



Agenda item 8 (c): External Audit Report

Proposed recommendations

The PIDC Regular Annual Meeting is invited to:

- a) **note** the successful completion of the external audit for the financial year ended 30 June 2018 under the guidance and leadership of the Chair and Board;
 - b) **note** the unqualified opinion expressed by the External Auditors and the recorded loss of WST 38,378 attributed to foreign currency exposure risks from donor funds receipted; and
 - c) **note** the actions taken by the Secretariat to resolve issues as highlighted by auditors and the subsequent amendments to Financial Regulations as endorsed by Board.
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Purpose

The purpose of this paper is to brief Members on the successful completion of the audit and present the audited Financial Statements for the financial year ended 30 June 2018.

Background

2. As required under the Financial Regulation, in particular regulation 12, an annual audit is required to be undertaken by a reputable auditor.
3. At its 2017 meeting in Palau, the PIDC Board selected BDO Samoa to provide services for multi – year external audits through a competitive tender process.
4. Subsequently, PIDC achieved a milestone in 2017 undertaking its first external audit as a legal entity (for the Financial Year ended 30 June 2017) with an outcome being an unqualified opinion.

External Audit Outcomes and Implications

- 5 The external audit for the financial year ended 30 June 2018 successfully concluded on 31 January 2019 with the signed completion letter (attachment one), Report to Management (attachment two) and Audited Financial Statements (attachment three) received from auditors.
6. The 2018 Audit Report to Management provided a summary of key audit issue¹ including assessment of Secretariat's fraud risk. As required by International Standard on Auditing 240 (ISO 240), the auditors did not highlight any error in revenue recognition or identify any management override.

¹ External Audit Report to Management 30 June 2018 – page 4

7. The report, however, did highlight the financial position of the organisation as a loss of WST 38,378. The loss was attributed to the foreign currency exposure risks from funds receipted from donors. The Secretariat with the assistance of the external auditor developed a best practise transfer process for donor funding. Furthermore, in assessing accounting and internal control systems, the auditors highlighted four² issues which has now been resolved.

8. Subsequent to the findings of the auditor's report and endorsement from Board, the Financial Regulation was amended.

² External Audit Report to Management 30 June 2018 – page 10 and 11