SECRETARIAT OF THE PACIFIC COMMUNITY

Pilot Program for Climate Resilience Strategic Climate Fund: Practical Climate Resilient Approaches and Tools for Food and Water Security and Coastal Zone Management

SPECIAL PURPOSE FINANCIAL STATEMENTS

22 MAY 2013 to 23 JULY 2015
INDEX

Page No.

2 Project and Audit Identification

3 to 4 Project Overview

5 Statement by the Secretariat

6 to 7 Special Purpose Audit Report

8 Statement of Cash Receipts and Payments

9 Notes to the Special Purpose Financial Statements
SECRETARIAT OF THE PACIFIC COMMUNITY
PILOT PROGRAM FOR CLIMATE RESILIENCE
STRATEGIC CLIMATE FUND:
PRACTICAL CLIMATE RESILIENT APPROACHES
AND TOOLS FOR FOOD AND WATER SECURITY
AND COASTAL ZONE MANAGEMENT

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD 22 MAY 2013 TO 23 JULY 2015

PROJECT AND AUDIT IDENTIFICATION

Project: Pilot Program for Climate Resilience Strategic Climate Fund: Practical Climate Resilient Approaches and Tools for Food and Water Security and Coastal Zone Management

Duration: 22 May 2013 to 23 July 2015

Grant Agreement No: TF014369

General budget: USD 320,000

World Bank funds received for the period under review (net): USD 276,855

Organisation under review: Secretariat of the Pacific Community

AUDIT TEAM

Dates of the site visit: 13 July 2015 to 27 July 2015

Audit team in charge of the visit: Kaushick Chandra (Partner)
Reshmi Prakash (Manager)
Apeksha Deo (Senior Accountant)

Persons contacted during the site visit: Sheik Irfaan (Project Finance Officer)
Jenita Prakash (Finance Assistant)

Contractual basis for the visit: Contractual Letter dated 31 March 2015.
PROJECT OVERVIEW

Introduction

The Pacific islands lie in the midst of the world’s largest ocean and include some of the world’s smallest countries in terms of population. The islands are dispersed and remote, have fragile environments, and face similar challenges. The number of microstates—states with resident populations of fewer than half a million—is one of the region’s key identifying geopolitical characteristics.

Pacific Island countries are vulnerable to a wide range of natural hazards and climate change. Given their fragility, small size, relative isolation, highly dispersed populations and limited economies, the impacts of extreme natural hazard events—many of which are weather and climate related—often adversely affect lives, livelihoods, and economies.

The IPPC, in text for its 5th Assessment Report, described the possible future effects of climate change in terms of projected sea level rise, increase in the intensity of tropical cyclones, and increase in the occurrence of future sea level extremes. The IPPC has also noted that ‘small islands are disproportionately affected by current hydro-meteorological extreme events, both in terms of the percentage of the population affected, and losses as a percentage of GDP. Under climate change the risks of damage and associated losses are expected to continue to rise’.

Against this background, there is deep concern in the region that the current and future adverse impacts of climate change are exacerbating the existing levels of disaster risk. This risk places an additional burden on humanitarian and development systems in the Pacific. The effects of climate change—droughts, floods, coastal erosion, sea level rise, rising temperatures, damage to coral reef systems and increases in cyclone intensity—will put greater pressure on communities and affect food security, health and the well-being of Pacific Islanders.

Objective

The objective of the project is to improve the quality of and access to climate responsive tools, technologies, and practices for agriculture and fisheries production, water security and coastal zone management in the Eligible Pacific Island Countries.

Project Execution:

The activities (“Activities”) for which the Grant is given shall consist of such activities as may be required for the preparation of the Project and as shall have been approved by the World Bank from time to time, including technical assistance aimed at:

(a) Completing country level consultations and selection of countries from amongst the Eligible Pacific Island Countries to carry out pilot programs.

