



FFA
PACIFIC ISLANDS
FORUM FISHERIES
AGENCY

**Annual Officials Forum Fisheries Committee
142nd Meeting**

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Wellington, New Zealand**

Item No	12a
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Title	ARC30 Report

Summary

This paper presents the Report from the 30th meeting of the Audit and Risk Committee held on 9-10 April 2026.

Recommendations

The Committee is invited to:

- i. Note the ARC30 Report and ARC Annual Report for the year ending April 2026 (attached); and
- ii. Consider the relevant recommendations from the ARC30 Report (highlighted for ease of reference) including in its deliberations on respective FFC142 Items, and any other matters raised in the ARC Annual Report.

1. Introduction

The Thirtieth Meeting of the Audit and Risk Committee (ARC30) was held on 9 and 10 April 2026 in Honiara, Solomon Islands. The meeting was attended both in-person and virtually by the members of the Audit and Risk Committee. The Director-General led the Secretariat team in support of the meeting.

The report is organised under three headings of the mandates of the ARC:

- a) Strengthening Accountability;
- b) Improving Organisation Planning and Performance; and
- c) Strengthening Risk Management.

2. Strengthening Accountability

The ARC emphasized the importance of corporate governance and accountability in addressing financial challenges. The key points discussed included:

- a) **Sustainable Funding Challenges:** The Committee agreed that the most serious concern facing the FFA today is the sustainability of its financial position caused by lack of diversity in core income, inflation, and increases in operational cost. The global fuel crisis has made finding solutions difficult. **The ARC stressed the urgency of the Fisheries Officials and Ministers addressing these financial risks before they lead to serious austerity measures.**

The ARC recommended the following:

- **FFC to review members contributions as soon as possible;**
 - More realism in the budget projections and review of budget processes;
 - Improving project management; and
 - Implementation of organisation reforms.
- b) **Delayed Audit Reports:** The ARC expressed concerns in the delay of audit reports. The Committee requested that the Secretariat work closely with the external auditor to ensure timely completion of audits to maintain transparency and accountability to members and donor partners.
- c) **Inter-Entity Transfers:** Inter-entity transfer is the transfer between different Funds within the Agency. The purposes of these Funds are clearly stipulated under their own rules. The ARC noted the increased inter-entity transfers which pose risks to the integrity of these Funds and the overall financial stability of the Agency. The ARC insisted that proper procedures be followed in the approval of the transfers and requested a clear plan from the Secretariat on how these transfers will be managed and repaid.
- d) **Insurance Claims Management:** The meeting expressed concern on the difficulty of reducing the outstanding medical insurance claims which currently total USD1.8

million. The ARC stressed the need for clear processes to prevent recurrence and ensure complete recovery efforts.

3. Improving Organisation Planning and Performance

Improving the overall planning and performance of the Secretariat was a central theme of the discussions. The following papers were discussed:

- a) **Annual Work Program and Budget 2026/27:** The ARC considered the draft Budget and recommended for FFC approval, the 2026/27 AWPB and 2026/27-2028/29 Supplementary Budget. The committee noted the following:
 - The 2026/2027 Budget is balanced in accordance with the financial regulations. However, the only way that the Agency will progressively build up reserves is to post budget surpluses. ARC recommends that the regulations should be revised to explicitly allow budget surpluses.
 - The ARC recommends a review of the budget framework and processes to give the Divisions early guidance on their expenditure ceilings that adequately reflect the priority of members.
 - The ARC noted that the infrastructure program including the renovation of staff housing and office, the extension of the surveillance centre and the renovation of the conference centre were investments that needed to be made as soon as funds are available. The Committee noted these investments were included in the Supplementary Budget and urged donors to consider funding these in the long-term interest of the Agency.
- b) **Implementation of KPMG Refresh Review:** The ARC reviewed the progress on the implementation of the KPMG Refresh Review, focusing on the "reset" agenda, which includes progressing the Enterprise Resource Planning (ERP) system and establishing a robust policy framework. The ARC made the following observations:
 - The Committee welcomed the appointment of the Executive Change Manager. The paper on sustainable funding complements the work on the Resourcing Strategy which has been in progress for the last two years. Together, these initiatives are aimed at restoring financial sustainability of the FFA. The ARC gave its full support in moving this forward.
 - The ARC noted that the work on the Refresh Review aims at raising around \$3 million additional revenue per year to offset the structural decline in revenue. While the review will focus on all revenue streams, it has identified potential in donor funds and the vessel registration scheme. The ARC noted the challenges of increasing these revenue streams especially the vessel registration stream because of the interests of many other regional organisations. However, the ARC urges the FFC to support this work in the long-term interest of the Agency.
 - The ARC intends to closely support the Executive Change Manager and the Management Team in this important review.

