



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 14, for the year ended 31 December 2009. The financial statements provide information on the financial performance, changes in equity and cash flows of the organization, and its financial position as at 31 December 2009.

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 2009, 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. 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"

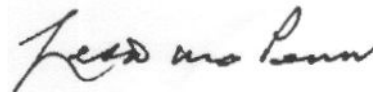
- (b) matters affecting the completeness or accuracy of the accounts; two major accounting policy changes were made in current year in order to comply with International Financial Reporting Standards, the resumption of depreciation which was ceased in 2003 and adoption of income approach for donated assets namely buildings and TEC equipment.
- (c) the accuracy or otherwise 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 fixed assets carried out in February 2010. Additions and disposals were randomly checked to supporting documents and are satisfactory. Depreciation charged for the current year and the past six years (2003 - 2008) is satisfactorily calculated following the resumption of the fixed assets' depreciation policy.
- (d) the adequacy of financial procedures of SPREP including internal control matters and adherence to the financial regulations; Financial Regulation and Financial Procedures Manual are effectively in place and adherence is satisfactory except for internal control matters noted in our management report.
- (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 2009, and of the results of its operations, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with the SPREP Financial Regulations.

Our audit was completed on 15 April 2010 and our opinion is expressed as at that date.



Apia, Samoa

Certified Public Accountants

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME (SPREP)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2009**

CORE FUNDS	Note	USD 2009	USD 2008
INCOME		\$	\$
Members Contribution	12	1,143,826	947,510
Programme Management Charge		641,249	500,489
Interest		269,362	293,348
Exchange Gain		122,542	10,743
Other income	13	261,145	212,381
Donor Funds		82,250	233,669
TOTAL INCOME		2,520,374	2,198,140
EXPENDITURE			
Executive Management		742,066	948,200
Corporate Services		1,290,020	1,331,382
Programme Support		137,023	129,428
TOTAL EXPENDITURE BEFORE DEPRECIATION	14/15	2,169,109	2,409,010
Depreciation		181,104	178,509
TOTAL EXPENDITURE AND DEPRECIATION		2,350,213	2,587,519
Surplus / (deficit) for the year		170,161	(389,380)
Add balance brought forward		185,633	575,012
Total core funds at 31 December 2009		355,793	185,633
PROGRAMME FUNDS			
INCOME			
Donor Funds received during the year		7,779,774	4,928,895
EXPENDITURE			
Island Ecosystem	14/15	2,418,080	2,454,863
Pacific Futures	14/15	4,327,056	2,573,262
TOTAL EXPENDITURE		6,745,136	5,028,125
Surplus / (deficit) for the year		1,034,638	(99,230)
Add balances brought forward		1,238,035	1,337,265
Total Programme funds at 31 December 2009		2,272,673	1,238,035

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	2009 USD	2008 USD
Core Fund		355,793	185,633
General Reserve	7	501,425	501,425
Specific Funds	8	1,081,992	443,698
Total funds and reserves		1,939,210	1,130,756
Current Liabilities			
Creditors, accruals and provisions	10	1,387,006	881,064
Donor/Programme Funds	11	2,272,673	1,238,035
		3,659,679	2,119,099
Non Current Liabilities			
Deferred Income	9	3,514,832	3,694,760
Total liabilities		7,174,511	5,813,859
Total Equity and Liabilities		\$9,113,721	\$6,944,614
Current assets			
Cash at Bank and on Hand	4	305,770	285,764
Bank Term Deposits	5	4,692,059	2,453,083
Accounts Receivables	6	209,022	147,666
		5,206,851	2,886,513
Non current assets			
Property, Plant and Equipment	3	3,906,870	4,058,101
TOTAL ASSETS		\$9,113,721	\$6,944,614

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


 David Sheppard
 Director

**STATEMENT OF MOVEMENTS IN CORE FUNDS, PROGRAMME FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2009**

	CORE FUND		RESERVES		TOTAL		PROGRAMME FUNDS	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
Surplus /(deficit) for the year	170,161	(389,380)	638,294	(541,750)	808,455	(931,130)	1,034,638	(99,230)
Balances at beginning of the year	185,633	575,013	945,123	1,486,873	1,130,756	2,061,886	1,238,035	1,337,265
Funds and reserves balances at end of the year	355,793	185,633	1,583,417	945,123	1,939,210	1,130,756	2,272,673	1,238,035

