80,000	Donor Funds	233,669	
<u>1,868,325</u>	TOTAL INCOME	<u>2,089,017</u>	
	EXPENDITURE		
<u>(1,962,694)</u>	Executive Management & Corporate Support	<u>(2,409,010)</u>	14/15
<u>(1,962,694)</u>	TOTAL EXPENDITURE	<u>(2,409,010)</u>	
(94,369)	EXCESS OF INCOME/(EXPENDITURE)	(319,993)	
548,997	Executive Mgt & Corp Support funds from prior years	454,628	
454,628	Funds to be carried forward	134,635	
	PROGRAMME FUNDS		
4,216,496	Funds received during the year	4,928,895	
	EXPENDITURE		
<u>(4,709,749)</u>	Programme Implementation	<u>(5,028,125)</u>	14/15
<u>(4,709,749)</u>	TOTAL EXPENDITURE	<u>(5,028,125)</u>	
(493,253)	Excess of expenditure over funds received	(99,230)	
1,830,518	Programme funds brought forward from prior year	1,337,265	
1,337,265	Programme Funds at year end	1,238,035	
454,628	Core Funds at year end	134,635	
<u>\$1,791,892</u>	TOTAL FUNDS TO BE CARRIED FORWARD	<u>\$1,372,669</u>	

The income and expenditure statement should be read in conjunction with the notes to financial statement, which form an integral part of the financial statements.

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008**

2007 \$	CASH FLOWS FROM/(TO) OPERATING ACTIVITIES	2008 \$
	INFLOWS	
80,000	Donor Funds	233,669
917,496	Members Contributions	947,510
455,451	Program Management Charge	500,489
321,289	Interest receipts	321,046
<u>183,542</u>	Miscellaneous receipts	<u>248,610</u>
1,957,778		2,251,324
	OUTFLOWS	
(3,051,537)	Salaries and related costs	(3,386,650)
<u>(3,615,656)</u>	Other operating expenses	<u>(4,384,136)</u>
<u>(4,709,415)</u>	Net Cash Flows provided to Operating Activities	<u>(5,519,462)</u>
	CASH FLOWS FROM/(TO) INVESTING ACTIVITIES	
	INFLOWS	
-	Proceeds from sale of property, plant & equipment	-
	OUTFLOWS	
<u>(59,055)</u>	Purchase of property, plant and equipment	<u>(41,487)</u>
<u>(59,055)</u>	Net Cash Flows provided to Investing Activities	<u>(41,487)</u>
	CASH FLOWS FROM/(TO) FINANCING ACTIVITIES	
<u>4,216,496</u>	Programme funds received during the year	<u>4,928,895</u>
<u>4,216,496</u>	Net Cash Flows provided to Financing Activities	<u>4,928,895</u>
(551,974)	Net (Decrease)/Increase in cash held	(632,054)
<u>3,922,875</u>	Cash at beginning of the year	<u>3,370,901</u>
<u>\$3,370,901</u>	Cash and cash equivalents at year end	<u>\$2,738,847</u>
	Represented By:	
292,700	Cash on hand and at banks	285,764
<u>3,078,201</u>	Term deposits	<u>2,453,083</u>
<u>\$3,370,901</u>	Cash at end of year	<u>\$2,738,847</u>

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies is given in order to assist in understanding the amounts presented in the financial statements

(a) **Accounting System**

- (i) The financial statements are prepared on the basis of historical costs and do not take into account current valuation of non-current assets.
- (ii) The concepts of the accrual method and going concern basis of accounting are applied.
- (iii) The financial statements are prepared in accordance with the accounting standards and disclosure requirements of the International Financial Reporting Standards, except where stated otherwise.
- (iv) All amount shown in the financial statements are expressed in US dollars.

- (b) The Secretariat has adopted a fund accounting system, as considerable part of its annual fund, comprises of aid funds for specified projects and programmes.