(b) Carrying out consultations with other major climate change program managers to identify appropriate sub-regions in the selected Eligible Pacific Island Countries that could be the focus of on-ground activities.

(c) Undertaking a detailed assessment of the project requirements in the selected countries including: information gathering, data reviews, and national level consultations with relevant stakeholders, determining institutional capacity development requirements, and preparation of draft work schedules aimed at:
   
   i. building climate resilient food production systems in Eligible Pacific Island Countries, focusing on integrated farming methods and enhancing the role of fisheries (coastal, oceanic and freshwater) in meeting local food demand;
   
   ii. assisting national and local governments, and affected communities, to increase their capacity to drought assess and respond to climate impacts on water security through improved collection, analysis and communication of water resources information;
   
   iii. synthesizing current knowledge of various vulnerability assessments of coastal areas, the use of different approaches and data sources, and the best way to store and make the data available to decision-makers, and;
PROJECT OVERVIEW (cont’d)

Project Execution (cont’d)

iv. developing specific knowledge products, principally climate risk assessment and management tools.

(d) Assessing social and environment aspects to address Safeguard Policies issues, financial and economic analysis and preparation of a project document.

Financial Results:

Reporting Period 22 May 2013 to 23 July 2015.

For the period ended 23 July 2015, the financial results as shown in the accompanying Statement of Cash Receipts and Payments are as follows:

- Net project funding received - USD 276,855
- Project related expenditures - USD 295,492
- Funding to be received - USD 18,637

During the project duration five sector consultants were contracted for total of USD 238,703 which has been duly paid as of 23 July 2015. A total of USD 56,789 had been paid in the areas of Trainings and Workshop and Incremental Operating cost which equates to a total of USD 295,492 in total expenditure.

Signed for and on behalf of the Secretariat of the Pacific Community by its duly authorised officer:

Unise Cawaru
Management Accountant

Date 31/7/15
STATEMENT BY THE SECRETARIAT

In our opinion, the accompanying special purpose financial statements of the Project, Pacific Regional Program: Practical Climate Resilient Approaches and Tools for Food and Water Security and Coastal Zone Management;

(a) is drawn up to give a true and fair view of the results and operations of the Project for the period ended 23 July 2015.

(b) is in compliance with the Contribution Agreement No. TF014369

(c) is kept and prepared in accordance with the International Public Sector Accounting Standards: Financial Reporting Under the Cash Basis of Accounting and SPC Financial Policies and Procedures.

Signed for and on behalf of the Secretariat of the Pacific Community by its duly authorised officer:

Unise Cawaru
Management Accountant

Date
Independent Auditor's Report

To the Secretariat of the Pacific Community ("Organisation")

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose financial statements for Pilot Program for Climate Resilience Strategic Climate Fund: Practical Climate Resilient Approaches and Tools for Food and Water Security and Coastal Zone Management Project (the 'Project') for the period 22 May 2013 to 23 July 2015. The special purpose financial statements comprise of the statement of cash receipts and payments for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the Basis of accounting as described in Note 1, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project’s preparation of special purpose financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the accompanying special purpose financial statements have been prepared, in all material respects, in accordance with the accounting policies set out in Note 1.

In our opinion, the Organisation has:

a) adhered to the Grant Agreement between The World Bank and The Secretariat of the Pacific Community dated 22 May 2013, and;

b) used the project funds exclusively for the purposes of the Project.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

Restriction on Distribution or Use

This report is made solely to the Organisation. Our audit work has been undertaken so that we might state to the Organisation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Organisation, for our audit work, for this report, or for the opinions we have formed.

