



FINANCE AND ADMINISTRATION COMMITTEE
Twelfth Session
Honolulu, Hawaii
9 – 14 December 2018

APPOINTMENT OF AN AUDITOR

WCPFC15-2018-FAC12-08 Rev1
9 December 2018

Purpose

1. The purpose of this paper is to table for the FACs consideration the tender for the appointment of the external auditor to audit the 2018 and 2019 financial statements and accounts of the Commission.

Introduction

2. The current two year appointment of the external auditor, Deloitte and Touche LLP, ended after the audit of the 2017 accounts was completed. The Commission's Financial Regulation 12 sets out the requirements for the appointment of an external auditor for a period of two years.

3. A tender for auditing services was circulated to Members on 9 October, 2018 and posted on the Commission's website. The Secretariat received a proposal from both Deloitte and Touche LLP and Ernst & Young to undertake this work.

4. Deloitte and Touche LLP maintains an office in Pohnpei Micronesia and the proposed cost of the audit is USD7,000 per year. The proposal from Ernst & Young is estimated to cost USD22,700 per year and is based on the assumption that only one trip will need to be made to the WCPFC Headquarters from their Fiji office. Both proposals are attached for reference.

5. The current audit fees for the audit of the 2017 financial statements and accounts are USD7,000. If Ernst & Young is selected, an additional amount of USD15,200 will need to be added to the budget.

Recommendation

6. The Committee is invited to recommend to the Commission an auditor to be appointed for two years to undertake the audits of the 2018 and 2019 financial statements and accounts.



Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

November 8, 2018

Mr. Aaron Nighswander
Finance and Administration Manager
Western and Central Pacific Fisheries Commission
P.O. Box 2356, Kolonia
Pohnpei FM 96941

Dear Mr. Nighswander:

Deloitte & Touche LLP (“D&T” or “we” or “us”) is pleased to serve as independent auditors for Western and Central Pacific Fisheries Commission (the “Commission” or “you” or “your”). Mr. Daniel S. Fitzgerald will be responsible for the services that we perform for the Commission hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Commission on issues as they arise throughout the year. Hence, we hope that you will call Mr. Fitzgerald whenever you believe D&T can be of assistance.

The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such terms and conditions shall be effective as of the date of the commencement of such services.

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on whether the Commission’s financial statements for the year ending December 31, 2018 are presented fairly, in all material respects, in accordance with financial regulations of the Commission and certain accounting standards adopted by other international organizations, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Appendix A contains a description of the auditor’s responsibilities and the scope of an audit in accordance with generally accepted auditing standards.

D&T Reports

We expect to issue a written report upon the completion of our audit. Our ability to express an opinion or to issue any report as a result of this engagement and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete our audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue any report as a result of this engagement. If we are unable to complete our audit, or if any report to be issued by D&T as a result of this engagement requires modification, the reasons for this will be discussed with the Board of Directors and the Commission’s management.

Management’s Responsibilities

Appendix B describes management’s responsibilities.

Mr. Aaron Nighswander
Finance and Administration Manager
Western and Central Pacific Fisheries Commission
November 8, 2018

Page 2

Communications with the Board of Directors

Appendix C describes various matters that we are required by generally accepted auditing standards to communicate with the Board of Directors and management.

Fees

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. We estimate that our fees for this engagement will be \$7,000, plus expenses.

Payments are due 30 days from the date of the invoice. Engagement-related expenses (e.g. gross receipts tax equivalent, telephone, facsimile, typing, and report processing charges), will be billed in addition to the fees and will be stated separately on the invoices. Finance charges at 1.5% percent or the maximum rate permitted by law, whichever is lower, may be imposed on any invoices not paid by the due date.

Our continued service on this engagement is dependent upon payment of our invoices in accordance with these terms. Our estimated fees are based on certain assumptions, including (1) timely and accurate completion of the requested entity participation schedules and additional supporting information, (2) no inefficiencies during the audit process or changes in scope caused by events that are beyond our control, (3) the effectiveness of internal control over financial reporting throughout the period under audit, (4) a minimal level of audit adjustments (recorded or unrecorded), and (5) no changes to the timing or extent of our work plans. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

If the Commission intends to publish or otherwise reproduce in any document any report issued as a result of this engagement, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Commission agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of any of our reports, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The Commission also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Commission. Any request by the Commission to reissue any report issued as a result of this engagement, to consent to any such report's inclusion or incorporation by reference in an offering or other document, or to agree to any such report's inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such request; fees for such services (and their scope) would be subject to the mutual agreement of the Commission and D&T at such time as D&T is engaged to perform the services and would be described in a separate engagement letter.

Mr. Aaron Nighswander
Finance and Administration Manager
Western and Central Pacific Fisheries Commission
November 8, 2018

Page 3

Other Services

D&T will prepare draft financial statements that are based on management's chart of accounts (the "nonaudit service") as requested by you. The Commission agrees it will comply with Generally Accepted Auditing Standards, including, but not limited to, the following: (1) the Commission will designate a management level individual to be responsible and accountable for overseeing the nonaudit service, (2) the Commission will establish and monitor the performance of the nonaudit service to ensure that it meets management's objectives, (3) the Commission will make all decisions that involve management functions related to the nonaudit service and accept full responsibility for such decisions, (4) the Commission will evaluate the adequacy of the nonaudit service performed and any findings that may result, and (5) the Commission will establish and maintain internal controls, including monitoring activities.

2019 Annual Audit

The parties acknowledge and agree that each performance of an annual audit or issuance of any report by D&T on the Commission's financial statements is a separate engagement that is expected to be performed under the terms of a separate mutually agreed upon engagement letter. If the Commission requests and we agree to commence performing any such separate engagement prior to the execution of a separate mutually agreed upon engagement letter specific to such engagement, our performance of such engagement shall be governed by terms identical to the terms hereof unless and until a separate engagement letter specific to such engagement has been entered into by the parties.

* * * * *

We are committed to ensuring that we deliver high quality service. If at any time you would like to discuss with us how our service to you could be improved or if you are unsatisfied with the services you are receiving, please contact us. Your primary contact is Daniel S. Fitzgerald at the above address or, if you would prefer to deal with someone else, contact Lee H. Vensel, who is our Managing Partner. We shall carefully consider any matters that are brought to our attention in a timely manner and contact you to discuss and resolve the matter.

The parties acknowledge and agree that D&T is being engaged under this engagement letter to provide only the services described herein. Should the Commission or the Board of Directors request, and should D&T agree to provide, services (including audit services) beyond those described herein, such services will constitute a separate engagement and will be governed by a separate engagement letter.

This engagement letter, including Appendices A through E attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes any other prior or contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

Mr. Aaron Nighswander
Finance and Administration Manager
Western and Central Pacific Fisheries Commission
November 8, 2018

Page 4

If the above terms are acceptable and the services described are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,



Daniel S. Fitzgerald
Partner

HK:dmt
Enclosures

**ACKNOWLEDGED AND APPROVED ON BEHALF OF
WESTERN AND CENTRAL PACIFIC FISHERIES COMMISSION**

By: _____

Title: _____

Date: _____

AUDITOR'S RESPONSIBILITIES AND SCOPE OF AN AUDIT IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

This Appendix A is part of the engagement letter dated November 8, 2018, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission.

Auditor's Responsibilities

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in accordance with the regulations of the Commission and certain accounting standards adopted by other international organizations. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

Scope of an Audit

Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement, whether caused by fraud or error. However, because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with generally accepted auditing standards. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by fraud or error, that are not material to the financial statements as a whole are detected.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements 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 Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated November 8, 2018, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission.

Financial Statements

Management is responsible for the preparation, fair presentation, and overall accuracy of the financial statements in accordance with the regulations of the Commission and certain accounting standards adopted by other international organizations. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identifying and ensuring that the Commission complies with the laws and regulations applicable to its activities and informing us of all instances of identified or suspected noncompliance with such laws or regulations
- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, (2) additional information that we may request from management for the purpose of our audit, and (3) unrestricted access to personnel within the Commission from whom we determine it necessary to obtain audit evidence

Management's Representations

We will make specific inquiries of the Commission's management about the representations embodied in the financial statements. In addition, we will request that management provide us with the written representations the Commission is required to provide to its independent auditors under generally accepted auditing standards. The responses to those inquiries and the written representations of management are part of the evidential matter that D&T will rely on in forming its opinion on the Commission's financial statements. Because of the importance of management's representations, the Commission agrees to release and indemnify D&T, its subcontractors, and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

Independence Matters

In connection with our engagement, D&T, management, and the Board of Directors will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. D&T will communicate to its partners, principals, and employees that the Commission is an attest client. Management of the Commission will ensure that the Commission has policies and procedures in place for the purpose of ensuring that the Commission will not act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA) or other applicable rules would impair D&T's independence. All potential services are to be discussed with Mr. Fitzgerald.

APPENDIX B, CONTINUED

In connection with the foregoing paragraph, the Commission agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of the Commission's affiliates, as defined in AICPA *Code of Professional Conduct* Interpretation No. 101-18 (e.g., parents, subsidiaries, investors, or investees) ("Commission Affiliates"), together with the ownership relationship among such entities. Such information will be maintained in a database accessible by D&T in connection with their compliance with AICPA or other applicable independence rules.

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct*. Any employment opportunities with the Commission for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Fitzgerald before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

For purposes of the preceding section entitled "Independence Matters", "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu Limited, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited and its member firms; and, in all cases, any successor or assignee.