The statement of movements in core funds, programme funds and reserves should be read in conjunction with the notes to financial statement, which form an integral part of the financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2009**

CASH FLOWS FROM/(TO) OPERATING ACTIVITIES	2009	2008
	\$	\$
INFLOWS		
Donor Funds	82,250	233669
Member government contributions	1,143,826	947510
Program Management Charge	641,249	500489
Interest receipts	230,684	321046
Miscellaneous receipts	182,318	248610
	<u>2,280,327</u>	<u>2251324</u>
OUTFLOWS		
Salaries and related costs	(3,166,927)	(3,386,650)
Other operating expenses	(4,603,081)	(4,384,136)
Net Cash Flows provided to Operating Activities	<u>(5,489,681)</u>	<u>(5,519,462)</u>
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES		
INFLOWS		
Proceeds from sale of property, plant & equipment		
OUTFLOWS		
Purchase of property, plant and equipment	(31,111)	(41,487)
Net Cash Flows used in Investing Activities	<u>(31,111)</u>	<u>(41,487)</u>
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES		
Programme Funds received during the year	7,779,774	4,928,895
Net Cash Flows provided to Financing Activities	<u>7,779,774</u>	<u>4,928,895</u>
Net (Decrease)/Increase in cash held	2,258,982	(632,054)
Cash at beginning of the year	2,738,847	3,370,901
Cash and cash equivalents at year end	<u>\$4,997,829</u>	<u>\$2,738,847</u>
Represented By:		
Cash on hand and at banks	305,770	285,764
Term deposits	4,692,059	2,453,083
Cash at end of year	<u>\$4,997,829</u>	<u>\$2,738,847</u>

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principal Activity

SPREP was established as an intergovernmental organisation to promote co-operation in the Pacific Islands region and to provide assistance in order to protect and improve its environment and to ensure sustainable development for present and future generations.

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

(b) Accounting System

(i) The accounting period used for preparation of these financial statements is the calendar year 1 January 2009 to 31 December 2009.

(ii) The financial statements are prepared on the basis of historical costs and do not take into account current valuation of non-current assets.

(iii) The concepts of the accrual method and going concern basis of accounting are applied.

(iv) The financial statements are prepared in accordance with the accounting standards and disclosure requirements of the International Financial Reporting Standards, except where stated otherwise.

(v) All amounts shown in the financial statements are expressed in US dollars.

(c)

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.

(d) Foreign Currency Transactions

All foreign currency transactions during 2009 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****(d) Foreign Currency Transactions cont'd**

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 increase in the exchange variation reserve in 2009-year was due to the strengthening of various currencies used for operations against the United States currency.

(e) Revenue Recognition

Revenue is recognised in the accounts using the accrual basis concept of accounting except voluntary contributions from member countries which are recognised when the Secretariat receives the contributions.

(f) Donor Funds

Donations from Aid Agencies under the work programmes 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. CHANGES IN ACCOUNTING POLICY

The Secretariat approved in 2009 the re-application of depreciation charged to its fixed assets which was suspended from 2003. This change in policy is necessary in order to comply with International accounting standard, IAS16. The effect of this change has resulted to an annual depreciation charge of \$181,104.

Government Grants representing cost of buildings constructed and other major capital assets which were previously recorded under capital approach as per IAS 20 has now changed to the income approach as recommended by the European Commission.

The effect of this change has resulted in additional income of \$109,123 and is recognised over the expected estimated life of the assets donated.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

WDV 31-Dec-08	Description	Cost/Valuation				31-Dec-09
		1-Jan-09	Addition	Disposal	Adj	
3,775,946	Property	4,242,692	-	(69,859)	-	4,172,833
71,593	Computer Equip	262,082	25,249	-	(1,238)	286,093
146,179	Equipment	603,816	5,862	(4,083)	-	605,595
18,616	Furniture	128,241	-	-	-	128,241
45,767	Vehicles	70,148	-	-	-	70,148
\$4,058,101		\$5,306,979	\$31,111	(\$73,942)	(\$1,238)	\$5,262,910

