



THIRD REGULAR SESSION
Apia, Samoa
11-15 December 2006

**AUDITOR'S REPORT FOR 2005 AND CONSIDERATION OF THE AUDITED
GENERAL ACCOUNT FUND FINANCIAL STATEMENTS FOR 2005**

WCPFC3-2006/17
10 November 2006

Introduction

1. The Commission's Financial Regulations require that the independent external Auditor issue a report on the audit of the annual financial statements and relevant schedules relating to the accounts (Finance Regulation 12.6) and that following consideration of the audited financial statements and audit report the Commission shall signify its acceptance of the audited financial statements or take such other action as it may consider appropriate (Financial Regulation 13.1).

2. In undertaking the audit the Auditor is required to report on all relevant matters, including: whether the statements are based on proper accounts and records; whether the statements are in agreement with the accounts and records; whether income, expenditure and investment of moneys and the acquisition and disposal of assets by the Commission during the year have been in accordance with the Regulations; and provide observations with respect to the efficiency and economy of the financial procedures and conduct of business, the accounting system, internal financial controls and the administration and management of the Commission.

3. Copies of the following documents, which were previously distributed to Commissioners in June 2006 with an invitation to comment on them, are attached for reference:

- the Auditor's report, the 2005 financial statements the audited 2005 financial statements (Attachment A);
- the Auditor's report on compliance with Section 12.4(c) of the Commission's financial regulations (Attachment B); and
- the Auditor's Management Letter (Attachment C).

No comments have been received.

External Audit Timing Requirements

4. In accordance with the requirements of Finance Regulation 11, the Commission's annual financial statements for the 2005 financial period were submitted to the Auditor prior to 31 March 2006. The audit was completed within the prescribed time period of 90

days and a copy of the audit report and audited financial statements was provided to the Commission within 30 days of their receipt, as prescribed.

Scope

5. The primary reporting focus of financial statements is the Commission's General Account Fund established in accordance with Financial Regulation 6.1 (a). However detailed information about the other funds in existence as at 31 December 2005, namely the Special Requirements Fund and the Working Capital Fund is given at Note 6 to the Financial Statements. These other funds were therefore subject to the same audit process as the General Account Fund. The reporting format for these funds was adopted on the recommendation of the external auditor.

6. As part of the transition of accounting arrangements from the Preparatory Conference Organisational Fund to the establishment of a Commission set of accounts the Special Requirements Fund balance as at 31 December 2005 included funds provided for the Indonesia Philippines Data Collection Project (see Note 6 to the Financial Statements). In early 2006 a separate fund for Indonesia Philippines Data Collection Project was established by the Executive Director

Audit findings

7. The audit report, Statement in relation to Financial regulation 12.4(c), and the Management Letter provide:

- the external auditors opinion that the "financial statements present fairly, in all material respects, the financial position of the general account fund of the Commission as of 31 December, 2005, and the results of its operations and its cash flows for the year then ended...";
- a statement that there was no evidence of non compliance with the Commission's Financial Regulations;
- that no matters were noted involving the internal control over financial reporting and its operations that the auditor considered to be a material weakness; and
- that the auditor did not find any matters pursuant to Finance Regulation 12.4(d) (efficiency, economy, accounting system, internal financial controls, administration and management) that needed to be reported.

Financial results

8. The financial statements show that the outcome for the General Account Fund for 2005 was a surplus of USD263,630. When the 2005 surplus and the March 2005 balance of the Preparatory Conference Organisational Fund (USD153,177 – see WCPFC/Comm.1/9*) are aggregated the total of USD416,807 appears reasonably consistent with WCPFC2's expectations, as reflected in the 2006 budget calculations, that USD455,888 would be carried over. The 2005 surplus was transferred to the Working Capital Fund in accordance with Financial Regulation 4.4.

9. 2005 was an abnormal year as the Commission Secretariat was effectively only operational for less than three months. Consequently analysis of budget outcomes is problematic. Nevertheless it would appear from the expenditure recorded against several items that the original budget figures approved at the First Session, mainly in relation to

Meeting Services, were unrealistically low. This is understandable in the circumstances and likely to prove instructive in the development of figures for future years.

