



Oceania Customs
Organisation Secretariat

ANNUAL REPORT 2014

**“CUSTOMS TAKING THE LEAD
TO SECURE OUR BORDERS AND
PROMOTE REGIONAL PROSPERITY
THROUGH PARTNERSHIP”**





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WHO WE ARE

OCO was established in 1986 with six members under the precursor Customs Heads of Administration Regional Meeting (CHARM). The main business of OCO in those formative years was twofold: (i) to facilitate the annual conference and (ii) to coordinate communication and information sharing among members on common issues.

OCO is currently made up of 24 member Customs administrations, the Heads or Chief Executive Officers of who meet annually to identify, discuss, and share knowledge and perspectives about addressing key and contemporary issues and challenges impacting on members; to develop collective responses to these issues, and to agree to an annual work-plan and budget appropriation for the Secretariat.

The following attributes place OCO at a distinct advantage in taking the lead role in the coordination and delivery of Customs-focussed programmes in the region:

1. Strategic location in the Pacific region
2. Responsiveness to member administrations' priorities and needs
3. Knowledge of member administrations and countries, development objectives
4. Ability to provide and co-ordinate regional training and workshops
5. Relationships with development partners and regional agencies
6. Institutional capacity to meet the service delivery obligations
7. Capacity to provide advocacy and representation on key Customs issues

Our Vision

To be recognized as a world class regional Customs Organisation that collaborates with regional and global partners to deliver high quality services and sustainable solutions to Member Administrations

Our Mission

To help administrations align with Customs international standards and best practice, leading to greater economic prosperity and increased border security

Our Values

We value our members and are committed to providing targeted assistance and lasting solutions to meet their priority needs

We value our development partners and stakeholders and are committed to transparent dialogue and working closely together to serve regional, global and national interests.

We value good governance and credible and inspirational leadership

FOREWORD

Statement by the 2014 OCO Chair and Chair of the Steering Committee

I am privileged as the current Chair of the Oceania Customs Organisation Conference and Chair of the OCO Steering Committee to provide some insight into the challenges we faced as an organisation during the year; how we have begun the task of building resilience and what our hopes are for the future.

Members will agree that 2014 had been the most challenging year for OCO as an organisation since its humble beginning, and as members, it was a reality test, of whether the governance structures that we had built over the years were sufficient to stand the test of time. Sadly, a substantive aspect of it had not.



This has had a profound impact on the continued funding and implementation of various reforms and capacity development initiatives planned for delivery under the Trade Facilitation in Customs Cooperation (TFCC) Project. Consequently, our Pacific-ACP Members will experience some setback in completing the reforms of their systems and processes due to this impasse.

Every effort must now be made to bring back confidence and rebuild the credibility of the organisation in the eyes of our donors and development partners which is crucial for the sustainability of our collaboration.

In retrospect, perhaps the time was right for the OCO to prepare itself for the future, to be a strong and resilient organisation that is adequately equipped to respond to the needs of its Members and thus remain relevant in serving their interests.

To this end the implementation of the recommendations of the Independent Review of OCO by KVA Consult Ltd in 2013 provided the platform for a holistic organisational reform to be undertaken.

The 16th Annual Conference held in Fiji made possible the opportunity to adopt proposals for the establishment of a Board, a Constitution and an Audit Committee that would in the future strengthen governance of the organisation.

The reform agenda was underpinned by the development of the 2015-2017 Year Strategic Plan, a revised Organisational Structure, an OCO Capability Plan supported by a Change Management Team.

I have had the honour and privilege to lead a team of individuals who made up the Steering Committee that committed significant time and effort to ensure that what we envisaged as the best way forward for the organisation was achieved within a short period of time. I am glad to say that a significant amount of this work has been achieved, even though operationalisation of the elements will continue into the future. Such endeavour demands the total commitment of individuals to ensure that it is implemented. I take my hat off to the Head of Secretariat for leading the change and making some very tough decisions as a necessary step towards achieving our objectives.