The identification of funds is maintained throughout the accounting system thus providing the control necessary to ensure that each fund is used only for the purpose, which it is received.

(c) **Depreciation**

Fixed Assets are not being depreciated as from 2003 to coincide with the Fund Accounting policy and to recognise the fact that to replace and maintain the fixed assets expenditure, provisions are included in the annual budget.

(d) **Foreign Currency Transactions**

All foreign currency transactions during 2008 have been brought to account using the bank exchange rate in effect at the date of the transaction. Realised exchange gain/losses on term deposits matured during the year have been taken to the statement of income and expenditure.

Foreign currency monetary items at balance date are translated at the closing exchange rate existing at that date.

Unrealised exchange gains and losses, arising on translation of monetary items at balance sheet date are taken to the Exchange Variation Reserve to accommodate future losses or gains due to fluctuation of rates in the foreign currency market. The decrease in the exchange variation reserve in 2008-year was due to the weakening of various currencies used for operations against the United States currency.

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

(e) Revenue Recognition

Revenue is recognised in the accounts using the cash basis concept of accounting except for interest income. Expenditure is accounted for on an accrual basis.

(f) Donor Funds

Donations from Aid Agencies are usually for specified purposes. These funds are separately identified in the accounting system and expenditure recorded against each fund. Donor Funds, which are applied to capital items of programmes are charged to expenditure at time of acquisition and are brought into the accounts as fixed assets at the completion of programmes and are valued at their carrying value.

(g) Commitment Accounting

The Secretariat operates a system of commitment accounting for its non-salary expenditure. Expenditure is recognised when purchase orders are placed and charged against the appropriate code.

(h) Donor Funded Assets

Assets acquired by programmes during the year are not included in SPREP's balance sheet as the ownership of these assets remains with the donor. The treatment at this level is to expense these assets in the Income Statement as the disbursement is incurred. At the completion of these programmes, donors generally donate these assets to SPREP, at which time the assets will be included on the Balance Sheet at their carrying value.

NOTE 2. CHANGE IN ACCOUNTING POLICY

There have been no significant changes in the Accounting Policies

NOTES 3. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

WDV 31-Dec-07	Description	Cost/Valuation				31-Dec-08
		31-Dec-07	Addition	Disposal	Adj	
4,112,996	Property	4,236,063	6,629		-	4,242,692
208,519	Computer Equip	249,078	13,004			262,082
513,321	Equipment	581,962	21,854			603,816
35,237	Furniture	128,241	-			128,241
62,902	Vehicles	70,148	-	-		70,148
\$4,932,975		\$5,265,492	\$41,487	\$0	\$0	\$5,306,979

Description	Accumulated Depreciation				WDV	
	1-Jan-08	Adj	Disposal	31-Dec-08	31-Dec-08	
Property	(123,067)	-		(123,067)		4,119,625
Computer Equip	(40,559)			(40,559)		221,523
Equipment	(68,641)			(68,641)		535,175
Furniture	(93,004)			(93,004)		35,237
Vehicles	(7,246)		-	(7,246)		62,902
	(\$332,517)	\$0	\$0	(\$332,517)		\$4,974,462

Fixed assets are not being depreciated in 2008 in accordance with the Secretariat policy adopted in 2003. Assets are shown at the balance sheet at their written down value at 31 December 2002 while assets purchased since 2003 are recorded at their historical value.