COMMUNICATIONS WITH BOARD OF DIRECTORS

This Appendix C is part of the engagement letter dated November 8, 2018, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission.

We are responsible for communicating with the Board of Directors significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Board of Directors in overseeing the financial reporting process.

In connection with the foregoing, we will communicate to the Board of Directors any fraud we identify or suspect that involves (1) management, (2) employees of the Commission who have significant roles in internal control, or (3) other employees of the Commission when the fraud results in a material misstatement of the financial statements. In addition, we will communicate with the Board of Directors any other matters related to fraud that are, in our professional judgment, relevant to their responsibilities. We will communicate to management any fraud perpetrated by lower-level employees of which we become aware that does not result in a material misstatement of the financial statements; however, we will not communicate such matters to the Board of Directors, unless otherwise directed by the Board of Directors.

We will also communicate to the Board of Directors matters involving the Commission's noncompliance with laws and regulations that have come to our attention during the course of our audit, other than when such matters are clearly inconsequential.

We will also communicate in writing to management and the Board of Directors any significant deficiencies or material weaknesses in internal control (as defined in generally accepted auditing standards) that we have identified during the audit, including those that were remediated during the audit.

Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with the Board of Directors. However, we will communicate to the Board of Directors matters required by AICPA AU-C 260, *The Auditor's Communication with Those Charged with Governance*.

GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated November 8, 2018, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission.

1. Independent Contractor. D&T is an independent contractor and D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Commission or the Board of Directors.
2. Survival. The agreements and undertakings of the Commission and the Board of Directors contained in the engagement letter will survive the completion or termination of this engagement.
3. Assignment and Subcontracting. Except as provided below, no party may assign any of its rights or obligations hereunder (including, without limitation, interests or claims relating to this engagement) without the prior written consent of the other parties. The Commission and the Board of Directors hereby consent to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of Guam and the Federated States of Micronesia. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.
4. Severability. If any term of the engagement letter is unenforceable, such term shall not affect the other terms, but such unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.
5. Force Majeure. No party shall be deemed to be in breach of the engagement letter as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
6. Confidentiality. To the extent that, in connection with this engagement, D&T comes into possession of any confidential information of the Commission, D&T shall not disclose such information to any third party without the Commission's consent, using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The Commission and the Board of Directors hereby consent to D&T disclosing such information (1) as may be required by law or regulation, or to respond to governmental inquiries, or in accordance with applicable professional standards or rules, or in connection with litigation or arbitration pertaining hereto; (2) to the extent such information (i) is or becomes publicly available other than as the result of a disclosure in breach hereof, (ii) becomes available to D&T on a nonconfidential basis from a source that D&T believes is not prohibited from disclosing such information to D&T, (iii) is already known by D&T without any obligation of confidentiality with respect thereto, or (iv) is developed by D&T independently of any disclosures made to D&T hereunder; or (3) to contractors providing administrative, infrastructure, and other support services to D&T and subcontractors providing services in connection with this engagement, in each case, whether located within or outside of Guam or the Federated States of Micronesia, provided that such contractors and subcontractors have agreed to be bound by confidentiality obligations similar to those in this paragraph.
7. Dispute resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "dispute") shall be resolved by mediation or binding arbitration as set forth in the dispute resolution provision attached hereto as Appendix E and made a part hereof.

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated November 8, 2018, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in Hagatna, Guam. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a panel of three arbitrators. Each of the Commission and Deloitte & Touche LLP shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of Guam (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

Western and Central Pacific Fisheries Commission

Tender for External Audit Services

2018

2019



Building a better
working world

Table of contents



Achieving Potential - Making a Difference

Executive summary	2
Understanding your needs	3
Your audit team	5
Delivering leading class audit services	11
Quality and independence	18
Fee summary	21
Ernst & Young	24
Appendices	30

Ernst & Young is the right choice for the Western and Central Pacific Fisheries Commission

Our values: who we are

- ▶ People who demonstrate integrity, respect and teaming.
- ▶ People with energy, enthusiasm and the courage to lead.
- ▶ People who build relationships based on doing the right thing.



We appreciate the opportunity to present our proposal to serve as external auditor to the Western and Central Pacific Fisheries Commission ("WCPFC"). In today's environment it can be difficult to select an auditor. We would therefore, like to share the reasons why we can make a difference. Our responsibilities and goals are based on the following elements:

Understanding your needs

We have valuable knowledge of WCPFC's business that will provide very useful input for our audit planning process. We are familiar with the business environment you operate in. We know the daily challenges you face and will help you achieve your goals. In close collaboration with you, we have clarified and analyzed your specific auditor expectations. This helps us to better understand your needs and to incorporate these into our audit process.

Your audit team

Your future audit team is very enthusiastic about the opportunity to serve WCPFC. To deliver proactive service to WCPFC, we have built a team with extensive experience with regional non-governmental organisations and donor agencies in the public sector.

Steven Pickering will be your Audit Partner. He will conduct the audit with the support of an experienced Manager and will also oversee the quality of our services. With our proven track record, we are in an excellent position to bring you fresh ideas to relevant issues such as local business practices and control and system changes. At the same time, we can provide you with the added assurance you need.

Delivering leading class audit services, quality and independence

Today, an audit is more than executing a methodology; it is about delivering high quality service in an extremely complex and regulated environment. In order to continue providing market-leading audit services we continuously focus on quality, industry knowledge and have talented professionals.

Our globally consistent audit process is supported with numerous tools. However, our approach is customized to meet your needs, thereby providing you with the tailor-made audit you deserve. At the same time, we offer top quality, professional services in an independent, objective and ethical manner. We believe in regular and open communication with our clients - this is an excellent way to establish trust, which is the foundation of any successful working relationship.

We are ready for the audit

You know your business best while we bring in the knowledge and experience regarding technical and regulatory elements. Together, we can build a rewarding relationship founded on knowledge, trust and quality.

We would be honored to accompany you on your journey as your future assurance provider. We look forward to serving WCPFC.

Business needs – a fresh look and a new perspective

We have had the opportunity to discuss your business and audit service expectations. We appreciate the time you spent with us and your openness during these discussions. On the right, we address some of the key messages we heard that underpin how you want to move forward and our suggestions for supporting you.

Your expectations	Our commitment
The right team	▶ We have structured an independent integrated audit team to serve WCPFC that combines extensive industry knowledge and deep technical experience
Partnering relationship	▶ Our team will not only work with you in a collaborative manner, but by providing reliable assurance services and proactively delivering thought leadership, we will give WCPFC the freedom to remain focused on its customers and strategic initiatives
Communication	▶ We will facilitate the development of transparent, direct, and timely communication protocols with WCPFC's management
Knowledge sharing	▶ In addition to our integrated audit approach, we will proactively seek ways to deliver ongoing thought leadership to WCPFC
Technical issue resolution process	▶ We will work with WCPFC to establish a clear, well-defined escalation process for any technical issues that may arise. Our process dictates that decisions be made locally whenever possible, supporting our approach to service delivery

Key Business Issues

Ernst & Young partners will provide a fresh approach.



Key expectations that should be addressed as part of the audit are:

- ▶ Steven Pickering as the audit partner has a long history in the public sector. Steven was the audit partner for WCPFC's EU 7 Pillar Assessment undertaken in 2014.
- ▶ Steven will be assisted by Sikeli Tuinamuana who has been involved with the audits of the Secretariat of the Pacific Community, University of the South Pacific, numerous European Union funded projects,. Both audit partners will be assisted by Ershad Ali who was the manager for Pacific Islands Forum Fisheries Agency from 2015 till 2018 financial years.
- ▶ Ernst & Young, Fiji are market leaders with the application of IFRS and IPSAS in Fiji. Thus IPSAS applications applicable to WCPFC will be thoroughly researched and discussed.
- ▶ Ernst & Young are familiar with the culture and expectations of financial institutions. We currently audit the Pacific Islands Forum Fisheries Agency, Secretariat of the Pacific Community and have undertaken numerous assignments on behalf of donor agencies for projects implemented by various regional non-governmental organisations similar to WCPFC.
- ▶ Ernst & Young has been able to demonstrate our ability to meet the financial institutions strict reporting deadline.
- ▶ Ernst & Young has a specialist IT audit team which will provide added value during the audit process.

An enthusiastic and experienced team

"Our desire to win and serve WCPFC is immense."

Steven Pickering
Audit Partner



Positive chemistry between WCPFC and our team is fundamental for a successful and mutually rewarding relationship. We believe our people are the differentiating factor.

When building your future audit team, we handpicked talented professionals and experienced leaders to provide you with a seamless, consistent and high quality audit. When choosing the team, we took the following criteria into consideration:

- ▶ Strong leadership and communication skills
- ▶ Hands-on working style
- ▶ The knowledge, experience and commitment to serve WCPFC

Under the leadership of the audit team, we will deliver the agreed upon services.

Your Audit Partner

Our philosophy is to identify and deploy the Audit Partner who fits well with WCPFC's culture and management. We believe Steven Pickering matches your expectations.

Steven will be supported by Sikeli Tuinamuana as Second Audit Partner, to ensure that the WCPFC receives premium service.

The different engagement roles

As your Audit Partner, Steven Pickering is the main contact person for management. He will be responsible for the planning and execution of the audit as well as all decisions made. In addition, he will assure that our service delivery follows a consistently integrated risk oriented approach. He will bring his substantial audit experience into your entity.

The Manager, Ershad Ali, is responsible for the coordination of the reporting and the audit in addition to supporting Steven. He will work closely with your local teams to deliver high quality audit work, meet deadlines and respond to issues quickly. Therefore, he is your main contact person for all audit and reporting issues arising at WCPFC.