KPMG and the Change Management Team have also played pivotal roles in supporting the back end of the reform agenda by putting in place appropriate administrative and financial procedures that provide a degree of assurance of financial and procedural accountability.

As I prepare to hand over the baton to Palau, it would be remiss of me not to take this opportunity to also farewell Mr. Allwyn Netto, the Head of Secretariat, who, in this short and tumultuous time served the OCO valiantly and I wish him all the best as he returns home to rejoin the New Zealand Customs Service.

I have found this opportunity to serve the OCO Members during this time a great honour and privilege for which I am sincerely grateful to you Members, the Members of the Steering Committee, the Head of Secretariat and the staff for individually and collectively contributing to making my time as Chair an immensely rewarding and enjoyable one. I have no doubt whatsoever that Palau will carry on from where Fiji has left and wish the Palau Customs Service and the incoming Chair every success in 2015.

Jitoko Tikolevu

**Chief Executive Officer, Fiji Revenue & Customs Authority
and 2014 OCO Conference Chair and Chair, OCO Steering Committee.**

MESSAGE FROM THE HEAD OF SECRETARIAT



It is an honour to present the 2014 Annual Report to the Members, Donors and Development partners of the Oceania Customs Organisation.

This report provides a snapshot of the prominent activities undertaken by the Secretariat, with a focus on the transformational journey OCO has begun under the strategic guidance and oversight of the Steering Committee and leadership of the Head of Secretariat.

In line with the recommendations of the 2013 Independent Review of the OCO, the Secretariat was tasked with implementing a number of reforms to further strengthen and improve the strategic focus of the OCO. This included a review of its operational and financial management policies and procedures to bring them in alignment with modern best practice. To deliver the high quality services and be the organisation demanded by the Members, the Secretariat needed to review its strategic direction and current practices and ensure that these were relevant to current times. The first phase of the reforms saw the development of the Three-Year Strategic Plan 2015-2017. This plan operationalises the OCO Ten-Year Strategic Plan, 2012-2022 to ensure a current and informed assessment of the short-to-medium term priority needs of the Member administrations leading to better targeting and delivery of responses. The Plan provides a robust framework and a corporate-wide approach to OCO's business, and assigns key responsibilities for service delivery, monitoring and evaluation under the auspices of Head of Secretariat's leadership. The Plan being a living document recognizes that strategy must be periodically reviewed and adapted to keep pace with the ever-evolving business environment.

In conjunction with the Three-Year Strategic Plan, the Organisational Structure and Capabilities Plan was developed which created a functional organisational structure for the Secretariat to deliver OCO's core business and functions. The Capabilities Plan aligns roles in the Secretariat with both the priorities of the new Strategic Plan and future demands from its Members. Importantly, it identifies the required professional and personal capabilities of staff filling the new roles and recognizes that the organisation must be fit-for-purpose, agile and responsive to changing times.

The key changes in the new structure include re-engineering of operational lines and streamlining the processes, reducing the number of direct reports, increasing the level of competency required in all roles, emphasising flexibility in technical and advisory roles to support Member needs and catering for a dedicated position to service small Customs administrations. In comparison to the 2011 organisational structure, which consisted of 28 staff positions, the new recommended structure has a complement of 12 positions, including the Head of Secretariat.

The Steering Committee and the Head of Secretariat is cognizant of the onerous challenges involved given the limited time span to implement the transformational change and demonstrate its success in order to swiftly regain the trust and confidence of the Members, Donors and Development partners. For these reasons the Steering Committee sanctioned a Change Management team to support the Head of Secretariat in implementing the smooth transition of the current organisational structure to the new one. The team has assisted the Head of Secretariat to minimise disruption to normal business during the implementation, identify and mitigate risks resulting from unintended consequences and ensure that the exiting staff are treated with dignity and respect during the change process. The team has put into practice a robust recruitment process underpinned by a strict selection criteria to make sure that only highly skilled candidates with the best attitude and work ethics are recruited into the OCO. Additionally, an overhaul of many of the Secretariat's policies and procedures has been undertaken. A

new HR framework is being introduced that not only better caters for the wellbeing of those employed, but also monitors and manages the performance of both teams and individuals.