- c) **Resourcing Strategy:** The ARC commended the Management on the progress of the implementation of the Resourcing Strategy. It noted that on the financial issues, this strategy is much wider than the Refresh Review. The demarcation is that the Refresh Review will focus on revenue while the Resourcing Strategy also covers expenditure and marketing.
- d) **Financial Performance Monitoring:** The financial report for the eight months ending February 2026 indicated that while revenue was on track, expenditure was only 52% of the budget. The ARC made the following observations:
 - It underscored the importance of procurement plans to improve financial forecasting and expenditure management.
 - It cautioned the Management's optimism that the expenditure will catch up in the last four months of the year and stressed that expenditure controls should not be relaxed to allow this to happen.
- e) **Automation and Integration of ERP Systems:** The ARC welcomed the progress on the automation and integration of the FFAs corporate governance system. It also recommended that members support the delivery of this project including the 'super-user' in place to drive and support its use, noting the critical nature of this project for the improvement of the Secretariat.
- f) **PAI housing Review and FFA Staff Remuneration:** The ARC considered the paper on the PAI Housing Policy and FFA Staff Remuneration and, based on pragmatism, recommended for FFC approval the proposal to extend the interim arrangement for PAI Housing to the 2026-27FY pending the review of FFA staff remuneration.

4. Strengthening Risk Management

Risk management was a crucial area of all ARC meetings, including the ARC30 meeting. The discussions included:

- a) **Financial Risks:** The ARC is of the opinion that the most critical risk facing the FFA is the unsustainability of its financial position which it has been slow in addressing. The Resourcing Strategy highlighted this unsustainable position of no reserves and low project implementation. While the ARC commends the efforts of the management under the leadership of the Director General to balance the books and raise project execution, the long-term sustainability can only be addressed by changes to its revenue structure. The ARC stressed that the FFA does not have the comfort of time especially with the added risks of the global fuel crisis. The Governance of the FFA must take actions now. The ARC recommends that the FFC takes the initiatives to strengthen the Agency's financial position and highlight these to the Ministers of Fisheries at its next meeting.
- b) **Procurement Report:** The ARC noted that one of the main areas of improvement in risk management is the compliance to the procurement policies and procedures. The ARC commended the Secretariat for the improvements highlighted in the Report including the reduced number of NCPs. It noted the high values of two of the NCPs but

was informed that these were one-off cases that should not be repeated in future. The ARC also asked management to facilitate the attendance of all staff in procurement training.

- c) **Travel Report:** The Committee noted the market rearrangement has led to the reduction in the number of travels and the lower fees paid to travel agents. The expansion of the travel providers to three from one has paid dividends in lower fees and more competitive bids. The ARC advised the Secretariat that, where possible, the Secretariat staff before selecting itineraries should seek quotes from more than one travel provider to ensure the most economical airfare and to avoid favouritism and bias.
- d) **Management of FFA Properties:** The ARC commended the progress made in renovating properties and having them rented. The rental market in Honiara is very lucrative for the FFA to maximise its return from its existing properties. The ARC was informed that all existing properties would be rented out by July this year. **The ARC agreed that the FFA should explore the potential to build more houses on existing land. In addition, the ARC encouraged the FFA to explore borrowing as source of capital for its long-term property development plan.**
- e) **Audit and Risk Management:** The ARC initiated a one-on-one meeting with the Directors to discuss audit and risk management which included risk management indicators of procurement, travel, budget execution, annual leave management and audit recommendations. The ARC noted commendable improvements in many of these areas and was informed of the ongoing work in others. The Committee intends to hold these bilateral meetings with directors annually to strengthen the management of enterprise risks and performance.

5. Conclusion

The ARC30 meeting was pivotal in addressing the critical issues facing the Secretariat and formulating actionable recommendations to improve accountability, organizational performance, and risk management. **The Committee urged the Forum Fisheries Committee to consider the ARC30 outcomes and support the necessary changes to ensure the sustainability and effectiveness of the Secretariat's operations.**

The next meeting of the ARC is planned for July 2026.

**FORUM FISHERIES AGENCY
ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE
FOR YEAR ENDING APRIL 2026**

1. Introduction

This first annual report of the Audit and Risk Committee (ARC) to the Forum Fisheries Committee (FFC) is aimed at providing an overall assessment of the status of risk and performance of the Forum Fisheries Agency (FFA) as required under the ARC Charter.