Ershad will be assisted by several other managers on this job, including Peni Tora (Director) who is our IPSAS and IFRS champion.

An enthusiastic and experienced team

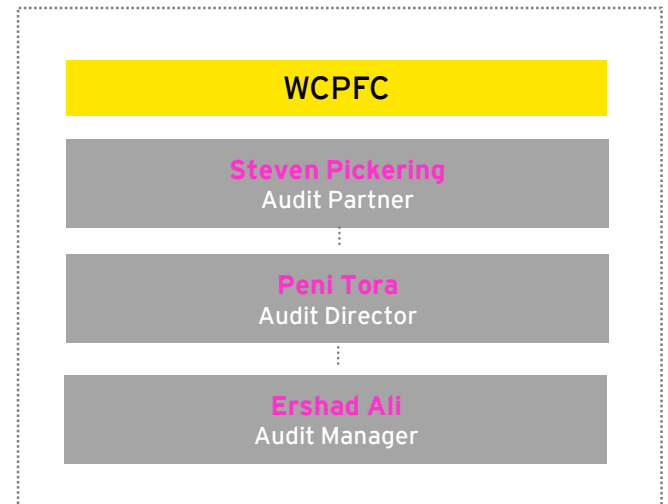


Subject-matter professionals

Our subject-matter professionals will support the audit team in planning and executing an integrated risk oriented audit throughout WCPFC.

Their main role will be to interact, from the beginning of the audit process, with WCPFC's functional leaders as constructive sparring partners to contribute to your business as well as to help identify potential issues early. Further, the professionals will assist with the integrated audit strategy and audit instructions. Finally, the professionals will help drive a seamless, consistent, high quality application and evaluation of IT, tax and other subject-matter aspects.

For these roles, we have selected experienced technical professionals and thought leaders with extensive knowledge in their respective fields.



Assurance



STEVEN PICKERING
Country Managing Partner

T: +679 331 4166
M: +679 999 4166
F: +679 330 0612
E: steve.pickering@fj.ey.com

Background

- ▶ Steven is the Country Managing Partner with our Assurance and Advisory Business Services section with Ernst & Young, Fiji. In addition he is the firm's Quality and Risk partner and Chief Financial Officer.
- ▶ He has over 28 years chartered experience with Ernst & Young and Pricewaterhouse, the last 18 years as a Partner with Ernst & Young.
- ▶ **Professional qualifications and memberships;** Bachelor of Commerce (Accounting) in Auckland, Chartered Accountant with a Certificate of Public Practice and Registered Tax Agent, Registered auditor and liquidator with the Ministry of Justice.

Skills

- ▶ Steven's depth of experience in the banking & finance, tourism, development, manufacturing, retail, not for profit and Government sectors has enabled him to gain unique knowledge and skills in auditing, business and consulting.

Professional experience

- ▶ **Service Lines;** Audits of Public & Private Entities, Technical Auditing & Accounting Issues, Corporate Finance and Tax compliance.
- ▶ **Key Industry Experience;** Tourism, Manufacturing, Retail & distribution, Development, Energy, Government and Finance.
- ▶ **Current Clients;** Steven is the audit signing partner for the following clients: Asian Paints group, Aon Risk, Bank of Baroda, Foods Pacific group, Grand Pacific Hotel, Fijian Holdings subsidiaries, Hilton Fiji, HFC Bank, Pearl Resort, Rarotonga Hotel group, Tanoa Hotels group, Niranjans Motors group, Sheraton Hotels group, Fexco Pacific group, Bluescope Lysaght and Fletcher Construction. He is also involved in the internal audits of Fiji Gas, PAFCO, Sun Insurance, New India Assurance and Fiji Airways.
- ▶ **Consulting Experience;** Steven has extensive experience in development projects particularly in tourism, due diligence, valuations, transactions, restructuring, tax consulting, human resource consulting and general business advice.
- ▶ **External Activities;** Steven has been involved with:
 - Former director of the Fiji Development Bank and Cricket Fiji.

Industry experience

▶ Current key clients by industry are:

Manufacturing retail	- Asian Paints, Foods Pacific, Goodman Fielder, Bluescope, McDonalds.
Insurance	- LIC, New India, Aon, Marsh.
Infrastructure	- Fulton Hogan, Fletcher, Williams & Gosling.
Tele-communications	- Bluesky group, Vodafone, TCC, Telecom Cook Is.
Finance	- Bank of Baroda, HFC Bank, Fexco, Kontiki Finance.
Tourism	- Sheraton Fiji, Hilton, Tokoriki, Grand Pacific hotel, Mana Island.
Listed	- Communications Fiji, Kinetic Growth Fund, Paradise Beverages.
Regional	- Cook Islands, Vanuatu, Solomon Islands, Samoa, Tonga

Assurance



SIKELI TUINAMUANA
Senior Partner

T: +679 331 4166
M: +679 999 4167
F: +679 330 0612
E: sikeli.tuinamuana@fj.ey.com

Background

- ▶ Sikeli is a Senior Partner of Assurance Services with Ernst & Young, Fiji. Sikeli is also our Independence Leader, Assurance Leader, Information Technology Leader and Human Resources Leader for Ernst & Young, Fiji. He has over 33 years experience in CA firms, the last 15 years as a Partner with EY in the areas of auditing and accounting issues, audits of public companies and audits of public sector entities.
- ▶ **Service Lines;** Audits of Public & Private Entities, Technical Auditing & Accounting Issues and Tax compliance.
- ▶ Sikeli's depth of experience in the banking, finance, manufacturing, telecommunications and services sectors has enabled him to share insights gained from understanding all aspects of businesses and provide professional advice at the highest level.
- ▶ **Key Industry Experience;** Tourism, Services, Banking and Finance, Manufacturing and Telecommunications.
- ▶ **Professional qualifications and memberships;** Bachelor of Arts (Accounting), (USP), Master of Commerce (UNSW), Chartered Accountant with a Certificate of Public Practice and Registered Tax Agent.
- ▶ **External Activities;** Member of the Council of the Fiji Institute of Accountants (FIA). Chairman of FIA Standards Committee. Past President of the FIA.

Skills

- ▶ Sikeli's depth of experience in the banking, finance, manufacturing, telecommunications and services sectors has enabled him to share insights gained from understanding all aspects of businesses and provide professional advice at the highest level.

Professional experience

- ▶ **Consulting Experience;** Sikeli has a wide range of consulting experience, including: Business valuations, Restructuring and sale of businesses, Fraud investigations, Organisational reviews and Business risk consulting.
- ▶ **Donor agencies and public sector engagements:**
Audit Partner of financial and system audits of various donor (UN, EU, etc.) funded contracts in the Oceania region. Audit Partner of expenditure verifications of various EC funded contracts and programme estimates in the Oceania region. Audit Partner of UNDG HACT micro-assessment engagements on behalf of UNDP, UNICEF, UNFPA and UNFAO.
- ▶ **External audits**
Audit Partner of ISA compliant external audits of consolidated financial statements compliant with IFRS and IFRS for SME of companies listed on the South Pacific Stock Exchange.

Audit Partner of ISA compliant external audits of financial statements compliant with IFRS and IFRS for SME for local and foreign based private corporations, including subsidiaries and affiliates of publicly listed companies, and regulated statutory bodies; and

Audit Partner of ISA compliant external audits of financial statements compliant with IFRS, IFRS for SME and IPSAS accounting frameworks of regional and locally registered non-governmental organisations.
- ▶ **Internal audits**
Audit Partner of strategic risk and compliance based internal audits for regional and local entities, including non-governmental organisations, reserve bank, universities, corporations, and financial institutions.

Relevant sector experience (snapshot)

- ▶ **Internal audit of Reserve Bank of Fiji (RBF) – Audit Partner**
Oversaw and was the Audit Engagement Partner for the internal audit of RBF in Suva under IFRS and local legislations.
- ▶ **Internal audit of University of the South Pacific (USP) – Audit Partner**
Oversaw and was the Audit Engagement Partner for the internal audit of USP in Suva under IFRS and internal audit charter.
- ▶ **Internal audit of Secretariat of the Pacific Community (SPC) – Audit Partner**
Oversaw and was the Audit Engagement Partner for the internal audit of SPC in Suva under IFRS and internal audit charter.
- ▶ **Internal audit of Unit Trust of Fiji (UToF) – Audit Partner**
Oversaw and was the Audit Engagement Partner for the internal audit of UToF in Suva under IFRS and internal audit charter.
- ▶ **Internal audit of Pacific Fishing Company Limited (PAFCO) – Quality Control Partner**
Audit Quality Control Partner for the internal audit of PAFCO in Levuka under IFRS and internal audit charter.
- ▶ **External audit of Aitutaki Lagoon Resort & Spa (ALRS) – Quality Control Partner**
Audit Quality Control Partner for the external audit (ISA) of ALRS, a large resort in the Cook Islands, under IFRS.
- ▶ **External audit of Goodman Fielder Group (GFG) – Audit Partner**
Oversaw and was the Audit Engagement Partner for the external audit (ISA) of GFG, a group of condiments and food companies under IFRS.