Recommendation

10. The Commission is invited to either accept the audited financial statements or take other action as it may consider appropriate.

**WESTERN AND CENTRAL PACIFIC
FISHERIES COMMISSION**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED DECEMBER 31, 2005

Independent Auditors' Report

The Chairman
Western and Central Pacific Fisheries Commission:

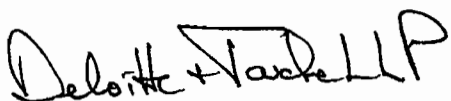
We have audited the accompanying general account fund statement of assets, liabilities and fund balance of the Western and Central Pacific Fisheries Commission (the Commission) as of December 31, 2005, and the related statements of income and expenditures and changes in fund balance, of cash flows and of appropriations and expenditures for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards, which are consistent with the generally accepted auditing standards referred to in the Commission's financial regulation 12.4, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, these financial statements were prepared in conformity with financial regulations of the Commission and certain accounting standards adopted by other international organizations, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the general account fund of the Commission as of December 31, 2005, and the results of its operations and its cash flows for the year then ended, on the basis of accounting described in Note 2.

We have also issued our report dated June 6, 2006, on the Commission's compliance with financial regulation 12.4(c) and our consideration of the Commission's internal control over financial reporting as required by the Commission's financial regulation 12.4(d).



June 6, 2006

WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION

General Account Fund
Statement of Assets, Liabilities and Fund Balance
December 31, 2005

<u>Assets</u>		Note
Current assets:		
Cash and term deposits	\$ 288,870	3
Contributions receivable	\$ 125,479	4
less provision for delayed contributions	<u>(125,479)</u>	-
Accounts receivable	13,451	
Other	4,049	
Total assets	<u>\$ 306,370</u>	
 <u>Liabilities and Fund Balance</u>		
Current liabilities:		
Accounts payable	\$ 38,679	
Member contributions in advance	611	
Accrued entitlements	<u>3,450</u>	
Total liabilities	42,740	
Fund balance	263,630	
Total liabilities and fund balance	<u>\$ 306,370</u>	

See accompanying notes to financial statements.



Andrew Wright
Executive Director

WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION

**General Account Fund
Statement of Income and Expenditures and Changes in Fund Balance
Year Ended December 31, 2005**

<u>Income</u>		Note
Contributions:		
Assessed contributions	\$ 975,005	4
<i>less</i> adjustments due to membership timing	163,836	
Sub-total: Contributions income due	811,169	
Other contributions - USA	117,600	
EC from PCOF A/c after March 2005	6,437	
New Caledonia	20,000	
Total contributions income	955,206	
Miscellaneous income		
Interest	1,389	
Other	-	1,389
Total income	956,595	
<i>Less</i>		
Expenditures	567,485	<i>(refer statement of Appropriations & Expenditures, page 5)</i>
Excess of income over expenditures	389,110	
<i>Less</i>		
Delayed 2005 contributions	125,479	4
Net excess of 2005 income over expenditures	263,630	
Fund balance at end of year	\$ 263,630	

See accompanying notes to financial statements.

WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION

**General Account Fund
Statement of Cash Flows
Year Ended December 31, 2005**

Cashflows from operating activities:

Net excess of income over expenditure	\$ 263,630
(Increase) decrease in other accounts receivable	(13,451)
(Increase) decrease in other assets	(4,049)
Increase (decrease) in advances from member states	611
Increase (decrease) in unliquidated obligations	38,679
Increase (decrease) in other liabilities	<u>3,450</u>
Net cash flows from operating activities	<u>288,870</u>
Cash and term deposits at the beginning of the year	<u>-</u>
Cash and term deposits at the end of the year	<u><u>\$ 288,870</u></u>

See accompanying notes to financial statements.

WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION

**Statement of Appropriations and Expenditures
Year Ending December 31, 2005**

(USD)					
Budget items	Original Budget	Transfers	Revised Budget	Expenditure	Budget Balance
Part 1 (Item 1)					
Sub-item 1.1 - Staff costs					
Established Posts	\$ 300,000	\$ -	\$ 300,000	\$ 72,102	\$ 227,898
General temporary assistance	5,000	-	5,000	2,820	2,180
Overtime	5,000	-	5,000		5,000
Consultancy	50,000	-	50,000	70,710	(20,710)
<i>Total sub-item 1.1</i>	<i>360,000</i>	<i>-</i>	<i>360,000</i>	<i>145,631</i>	<i>214,369</i>
Sub-item 1.2 - Staff Travel	60,000	-	60,000	7,747	52,253
Sub-item 1.3 - General Operating Expenses					
Electricity	10,000	-	10,000	1	9,999
Communications	25,000	-	25,000	3,098	21,902
Office supplies	12,000	-	12,000	4,162	7,838
Publications & Printing	10,000	-	10,000	130	9,870
Audit	2,500	-	2,500		2,500
Bank charges	2,000	-	2,000	1,450	550
Entertainment	5,000	-	5,000	1,172	3,828
Miscellaneous	5,000	-	5,000	4,419	581
<i>Total sub-item 1.3</i>	<i>71,500</i>	<i>-</i>	<i>71,500</i>	<i>14,432</i>	<i>57,068</i>
Sub-item 1.4 - Capital expenditure					
Vehicles	35,000	-	35,000		35,000
Computers	55,000	-	55,000	10,868	44,132
Furniture and Office Equipment	50,000	-	50,000	11,574	38,426
<i>Total sub-item 1.4</i>	<i>140,000</i>	<i>-</i>	<i>140,000</i>	<i>22,442</i>	<i>117,558</i>
Sub-item 1.5 - Maintenance					
Vehicles	1,500	-	1,500	883	617
IT (incl. licences)	9,000	-	9,000		9,000
Buildings & grounds	0	-	0	797	(797)
Insurance	4,200	-	4,200	78	4,122
<i>Total sub-item 1.5</i>	<i>14,700</i>	<i>-</i>	<i>14,700</i>	<i>1,758</i>	<i>12,942</i>
Sub-item 1.6 - Meeting services					
Annual session	30,000	-	30,000	80,970	(50,970)
Scientific Committee	65,650	-	65,650	99,520	(33,870)
Northern Committee	0	-	0		0
Technical and Compliance Committee	65,650	-	65,650	67,485	(1,835)
<i>Total sub-item 1.6</i>	<i>161,300</i>	<i>-</i>	<i>161,300</i>	<i>247,975</i>	<i>(86,675)</i>
Sub-total Part 1 (Item 1)	807,500	-	807,500	439,985	367,515
Part 2 (Item 2)					
Sub-item 2.1 - Scientific services (OFP-SPC)	127,500	-	127,500	127,500	0
Sub-item 2.5 - Vessel registry	40,000	-	40,000		40,000
Sub-total Part 2 (Item 2)	167,500	-	167,500	127,500	40,000
Total Approved Budget for Assessed Contributions	\$ 975,000	\$ -	\$ 975,000	\$ 567,485	\$ 407,515

See accompanying notes to financial statements.

WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION

Notes to Financial Statements December 31, 2005

1. Organization

The Western and Central Pacific Fisheries Commission (the Commission) is an international organisation established under the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean. The Commission came into existence on 19th of June 2004 upon entry into force of the Convention. The Secretariat was established in September 2005 when the Executive Director took up his post.

The Commission is the organization through which state parties to the Convention seek to ensure, through effective management, the long term conservation and sustainable use of highly migratory fish stocks in the western and central Pacific Ocean in accordance with the United Nations Convention on the Law of the Sea of December 10, 1982 and the Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks.

The subsidiary bodies of the Commission are a Scientific Committee, a Technical and Compliance Committee and a Northern Committee.

