FORUM FISHERIES COMMITTEE

ONE HUNDRED AND TWENTY FOURTH MEETING

FFA

28 October 2022

Honiara, Solomon Islands

Agenda Item:	*4*
Paper Number:	***FFC124.WP.02***
Title:	Outcomes of the 23rd Audit and Risk Committee

Summary

The FFA Audit & Risk Committee held their 23rd meeting on 18 October 2022 in Honiara, Solomon Islands. The meeting was chaired by Marshall Islands Deputy Director, Ms Berry Muller. Representatives from Australia, Cooks Islands, New Zealand, Tokelau, Samoa, Tonga and Papua New Guinea constituted the ARC while FSM, Fiji, Kiribati, Niue, Palau and Solomon Islands also took part in the meeting.

Recommendations:

The Committee is invited to:

i. **note** the ARC23 decisions in regards to the implementation of the FFA strategic plan 2020-2025 and Business plan update; organisation performance report 2021-2022; Review of programme fees phase 2; terms of reference for the independent review of the FFA partnership with the EU; risk management report; ARC workplan for 2023; and the Human resources report;

ii. consider the following specific ARC23 decisions:

Revised Annual Work-Plan and Budget 2022/2023

i. **reviewed** the Revised AWPB of **USD $29,960,000** for the Agency for the 2022-23 Financial Year;
ii. **reviewed** the the Supplementary Budget of **USD $1,195,200;**
iii. **recommended FFC** approve of Revised AWPB and Supplementary Budget;
iv. **requested** that the secretariat develop a methodology for prioritisation that can support Members' consideration of priorities at the workshop early in 2023; and
v. **requested** that the Secretariat provide a draft schedule for the suite of reviews under way to ensure that the special ARC meeting early in 2023 is aligned with the finalisation of the relevant reviews.

US Treaty Audited Financial Report 2021

i. **noted** the opinion of the Auditors that proper books have been kept by the Secretariat and are in compliance with the International Public Sector Accounting Standards (IPSAS);
ii. **noted** the actions taken for items identified in the Management Letter received from the Auditors, and discuss any issue relating to the accounts; and
iii. **recommended FFC** adopt the Treaty's financial statements for the year ended 31 December 2021.

c.

Appointment of External Auditors

i. **recommend** FFC endorse the appointment of Ernst &Young (Fiji) as FFA's external auditors for the next two financial years to audit the following FFA financial statements:

   a. Financial Years 2022/23 and 2023/24 for the FFA's Core Funds; and
   b. Years 2023 and 2024 of the Multilateral Treaty on Fisheries between certain Governments of the Pacific Island States and the Government of the United States of America (the US Tuna Treaty).

ARC23 FINAL DECISIONS

1. The Forum Fisheries Agency Audit and Risk Committee met in Honiara, Solomon Islands for their 23rd meeting on 18 October 2022. The meeting was chaired by Marshall Islands Deputy Director, Ms Berry Muller. Representatives from Australia, Cooks Islands, New Zealand, Tokelau, Samoa, Tonga and Papua New Guinea constituted the ARC while FSM, Fiji, Kiribati, Niue, Palau and Solomon Islands also took part in the meeting. The Secretariat was represented by the Director General, Deputy Director General and relevant Secretariat staff.

Item 3 Matters arising from previous ARC meetings

2. The ARC considered matters arising from previous ARC meetings, noting that some of the matters arising will be addressed during the meeting. New Zealand sought clarity on the distribution of the full annual report. The Secretariat responded that the full annual report is currently being finalised in publication format.

The Committee noted the status of outstanding matters from ARC22.

Item 4 Update on Implementation of the FFA Strategic Plan 2020-2025 and Business Plan

3. The ARC considered an update on the progress made by the Secretariat in the implementation of the FFA Strategic Plan 2020-2025 and the Business Plan that drew together the various tasks underway. The Secretariat highlighted key projects and work areas that are being progressed including the new country partnership agreements; independent review of FFC governance; review of the IMS services to members; integration of business systems; review of FFA corporate policies; development of the people strategy and capability framework; the review of the FFA organisational structure; US Treaty reviews (including US Treaty administration and the Regional Observer Programme); gender equality and social inclusion (including the Gender Forum); climate change; communication and socialisation of the FFA Business Plan; 2022-2023 divisional work plans and the 6 monthly reviews.

4. The ARC welcomed the updates on the various projects and work areas and requested that the report include a table showing timeframes and progress for ongoing activities such as the FFA governance review and IMS review for ease of reference. The ARC acknowledged the good progress made in reviewing and updating key FFA governance policies noting the priority on completing the Human Resources Handbook and associated policies. The Secretariat welcomed suggestions on ways to improve access to information and to highlight the linkages to the deliverables in the Business Plan.