Assurance

**PENI TORA**

Director

T: +679 331 4166
 M: +679 999 4174
 F: +679 330 0612
 E: peni.tora@fj.ey.com

Background

- ▶ Peni is a Director with our Assurance and Advisory Business Services section with Ernst & Young, Fiji. He has over 15 years chartered experience with Ernst & Young.
- ▶ **Service Lines;** Audits of Public & Private Entities, Technical Auditing & Accounting Issues and Business Risk and Advisory.
- ▶ **Key Industry Experience;** Government, Manufacturing, Retail & distribution and Education.
- ▶ **Professional qualifications and memberships;** Bachelor of Commerce (UNSW).
- ▶ **External Activities;** Peni has been involved with: Fellow of Leadership Fiji, served in various past committees of the Fiji Institute of Accountants - Standards & Journal committees, South Pacific Stock Exchange annual report judge panel and advisor to Lomaiviti Provincial Council.

Skills

- ▶ Peni's depth of experience in the internal audit and external audit enabled him to gain unique knowledge and skills in business and consulting.
- ▶ IFRS champion for Fiji office and member of EY's Asia Pacific IFRS Desk.

Professional experience

- ▶ **Consulting Experience;** Peni has been involved various IFRS transition/conversion projects, technical consultation, and facilitating training for clients and members of the Fiji Institute of Accountants.
- ▶ Manager on various consultancy assignments including a feasibility studies, loan proposals, valuation of private entities, preparation of strategic plans, information memorandum, prospectus and due diligence for clients. Also involved in sale, merger and acquisition of various entities for clients.
- ▶ **Donor agencies and public sector engagements:**
 Audit Director of financial, system, and forensic audits of various donor (AusAID, etc) funded contracts in Fiji. Has been involved in the audit of large public sector entities including the Fiji Development Bank, Fiji Electricity Authority, Housing Authority of Fiji, Fiji National University, Fiji Ports Terminal, Nauru Utilities, Solomon Power, University of the South Pacific.
- ▶ **External audits**
 Audit Director of ISA compliant external audits of consolidated financial statements compliant with IFRS companies listed on the South Pacific Stock Exchange. He manages the audit of Paradise Beverages and Communications (Fiji) Limited. He was also previously involved in the audits of Amalgamated Telecom Holdings, VB Holdings and Kinetic Growth Fund.

 Audit Director of ISA compliant external audits of financial statements compliant with IFRS and IFRS for SME for local and foreign based private corporations, including subsidiaries and affiliates of publicly listed companies, regulated statutory bodies and NGOs.
- ▶ **Internal audits**
 Audit Director of strategic risk and compliance based internal audits for regional and local entities, including government-owned agencies and entities, commercial banks, corporations, and financial institutions.

Relevant sector experience (snapshot)

- ▶ **Internal audit of Reserve Bank of Fiji - Audit Director**
 Oversaw and was the Audit Engagement Manager for the Internal audit of RBF.
- ▶ **Internal audit of University of the South Pacific - Audit Director**
 Oversaw and was the Audit Engagement Manager for the Internal audit of USP.
- ▶ **External audit of HFC Bank - Audit Director**
 Oversaw and was the Audit Engagement Manager for the external audit (ISA) of HFC Bank, a commercial bank.
- ▶ **External audit of Fiji National University - Audit Director**
 Oversaw and was the Audit Engagement Manager for the external audit (ISA) of FNU, a tertiary education institute.
- ▶ **External audit of Coca Cola Amatil (Fiji) Group - Audit Director**
 Oversaw and was the Audit Engagement Manager for the external audit (ISA) of CCA Fiji, beverages company and its subsidiaries which include Paradise Beverages (Fiji) Limited (listed on the SPSE) and Samoa Breweries Limited.
- ▶ **External audit of Niranjan Motors - Audit Director**
 Oversaw and was the Audit Engagement Manager for the external audit (ISA) of Niranjan Motors, a large automotive dealer in Fiji and its subsidiaries/associates which include Eurocars, VB Holdings (listed on the SPSE), Budget Rentals and a number of other entities.
- ▶ **External audit of Nauru Utilities Corporation - Audit Manager**
 Oversaw and was the Audit Engagement Manager for the external audit (ISA) of Nauru Utilities, a power generation and water desalination and distribution entity in Nauru.

**ERSHAD ALI**

Manager

T: +679 331 4166
 M: +679 999 4175
 F: +679 330 0612
 E: ershad.ali@fj.ey.com

Background

- ▶ Ershad is a Manager of Assurance Services with Ernst & Young, Suva, Fiji. He has over 6 years experience in the areas of external and internal auditing, audits of private companies, audits of public sector entities and risk advisory services.
- ▶ **Service Lines;** Audits of Public & Private Entities, Technical Auditing & Accounting Issues, Internal Audits and Corporate Finance.
- ▶ **Professional qualifications and memberships;** Bachelor of Commerce (USP - Gold Medalist in Accounting and Information Systems), Chartered Accountant - CPA Australia and Chartered Accountant - Fiji Institute of Accountants.

Skills

- ▶ Ershad has had a wide range of diversified experience and accumulated a wide range of industry knowledge.

Professional experience

▶ External audits

- Audit Manager of ISA compliant external audits of financial statements compliant with IFRS and IFRS for SME for large and medium local and foreign based private corporations, including publically listed companies and its subsidiaries and affiliates, and regulated statutory bodies.
- Audit Manager of ISA compliant external audits of financial statements compliant with IFRS, IFRS for SME and other accounting frameworks of regional and locally registered non-governmental organisations.

▶ Internal audits

- Audit Manager of strategic risk and compliance based internal audits for large and medium regional and local entities, including non-governmental organisations, insurance companies, customs and border control, and fishing companies.

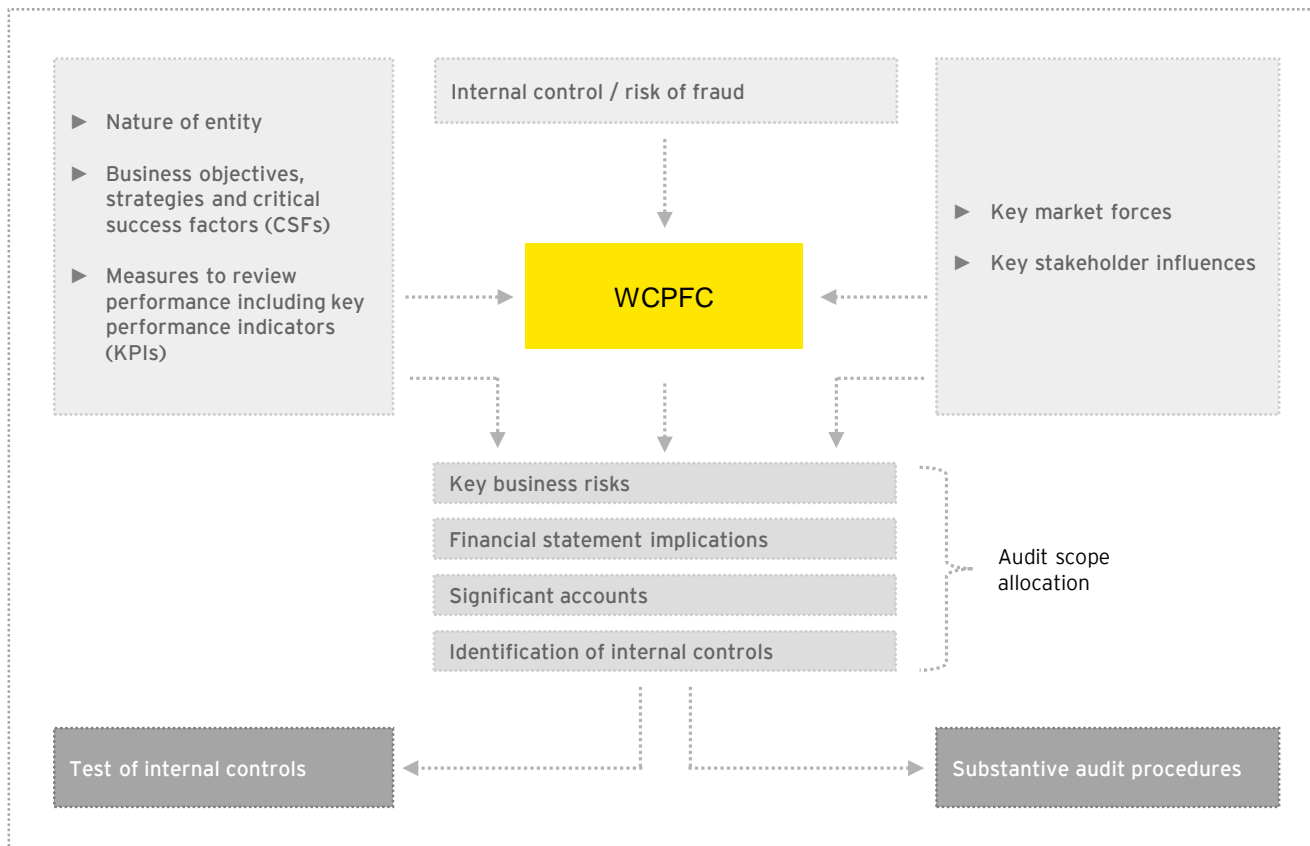
▶ Special jobs

- Audit Manager and team member of due diligence assessments carried out for various private and public sector entities under agreed-upon procedures, feasibility studies on behalf of companies to advise on investment options, loan synchronisation assignments for financial institutes in Fiji, and performing valuation of companies to determine reasonable sale prices.