The Commission is currently concentrating on:

- (i) Implementation of the decisions of the Second Session of the Commission in relation to conservation and management measures;
- (ii) Establishment of the Commission's Record of Fishing Vessels and Authorisations to Fish;
- (iii) Formalisation of relationships with other Regional Fisheries Management Organisations with a focus on those responsible for tuna;
- (iv) Addressing IUU fishing in the Convention Area, particularly in relation to national plans to combat IUU fishing and support for efforts that address the unreported and unregulated components of IUU fishing, not solely the illegal components;
- (v) Monitoring initiatives to establish an international convention for straddling fish stocks in the southern Pacific Ocean;
- (vi) Supporting efforts to improve data collection and research associated with tuna fisheries and the WCPO ecosystem including, as resources permit, initiatives to scale up tuna tagging programmes;
- (vii) Supporting efforts to promote an ecosystems approach to fisheries (EAF) and its application to WCPO;
- (viii) Supporting initiatives to evaluate management options for WCPO tuna resources including, if required by Members, preparatory work to consider the matter of allocation;
- (ix) Supporting Members' engagement in the May 2006 meeting to review the 1995 UN Fish Stocks Agreement;
- (x) Monitoring and engagement with global efforts to address tuna fishing capacity concerns;
- (xi) Monitoring developments in the tuna industry; and
- (xii) The establishment of a fully functional Secretariat.

WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION

Notes to Financial Statements December 31, 2005

2. Summary of Significant Accounting and Financial Reporting Policies of the Commission

Scope

These financial statements primarily reflect the assets, liabilities and transactions relating to the General Account Fund. The Commission administers the following other funds:

- Working Capital Fund; and
- Special Requirements Fund

The accounts of the Commission are maintained in accordance with the financial regulations of the Commission and administrative instructions issued by the Executive Director of the Commission. They also take into account certain accounting standards adopted by the United Nations Common System.

The Commission accounts are maintained on a fund accounting basis. The funds are maintained as distinct financial and accounting entities.

The financial period of the Commission is a calendar year. The financial statements presented are for the calendar year 1 January to 31 December 2005.

Generally, income, expenditure, assets, and liabilities are recognized on the accrual basis of accounting (please refer to "Assets" hereunder).

The accounts of the Commission are presented in United States Dollars (\$). Accounts maintained in other currencies are translated into \$'s at the time of the transaction at the current rates of exchange.

Income

The amounts necessary to finance the activities of the Commission are assessed to Member States according to the agreed scale of assessments set out in the Commission's Financial Regulations.

Interest income includes interest earned on various bank accounts and term deposits.

Expenditures

All General Account Fund expenditures are recorded against allocated lines of budgetary appropriation.

Assets

Cash and term deposits comprise funds on deposit in operating accounts, interest bearing bank accounts, and petty cash holdings.

The asset Contributions receivable is matched by a Provision for delays in collection of the outstanding contributions, in accordance with United Nations System Accounting Standards Revision VI of 03 November 2004 paragraph 33. This is done in the interests of prudence and no judgment is made about collectability.

WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION

Notes to Financial Statements
December 31, 2005

2. Summary of Significant Accounting and Financial Reporting Policies of the Commission, Continued

Assets, Continued

Acquisition of capital assets are charged against expenditure accounts in the year of purchase; hence, furniture, equipment and other non-expendable property are not included in the assets of the Commission appearing in the Statement of Assets, Liabilities and Fund Balance. The total of non-expendable property held by the Commission is set forth in note 5.

Use of Estimates

The preparation of financial statements can require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and any adjustments that may be necessary would be reflected in the year in which actual results are known.

Taxation

The Commission is exempt from taxes and custom duties as follows:

Within the scope of the official activities, the Commission, its property, premises and assets and its income, including contributions made to the Commission under the Convention, shall be exempt from all national taxes. Goods, including the Commission's publications, motor vehicles and items for official entertainment purposes that are intended for the official use of the Commission shall be exempt from all customs and excise duties payable at customs, except payment for services.

Goods imported or purchased under an exemption shall not be sold or otherwise disposed of in the Federated States of Micronesia, except under conditions agreed in advance with the Government.

The Commission is subject to Pohnpei State Tax and is working with the FSM National Government to implement a reimbursement arrangement for those taxes.