In ARC's overall assessment, the FFA has significantly improved the monitoring and management of risks which has led to greater integrity and efficiency in its operations. The ARC expects further improvements as this work continues. However, the ARC emphasises the urgency to restore financial sustainability of the FFA. Immediate efforts must be made by the Fisheries Ministers, FFC, and Management to rebuild the financial sustainability of the FFA. While efforts to address this situation have been complicated by the global fuel crisis, the ARC stresses that some efforts can and must be taken immediately.

2. Background

Since this is the first annual report by the ARC, a brief background is provided below.

The fifth meeting of the Ministerial Forum Fisheries Committee in Niue 2009 approved the establishment of an Audit Committee to provide additional financial oversight and enhance the governance of the FFA. The original Terms of Reference was subsequently approved by the FFC on 5th November 2020 adding "risk" to the functions of the Committee to reflect its oversight responsibility on enterprise risks.

The ARC is therefore a permanent oversight body established as a sub-committee of the FFC to effectively oversee and manage the risks that the FFA faces which include financial, operational, legal, reputational, and performance.

Following a review of the governance of the FFA in 2023, the original Terms of Reference of the ARC was revised and approved by the FFC on 3rd November 2023. In particular, the composition of the ARC was changed, and the Terms of Reference was streamlined and modernized with the addition of performance indicators for the ARC.

The ARC consists of six members appointed by the FFC for three years which may be extended to six. No member can serve for longer than six years. Three of the members are independent members appointed by the process set out in the Charter, and three are nominees from FFA Members. None of the members can be staff of the Secretariat.

The ARC meets three times a year with two of these meetings in Honiara, Solomon Islands and one virtual.

3. Responsibilities of the ARC

The main functions of the ARC under its Charter are:

- a) The ARC will oversee the financial reporting process, systems of internal control, the work of external and internal auditors, risk management, effectiveness and efficiency of operations, and compliance with legal and regulatory requirements.
- b) The ARC will, amongst other things, review the risk management plan and its implementation, and the work of the external auditor. It will also review the Annual Work Programme and Budget and its alignment with the Strategic Plan and Business Plan.

The specific functions of the ARC are to:

- a) approve policies to strengthen the management of risks of the FFA;
- b) oversee the systems and processes that are relevant to its work;
- c) initiates and oversees investigations regarding any matters within its scope of responsibility;
- d) obtain advice and assistance from outside legal, accounting, or other technical experts as necessary to perform its duties;
- e) oversees the investment of funds by the FFA and issues policies and benchmarks for the prudent investment of these funds;
- f) approve the internal audit annual workplan, and monitors and reviews the work performed by external and internal auditors;
- g) consult as necessary with FFA's external auditor in the conduct of its annual financial statements;
- h) seek any information it requires from FFA staff, all of whom are directed by the Director General to cooperate fully with the ARC's requests; and
- i) review and report back to the Forum Fisheries Committee on all matters within the ARC's competence, including making recommendations.

4. Risk Assessment of the FFA

4.1 Areas of Improvement

Since the new ARC was reconstituted with three independent members, there has been significant improvements in the following areas:

- a) **Risk Awareness and Monitoring:** Through its regular reports to the Committee, the level of awareness of the enterprise risks that the FFA faces has risen significantly. Specific areas are mentioned below. This greater awareness helps the Executive Management mitigate these risks, and by extension, improve the effectiveness and efficiency of the organisation.

- b) **Procurement:** Procurement is one of the highest risk areas in any organisation. Since 2024, the ARC has included as a standing agenda item a procurement report by division on the exceptions to the procurement policy. The trend in noncompetitive procurements and post facto approvals have declined but there is still room for improvement. All staff are required to attend procurement workshops, and all divisions must produce procurement plans.
- c) **Properties:** Since the ARC began its focus on properties in 2025, property management has significantly improved. Properties are being renovated, leases regularised and properties rented out which is bringing much needed revenue to the FFA. It is expected that all properties in Honiara will be rented out by July this year. Plans are underway to construct more properties on existing land owned by FFA.
- d) **Insurance:** An insurance report is a standard agenda item in ARC meetings. Testing the insurance market has led to wider coverage to include political unrest, and lower premiums. The ARC's focus on insurance has also revealed the amount owed from the insurance provider for medical claims of which recovery efforts have begun.
- e) **Travel:** Through the focus of the ARC on travel, the FFA now has three travel providers (increased from one) and the fees of travel agencies and late changes to travel itineraries have been significantly reduced.
- f) **Process automation:** The efficiency and integrity of accounting processes will benefit from the automation of accounting systems which is currently underway. The ARC will monitor this automation program closely which is expected to improve the preparation of annual financial accounts, monitoring of budget implementation and strengthening of internal controls.
- g) **Inter Entity Transfer:** The control of inter entity transfer has improved significantly with DG approving all transfers. The inter entity transfers reflect the cash flow constraints that are faced by some Funds especially the Core Fund. This has resulted in the Core Fund borrowing from the other Funds. While the ARC concedes that these transfers have been a feature of cash flow management for some time, it has tightened the controls around the approval of these transfers. The long-term solution of these transfers rests with the structural changes in revenue streams to strengthen the financial sustainability of the institution or significant cuts in core fund expenditure and services.
- h) **Budget implementation:** With the focus on project implementation, the rate of budget execution has risen from below 70% to close to 90%. The budget processes have been reviewed and streamlined. The ARC has asked for a review of the financial regulations to explicitly allow for a surplus budget to help build up reserves.
- i) **Enterprise risks:** The ARC monitors the matrix on enterprise risks at each meeting. It concludes that no risk has worsened in the last twelve

