Pacific Immigration Development Community

AUDIT COMPLETION

30 June 2023

Tel: +685 24 337
Tel: +685 24 575
Email: info@bdo.ws
www.bdo.ws

BDO
Chartered Accountants
Vaitele St Lalovaea.
PO Box 859
Apia, Samoa.

29 November, 2023

Mr Stanis Hulahau
Chairperson
Pacific Immigration Development Community
Level 3,
DBS Building
Apia,
SAMOA

Dear Mr Hulahau,

AUDIT COMPLETION LETTER FOR THE YEAR ENDED 30 JUNE 2023

During the course of our audit of the financial statements of Pacific Immigration Development Community (the Secretariat) for the year ended 30 June 2023, we observed the Secretariat's significant accounting policies and procedures and certain business, financial and administrative practices.

In planning and performing our audit of the financial statements of the Secretariat as of and for the year ended 30 June 2023, in accordance with International Standards on Auditing (ISAs), we considered the Secretariat's internal control relevant to the preparation of the financial statements (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Secretariat's internal control.

The Secretariat has a relatively limited number of staff employed and relatively low transaction volumes. This does not enable a comprehensive system of internal controls and adequate segregation of duties to exist. Therefore, our audit approach concentrated on substantive procedures rather than reliance on internal controls or tests of internal control activities.

Accordingly, we do not express an opinion on the effectiveness of the Secretariat's internal control. The matters being reported are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to those charged with governance.

Our consideration of internal control was for the limited purpose described in the previous paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies. Had we had performed more extensive procedures on internal control, we may have identified more deficiencies to be reported, or concluded that some of the reported deficiencies need not, in fact, have been reported.

This communication has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

Accounting practices and policies and other recommendations

We outline below recommendations from our observations in accounting practices and other areas of the business that have come to our attention as a result of performing the audit for the current year.

a) Consider preparing a comprehensive accounting/finance procedure manual (i.e.: SOP)

The Secretariat continues to employ more people and/or experience turnover through personnel in the finance and administration areas. The movement of people in this important area of business results in a loss of institutional knowledge and a steep learning curve.

Therefore we recommend that the Secretariat develop an accounting procedures manual that guides the accounting procedures and more importantly how those procedures integrate with Xero. The secretariat may not have the requisite expertise in to develop the relevant SOPs and we also recommend that they engage and work with an external firm to undertake such an activity.

Comment from management
We support the recommendation and note that it would be a timely activity to perform.

b) Consider formalizing an accounting policy that recognizes income as expenses are incurred i.e.: match income with expenses

The Secretariat receives funding from the Governments of Australia and New Zealand to support and finance the Strategic Focus Areas of the business. The Australia donor funding agreements provide for funds to be returned if not spent at the end of the funding cycle. Whilst the New Zealand donor funding agreement does not have this requirement.

Therefore there may be an inconsistent approach to income recognition in the financial statements where one component of donor funding may be deferred whilst the other component of donor is not.

The effect of not having a consistent approach for income recognition or no formalized policy for income recognition is that income received for a particular year may not match when the expenditures are incurred. Or expenditures are deferred to the next year and will not match income that was recognized in the previous year. The result would be year on year differences (which may be significant) in the reported results i.e.: net surplus on one year whilst a net deficit in the next year.

If the income recognition policy is correctly applied, the remaining items that would have an impact on the reported results would be for non-strategic focus activities i.e.: depreciation expense and the effects of foreign exchange.

This would provide more visibility to the Board on how to manage the effects of foreign exchange and depreciation as these will over time, erode the balance in the General Funds accounts (which is part of Contributed Equity) on the balance sheet.
It is worthing noting that there will necessarily be changes to the current accounting process when you adopt a consistent income recognition accounting policy that matches income with expenses.

We recommend that the Secretariat adopt and formalize a consistent income recognition policy (as discussed above), however this is subject to the Board and management's perspective and subsequent decision.

Comment from management
We agree with the recommendation and will work together to complete the policy and any accounting requirements.

c) Staff receivables

We have noted in the accounts receivable listing that there are 2 former staff members with accounts receivable balances and 2 current staff members with accounts receivable balances at 30 June 2023. The total receivable balance for all staff members equals $19,067 tala. The majority of the staff receivable balances are more than 360 days old.