3. Cash and Term Deposits

Funds being held in bank accounts in the name of the Commission but which are not included in the General Account Fund statements amounted to \$265,190. These funds are in respect of:

<u>Fund</u>	<u>Amount</u>
Working Capital Fund	\$ 153,177
Special Requirements Fund	<u>112,013</u>
Total	\$ <u>265,190</u>

WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION

Notes to Financial Statements
December 31, 2005

4. Provision for Delays in the Receipt of Contributions Receivable

The provision of \$125,479 is derived as follows:

Approved 2005 budget for funding by member contributions and total of the original assessed contribution table, which assumed all memberships would be for a full year	\$ 975,005
Less adjustments due to timing of a number of actual memberships	<u>163,836</u>
Total member contributions available for collection	811,169
Contributions received in 2005	<u>685,690</u>
Provision for delayed contributions	\$ <u>125,479</u>

5. Non-Expendable Property

As at December 31, 2005, the value at cost of non-expendable property totalled \$40,406. This total includes an in-kind contribution of an office vehicle valued at \$18,000 that was received during the year ended December 31, 2005.

6. Other Funds

Working Capital Fund

The Commission's Working Capital Fund as at 31 December, 2005 totalled \$153,177. This represented the March 2005 balance of the Preparatory Conference Organisational Fund transferred in accordance with the decision of the Commission. The financial position and activities of the fund follows:

Assets, Liabilities and Fund Balance

Assets:

Cash at bank and term deposits	\$ <u>153,177</u>
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Fund balance	\$ <u>153,177</u>
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Income and Expenditure and Changes in Fund Balance

Income:

March 2005 balance transferred from the Preparatory Conference Operations Fund	\$ <u>153,177</u>
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Total income	153,177
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Expenditure/Transfers	<u> -</u>
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Fund Balance	\$ <u>153,177</u>
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WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION

Notes to Financial Statements
December 31, 2005

6. Other Funds, Continued

Special Requirements Fund

The balance of the Special Requirements Fund as at 31 December 2005 was \$112,013 and comprised:

Residual balance of Indonesia/Philippines Data Collection Project	\$ 76,892	
Other contributions and interest	<u>35,121</u>	
		\$ <u>112,013</u>

The financial position and activities of the fund follows:

Assets, Liabilities and Fund Balance

Assets:

Cash at bank and term deposits		\$ <u>112,013</u>
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Fund balance:

Indonesia/Philippines Data Collection Project	\$ 76,892	
Other	<u>35,121</u>	\$ <u>112,013</u>

Income and Expenditure and Changes in Fund Balance

Income:

Indonesia/Philippines Data Collection Project		
Balance of Indonesia/Phillipines Project funds transferred from the FFA managed "Special Purposes Fund"	\$ 16,892	
Contribution from New Zealand	<u>60,000</u>	
Sub-total income for Indonesia/Philippines Data Collection Project		\$ 76,892

Other:

Contributions:		
United States of America	25,000	
Federated States of Micronesia	10,000	
Interest	<u>141</u>	
Sub-total Other		<u>35,141</u>

Total income		112,033
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Expenditures		<u>20</u>
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Surplus of income over expenditure		\$ <u>112,013</u>
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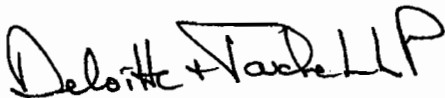
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
SECTION 12.4(C) OF THE COMMISSION'S FINANCIAL REGULATIONS**

The Executive Director
Western and Central Pacific Fisheries Commission:

We have audited the general account fund statement of assets, liabilities and fund balance of the Western and Central Pacific Fisheries Commission (the Commission) as of December 31, 2005 and the related statements of income and expenditures and changes in fund balance, of cash flows and appropriations and expenditures for the year then ended and have issued our report thereon dated June 6, 2006.

During our audit, we determined whether compliance with the Commission's financial regulation 12.4(c) occurred. As a result of our audit, no instances came to our attention to indicate noncompliance with financial regulation 12.4(c).



June 6, 2006

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June 6, 2006

The Executive Director
Western and Central Pacific Fisheries Commission:

In planning and performing our audit of the financial statements of Western and Central Pacific Fisheries Commission (the Commission), as of and for the year ended December 31, 2005, on which we have issued our report dated June 6, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Such consideration would not necessarily disclose all matters in the Commission's internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Additionally, as a result of our audit and pursuant to the Commission's financial regulation 12.4(d), we did not note any matters related to the Commission's internal control that need be reported.

* * * * *

This report is intended solely for the information and use of management, members, cooperating non-members and participating territories of the Commission, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the accounting staff and management for their assistance during the course of our audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