months. There remain three extreme risk areas. The ARC considers the mitigation measures for extreme and high-risk areas as adequate.

4.2 Resourcing Strategies

Securing additional funding is critical in FFA's efforts to achieve financial sustainability. The ARC closely monitors the implementation of the Resourcing Strategies, and it is satisfied with the progress to date.

However, ARC urges the FFA to focus on marketing the organisation to donors and members, and benchmark efficiency indicators. The Resourcing Strategy recommended the holding of donors' conference, and the ARC noted that the recent second biennial donor conference had revealed the need to do more on marketing.

The FFA should continue its efforts to diversify its sources of funds and there is urgency to review the members' contributions.

4.3 Refresh and Review

ARC continues to monitor the implementation of the KPMG's Refresh and Review report. ARC will work very closely with the newly appointed Executive Change Manager who will lead the implementation of the report. The ARC notes that the timing of the implementation of the review has come at a very challenging time but, in its assessment, decisive decisions must be taken by the FFC and members to address the financial sustainability of the Agency.

4.4 Annual Financial Accounts

The ARC noted the lateness of the 2023/2024 financial accounts. Despite assurance that the 2024/2025 accounts will be ready by the end of December 2025, the auditor has yet to complete the audit. To facilitate future audits, the ARC has agreed that from now onwards, it should receive a copy of the unaudited annual accounts that are submitted to the auditor. The ARC also intends to hold annual discussions with the external auditor.

5. Organisation Performance

The ARC tracks the performance of the Agency through its budget execution, the following financial year's budget, project implementation and the review of Work Plan and Strategic Plan.

The tables below attempt to give the FFC an overview of the high-level performance indicators of FFA. Future annual reports of the ARC to the FFC will refine and expand these indicators.

Table 1: High Level Performance Indicators

Indicators	Status	Target
Project execution	Currently at 85%, an improvement from below 70%	Target is 90%. Project execution is a major determinant of cash flow and budget execution.
Budget execution	Expenses are currently at just over 50% with only four months of the financial year to go. This is the normal trend in budget execution.	Target is 95% for the whole year. Budget execution is lagging behind but Management expects this to rise to 90% by the end of the current financial year.
Budget efficiency	Staff costs are below its ceiling of 30% of total spending. Travel costs have started to come down.	These efficiency ratios will be tracked closely and benchmarked against global standards
Strategic Plan and Business Plan execution	The main performance indicators from the various plans of the FFA will be included in the next report.	The ARC will monitor the rate of execution of these plans

Table 2: Financial Sustainability and Risk Management

Indicator s	Status	Target	Actions Required
Financial Reserves	There are no financial reserves	At least 2 months of expenditure cover	Progressively aim to achieve budget surpluses to build up reserves
Fund balances	All Funds are in deficit	All Funds to be at least balanced	Minimise the inter entity transfers and improve project management and cash flow.
Risk Management	Have made significant improvements in risk areas like procurement, properties, insurance, and travel	Continue to monitor the level of risks	Continuous monitoring

The new FFA’s Strategic Plan will need to specify the performance indicators of the reforms that are currently underway—the Refresh and Review, the Resourcing Strategy, and the Process Automation. These three initiatives taken together should help stabilise the financial status of the Agency and greatly improve the timeliness and integrity of key operational processes. The ARC will continue to track the implementation of these initiatives and report to the FFC.

6. Summary

The initiative by the FFC to restructure the membership and mandate of the ARC in 2024 has led to significant improvements in the monitoring of risks and performance of the FFA. While there has been good progress as outlined above, the ARC wishes to underline to the FFC the fragile and weak platform of the Agency’s medium to long term financial sustainability that has been discussed above.

The Committee commends the Director General (DG) for his vision and appetite to implement the groundbreaking reforms, and the FFA is entering an important transformational era. The ARC fully supports the efforts of the DG and his team in the implementation of these changes and urges the FFC to do likewise to protect the long-term interest of the organisation.