In order to ensure that the new structure is financially sustainable both for the year 2015 and in a “steady state”, focus moved from the initial 12 person structure outlined in the Capabilities Plan to an interim 6 person structure consisting of the Head of Secretariat, Finance & Corporate Services Manager, Operations Manager, HR & Logistics Administration Officer, IT Officer and Executive Assistant. It is envisaged that the remaining positions in the new organisational structure may be filled in the future as and when funding permit. On that basis, recruitment for three new positions namely, Finance & Corporate Services Manager, Operations Manager and HR & Logistics Administration Officer has been completed and the incumbents are expected to commence work soon.

The European Union-sponsored Trade Facilitation in Customs Cooperation Project (TFCC) continues to be a critical component of the Secretariat’s effort to provide the platform for capacity development within the Pacific-ACP Members of the OCO. The TFCC Project has undergone a series of external audits to verify correct application of the EU Rules and Procedures for all expenditures of EU funds. That process is continuing. Based on the outcomes of the 2012 and 2013 audits, the Annual Work Plan 3 now reflects a reduced level of project interventions for Members in the various areas.

OCO recognises the importance of forging and maintaining strong relationships with its development partners at the regional and global level. The organisation must embrace the practice of inclusiveness and act collectively with other development partners and regional organisations in the Pacific. This will pave the way for developing lasting solutions on common issues, minimise duplication of effort and ensure optimum utilization of resources.

And finally, I would like to take this opportunity to express my deep gratitude to the Steering Committee for their outstanding support and strategic guidance, the Change Management team, KPMG and KVA Consult Ltd for their sterling efforts and assistance rendered to me in testing circumstances, and importantly the Members and Donors for their patience and understanding during the implementation of the reforms.

The transformational change of the OCO has been a roller-coaster experience however the results have been extremely rewarding. As I complete my tenure as Head of Secretariat and reflect over this amazing journey, I am truly **grateful** for the learnings of the past, **joyful** for the successes to date and **upbeat** about the future of the OCO.

I leave the Secretariat with the contentment that the OCO ship is back on even keel and will continue to propel towards its destination, attaining greater heights for the benefit of our Members, Development partners and People of the Pacific region.



Allwyn Netto
Head of Secretariat

FIJI REVENUE & CUSTOMS AUTHORITY HOSTS THE 2014 ANNUAL CONFERENCE, SUVA FIJI



Key Outcomes:

- **Establishment of an Interim Board (Steering Committee)**

The Conference agreed to establish an interim OCO Board comprising of six members, including Australia and New Zealand in their capacity as major donors. The Board was to include a representative each, from Melanesia (PNG), Polynesia (Samoa) and Micronesia (Palau). Members agreed that the OCO Conference Chair would also be the Chair of the Board.

- **OCO Constitution**

Members agreed in principle to adopt the draft Constitution of the organisation tabled by the Secretariat subject to further internal consultations. A final draft would be adopted at the 17th Annual Conference in Palau.

- **Establishment of an OCO Audit Committee**

Members noted the Administrator's recommendation for the establishment of an Internal Audit function and Board Audit Committee. Members tasked the newly appointed Board to deliberate further on this recommendation.

- **Revised Membership Subscriptions**

Members considered and discussed a review of Membership Contributions and agreed to adopt the new scale of annual contributions from 2015 as recommended by the OCO Secretariat.

REFORMING THE OCO TO ALIGN WITH CUSTOMS IN THE 21st CENTURY OBJECTIVES

Pathways to Reform

Customs reform and modernisation has been an important strategic objective of OCO since the formation of the permanent Secretariat in 1986. The Customs administrations of the region recognised that the growth of international trade together with cross-border fraud and smuggling in the prior years had substantially increased the workload of Customs. It became obvious that many member administrations did not have the capacity to respond to these challenges with the required efficiency and speed. This highlighted the need for profound reforms of Customs administrations to enable them to play a more determinative role in the overall process of trade liberalisation, investment attraction and law enforcement at country, regional and global levels.