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

2007		2008
NOTE 4.	CASH AT BANK AND ON HAND	
	Local Currency	
133,951	ANZ - SAT Account	136,756
4,833	WBC - Int Waters SAT Account	3,448
73,555	WBC - EU PEIN SAT Account	26,167
7,322	ANZ - JICA SAT Account	-
196	Petty Cash	173
<u>219,857</u>		<u>166,544</u>
	Foreign Currency	
29,306	ANZ - USD Account	29,296
28,562	ANZ - AUD Account	23,699
19,670	ANZ - NZD Account	235
(57,544)	WBC - USD Account	23,210
13,640	WBC - Int Maritime Org Account	1,700
39,209	WBC - NZD Call Account	41,079
<u>72,843</u>		<u>119,220</u>
<u>\$292,700</u>	Closing Balances as at 31 December 2008	<u>\$285,764</u>
NOTE 5.	BANK TERM DEPOSITS	
	Local Currency	
626,885	WBC - SAT Account	392,926
1,415,045	SCB - SAT Account	816,580
195,600	NBS - SAT Account	370,123
214,182	ANZ - SAT Account	212,440
<u>2,451,712</u>		<u>1,792,069</u>
	Foreign Currency	
550,009	WBC - AUD Account	473,317
76,480	WBC - NZD Account	187,697
<u>626,489</u>		<u>661,014</u>
<u>\$3,078,201</u>	Closing Balance as at 31 December 2008	<u>\$2,453,083</u>
NOTE 6.	ACCOUNTS RECEIVABLE	
26,208	Debtors	9,867
7,798	Credit cards	3,079
141,075	Accrued Interest	113,377
887	Interbank	-
21,798	Prepayments	21,343
<u>\$197,766</u>	Closing Balance as at 31 December 2008	<u>\$147,666</u>

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

2007		2008
NOTE 7.	RESERVE FUND	
501,425	Opening balances as at 1 January 2008	501,425
<u>\$501,425</u>	Closing balance as at 31 December 2008	<u>\$501,425</u>
<p>The General Reserve Fund represents the sum total of accumulated results arising from Primary Function and Project Management activities for the purpose of covering the organisation in cases of emergencies or unforeseen circumstances and unexpected budget shortfalls.</p>		
NOTE 8.	CAPITAL RESERVE	
	Capital Reserve is represented by the following capital donations:	
1,870,480	SPREP Complex by Donor Governments	1,870,480
2,370,833	Training and Education Centre Project by Japan	2,370,833
350,000	Information Resource Centre by European Union	350,000
<u>\$4,591,313</u>	Closing Balance as at 31 December 2008	<u>\$4,591,313</u>
NOTE 9.	EXCHANGE VARIATION RESERVE	
700,615	Opening Balances as at 1 January 2008	845,448
144,833	Plus: Exchange difference arising from translation	(541,750)
<u>\$845,448</u>	Closing Balances as at 31 December 2008	<u>\$303,698</u>
NOTE 10.	DEFERRED INCOME LIABILITY	
88,506	Represents Deferred Income and Assets acquired through Donor Funds	88,506
(17,701)	Less: Accumulated Amortisation	(17,701)
<u>\$70,805</u>	Closing Balances as at 31 December 2008	<u>\$70,805</u>
NOTE 11.	CREDITORS AND ACCRUALS	
143,220	Provision for Leave Entitlement	178,894
169,037	Provision for Repatriation	198,806
244,462	Trade Creditors	453,319
440	Payroll Creditors	1,024
3,600	Other Creditors and Accruals	49,022
<u>\$560,759</u>	Closing Balance as at 31 December 2008	<u>\$881,065</u>

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2007			2008
NOTE 13.		OTHER INCOME		
	731	Publication Sale		50
	28,582	Rental income		24,736
	9,864	Miscellaneous		2,819
	(9,416)	Prior Year adjustments		33,180
	615	Commission		-
	4,988	Travel & Other Recoveries		42,473
	<u>\$35,364</u>	Total		<u>\$103,258</u>

NOTE 14.	EXPENDITURE SUMMARY			
		Personnel	Operating	Total
		Cost	Costs	
2,534,451	Island Ecosystem Programme	909,618	1,545,245	2,454,863
2,175,298	Pacific Futures Programme	1,074,510	1,498,752	2,573,262
1,962,694	Executive Mgt & Corp Support	1,468,549	940,461	2,409,010
<u>\$6,672,443</u>	Total	<u>\$3,452,677</u>	<u>\$3,984,458</u>	<u>\$7,437,135</u>