Whilst staff receivables may be part of operating a business, we recommend that formal policy guidance for managing staff receivables be developed. There are many considerations to the policy such as maximum limits, repayment terms, managing existing debt on staff exit, transactions that are permitted and status reporting at the monthly or regular Board meetings.

Comment from management
For the current staff members receivables they are currently in the process of being settled.

For the former staff members, management is performing a review of the relevant documentation to determine whether the accounts have already been settled but not updated on the aged receivables account. The transactions for the former staff members and any settlements occurred during the transitioning from the previous Finance manager to the new (i.e.: current) Finance Manager.

d) Long outstanding debtor accounts

The gross accounts receivable balance as of 30 June 2023 was $74,751 tala. When we reviewed the ageing report for the accounts receivable balances, the majority of the accounts were more than 300 days old.

Therefore, we have recommended an increase in the provision for doubtful debts from $29,307 tala in the prior year to $64,642 tala in the current year to which management has accepted.

e) Accounts Payable long outstanding accounts

We noted that there were accounts payable balances that related to former staff members of PIDC that are still listed on the schedule for accounts payable at year end. From discussions with management they have agreed to write these amounts back to income. The total accounts payable relating to former staff were $22,236 tala.

Revised format of the financial statements

The business services and outsourcing (BSO) department of the firm have assisted in revising the financial statements to a more contemporary format that improves the presentation aspects of the financial statements. The financial statements in the previous year(s) were produced using a format from Xero (online accounting software). Due to inherent limitations in preparing and updating financial statements on Xero, the Secretariat’s financial statements are now produced on a more suitable application i.e.: Microsoft word.

Independence

Our engagement letter to you dated 10th August, 2021 describes our responsibilities in accordance with professional standards with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Secretariat with respect to independence as agreed to by the Secretariat. Please refer to the engagement letter for further information.

We have reviewed our independence and confirm that, in our professional judgement, this firm is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner, Ernest Betham, and the audit staff is not impaired.

In our review, we concluded that:

- the firm is not dependent on the Secretariat as a client due to a material significance of the audit fee to the firm;
- the firm is not owed significant overdue fees;
- there is no actual or threatened litigation between the firm and the Secretariat;
- no benefits have been received by the audit team which are not modest;
- the firm does not have any mutual business interest with the Secretariat;
- no members of the audit team have any personal or family connections with the board, management and its employees or its officers;

  and

— independence is not impaired through the provision of services other than the audit of the financial statements. As discussed above, our Business Services & Outsourcing division has assisted in the compilation of your financial statements. BDO does not, nor has it assumed responsibility for your financial statements as this rests with management and the Board.

Disagreement with Management

There have been no significant disagreements with management during the course of our audit.

Management Representation Letter

In accordance with ISA 580, we obtain written representation from management that they acknowledge their responsibility for preparing the accounts and have made all information available to us.

We presented our management representation letters to the Board to be signed off at the same time as the financial statements. There are no non-standard issues included in the management representation letter.

Audit Opinion

We have provided an unmodified audit opinion on the financial statements for the year ended 30th June 2023. The audit opinion issued in the prior year was also unmodified.

Thank you again for the opportunity to provide our services and please do not hesitate to contact us should you wish to discuss the contents of our report further.

General

This communication is intended solely for the information and use of management and those charged with governance within the Secretariat and is not intended to be and should not be used by anyone other than these specified parties.