Description	Accumulated Depreciation				WDV 31-Dec-09
	1-Jan-09	Depreciation	Disposal	31-Dec-09	
Property	(466,746)	(83,728)	69,859	(480,615)	3,692,218
Computer Equip	(190,489)	(31,229)	-	(221,718)	64,375
Equipment	(457,637)	(51,646)	4,083	(505,200)	100,395
Furniture	(109,625)	(7,487)	-	(117,112)	11,129
Vehicles	(24,381)	(7,015)	-	(31,396)	38,752
	(\$1,248,878)	(\$181,104)	\$73,942	(\$1,356,040)	\$3,906,870

The following estimated useful lives are used in the calculation of depreciation:

Motor vehicles, equipment, furniture and fittings	10 years or 10% per annum
Computer equipment	5 years or 20% per annum
Buildings	50 years or 2% per annum

NOTE 4

CASH AT BANK AND ON HAND

Local Currency

ANZ - SAT Account	59,789	136,756
WBC - SAT Account	2,943	3,448
WBC - EU PEIN SAT Account	69,324	26,167
ANZ - JICA SAT Account	17,747	
Petty Cash	200	173
	<u>150,003</u>	<u>166,544</u>

Foreign Currency

ANZ - USD Account	29,260	29,297
ANZ - AUD Account	48,048	23,699
ANZ - NZD Account	13,995	235
WBC - USD Account	(42,184)	23,210
WBC - Int Maritime Org Account	6,614	1,700
WBC - NZD Call Account	100,034	41,079
	<u>155,767</u>	<u>119,220</u>

Closing Balances as at 31 December 2009

<u>\$305,770</u>	<u>\$285,764</u>
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009	2008
NOTE 5.		
BANK TERM DEPOSITS		
Local Currency		
WBC - SAT Account	696,321	392,926
SCB - SAT Account	1,396,673	816,580
NBS - SAT Account	856,536	370,123
ANZ - SAT Account	872,100	212,440
	3,821,630	1,792,069
Foreign Currency		
WBC - AUD Account	631,933	473,317
WBC - NZD Account	238,496	187,697
	870,429	661,014
Closing Balance as at 31 December 2009	\$4,692,059	\$ 2,453,083
 NOTE 6		
ACCOUNTS RECEIVABLE		
Debtors	32,998	9,867
Credit cards	62	3,079
Accrued Interest	152,055	113,377
Interbank	2,131	-
Prepayments	21,776	21,343
Closing Balance as at 31 December 2009	\$209,022	\$147,666
 NOTE 7		
RESERVE FUND		
Opening balances as at 1 January 2008	501,425	501,425
Closing balance as at 31 December 2009	\$501,425	\$501,425

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

NOTE 8	2009	2008
SPECIFIC FUNDS		
EXCHANGE VARIATION RESERVE		
Opening Balances as at 1 January 2009	303,698	845,448
Plus: Exchange difference arising from translation	638,294	- 541,750
Balances as at 31 December 2009	941,992	303,698
MEDICAL EVACUATION RESERVE	140,000	140,000
Closing Balances as at 31 December 2009	<u><u>\$1,081,992</u></u>	<u><u>\$443,698</u></u>

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

NOTE 9		
DEFERRED INCOME LIABILITY		
Represents Deferred Income and Assets acquired through Donc	70,805	88,506
Less: Writeback	- 70,805	- 17,701
	<u>-</u>	<u>70,805</u>
SPREP Complex by Donor Governments	1,870,480	1,870,480
Training and Education Centre Project by Japan	2,370,833	2,370,833
Information Resource Centre by European Union	350,000	350,000
	<u>4,591,313</u>	<u>4,662,118</u>
Less writebacks	1,076,481	967,358
	<u><u>\$3,514,832</u></u>	<u><u>3,694,760</u></u>

NOTE 10		
CREDITORS AND ACCRUALS		
Provision for Leave Entitlement	243,758	178,893
Provision for Repatriation	215,735	198,806
Trade Creditors	909,986	453,319
Payroll Creditors	-546	1,024
Other Creditors and Accruals	18,074	49,022
Closing Balance as at 31 December 2009	<u><u>\$1,387,007</u></u>	<u><u>\$881,064</u></u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