The Committee

i. **noted** the progress of the FFA Strategic Plan implementation and the Business Plan since the last meeting;
ii. **noted** the progress on updating key FFA administration and governance policies and **supported** the prioritisation of completing updates to human resources policies ahead of the next meeting (ARC24);
iii. **noted** the draft TOR for the USTT reviews (administration and regional observer programme) were being considered by the Steering Committee, with the aim of providing final TOR to FFC124; and
iv. **requested** early circulation of the Governance review and IMS review reports for consideration by ARC Members by the end of March 2023 prior to the next meeting.

Item 5. Organisation Performance Report 2021-2022

5. The ARC considered the first FFA Organisation Performance Report that reports on actions taken on the implementation of all the Business Plan deliverables. They further noted that the Performance Report provided progress updates on the Business Plan deliverables; success stories; observations and lessons learnt; and priorities for the 2022 - 2023 period. The ARC sought clarity on the alignment of the divisional work plans and project management. The Secretariat assured ARC that while projects have oversight committees, these projects are integrated into the divisional work plans and the annual work programme and budget. The ARC further requested that future reports highlight the achievement or non-achievement of Members' priorities supported by analysis. ARC also suggested that future reports look at performance and risk management when reporting on delivery. The Secretariat advised that these points will be taken on board and incorporated into the next performance report, noting that the current report provides information on actions taken and the refinement of the performance report is forthcoming.

The Committee

i. **noted** the FFA Performance Report of the FFA Secretariat for the FY 2021-22 period;
ii. **requested** the Secretariat, in future reports, provide some qualitative analysis on the achievement or non-achievement of deliverables including identification of any impediments to achievement of deliverables, with specific attention to deliverables that had been identified as priorities by FFC; and
iii. **requested** that risk assessment and status reports for FFA projects be integrated with the FFA Risk Management Process and included in future risk reporting to the ARC.

Item 6 Revised Annual Work-Plan and Budget 2022/2023

6. The ARC considered the Revised Annual Work-Plan and Budget for the fiscal year 2022/2023 to the amount of USD29,960,000, which is an increase of 3% from the approved interim budget in May 2022 for the current financial year. The increase is directly attributed to the actual carry over in the Trust Fund (both project funding and programme funding) as well as revisions to costed work plans for a number of projects. They noted that the assumptions presented at ARC22 hold true for this revised Annual Work Programme and Budget, particularly the reopening of national borders.

7. The ARC noted the risk in the Members' and Secretariat's ability to deliver the Work Programme, which some Members considered unsustainable, and stressed the need for the prioritisation work that shall be undertaken at a workshop early in 2023.

The Committee

i. **reviewed** the Revised AWPB of **USD $29,960,000** for the Agency for the 2022-23 Financial Year;
ii. **reviewed** the the Supplementary Budget of **USD $1,195,200;**
iii. **recommended FFC** approve of Revised AWPB and Supplementary Budget;
iv. **requested** that the secretariat develop a methodology for prioritisation that can support Members' consideration of priorities at the workshop early in 2023; and
v. **requested** that the Secretariat provide a draft schedule for the suite of reviews under way to ensure that the special ARC meeting early in 2023 is aligned with the finalisation of the relevant reviews.

Item 7 US Treaty Audited Financial Report 2021

8. The ARC considered the US Tuna Treaty Audited financial statements and report and noted the opinion of the Auditors that the financial statements give a true and fair view of the financial position of the Treaty as at 31 December 2021.

The Committee:

i. **noted** the opinion of the Auditors that proper books have been kept by the Secretariat and are in compliance with the International Public Sector Accounting Standards (IPSAS);
ii. **noted** the actions taken for items identified in the Management Letter received from the Auditors, and discuss any issue relating to the accounts; and
iii. **recommended FFC** adopt the Treaty's financial statements for the year ended 31 December 2021.

Item 8 Appointment of External Auditors

9. The ARC noted that in accordance with Regulation 22 of the FFA Financial Regulations and on the Director General's recommendation, FFC is to appoint a suitably qualified Auditor from a member country to undertake the audit of the Agency's financial statements. The ARC recognised the process undertaken for the preparation of the paper.

The Committee:

i. **recommend** FFC endorse the appointment of Ernst &Young (Fiji) as FFA's external auditors for the next two financial years to audit the following FFA financial statements:

   a. Financial Years 2022/23 and 2023/24 for the FFA's Core Funds; and
   b. Years 2023 and 2024 of the Multilateral Treaty on Fisheries between certain Governments of the Pacific Island States and the Government of the United States of America (the US Tuna Treaty).

