



Agenda item 3 (b): Financial Update

Proposed Recommendations:

The Board is invited to:

- a) **note** the financial update provided by the Secretariat for the period 01 January to 31 March 2022;
- b) **note** the end of the three-year funding agreement between Australia and the Secretariat which comes to an end on 30th June 2022;
- c) **acknowledge** the continued financial support provided by major donors Australia, New Zealand, and Samoa as Host Country;
- d) **note** the update of the Membership Contribution Fund;
- e) **note** the expenditure breakdown provided as at 31 March 2022;
- f) **approve** its use to be implemented in the next Board Meeting.

Purpose

The purpose of this paper is to brief the Board on the Financial performance of the Secretariat for the period of 01 January – 31 March 2022 the third quarter of the current financial year.

Background

2. The financial update is provided at Board Meetings as a normal standard agenda item to every Board Meeting to discuss the PIDC finances. All figures are represented in Samoan tala (WST) unless stated otherwise. The Board will recall in the last Board Meeting the Secretariat was tasked to work with the Audit & Risk Committee to come up with an agreed revised financial format and template. The new format is to include the full year forecast breakdown to be able to provide a full snapshot of the whole PIDC finances as best way forward for easy referencing and decision making for the Board. The Secretariat have attached as Annex 1 the new finance format and template for the Board to consider.

Financial Activity

Solvency Analysis

3. As required under the financial regulation 10.7 in mitigating foreign currency risk exposure and to ensure that the Secretariat is able to meet its current and long term obligations, a solvency analysis is undertaken in order measure the ability of an organisation to meet its long term debts. A Solvency ratio that is higher than 20% is considered to be financially sound. A solvency analysis was undertaken using the formula:

Solvency ratio= (After Tax Net Profit + Depreciation)/Total Liabilities

4. The solvency ratio for PIDC for the third quarter ending 31 March 2022 was 79% which indicates that the Secretariat is in a financially good position to meet its long term financial obligation.

Overall Performance

5. For the period 01 January -31 March 2022, the Secretariat received 8% more revenue compared to the budget. This is mainly due to the funding received from Australia of AUD250,000 and the annual funding of NZD\$180,000 from New Zealand Ministry of Business Innovation and Employment (MBIE). It should also be noted that the Secretariat received \$27,730 from Members for their Membership contribution fee that was outstanding since the last Board Meeting in December. With the border closing a lot of program activities have been delayed which shows in the decreased of the program activities expenditure and more savings compared to last year.

The Secretariat maintained a healthy balance of WST 2,032,000 as at 31 March 2022.

REPORTING PERIOD: 01 JANUARY – 31 MARCH 2022				
	Notes	Budget	Actual	Variance
REVENUE	A	786,993	846,416	59,423 (8%)
EXPENDITURE	B	766,468	489,506	276,962 (36%)

A. Revenue

6. Donor Funding - The Secretariat received \$846,000 in total revenue for the third quarter which includes AUD250,000 from Australia for quarter 1 & two contribution and the annual payment of NZD\$180,000 from NZ MBIE. The Australian three year funding agreement will be coming to end on 30th June 2022. The Secretariat is currently working with Australia to discuss a new funding agreement arrangement.

Members Contributions Fund Update

7. Members have continued to engage with the Secretariat regarding their current and outstanding contributions. So far the Secretariat has already received 65% of the Members contribution that is due for the current financial year. The Secretariat is very grateful to all Members who have already paid for their Membership contribution for the current financial year. Currently only two Member countries have outstanding Membership fees that is still due from prior years. Majority of the Members have paid their prior year's outstanding Membership fee.

8. The Secretariat has continued to follow up with individual Members on their outstanding contribution. It should be noted that none of the Members have reached out to the Secretariat to advise that they are having difficulty in paying their annual Membership contribution despite the current COVID-19 pandemic.

9. These Aged Debtors as at 31 March 2022 are shown in the table below.

	Aged Debtors as at 31 March 2022	NZD\$	Total WST(current year)	WST (prior year more than 180days)	Total
1	American Samoa	2,100.00	3,722.80		3,722.80
2	Federated States of Micronesia	2,100.00		3,925.20	3,925.20
3	Niue	2,100.00	3,722.80		3,722.80
4	Papua New Guinea	5,250.00	9,306.99	18,613.98	27,920.97
5	Solomon Islands	4,200.00	7,445.59		7,445.59
6	Tonga	3,150.00	2,492.96		2,492.96
7	Tuvalu	2,100.00	4,166.57		4,166.57
8	Vanuatu	4,200.00	7,445.59		7,445.59
	Subtotal	\$25,200	38,303.30	22,539.18	60,842.48

B. Expenditure

10. Total actual expenditure incurred for the period 1 January – 31 March 2022 total to WST \$489,506 being 36% less than budgeted. Expenditure breakdown by project are shown below. The table below shows the expenditure details by each activity compared to the approved budget.

Expenditure by Projects shown below:

11. Breakdown of expenditure by projects for the reporting period 01 January – 31 March 2022 shown below with the detail expenditure and forecast for the next three months in the Annex 1 **attached**.

	Activities	Forecast	Actuals	Variance	% variance
1	Salaries & Operation costs	360,800	315,273	45,527	13%
2	COVID-19	173,268	102,319	70,949	41%
3	Consultancy	45,000	24,946	20,054	45%
4	USP Post Graduate Programme	25,000	11,968	13,032	52%
5	Programme Activities	162,400	35,000	127,400	78%
	Totals	766,468	489,506	276,962	36%

Cash flow and Forecast

12. Closing bank balance as at 31 March 2022 WST 2,032,000. Expenditure for the next 3 months is forecasted to be WST1, 316,425. The Secretariat will have sufficient cash flow to meets its obligations for the next three months. Detail forecast expenditure for each programme activities in the attached Annex 1.

13. Board Members will note that for the next financial year there are a number of planned activities that will impact the PIDC budget. Firstly, the Secretariat and Human

Resources Committee are working towards recruiting new staff to better provide technical support for Members. Secondly, with the reopening of borders there are significant plans for face to face activities to be undertaken beginning with a planned regional Transnational Organised Crime Conference being planned in Fiji in August as part of the Declaration of Partnership. As part of this Conference and given the planned significant attendance by partner law enforcement networks, the Secretariat will be proposing that it be attended by Directors and to hold additional side events including a meeting of the Working Group to Strengthen Information Sharing as well as a capacity building side event for national contact points on the way forward with the reopening of borders.

Quarter 4 - Forecasted Income & Expenditure for the next 3 months (April- June 2022)

1	Income	473,000
2	Expenditure	
2(a)	Operation costs	670,672
2(b)	COVID-19	192,753
2(c)	Programme Activities	453,000
	Total forecasted Expenditure	\$1,316,425