NOTE 11	DONOR & PROGRAMME FUNDS				
DETAILS	Balance 01-Jan-09	Income	Expenses	Other Adjs	Balance 31-Dec-09
Asian Development Bank	(4,508)			4,508	0
AusAID Extra Budget	94,375	715,442	(648,557)	(63,316)	97,944
AusAID Extra Extra Budget	176,155	855,786	(326,910)	(211)	704,820
British High Commission	9,208	16,482	(2,830)		22,860
Bishop Museum	9,585		(5,059)		4,526
Commonwealth Secretariat	14,045				14,045
Conservation International	(5,394)	367,320	(245,088)		116,838
Department of International Development	1,387			(1,387)	0
European Union	(18,104)	105,490	(51,866)	(4,999)	30,521
Finnish Institute of Meteorology	-	54,800	(48,397)		6,403
Food and Agriculture Organisation	11,343		(5,854)	(4,429)	1,060
Government of Canada	(19,853)	116,038	(101,212)		(5,027)
Government of France	140,916	191,247	(302,149)	(32,630)	(2,616)
Government of Japan	19,626	204,751	(215,500)		8,877
Government of Switzerland	(12,983)	84,798	(90,609)		(18,794)
Government of the United Kingdom	8,806		(8,806)		0
International Maritime Organisation	17,154	171,430	(160,421)		28,164
John D & Catherine T MacArthur Foundation	71,366		(64,099)	(546)	6,721
National Fish & Wildlife Foundation	(19,013)	20,000	(987)		0
Netherlands Red Cross Society	398		(398)		0
NZ Aid PIE	2,485		(825)	(13,244)	(11,584)
NZ Aid Extra Budget	42,594	1,055,761	(1,006,513)	(62,853)	28,990
NZAid Extra Extra Budget	43,391	142,845	(137,145)	7,090	56,180
Pacific Development & Conservation Trust	1,279	57,828	(57,132)		1,975
Parkard Foundation	3,043			(3,252)	(209)
People's Republic of China	-	180,000		(60,000)	120,000
Other Funds	152,525	208,822	(231,822)	245,349	374,874
Ramsar Secretariat	39,613	85,000	(101,041)		23,572
The Nature Conservancy	(15,092)		1,144		(13,948)
The Christensen Foundation	24,867		(13,300)		11,568
United Nations Convention to Combat Desertification	1,592		(1,592)		(0)
United Nations Development Program	115,725	1,853,558	(1,841,772)	7,919	135,430
United Nations Environment Program	128,054	947,015	(676,112)	(20,117)	378,840
United Nations Institute for Training & Research	26,558	155,521	(74,100)		107,979
UN Economics & Social Commission for Asia & the Pacific (UNESCAP)	11,932		(3,146)		8,786
UN Office of Project Services	7,965		(910)		7,055
US Additional Member Contributions	-		(2,577)	2,577	(0)
US Dept of Energy/Los Alamos University	4,801		(331)		4,471
US Fish & Wildlife	14,625				14,625
US Forest Service	10,000		(10,000)		-
US Dept. of Land & Natural Resources	28,000	2,000	(27,157)		2,843
US Dept. of State	60,000	70,000	(58,727)		71,274
US National Oceanic Atmospheric Administration	31,297		(111,720)		(80,424)
US Western Pacific Regional Fisheries Management Council	4,905	117,841	(111,166)		11,579
World Conservation Union (IUCN) Regional Office for Oceania	911		(451)	(460)	(0)
World Health Organisation	2,456				2,456
	1,238,035	7,779,775	(6,745,136)	(0)	2,272,673

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

NOTE 12 VOLUNTARY MEMBER CONTRIBUTIONS		2009 USD	2008 USD
American Samoa		12,766	12,456
Australia		227,049	185,106
Cook Islands		10,184	10,184
Federated State of Micronesia		23,497	8,335
Fiji		42,854	10,332
France		164,610	134,202
French Polynesia		24,974	20,360
Guam		-	20,360
Kiribati		12,492	10,184
Marshall Islands		20,368	10,184
Nauru		-	-
New Caledonia		24,468	23,113
New Zealand		164,610	134,202
Niue		25,014	10,184
Northern Marianas		-	-
Palau		24,933	-
Papua New Guinea		-	-
Samoa		20,360	20,360
Solomon Islands		65,794	104,023
Tokelau		12,492	10,184
Tonga		-	10,184
Tuvalu		13,557	10,184
United States of America		200,000	193,000
Vanuatu		40,683	-
Wallis & Futuna Islands		13,121	10,373
		\$1,143,826	\$947,510

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009	2008
NOTE 13.		
OTHER INCOME		
Publication Sale		50
Rental income	38,454	24,736
Miscellaneous	180,003	111,942
Prior Year adjustments	16,886	33,180
Travel & Other Recoveries	25,802	42,473
Total	<u>\$261,145</u>	<u>\$212,381</u>