Relevant sector experience (snapshot)

- ▶ **External audit Pacific Islands Forum Fisheries Agency - Audit Manager**
Audit Manager for the external audit of FFA in Solomon's under IPSAS.
- ▶ **External audit Fletcher Building Fiji Group - Audit Manager**
Audit Manager for the external audit of FBFL in Fiji under IFRS and local legislations.
- ▶ **External audit Fulton Hogan Fiji Group - Audit Manager**
Audit Manager for the external audit of FHL in Fiji under IFRS and local legislations.
- ▶ **External audit BlueScope Fiji Group - Audit Manager**
Audit Manager for the external audit of BSFL in Fiji under IFRS and local legislations.
- ▶ **External audit Damodar Fiji Group - Audit Manager**
Audit Manager for the external audit of Damodar Group in Fiji under IFRS and local legislations.
- ▶ **External audit Solander Pacific Group and Sea Quest Group - Audit Manager**
Audit Manager for the external audit of various fishing companies in Fiji under IFRS and local legislations.
- ▶ **External audit Solomon Power - Audit Manager**
Audit Manager for the external audit of SP in Solomon's under IFRS and local legislations.
- ▶ **External audit Rarotongan Beach Resort & Spa, The Aitutaki Lagoon Resort & Spa, Pearl South Pacific and Grand Pacific Hotel - Audit Manager**
Audit Manager for the external audit of various hotels in Fiji and Cook Islands.
- ▶ **Secodment service Rentokil Initial Fiji - Audit Manager**
Audit Manager for the secondment service to Rentokil Initial's Finance.
- ▶ **Financial consultant Trade Supplies Fiji:** Financial consultant for business sale as going concern.

WCPFC's audit concept - taking full advantage of your strengths



Collectively, WCPFC and our audit team, determine the goals and expectations of the audit. For this purpose, your business strategy and goals, corporate development plans, economic environment and specific risk drivers, which impact the consolidated financial accounts as well as the financial statements, are discussed in detail.

Hence, relevant identified risks can be recognized early and the audit approach adapted accordingly. On the following page, you will find a list of risks we identified so far, including their implication and how Ernst & Young would take them into account during the audit.

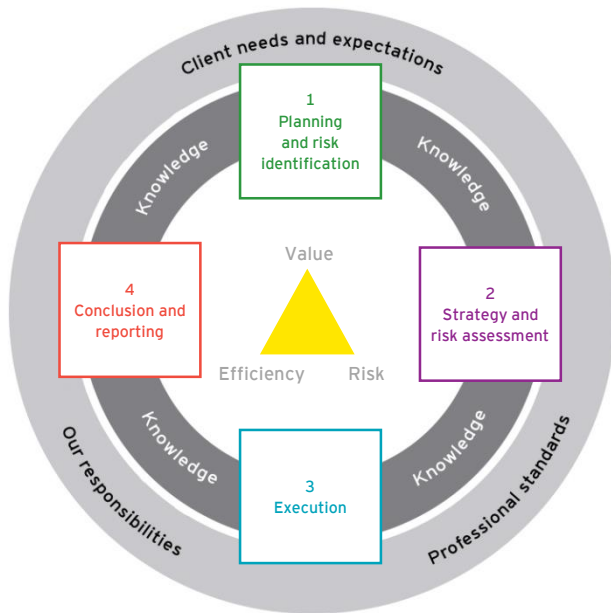
Your benefits

- ▶ Assurance for the entity
- ▶ Professional, technical know-how
- ▶ Leading assurance and advisory services that enhance business control and help you achieve your goals
- ▶ Insight into your business and proactive information about important developments in the accounting and controlling fields

Our audit approach for WCPFC

Delivering on our promise - seamless, consistent, high quality client service, worldwide

Ernst & Young



Starting point

Delivering a service that is recognized by our different stakeholders as being of the highest quality is one of our top goals.

Our audit approach is focused on continuously assessing business risk. Through our new audit innovation tool, we are better able assist you.

Ernst & Young starts with the analysis of both internal and external business risk drivers and is thus able to adapt its audit procedures to WCPFC. Right from the start, we work closely with your management in order to better understand the key issues and challenges you face.

We effectively leverage the available members of your finance team and work closely with them. We avoid unnecessary work duplication while providing quality service and improving cost effectiveness.

Ernst & Young's ongoing assessment of the business risk factors helps determine which procedures should be performed during the audit, who should perform them and when they should be performed.

Ultimately, our process provides additional assurance. Naturally, our audit results are based on our audit methodology and analysis. Continuous communication throughout the process provides you with a real time view of your organization. This includes effective Early Warning Reports, thereby reducing the probability of surprises.

Our four-phase audit process

The Ernst & Young audit process planned for WCPFC is basically divided into four core areas. The illustration on the left gives an overview of the main phases.

Together with WCPFC management, the goals and expectations for the audit are determined in the first phase. In the second phase, we utilize our profound knowledge from other audits, as well as the knowledge we have from WCPFC, in order to set up your customized audit strategy. The third phase entails the audit of the financial statements. The fourth phase includes reporting to WCPFC at various levels. Based on your feedback, we are able to improve our audit services and thus make our services more efficient and effective, covering your needs in an advantageous manner.

Four-phase audit process

A. Planning and risk identification

As part of our planning process, we would confirm the engagement objectives, role of service providers and other factors that impact on the objectives of the audit engagement.

B. Strategy and risk assessment

The core of the methodology enables us to understand your business, financial statement risks and their implications in order to design the most effective and efficient audit. We shall update our understanding of your business, your strategies and the impact of the current industry environment.

Our risk assessment costs of considering your environment (inherent risks), along with our assessment of the internal control environment (control risks). Both assessments are performed on a significant account level and form the basis of our combined risk assessment. This assists us to identify your critical risk areas e.g. valuation of investments, so that our audit approach addresses each of these areas early in the audit process.

The Audit Plan, our key deliverable, will be presented to the Audit Committee upon conducting phase one of our engagement.

C. Execution

We assess the financial, compliance operational and Information Technology processes which underlie the key account balances. The risk of error is identified in the relevant process and the extent to which any mitigating control reduces risk. Any identified weakness (lack of control or controls not operating effectively) result in additional testing being performed on the account balance. Any weaknesses in controls will be discussed with management and best practice recommendations for improvement will be reported in our Closing Report.

The Combined Risk Assessment for the inherent risks and control risks for each account balance determines the extent of the additional verification work required. High risk assessments e.g. valuation of investments require more extensive testing.

We perform detailed tests designed to obtain evidence as to the completeness, accuracy and validity of data and of the reasonableness of estimates and to the information contained in the financial statements.

D. Conclude the audit and assess performance

Before issuing our audit report, we consider whether our audit procedures provide us with sufficient audit evidence to conclude on the fairness of the presentation of the financial statements taken as a whole. At this time, we report to the Audit Committee on issues of significance and our conclusions.

The format of our communication is the Closing Report, which provides our observations covering significant matters arising from our review of audit of the financial statements and includes:

- ▶ Recommendations from improvements in policies, procedures, internal controls and accounting systems identified in the course of our visits
- ▶ Summaries of the accounting and auditing issues encountered during the review/ audit and their resolution
- ▶ Any other value-added deliverable created by our audit team

Information Technology Assessment

▶ The scope of our assessment of the IT environment includes :

- the review of IT system utilities and resources facilitating accounting and other applications which are significant to the financial reporting process of your organisation,
- evaluating your organisation's current IT controls and processes against international leading industry practices, and
- Assessing the Information Technology General Controls (ITGCs) implemented in your organisation's IT environment over:
 - the change management process,
 - logical access to system resources and utilities (data access),
 - system recoverability and restoration,
 - IT application and dependent manual controls, and
 - the report-generating capabilities and capacity of the IT systems to meet senior management's requirements.

▶ IT system utilities and resources include:

- applications used to process financial information, such as accounting software packages,
- the databases used by these applications to store significant financial information and
- the operating systems used to run these utilities.

▶ Our assessment of the IT environment enables us to conclude on the following key assertions:

- (i) that only appropriately authorized, tested, and approved changes are made to applications, interfaces, databases, and operating systems,
- (ii) that only authorized persons have access to data and applications (including programs, tables, and related resources) and that they can perform only specifically authorized functions (e.g., inquire, execute, update),
- (iii) that data supporting financial information is properly backed up so such data can be accurately and completely recovered if there is a system outage or data integrity issue,
- (iv) programs are executed as planned and deviations from scheduled processing are identified and resolved in a timely manner,
- (v) IT operations problems or incidents are identified, resolved, reviewed, and analyzed in a timely manner, and
- (vi) application and IT dependent manual controls are implemented and configured appropriately to support accurate and complete report-generation as required by senior management.

▶ **Our procedures are generated from the Ernst & Young Global resource tool, EY Mercury, and position papers obtained from the Ernst & Young Oceania Advisory Compass Repository.**



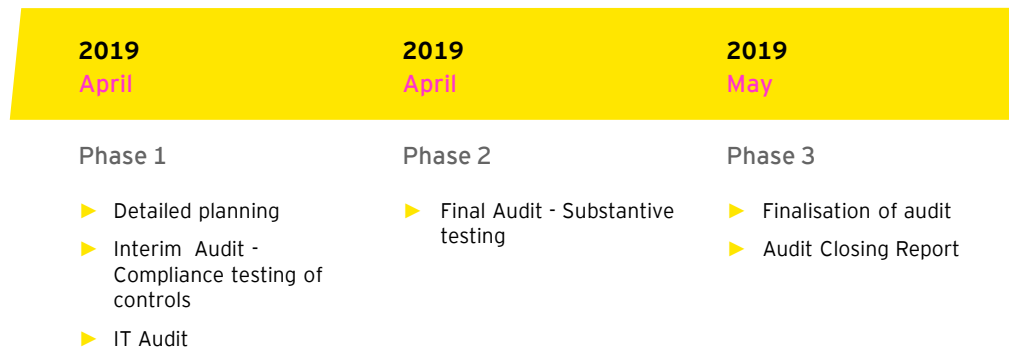
First year audit timeline



Planning

Ernst & Young is committed to delivering a robust audit which provides assurance on your financial statements. The key elements of our approach are rigorous planning and agreement on principles at an early stage, with particular focus on the audit of the identified key business risks and identified significant accounting issues.