The re-establishment of the OCO Steering Committee in April 2014 now provides an effective mechanism to guide and monitor the strategic direction of the Secretariat and to report on its performance to the Conference, besides providing high level policy advice and strengthening the governance of OCO.

In line with the recommendations of the 2013 Independent Review of the OCO, the new Head of Secretariat has implemented a number of key reforms to improve the organisation's strategic focus, governance and financial processes, to bring them in line with modern best practices.

The following key activities have been undertaken to date:

- Formulation of the OCO Annual Work Plan and Budget
- Development of the three year Strategic Plan for 2015-2017
- Creation of a Revised Organisational Structure and Capabilities Plan to give effect to the three year Strategic Plan

- Updating/development of new policies and procedures on Human Resources and Finance matters
- Creation of a new HR framework for the Secretariat to promote staff wellbeing and to monitor and manage the performance of staff and teams

In November 2014, the Head of Secretariat submitted to the Steering Committee a Change Management proposal along with a high level roadmap and timetable for the transformational change of the Secretariat. The proposal outlined the key changes in the OCO and the interim personnel that the Head of Secretariat needed to assist him in reshaping the OCO and to strategically reposition it as a more focused and sustainable organisation that is highly responsive and accountable to its Members, donors and stakeholders. The submission also emphasised the need for specialist support and assistance to undertake the reform agenda within stringent timeframes, while maintaining an acceptable level of service delivery and engagement with donors, Members and stakeholders.

The Steering Committee responded positively to the request of the Head of Secretariat and sanctioned the recruitment of a Change Management Team comprising of a Change Programme & Communications Manager and HR Adviser, along with Howards Law firm providing legal advice on staff employment matters and KPMG providing financial advice. It was envisaged that Ms Daphney Stone, who was serving the Secretariat under a short-term contract, would provide useful input to the HoS and the Change Management team on BAU, recruitment and staffing issues, along with her substantive duties as Interim Project Manager of the EU sponsored TFCC Project. A substantial portion of the cost of the change management exercise was met from the additional finance provided by Australia under the Government of Australia-OCO Partnership Arrangement 2014-2016.

Role and Business

OCO delivers services that are unique in the region and that have significant impact on the capacity of Pacific Island countries to benefit from new regional and international trade arrangements, to respond proactively to security threats from international crime and illegal trade and to strengthen domestic resource mobilisation. Together these assist and support the social and economic well-being of the people of the region.

One of the priority tasks undertaken by the new Head of Secretariat after taking up office was the development of the Three Year Strategic Plan 2015-2017 with the assistance of the consultancy firm, KVAConsult Ltd. This Plan represents the outcome of extensive consultations and dialogue with OCO members, regional stakeholders and secretarial staff. Consultation was conducted with a view to identifying the key trends and challenges in the operating environment and to reassert the core business, priority programmes and strategies on which the OCO should focus during the three year period. In addition, during the consultation process, viewpoints were obtained on the type of

functional structure that best suited the OCO in order to best deliver its services.

Some key features of the Year Strategic Plan are as follows:

Core Business

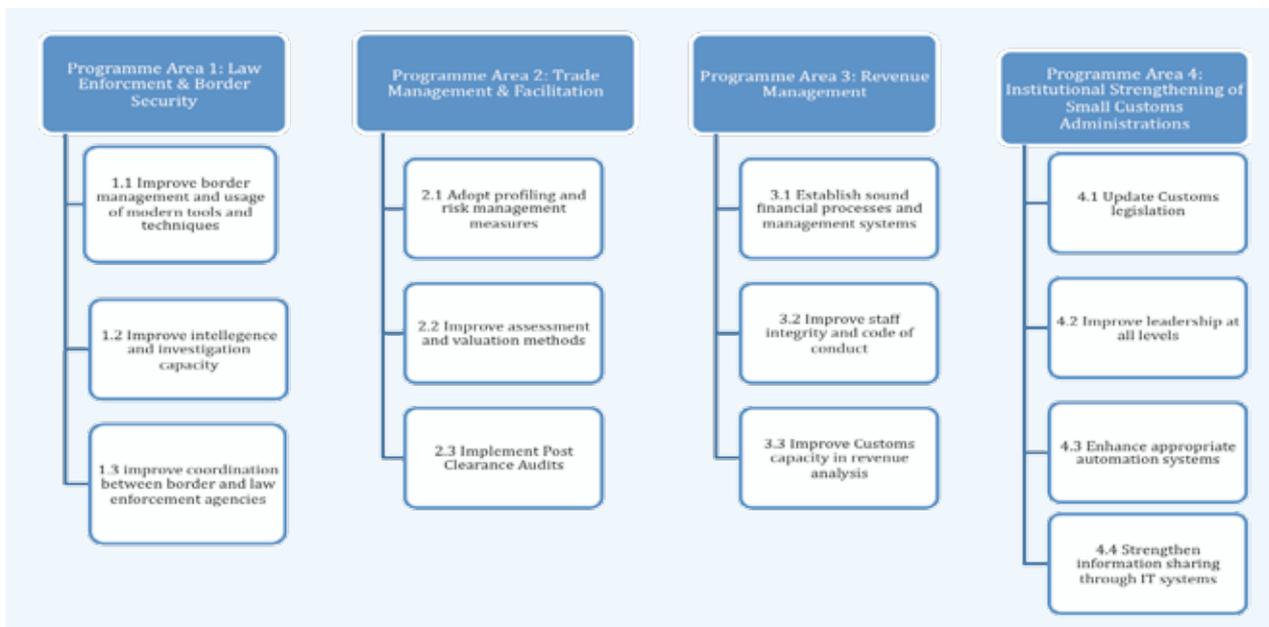
OCO should coordinate and facilitate regional cooperation and information sharing among members to assist them in achieving national outcomes.

Majority of the Member administrations expressed a strong desire for OCO to continue to provide a mixture of coordination and facilitation roles and also to maintain a small project management capability.

OCO's Strategic Approach

Based on the emerging trends and members' priorities the organisation will pursue the following Programmes and Strategies over the next three years:

• Core Programmes & Strategies



OCO members, regional organisations and development partners strongly identify OCO as an important organisation that is doing a relatively good job in providing essential assistance to member administrations, especially in the areas of trade facilitation and law enforcement & border security. Member administrations value OCO as an effective and useful regional network for information sharing and dialogue. Members also see an important role for OCO in strengthening country revenue management capacity.

In light of the above, the core priority areas that OCO will focus on for its members include:

1. Law Enforcement & Border Security
2. Trade Management & Facilitation
3. Revenue Management
4. Institutional Strengthening for Small Customs Administrations

These priority programmes are in sync with related core programmes currently provided in the Pacific islands region either bilaterally, regionally or on a multi country basis by development partners like Australia, New Zealand, WCO, the European Union, World Bank, ADB, Pacific Financial Technical Assistance Centre (PFTAC), PIFS, SPC, PIPSO, PIDC, and Pacific Islands Law Officers' Network (PILON). There are enormous benefits to OCO in developing closer working relationships with partners, to foster integrated approaches to the delivery of assistance in the four core programme areas above. The Secretariat will consult widely with key development partners and regional agencies to provide coordinated and targeted assistance for strengthening the institutional capacities of Customs administrations in the small island states.

It should be noted that the Three Year Strategic Plan is informed by the experiences and lessons learnt from the management, governance and operational performances of the Secretariat in past years, as well as past mandate and accountability issues between the OCO Conference and the Secretariat. Several of these performance issues were highlighted by recent independent corporate reviews and have progressively been addressed since March 2014 by the Steering Committee and Head of Secretariat with assistance provided by KPMG as Interim administrator.