**NOTE 14
EXPENDITURE SUMMARY**

	Personnel Cost	Operating & Capital Costs	2009	2008
Island Ecosystem Programme	853,671	1,564,409	2,418,080	2,454,863
Pacific Futures Programme	1,031,821	3,295,235	4,327,056	2,573,262
Executive Mgt & Corp Support	1,361,659	807,449	2,169,108	2,409,010
Total	<u>\$3,247,151</u>	<u>\$5,667,093</u>	<u>\$8,914,244</u>	<u>\$7,437,135</u>

**NOTE 15
ACTUAL VS BUDGET EXPENDITURES**

	Personnel Cost		Operating Cost		Capital Costs	
	Budget	Actual	Budget	Actual	Budget	Actual
Island Ecosystem Programme	1,347,059	853,671	1,480,972	1,559,171	30,566	5,238
Pacific Futures Programme	1,332,527	1,031,821	3,865,203	3,281,168	8,700	14,067
Executive Mgt & Corp Support	1,440,849	1,361,659	861,783	776,338	49,000	31,111
Total	<u>\$4,120,435</u>	<u>\$3,247,151</u>	<u>\$6,207,958</u>	<u>\$5,616,677</u>	<u>\$88,266</u>	<u>\$50,416</u>

**NOTE 16
CONTINGENT LIABILITIES**

The Secretariat has no contingent liabilities as at 31 December 2009

**NOTE 17
CAPITAL COMMITMENTS**

The Secretariat has no commitments with respect to capital expenditure.

**NOTE 18
COMPARATIVE FIGURES**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME
MEMORANDUM ON INTERNAL CONTROLS
AND ACCOUNTING PROCEDURES
31 DECEMBER 2009**

15 April 2010

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

Dear Sir,

MANAGEMENT LETTER REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

We have completed our audit of the Organisation's accounting records and internal controls for the year ended 31 December 2009. 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



Matataualiitia Afa Lesa
Partner

**SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME
MEMORANDUM ON INTERNAL CONTROLS
AND ACCOUNTING PROCEDURES
31 DECEMBER 2009**

1. RECEIPT – FILING SYSTEM NOT UP TO DATE

Observation

The following is a number of payments examined and were not attached a receipt from supplier as a confirmation of receivership of payment. They were later found as they were kept elsewhere but should have been attached to Request For Payment (RFP) as per SPREP Financial Regulation and properly filed.

Date	Cheque number	Vendor name	Amount \$
<u>ANZ tala account</u>			
12-Jan-09	916113	Lober Industries	13,549.00
11-Feb-09	916189	McClellan Electrical	2,440.76
28-Aug-09	916804	Samoa Tel	6,409.75
19-Nov-09	917085	Rendervous Restaurant	5,175.00
3-Jul-09	916595	SPREP Social Club	3,000.00
<u>Westpac USD account</u>			
27-Feb-09	2009/183	JICA	12,561.06
2-Jul-09	2009/464	SEL Oxford	19,000.00
3-Jul-09	2009517	North Shore Helicopter	21,728.00

Recommendation

Management should ensure that a proper filing system is consistently maintained in order to ensure that all supporting documents are completely filed and when requested are provided in due course.

Client comment and corrective action

Recommendation is accepted. This is simply a workload issue at this stage, and the backlog has been cleared after appointment of an additional resource.

2. PAYMENT - QUOTES

Observation

The following payments are not in compliance with the purchasing guidelines as set out in the Financial Procedures Manual section 2.1, whereby all payments above SAT\$500 should be attached with at least three(3) written quotations from suppliers. The payments as follows were only attached with one quotation.

Date	Chq No	Vendor name	Amount \$
<u>ANZ tala account</u>			
11-Sep-09	916829	Samoa Outrigger Rat eradication project -accomodation	2,840.00
<u>Westpac USD account</u>			
23-Sep-09	2009672	Charles Mahe Consultancy fee	15,380.10

Recommendation

It is vital that all payments above \$500 comply with procedures as set out in the Financial Procedures Manual and adhere to every processes already established. Thus a fairly stable system can be consistently observed.

Client comment and corrective action

The recommendation is noted. This is being addressed through the revised procurement manual which includes improvements to purchasing processes and requirements.