Our active involvement through site visits will facilitate the early identification and resolution of issues. As with all of our work, the actual audit plan will be co-developed, discussed and agreed with WCPFC at the appropriate level.



The above timeline is in regards to the 2018 audit in accordance with the WCPFC Terms of Reference. The timelines of the 2019 audit will be determined after further discussions with WCPFC.

Communication and reporting

“Relevant communication, on time every time.”

Steven Pickering
Audit Partner



Communication

Transparent communication is key to an efficient and effective audit of your financial statements. Therefore, you can expect appropriate and topical communication from us. We share leading practices, update you on new accounting developments and provide fair and honest advice from our point of view. Key drivers of our communication are:

Open and fast: we are used to addressing urgent questions directly in order to make quick and pragmatic decisions. The lines of communication lead to Sikeli Tuinamuana, your Audit Partner.

Timely and coordinated: we help avoid late surprises by addressing hot topics at the appropriate management level on a timely basis. We follow a clear technical issue resolution process on accounting and other matters.

Ongoing and proactive: part of our proactive client service is to inform you of any identified issues that are related to your financial reporting. For example, this includes an early discussion about the impact of any applicable new accounting standards.

Reporting

We create valuable reporting that is pre-discussed, on time, relevant and fact based. Reporting deliverables include:

- ▶ Strategic audit plan
- ▶ Audit results
- ▶ Management Letter including recommendations
- ▶ Opinion on the financial statements

Transition

Having the appropriate services, supported by our methodologies, tools, quality and risk management (QRM), and learning, is central to our ability to deliver on our promise to our clients.

Selected recent transitions

Ernst & Young Fiji has recently won and transitioned these major local and global audit clients (in brackets previous auditor):

- ▶ Fletcher Construction (KPMG)
- ▶ UNDP (KPMG)
- ▶ HFC Bank (KPMG)
- ▶ South Sea Towage (KPMG)
- ▶ Shreedhar Motors (KPMG)
- ▶ Fiji Pine group (PwC)
- ▶ Naviti Resort (PwC)
- ▶ Fiji Biosecurity (KPMG)
- ▶ Solomon Islands Electricity (KPMG)
- ▶ Reserve Bank of Fiji (PwC)
- ▶ Sigatoka Electric (KPMG)

Starting point of Ernst & Young

We understand an auditor change brings challenges. WCPFC can be confident that we understand how to manage a transition. With knowledge gained from our industry focus, our professionals - globally as well as locally - are very familiar with your audit requirements. Even more important is our accumulated understanding of WCPFC which will ease the transition. Further, we will review work papers of the prior auditor - to the extent possible under local law - without disrupting your operations.

Minimal disruption

Our audit team to serve WCPFC is accustomed to accelerated transitions from other auditors.

The team is ready to commence and complete this process swiftly and without sacrificing quality. Our transition methodology allows you to concentrate on your business and prevents you from being unnecessarily disrupted from your ongoing business operations or from being absorbed by administrative and non-productive matters. To reduce the impact of transition on your business, we will put together a customized program that provides a smooth, transparent and seamless transition for WCPFC.

Transition management

An effective transition plan is the key to achieving a successful migration in any audit related matter.

Our transition objectives are:

- ▶ Establishing a cohesive and agreed upon audit plan early in the process
- ▶ Performing upfront planning and transition activities
- ▶ New insights on business risks and corporate governance initiatives

One key area is the IT application enabled business processes, including internal control documentation. These processes will be tested early in the audit in order for you to benefit from our centralized approach.

For the transition, we will incur substantial non-recurring costs. We believe these transition costs should be our investment, rather than yours. This is part of our commitment to WCPFC and, therefore, transition costs will not be billed to you.

A cornerstone of our culture

Quality service approach

Quality is the foundation of our service approach. By serving WCPFC based on your needs, we are able to deliver top-quality client service and establish a long-term relationship with you. We have a number of long-established quality processes in place including:

Review procedures

- ▶ Independent partner reviews - an independent partner separately reviews and challenges the central audit team's conclusions
- ▶ Professional review - dedicated professionals review draft financial statements

Quality reviews

Ernst & Young's worldwide organization has a program that assesses compliance with policies and procedures on an annual basis. Over a three year period, a portion of the work of every audit partner is reviewed. The results of the program help us to evaluate the firm's quality controls and personnel performance as well as identify areas for improvement.

Ethics

Our global Code of Conduct provides an ethical framework on which we base our decisions and our actions - as individuals and as members of our global organization. We have also established the Ernst & Young Ethics Hotline, which allows any person, inside or outside of Ernst & Young, to report any activity, confidentially and anonymously, that they believe may involve conduct that

is unethical, illegal, in breach of professional standards, or is otherwise inconsistent with our established policies. Ernst & Young's independence policy is also based on the globally accepted Code of Ethics issued by the International Federation of Accountants.

Independence

Objectivity is one of the fundamental principles of the audit profession worldwide. We take it very seriously. To achieve this, legislators and the profession established rules and guidance including standards on independence. Due to the ongoing changes around the world, Ernst & Young constantly challenges its policies and procedures to maintain its independence and to strengthen compliance.

Financial interests

Ernst & Young prohibits partners from investing in any audit clients. Professionals are not allowed to invest in their audit clients. We track and check this with a worldwide investment tracking system.

Our partners and staff are required to confirm their compliance with our organization's Independence Policies on a regular basis.

Non-audit services

A significant component of independence is the differentiation of non-audit services which can be provided to audit clients and those services which are not permitted.

In general, providing non-audit services does not impair our independence as long as Ernst & Young does not:

- ▶ Take over management functions or act in the role of management
- ▶ Prepare information which is later used as audit evidence, affects our audit scope or will be audited by us during our audit.

Strong procedures to avoid conflicts of interests

Given the increased public sensitivity, Ernst & Young established certain procedures and safeguards to help prevent potential conflict of interest situations from arising and to make sure the client can still benefit from the insight and knowledge of the auditor when requesting non-audit services.

In order to remain independent after being appointed as your auditor and to avoid conflicts of interest, Ernst & Young teams must consult with Sikeli Tuinamuna prior to entering into an agreement regarding the delivery of non-audit services.

We will carefully monitor these proposed services and then decide which services can be provided in each individual case without impairing our independence.

Through careful information and training of our professionals, we try to avoid a breach of independence. We also stress to our professionals that ethics, integrity and objectivity are equally as important as professional competence.

Quality assurance

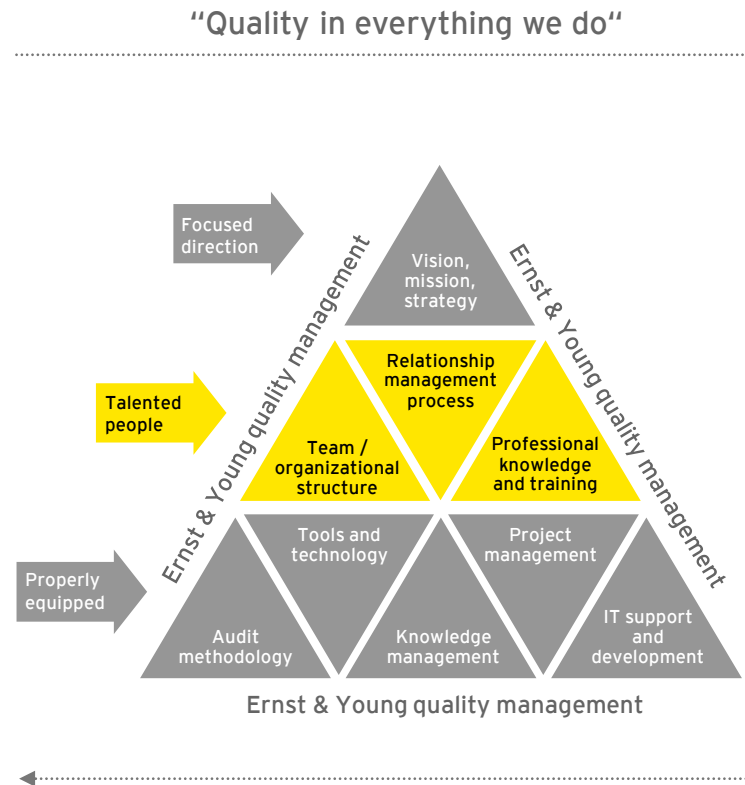
At Ernst & Young, our services are regularly evaluated and redefined accordingly. We place quality before growth. For this reason we integrate quality assurance measures in our processes, from the audit plan right through to the reporting.