- **Capability Plan**

Concurrent with the finalisation of the OCO Strategic Plan 2015-2017 is the development of

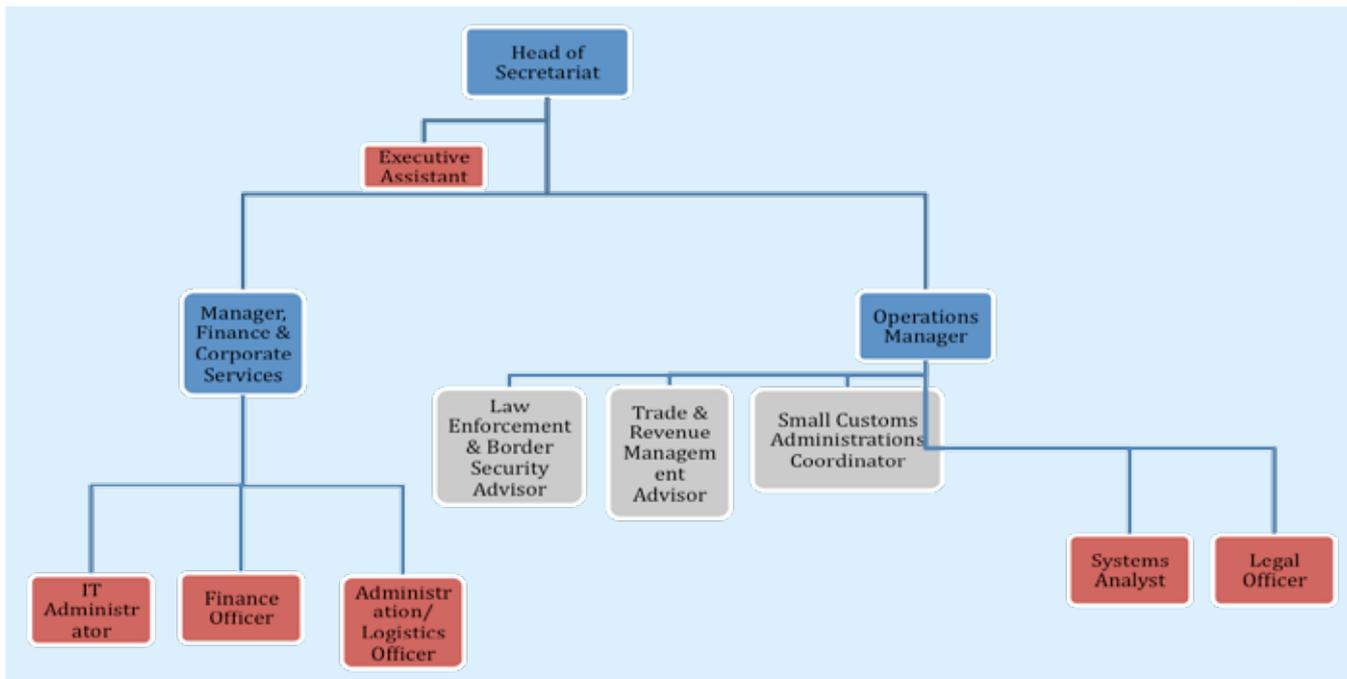
a Capabilities Plan (CP) to enable the Secretariat to bring about significant improvements in people skills, leadership, governance, corporate policies and systems and stakeholder engagement to enable the Secretariat to provide the highest quality responses and support to members on a consistent basis.

This Capabilities Plan is about creating a functional organisation structure for the Secretariat to coordinate and, where it has a distinct comparative advantage, deliver its core business and functions. At the same time it also aligns positions with both the priorities of the new Strategic Plan and future demand from members. Additionally it is about identifying the required professional and personal capabilities of staff filling these positions. This will ensure the Secretariat has a pool of highly skilled, motivated and results-focussed professionals to coordinate and facilitate responses that are relevant and appropriate to the changing needs of members. The CP will also strengthen institutional support services (such as corporate governance and management policies and systems) to improve efficiency and accountability across all Secretariat's operations.

The CP recognises the important contribution of development partners and regional stakeholders to support institutional capacity building and reform in several Customs administrations in the region. The Plan therefore supports an enhanced and more structured engagement between the Secretariat and OCO development partners and key regional stakeholders on the funding and implementation of the Strategic Plan strategies and annual work plans and budgets.