31 July 2015
Suva, Fiji

PricewaterhouseCoopers
Chartered Accountants
SECRETARIAT OF THE PACIFIC COMMUNITY
PRIVATE MAIL BAG, SUVA, FIJI
TELEPHONE: (679) 370 733 CETC 391 033
FAX: (679) 370 021

STRAIGHT CASH RECEIPTS AND PAYMENTS
FOR THE PERIOD 22 MAY 2013 - 23 JULY 2015

<table>
<thead>
<tr>
<th>DONOR AGENCY</th>
<th>World Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECT TITLE</td>
<td>Pilot Program for Climate Resilience Strategic Climate Fund: Practical Climate Resilient Approaches and Tools for Food and Water Security and Coastal Zone Management</td>
</tr>
<tr>
<td>SPC REFERENCE NUMBER</td>
<td>DPPA12XS</td>
</tr>
<tr>
<td>REPORTING CURRENCY</td>
<td>USD</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INCOME</th>
<th>USD Budget Line</th>
<th>TOTAL INCOME</th>
<th>Budget Line Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22/05/2013 to 23/07/2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Funds Received</td>
<td>320,000</td>
<td>307,751</td>
<td>43,145</td>
</tr>
<tr>
<td>Reimbursements to World Bank</td>
<td>-</td>
<td>30,896</td>
<td>43,145</td>
</tr>
<tr>
<td>TOTAL FUNDS AVAILABLE</td>
<td>320,000</td>
<td>276,855</td>
<td>43,145</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURE</th>
<th>USD Budget Line</th>
<th>TOTAL EXPENDITURE</th>
<th>Budget Line Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPCR 1.0 - Project Design Coordinator</td>
<td>75,000</td>
<td>64,912</td>
<td>10,088</td>
</tr>
<tr>
<td>PPCR 2.0 - Fishery Sector Specialist</td>
<td>45,000</td>
<td>42,938</td>
<td>2,062</td>
</tr>
<tr>
<td>PPCR 3.0 Agriculture Sector Specialist</td>
<td>45,000</td>
<td>43,165</td>
<td>1,835</td>
</tr>
<tr>
<td>PPCR 4.0 - Water Sector Specialist</td>
<td>45,000</td>
<td>44,072</td>
<td>928</td>
</tr>
<tr>
<td>PPCR 5.0 - Coastal Sector Specialist</td>
<td>45,000</td>
<td>43,616</td>
<td>1,384</td>
</tr>
<tr>
<td>PPCR 6.0 - Training and Workshops</td>
<td>12,500</td>
<td>11,618</td>
<td>882</td>
</tr>
<tr>
<td>PPCR 7.0 - Incremental Operating Cost</td>
<td>52,500</td>
<td>45,171</td>
<td>7,329</td>
</tr>
<tr>
<td>TOTAL EXPENDITURE</td>
<td>320,000</td>
<td>295,492</td>
<td>24,508</td>
</tr>
</tbody>
</table>

BALANCE OF FUNDS ON HAND AS AT 23 JULY 2015

| BALANCE OF FUNDS ON HAND AS AT 23 JULY 2015 | 18,637 |

Certified Correct: [Signature]
Unice Cawaru
Management Accountant.

Date: 31/7/15
1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out below is a summary of accounting policies applied in the preparation of the special purpose financial statements.

(a) Basis of accounting

The special purpose financial statements represent the financial operations of the Pacific Regional Program: Practical Climate Resilient Approaches and Tools for Food and Water Security and Coastal Zone Management Project for the period 22 May 2013 to 23 July 2015. The special purpose financial statements have been prepared on the cash basis of accounting under the International Public Sector Accounting Standards and SPC Financial Policies and Procedures.

This is in compliance with disbursement letter accompanying Grant Agreement No. TF014369 between the World Bank and SPC dated 22 May 2013.

(b) Recognition of income and expenditure

Income is recognised at the time of the receipt of funds. Expenditure is recognised when paid.

(c) Foreign currency transactions

The reporting currency of the project is in USD. The Secretariat maintains all its accounting records in FJD. Transactions are converted back to USD at the end of the reporting period at the weighted average rate at which funds had been received.

USD has been used as the reporting currency as it provides a more relevant presentation of the amount disclosed in the special purpose financial statements.

2. INCOME TAX

The Secretariat is exempt from income tax.