Identification of possible improvement measures

- ▶ Potential improvements are identified and discussed with WCPFC
- ▶ Corrections are promptly made

Acceptance of audit assignment and monitoring

- ▶ Client relationships and assignments are recorded in a risk management system
- ▶ Needs and expectations of our clients are documented (for ongoing reference purposes)
- ▶ Periodic, independent performance assessments of our work at WCPFC are conducted



Goal definition

- ▶ Identification and documentation of the needs and expectations of WCPFC

Team structure

- ▶ Team members have in-depth experience in the necessary areas
- ▶ Additional advice provided by industry and technical professionals (e.g., taxes and IT)
- ▶ We invest approximately 10% of our turnover in the training and further education of our employees

Audit process

- ▶ Globally developed methodologies and tools are used
- ▶ The work performed by our staff is supervised and checked by experienced colleagues
- ▶ Yearly internal quality checks (audit quality reviews) are performed

Reporting

- ▶ Process in place to have an independent review partner periodically perform a quality check on the audit report

International Financial Reporting Standards (IFRS)

Audit teams	Audit teams responsible for local service delivery of conversion work and technical advice to clients
Area IFRS and IPSAS desks	Country / Area IFRS and IPSAS desks responsible for technical advice to audit teams so that there is consistency and Area coordination
Global IFRS and IPSAS financial reporting group	Support and provide guidance to Area desks and act as interface between Area desks and IFRS and IPSAS Policy Committee
IFRS and IPSAS Policy Committee	Responsible for strategy, standards, policies, procedures and global coordination

International IFRS and IPSAS network

Ernst & Young has implemented a continuous IFRS and IPSAS training program and established a global IFRS and IPSAS network to make sure IFRS and IPSAS are consistently interpreted and applied. The network consists of country / Area IFRS and IPSAS desks and global IFRS and IPSAS services.

In order to provide consistent and high quality IFRS and IPSAS advice for our clients, we have established special IFRS and IPSAS competence centers on a global basis and in Australia.

The IFRS and IPSAS competence centers:

- ▶ Secure alignment of IFRS and IPSAS competencies in the organization
- ▶ Support engagement teams with local knowledge during engagements
- ▶ Align technical work and client needs by involving other subject-matter professionals on special IFRS and IPSAS issues (e.g., IT, tax, valuations and special risk issues)
- ▶ Develop client specific solutions

The overall objective of these competence centers is to provide an ongoing exchange on IFRS and IPSAS matters. We discuss and agree on specific global IFRS and IPSAS issues and based on this, we also develop thought leadership initiatives such as manuals, guidelines and other IFRS and IPSAS specific publications.

As industry specific accounting issues arrive, we discuss them within our global network and work closely with our industry sector center to develop an industry specific approach and then share this with clients.

IFRS and IPSAS skills of your audit team

Our core team members have broad and deep IFRS and IPSAS knowledge, which means most issues relating to IFRS and IPSAS will be handled locally by the audit team. Furthermore, our IFRS and IPSAS professionals are active members in different IFRS and IPSAS working groups and IFRS and IPSAS standard setting committees - on a country level as well as on a global level.

Due to the extensive knowledge they have, the WCPFC audit team will be able to address regular IFRS and IPSAS accounting and reporting issues. Particularly unusual or complex matters will be discussed with the IFRS and IPSAS desk.

Outstanding knowledge support for you

Ernst & Young's local and global IFRS and IPSAS network publishes a wide variety of publications, comment letters and tools related to IFRS and IPSAS. These publications not only provide an overview of the theory underlying IFRS and IPSAS, but more importantly they address practical issues - that you deal with - to which the standards themselves do not provide a ready answer.

Both local and global publications are available to you through Ernst & Young Online, which was developed exclusively for our clients. It is a private, global Internet portal that provides continuous access to important IFRS and IPSAS resources.

Transparent and fair fees

Our fee estimate for the tendered audits of WCPFC is based on the current structure and the information we were provided. We look forward to a long-term and mutually beneficial relationship.



Our calculation model

Our fee calculation is based on the estimated time needed as well as the qualifications and experience of the people who are responsible for your audit. Should there be any significant changes in your existing structure, the quality of your financial statements or changes in the accounting and reporting rules and regulations, fees may need to be adjusted. We will discuss any necessary fee adjustments with you on a timely basis.

Assumptions

Our fee is based on:

- ▶ The current structure of the organisation
- ▶ The current nature and extent of the organisation's operations
- ▶ The number of audit adjustments being limited
- ▶ The finance staff being available when the audit team is present
- ▶ The financial statements, accounting details and support documentation for the financial reporting being provided to the audit team on a timely basis according to an agreed schedule of deliverables and a pre-agreed timetable

Transparent and fair fees

Fee estimate

On the basis of the Request for Proposal scope and the financial information you provided, we estimate our fees for the tendered audits to be:

Audit Fees	Audit Fee (USD)	Return Airfare (USD)	Accommodation (USD)	Per Diems (USD)	Total (USD)
External financial audit of WCPFC 2018 annual financial statements	12,000	5,200*	2,900*	2,600*	22,700
External financial audit of WCPFC 2019 annual financial statements	12,000	5,200*	2,900*	2,600*	22,700
TOTAL (USD)	24,000	10,400	5,800	5,200	45,400

* The airfare, accommodation and per diems of US\$5,200, US\$2,900 and US\$2,600 respectively is on the assumption that 1 visit will be made for these audits with 2 staffs.

Additional services can be negotiated on an assignment specific basis.



Transparent and fair fees

The above fees include:

Audit Services

Audit services will include:

- ▶ Audit of IPSAS compliant financial statements:
 - ▶ Statement of comprehensive income;
 - ▶ Statement of changes in members' funds and reserves;
 - ▶ Statement of financial position;
 - ▶ Statement of cash flows; and
 - ▶ Notes to the financial statements

Other services

Other services you may be interested in are:

- ▶ Opinions on complex accounting or financial matters
- ▶ Technical submissions to regulators
- ▶ Enterprise Risk Management
- ▶ Internal Audit
- ▶ We can quote separately for each assignment.

Our fees will be capped assuming no change in scope for 2 years.

Ernst & Young at a glance

International credentials

A global network

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 190,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Our cross-border management structure, which groups our worldwide offices into five geographic Areas, allows us to align our people and activities better to meet clients' demands for a consistent quality of service worldwide while respecting the legal and regulatory requirements in each country.

For more information, please visit www.ey.com.

Thought leadership

We invest in leading-edge thought leadership to interpret business trends, which delivers valuable insights to our clients. We have been recognized for the 10th year in a row as a Most Admired Knowledge Enterprise (MAKE) and were ranked first in the categories: "Developing Knowledge Workers Through Senior Management Leadership" and "Delivering Knowledge Based Products and Services."

Our Services

Audit Services

- ▶ Financial Statement Audit
- ▶ Regulatory Audit
- ▶ Independent Verification / Third Party Reporting
- ▶ IT Security
- ▶ Comfort Letters
- ▶ SPPS Certification
- ▶ Implementation of Accounting Standards
- ▶ Actuarial Services
- ▶ Special Audits / Investigations
- ▶ IT Audits
- ▶ Expert Opinions
- ▶ Compliance Services
- ▶ Qualified Intermediary
- ▶ Education Accounting Standards

Tax Services

- ▶ Business Tax Advisory
- ▶ International Tax Services
- ▶ Transfer Pricing and Tax Effective Supply Chain Management
- ▶ Financial Services Taxation
- ▶ Indirect Tax (VAT and Customs)
- ▶ Personal Tax Services
- ▶ Human Capital
- ▶ Business Tax Compliance
- ▶ Tax Accounting and Risk Advisory Services
- ▶ Transaction Tax
- ▶ Real Estate Taxation
- ▶ Tax Litigation

Legal Services

- ▶ Corporate Law
- ▶ Contract Law
- ▶ Banking and Capital Markets Law
- ▶ Insolvency / Recovery
- ▶ Competition Law and Intellectual Property
- ▶ IT and Data Protection Law
- ▶ Labor Law, Work and Residence Permits
- ▶ Pension Plans
- ▶ Business Succession
- ▶ Legal Compliance
- ▶ Transaction Law

Accounting Services

- ▶ Accounting / Reporting
- ▶ Bookkeeping
- ▶ Payroll Services
- ▶ Task Force

Advisory Services

Risk

- ▶ Fraud Prevention, Investigation and Dispute Services
- ▶ Enterprise Risk Management
- ▶ Process and Controls
- ▶ Regulatory and Compliance Risk Management
- ▶ Financial and Quantitative Risk Management
- ▶ Capital Management
- ▶ Corporate Treasury Services
- ▶ Operational Risk Management, Internal Control Framework and Risk Convergence
- ▶ Insurance Risk Management
- ▶ Technology & Security Risk Services
- ▶ Contract Risk Services
- ▶ Internal Audit
- ▶ Risk Remediation
- ▶ Actuarial Services

Transaction

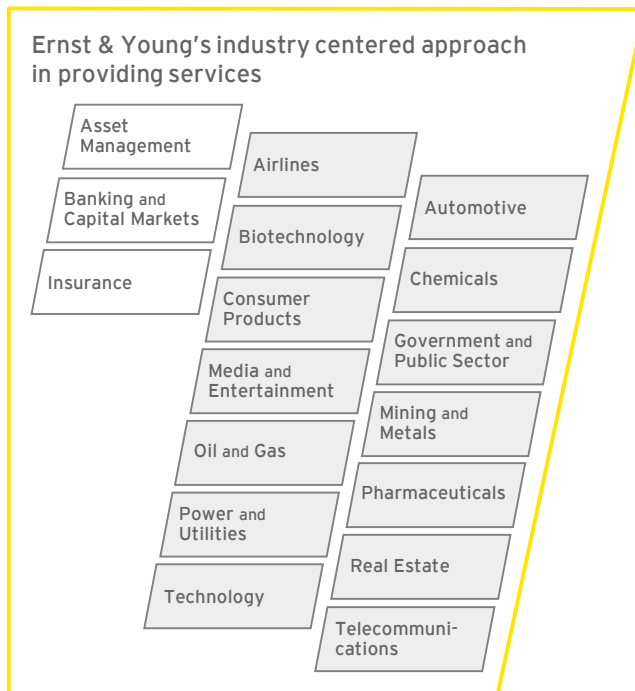
- ▶ Valuation and Financial Modeling
- ▶ Transaction Support (Sell & Buy Side Due Diligence)
- ▶ Capital Markets
- ▶ Real Estate Advisory Services
- ▶ Mergers & Acquisitions
- ▶ Restructuring
- ▶ Purchase Price Allocations / Impairment Tests
- ▶ Transaction Integration

Performance

- ▶ Finance Transformation
- ▶ Performance Management
- ▶ Operational Effectiveness

Sharing industry insights and technology

Industry focus



From globalization to technological innovation, businesses around the world are exploring new and different ways of achieving their potential. By investing in dedicated Global Industry Centers around the world, we can give you a global perspective on your assurance, tax,

transaction and advisory needs, whatever your industry. The Centers serve as hubs for sharing industry-focused knowledge, enabling our global network of professionals to give you highly responsive advice that helps you compete more effectively in your industry. It's how Ernst & Young makes a difference.