The Capabilities Plan presents a more robust corporate-wide approach to annual work plan priority setting and budgeting, as well as assigning key responsibilities for service delivery and monitoring and evaluation under the leadership of the Head of Secretariat (HoS).

Revised Organisational Structure



- » The new organisation structure as shown above is intended to be more streamlined than its predecessor. It amalgamates the project management and core functions in single roles, to remove duplication of functions, achieve economies of scale and increase synergy.
- » It is designed to reflect the collective view of member administrations that the Secretariat should be mindful of the constrained resource constraints environment most members are currently facing and the importance of strengthening linkages between services provided to members' own-diagnosed needs and priority national outcomes. It also acknowledges the value-adding to be reaped from strengthening collaboration and partnerships with OCO development partners and regional stakeholders in formulating pooled responses to achieve maximum benefit from shared resources and expertise.
- » The organisation structure proposes twelve positions: three in the management group, three in technical advisory services and two technical officer positions and four in corporate support services.
- » The Secretariat will maintain a small number of core "technical" positions with combined and inter-changeable advisory, capacity development, coordination and programme management responsibilities for the Strategic Plan's four key programme areas.
- » The technical roles will be supported by a Corporate Division with primary responsibility for financial management, accounting and reporting; ICT, human resource (HR) management/administration and logistics support.

• Managing the Change

The Head of Secretariat and the Change Management team accept that reforms present opportunities as well as challenges to the OCO. Whilst the exciting opportunities to reengineer the organisation and make it fit-for-purpose need to be embraced, in the same token the stiff challenges associated with transformational change need to be monitored closely and the associated risks need to be managed and minimised/ mitigated to the best extent that is possible.

Against that backdrop a small Change Management Team to assist the Head of Secretariat was approved for recruitment by the Steering Committee

in October 2014. In general, the team's main responsibilities were :

- » To implement the reform agenda
- » Achieve a smooth transition from the current organisation structure to the new one;
- » Ensure that there is continuity in service delivery and daily operations;
- » Conduct detailed assessment of current staff capabilities to assist in implementing the outstanding TFCC Project deliverables.

The team comprised of a Change Management Programme Manager & Communications Advisor,

a Human Resource Advisor, along with a Legal Advisor (Howards Lawyers) for legal advice on organisational change and staff contractual issues, and the professional services of KPMG were retained to provide financial management support to the Secretariat. In her supporting role Ms Daphney Stone assisted in staffing matters, recruitment and Business As Usual (BAU), in addition to her substantive responsibilities as Interim Project Manager of the TFCC Project.

A recruitment process was scheduled to start in early 2015 to ensure that individuals recruited to the various positions met the criteria required under the Personnel Capability Plan.

DELIVERING THE CORE STRATEGIC FUNCTIONS

Law Enforcement and Border Security Strategy

Key Strategic Activities

Overall, 2014 turned out to be a year in which there were mixed results for the Division given that a number of activities designed for implementation under the TFCC Project neared completion whilst continuation to the next phases of pending activities had to be delayed further as important underlying infrastructure such as legislation remain stalled in the Parliaments and Congresses of a number of countries.

External Audit issues with TFCC Project funding for the completion of Annual Work Plan 2 (AWP2) resulted in a scaling down of some of the activities.

The planned rollover of activities for AWP2 for the Division included:

1. Legislative Drafting

Following completion of the reviews of existing Customs laws prior to the drafting, the following administrations were targeted for drafting in 2014:

i. **Nauru** - In 2013, a Diagnostic Study undertaken by the Secretariat identified substantial gaps in the then existing Customs Act and Regulations and made recommendations for the Secretariat to work with the Attorney General's Office and the Head of Customs to undertake legislative drafting exercise for a new draft Customs Act to be completed. Funding constraints under the Project prevented assistance to be provided by the Secretariat, however, a request for assistance was received from Nauru with the use of internal funding sources to complete the task. This was completed in 2014 with a new draft Customs Act submitted to the Attorney General's Office for internal processes to be completed for enactment.

ii. **Kiribati** - Review was completed in 2013 with recommendations for drafting to be undertaken. This work is still outstanding due to funding constraints.

iii. **Tonga** - With Tonga Customs, the approach was slightly different given that Tonga is a WCO Member. As a WCO Member, assistance to Tonga was based on the objectives of:

- Preparing Tonga to accede to the Revised Kyoto Convention by undertaking the

first step of Gap Analysis against the standards in the General Annex and Annex J of the Specific Annex to the RKC.

