



SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

Twentieth SPREP Meeting

Apia, Samoa
17 – 20 November 2009



Agenda Item 7.2: Response to European Commission (EC) Institutional Assessment

Purpose

1. To outline the Secretariat's plan to address the recommendations of the 2009 EC Institutional Assessment of SPREP, relating to Secretariat rules and procedures found to have fallen short of internationally accepted standards.

Background

2. In March 2009, a consultant appointed by the European Commission EuropeAid Office visited the Secretariat to undertake a compliance analysis of SPREP's accounting, audit, internal control and procurement systems. The measure is whether the systems 'apply standards, which offer guarantees equivalent to internationally accepted standards, using the benchmarks established.' SPREP systems were found to be effective or satisfactory against 22 criteria and needing improvement or ineffective against 28 criteria.

3. In July 2009, the Secretariat sent comments to the EC in response to the report, indicating its intention to implement key recommendations and providing additional information to clarify other areas. The main tasks identified for the Secretariat to ensure its systems meet international standards are:

- Reforms to SPREP's accounting system: to amend the financial regulations so that depreciation is charged against the respective assets and to adopt the accrual basis of accounting rather than a modified basis. This is in order to be fully compliant with the International Accounting Standards (IAS).
- A risk management plan: to improve SPREP's internal control system of identifying, rating and managing risks; and
- Revision of SPREP's procurement guidelines: to specify the principles and procedures for inviting and assessing tenders and awarding contracts.

Actions to address institutional assessment recommendations

4. To address the recommendations, the Secretariat is undertaking the following:

a. Accounting reforms

The EC assessment noted that the Secretariat prepares its financial statements in accordance with its approved financial regulations, of which regulations 27(b) and 28 do not fully comply with the International Accounting Standards (IAS). To address this, the Secretariat has prepared amendments to its financial regulations, which are contained in Attachment A. The proposed amendments are intended to ensure that the Secretariat's financial statements are fully compliant with international standards, by altering the accounting treatment of:

- Property, plant and equipment and its depreciation (to comply with IAS 16);
- Government grants and disclosure of government assistance (IAS 20).

The Meeting is invited to adopt the proposed amendments to the financial regulations, to be reflected in the Secretariat's financial statements of 2009.

b. Risk management plan

The EC assessment noted that the Secretariat had not formalised its risk management framework. To address this, the Secretariat is preparing an integrated risk management plan. The plan will be comparable to benchmark risk management frameworks and those of other CROP agencies. It will profile the Secretariat's strategic, financial, operational, compliance and reputation risks (anything that threatens or limits the ability of the Secretariat to achieve its objectives) and set up internal controls to manage predicted impacts. The key features of the plan will be:

- Context: defining SPREP's risk universe and accountability;
- Risk matrix: rating the likelihood and possible consequences of risks;
- Control strategies: plans to mitigate (avoid, minimise or cope with) impacts;
- Reporting: commitments to monitor and review the control strategies.

The risk management plan will be tabled at the 21st SPREP Meetings and updated annually.

c. Revised procurement guidelines

The EC assessment concluded that the Secretariat's procurement system partly complied with international standards, but needed improvement. To address this, the Secretariat is revising its procurement manual. The revised manual will set the procedures, criteria and thresholds for making decisions on contracts and tender processes. It will be designed to ensure that SPREP obtains 'value for money' (fit for purpose services from low-risk suppliers that can adapt to change and meet financial criteria on favourable contract terms). The key features of the manual will be:

- Thresholds and conditions: determining which procedures (direct sourcing, competitive quotes, open or select tender) are used in which circumstances;
- Transparency: documents to be published and evaluations to be reported;
- Objective criteria: for evaluating tenders and awarding or excluding contracts;
- Clear responsibilities: of budget holders and evaluating committees;
- Impartial treatment: measures to give candidates equal access and treatment.

The revised procurement guidelines will be finalised by December 2009.

Recommendation

6. The Meeting is invited to:

- **note** the Secretariat's plans to address the recommendations of the EC institutional assessment by putting in place by December 2009 accounting reforms, risk management improvements and procurement guidelines;
- **approve** the attached amendments to the SPREP Financial Regulations, to ensure the financial statements comply with International Accounting Standards; and
- **note** that the Secretariat intends to invite the EC to reassess its policies and procedures in early 2010.