Knowledge

Our KnowledgeWeb (KWeb) enables our professionals to share their knowledge and provides access to more than one million documents within Ernst & Young. It also includes a wide range of external data sources.

The Center for Business Knowledge (CBK) is our global network of analysts and competitive intelligence professionals who provide us with insights into the risks and challenges facing your industry and your organization.

Tools / software

GAMx is Ernst & Young's standard audit support tool that drives uniform execution of our global audit methodology (GAM) and appropriate audit documentation. GAMx strengthens our ability to deliver consistent, high quality audits worldwide.

By capturing all of the identified risks facing our clients along with the processes and controls used to manage the risks, we are able to obtain a holistic view of your business and tailor our audit procedure accordingly. Selected information from GAMx is rolled over from year to year. This allows us to focus our efforts on improving our knowledge and understanding of your business.

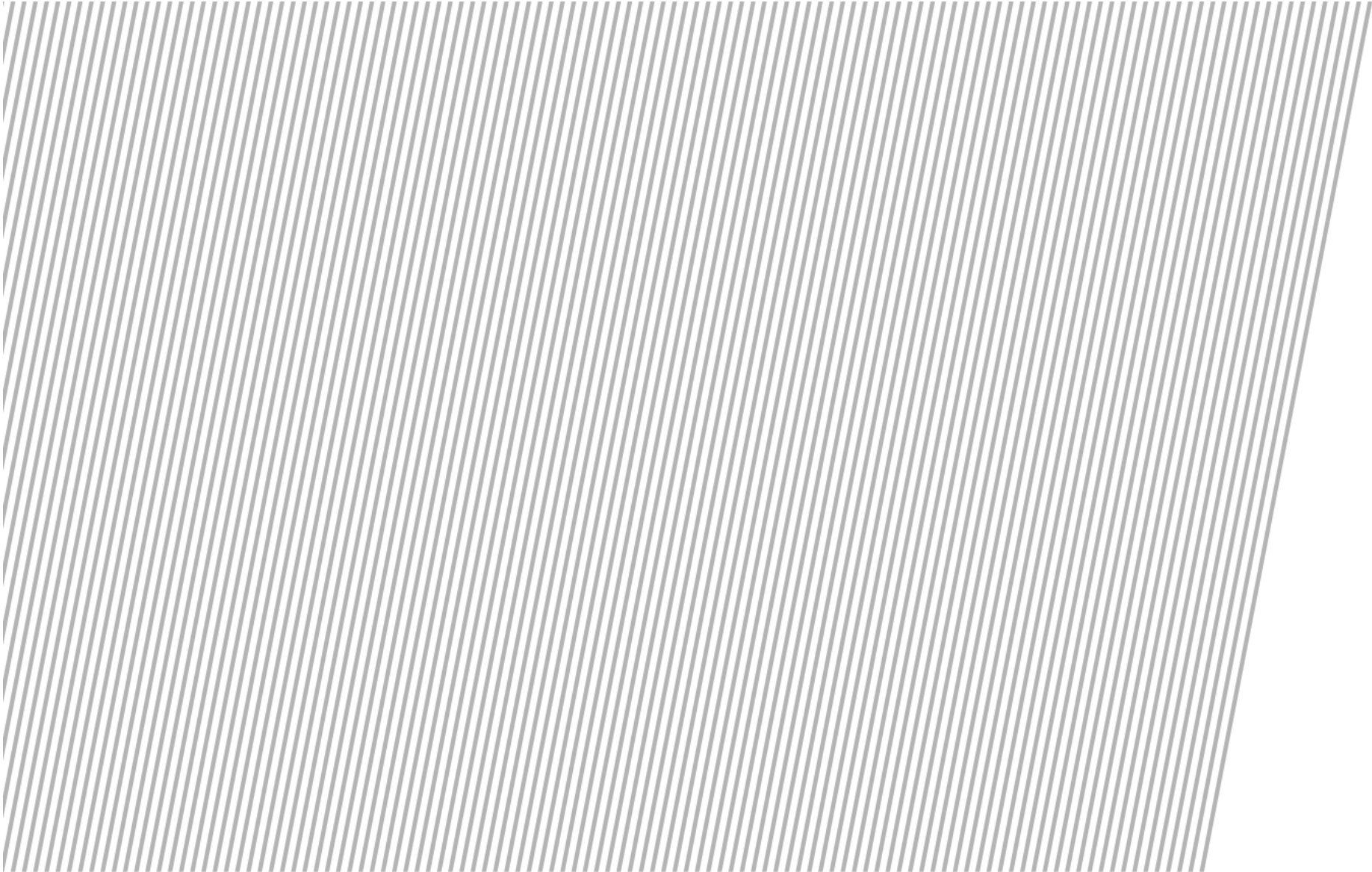
Data security and privacy are important to both Ernst & Young and our clients. Our special IT tools have made us the market leaders with regard to data security and privacy. Team members must follow a strict access policy and a rigorous password system is in place.

Communication

Ernst & Young Online is a powerful tool that provides our clients with access to our vast global knowledge and experience. Ernst & Young Online gives our clients direct access to customized financial, tax and legal information via the web, 24/7. Ernst & Young Online links our clients directly to our professionals, thus allowing decisions to be made faster.

eRoom, accessible via Ernst & Young Online, is our secure, web-based workspace that enables our clients and Ernst & Young teams to quickly share information any time of the day from any location. It is a tool to facilitate the project management and coordination of complex, multi-country audit and tax assignments. This highly secure environment contains multiple sections available to different user groups with various access rights.

Appendices



Our audit approach for WCPFC in more detail

1 Planning and risk identification

Actions phase 1

- ▶ Co-develop expectations and needs together with WCPFC
- ▶ Develop an audit cycle that matches your financial statement reporting cycle and agree on deadlines and milestones to be completed for interim and year-end audit
- ▶ Establish initial risk assessment based on experience and industry knowledge
- ▶ Discuss with management about setting appropriate scope beyond the minimum requirements
- ▶ Evaluate the IT environment
- ▶ Conduct an audit planning meeting
- ▶ Coordinate our planning and audit procedures with your internal audit and management to increase synergies
- ▶ Discuss issues for audit planning

Our reporting and client documents

Phase 1

- ▶ Ernst & Young deadlines for audit delivery and annual check on scoping
- ▶ Independence declaration

2 Strategy and risk assessment

Actions phase 2

- ▶ Update and validate a document that summarizes the key risks (e.g., business, fraud and financial statements)
- ▶ Issue Early Warning Reports (if required) during the assessment of interim procedures
- ▶ Evaluate and determine our audit approach, based on our knowledge of WCPFC and our final risk assessment
- ▶ Perform process-oriented control review
- ▶ Determine the final audit strategy and the design of our audit procedures

Our reporting and client documents

Phase 2

- ▶ Current update memorandums of changes in accounting guidelines
- ▶ Early Warnings Reports

Our audit approach for WCPFC in more detail

3 Execution

Actions phase 3

- ▶ Test of controls and determination of their impact on financial statements will be done during the interim audit prior to year-end to help avoid last minute surprises and adjustments
- ▶ Audit procedures based on risk assessment performed in phases 1 and 2 (analytical and substantive testing). Materiality considerations will be given increased attention
- ▶ Resolution of local audit and accounting issues
- ▶ Resolution of any audit or accounting issues by Audit Partner

Our reporting and client documents

Phase 3

- ▶ Initial communication on potential Management Letter points

4 Conclusion and reporting

Actions phase 4

- ▶ Sign-off on financial statements
- ▶ Attend meeting if required (reporting on audit, key issues and Management Letter including update of prior year's comments, critical accounting policies, alternative accounting treatments discussed with management, material control weaknesses, risk management items, and other material written communication between Ernst & Young and management)
- ▶ Assess effectiveness and efficiency of audit process with WCPFC and adjust for the following year (lessons learned)

Our reporting and client documents

Phase 4

- ▶ Annual audit report
- ▶ Management Letters including management action plans
- ▶ Closing meetings with respective staff

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 190,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve potential.

For more information, please visit www.ey.com.

© 2018 Ernst & Young - all rights reserved.

Proprietary and confidential. Do not distribute without written permission.