NOTE 15.	ACTUAL VS BUDGET EXPENDITURES						
		Personnel Cost		Operating Cost		Capital Costs	
		Budget	Actual	Budget	Actual	Budget	Actual
2,534,451	Island Ecosystem Programme	918,366	909,618	1,077,524	1,522,953	14,400	22,292
2,175,298	Pacific Futures Programme	1,138,981	1,074,510	2,495,644	1,494,311	11,700	4,441
1,962,694	Executive Mgt & Corp Support	1,339,112	1,468,549	696,350	940,461	44,500	41,488
<u>\$6,672,443</u>	Total	<u>\$3,396,459</u>	<u>\$3,452,677</u>	<u>\$4,269,518</u>	<u>\$3,957,725</u>	<u>\$70,600</u>	<u>\$68,221</u>

NOTE 16. CONTINGENT LIABILITIES

The Secretariat has no contingent liabilities as at 31 December 2008

NOTE 17. CAPITAL COMMITMENTS

The Secretariat has no commitments with respect to capital expenditure.



29 April 2009

The Director
Secretariat of the Pacific Regional Environment Programme (SPREP)
P.O. Box 240
Vailima
APIA

Dear Sir,

MANAGEMENT LETTER REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

We have completed our audit of the Organisation's accounting records and internal controls for the year ended 31 December 2008. As part of our normal audit procedures, we examined certain aspects of the Organisation's system of internal controls and accounting procedures.

Accompanying this letter are the matters noted during our audit examination, together with our recommendations on possible ways in which to improve internal controls and accounting procedures. The matters raised in the Memorandum have been discussed with the Finance Manager, Alofa Tu'uau and we have taken into account their comments in drafting the Memorandum.

We are pleased to note that the issues raised in our prior year management report have been addressed.

It must be appreciated that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures, which were designed primarily with a view to the expression of our opinion on the financial statements of the organization. Our comments therefore cannot be expected to include all possible improvement in internal control, which a more extensive special examination might develop.

We would like to take this opportunity to express our appreciation to the management and staff for the cooperation and assistance rendered to us during the course of our work.

Yours faithfully,

Lesa ma Penn

A handwritten signature in black ink, appearing to read 'Lesma', followed by a vertical line.

Matataualiitia Afa Lesa
Partner

**SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME
MEMORANDUM ON INTERNAL CONTROLS AND ACCOUNTING PROCEDURES
31 DECEMBER 2008**

1. DELAY IN BANKING

Observation

We noted from reviewing the bank reconciliations that there was a delay in banking for the receipts and transfer listed below.

Receipts totalled to \$333.07 were actually banked on the same date as per lodgement book sighted and somehow it wasn't appearing on the bank statement on that date.

In addition, the interbank transfer from IMO bank account of US\$22,451.54 dated 22/12/08 didn't go through the bank statement on that date.

For example:

Bank acct	Date of receipt	Receipt No.	Amount	Date cleared
ANZ Tala Acct	23/12/08	ANZ2008/097	1.00	
	23/12/08	ANZ2008/098	204.98	
	23/12/08	ANZ2008/099	127.09	
		Total receipts	333.07	23/02/09
Westpac USD Acct	22/12/08	USD2008/171	22,451.54	27/02/09

Recommendation

The responsible Finance officer should have looked into this matter sooner and try to follow up the respective banks for reasons behind the delay in the banking and transfer. Most importantly, all bank reconciliations should be checked properly to ensure all reconciling items are dealt with.

Client comments and actions

We can only agree with the observation. What is pointed out is a one off case where the lodgement book went missing.

We also followed up the transfer in January 2009 when work resumed when we realised the transfer hasn't been actioned yet. The bank requested again a copy of the authority and it was then that the transfer was done.