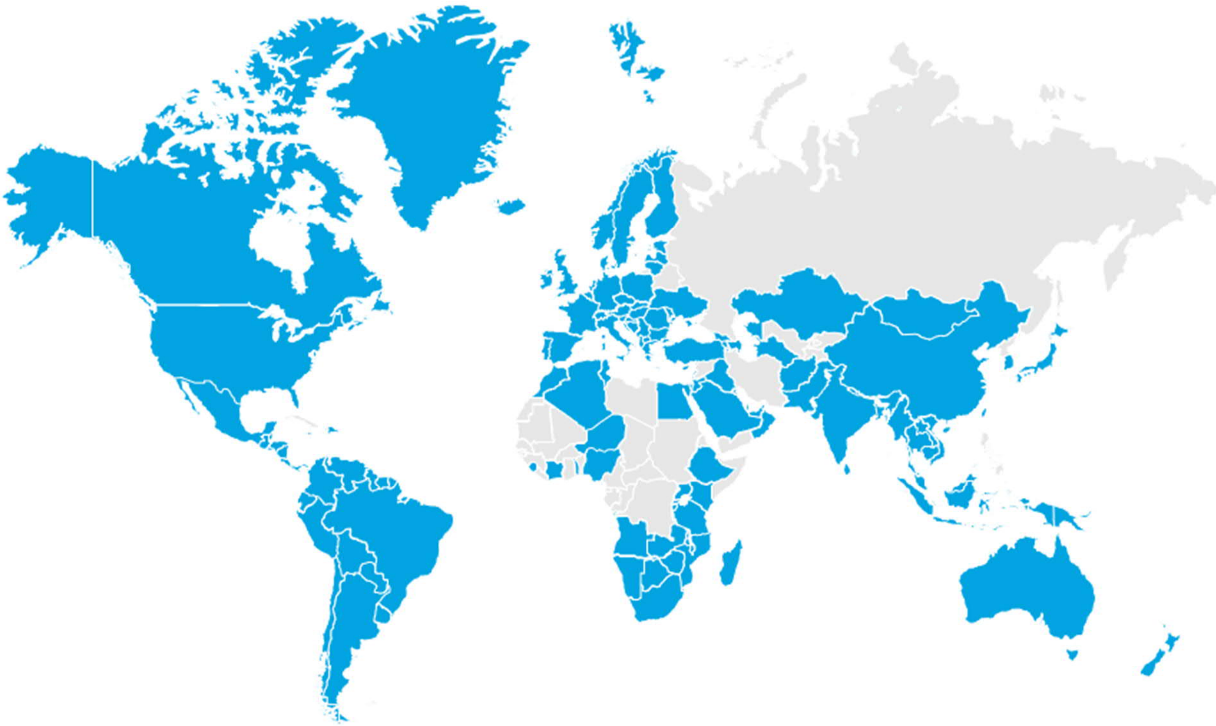
We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Secretariat's financial statements. We would be pleased if you would kindly convey our thanks to them.

Yours sincerely

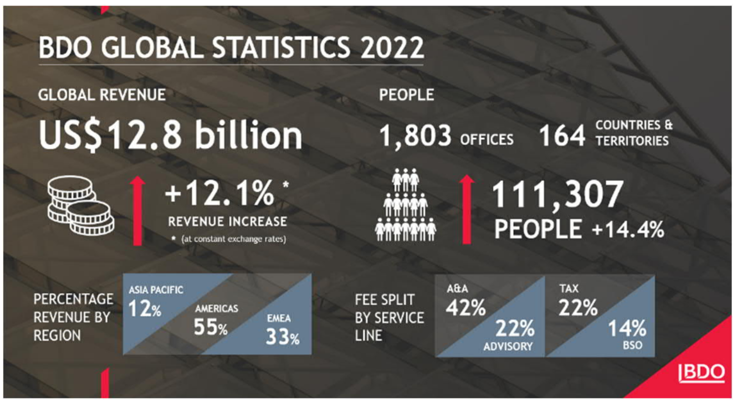
BDO
Chartered Accountants

Ernest Betham
Engagement Partner

Get to know BDO



BDO's strength is derived from our structure as a cohesive global network and dedication to internal integration and seamless client service - when and where our clients need us. In each country, BDO Member Firms are composed of people who are knowledgeable about national laws, business customs, and local and international business methods.



As our clients expand globally, access to our international network provides depth of experience in international matters, significant resources and international client service capabilities.

Get to know BDO

Industry experience has emerged at the top of the list of what businesses need and expect from their accountants and advisors. The power of industry experience is perspective - perspective we bring to help you best leverage your own capabilities and resources.

BDO's industry focus is part of who we are and how we serve our clients. We demonstrate our experience through knowledgeable professionals, relevant client work and participation in the industries we serve.

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REAL ESTATE & CONSTRUCTION ▶

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CONSUMER BUSINESS ▶

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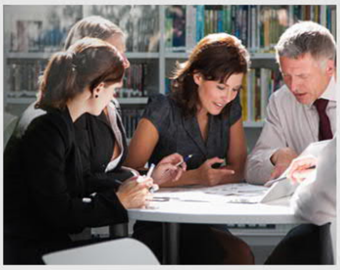
PROFESSIONAL SERVICES ▶



NOT-FOR-PROFIT ▶

A variety of publications and insights depicting specific industry issues, emerging trends and developments are available here.