Item 9 Update on Review of Programme Fees - Phase 2

10. The ARC noted that Phase 1 was completed in April 2022 with recommended fees and charges endorsed by ARC22 and approved by FFC122. ARC considered Phase 2 of the Review of Fees that focused on the Vessel Register Fee. Members noted that the review of the Vessel Register fee had provided some clarity, there was further work required before the ARC could take an informed recommendation on the vessel registration fees for future years. In particular, there needed to be information provided on exactly what FFA services and associated staff costs are funded by the vessel register fund and whether those services were being delivered efficiently and effectively. In this regard, the Committee noted the linkages to the review of FFA's IMS services and the upcoming review of the FFA Observer Programme, as well as the need for a more comprehensive review of the Vessel Register fees, including the different fees charged to domestic and foreign flagged fishing vessels and the basis of such differentiation.

11. Noting that the Vessel Register fee funds a significant component of the Secretariat's MCS related activities in accordance with the cost recovery principles, the ARC recognised the need for more transparency in what the Vessel Register Fee funds and to take a precautionary approach to adjusting fee levels and structures to avoid cascading budget impacts. However, the ARC was reminded that this review has been ongoing for some time and the work should be prioritised and expedited.

12. The FFA secretariat also noted that the observer fee levy includes broader training support, data management services and observer coordination workshops that are essential for supporting regional monitoring across longline and purse seine vessels. This is separate to the costs of deploying observers at sea that are funded through national observer programs and the US Tuna treaty observer program.

13. The Secretariat acknowledged the need for the relevant reviews to be expedited and completed within the first quarter of 2023. The two reviews and further information in relation to exactly what services are funded by the Vessel Register are to be completed and circulated by March 2023 to enable ARC to consider recommendations in advance of its next meeting.

The Committee

i. **noted** the progress of the Vessel Register fee review and **requested** more work be undertaken on review of the vessel registration fees and associated observer services so that ARC can make an informed recommendation to FFC in relation to future fee levels; and

ii. recommends that further work include an FFC reconsideration of FFC77 decision of a 45% discounted rate for domestic vessels. This consideration could be addressed at the 2023 FFC annual officials meeting following fees review.

Item 10 Terms of Reference for the Review of the FFA Partnership with the EU

14. Recalling the FFC122 tasking to the Secretariat to present a draft terms of reference for the independent review of the FFA Relationship with the EU, the ARC reviewed the draft Terms of Reference as presented by the Secretariat. Noting that the review will inform and guide future partnerships of FFA, not limited to the EU, the ARC advised that the ToRs needed to be further refined. The Committee requested that the TORs include the identification of risks, and an analysis of the costs and benefits associated with partnering with the EU, as well as in comparison to other development partners. The Committee considered whether the EU should be consulted as part of this review process and asked the Secretariat to incorporate some language into the ToR for further consideration by FFA members in this regard. Furthermore, they suggested the inclusion of critical analysis of the EU's policy positions in relation to Pacific fisheries and other broader regional oceans issues.

The Committee provided valuable feedback on the draft TORs and **tasked** the Secretariat to revise the TORs for further consideration at FFC124 during the report of ARC23.

Item 11 Risk Management Report

15. The ARC considered the risk management report and noted that the summary of FFA's risk management focuses on changes to the risk environment. ARC also sought clarification on the Enterprise Risk Management Framework including the types of risks associated with the organisation and project management and these shall inform the risk management register.

The Committee **noted** the risk management updates, including a progress report on the Enterprise Risk Management Framework and **requested** that the updated risk registers be developed in the first quarter of 2023 to enable reporting against identified risks at the next committee meeting (ARC24).

Item 12 Audit Committee Work Plan

16. The ARC considered the ARC's draft work plan for 2023, included in the work plan are financial statements; strategic plan implementation; reviews (fees; governance, IMS, FFA risks), annual report and the AWPB.

The Committee noted the ARC work plan for 2023 and the possibility of a special ARC in early 2023. The Committee noted that the draft schedule requested (see above under Item 6) would help inform if and when the ARC could hold a special meeting.

Item 13 Human Resources, Recruitment and Employment Matters

17. The ARC considered an update on the Secretariat's human resources and employment matters for the period from May to September 2022

The Committee noted the report on the Secretariat's Human Resources, Recruitment and Employment matters and requested the Secretariat make available an organisation chart that clearly identifies positions in the organisation, including those that are vacant, before FFC124.

Item 14 Next Meeting

18. The Chair noted the next formal session of the Audit and Risk Committee will be held prior to the annual session in May 2023, with the possibility of a special session to be held in the first quarter of 2023 to revisit recommendations of the various reviews being undertaken.

Item 15 Record of Proceedings

19. The ARC23 Outcomes were cleared out of session and the Records were cleared out of session.