- Using the results of the Gap Analysis, Tonga Customs have proceeded to undertake legislative reform based on the standards of the General Annex and Annex J.

iii. **Niue**- Consultation and initial drafting work had been completed for Niue with the Attorney General and Customs. Completion of that work remains outstanding.

2. National Stakeholder Consultations

Following the completion of drafting for the Republic of the Marshall Islands (RMI), the national consultation and awareness was conducted in Majuro and Ebeye for key stakeholders between 24th February and 10th March 2014.

3. Rules of Origin (ROO) Training and Consultation with the Private Sector

Recognising the need for the private sector to be trained and consulted and be able to contribute effectively to the PACER Plus negotiations, the Secretariat undertook a joint initiative in conjunction with the Pacific Island Private Sector Organisation (PIPSO), Office of the Chief Trade Advisor (OCTA) and other key stakeholders. In 2014 workshops were conducted in Kiribati, Vanuatu and Solomon Islands.

4. Capacity Building Workshop on Controlling the Trade in Environmentally Sensitive Commodities in Pacific Islands Countries (10 – 13 March 2014) and The Joint Meeting of Ozone Officers and Customs Officers (14 March 2014)

OCO was represented at these forums as part of the closure of the Small Scale Funding arrangement OCO had with the United Nations Environment Programme (UNEP) to deliver training on Ozone Depleting Substances (ODS) under the Montreal Protocol.

Trade Management & Facilitation Strategy

Key Strategic Activities

The OCO Annual Work Plan for 2014 was developed in November 2013 outlining the planned activities for delivery under the TFCC Project. The funding provision for these initiatives were budgeted under the allocation for Year 3 of the TFCC Grant Contract. Based on the members needs and priority areas identified for intervention under the Project the following activities were scheduled for implementation during the year by the TMF Division:

Activity	Target countries
1) Development/implementation of national Code of Conduct	• Cook Is, RMI, Samoa, Solomon Is, Vanuatu
2) Develop & Implement Risk Management Framework	• Cook Is, Palau, Samoa, Tuvalu
3) Implementation of HCS System 2012 version	• Nauru, Niue, RMI, Vanuatu
4) Implementation of WTO Valuation Agreement	• Cook Is, Palau, Samoa, Solomon Is, Tonga, Tuvalu, Vanuatu
5) Promotion and adoption of RKC and SAFE Framework of Standards	• Fiji, Papua New Guinea, Samoa, Tonga, Vanuatu
6) Diagnostic Mission – Phase 2	• Cook Is, FSM, Fiji, Kiribati, Niue, Papua New Guinea, Palau, RMI, Samoa, Solomon Is, Tonga, Tuvalu, Vanuatu
7) Short term placements for Customs Officers	• Fiji, Papua New Guinea, Samoa, Solomon Is, Tonga, Vanuatu, Nauru, Niue
8) Strengthen Post Clearance Audit	• FSM, Palau, Kiribati, Vanuatu, Samoa, Tuvalu

Some of the activities which were not delivered during the preceding year attributing mainly to deferment on the request of the members, were rolled over to AWP2014. However, due to the delay in the disbursement of the grant earmarked for Year 3 all the activities were placed in abeyance pending release of the funds.

It is imperative to highlight that the completion of these interventions at the country level is crucial for member administrations to fully benefit from the assistance offered under the Project to rejuvenate their business processes and systems which in turn will also impact on the Project outcomes. It is therefore hoped that priority will be accorded to the implementation of these pending activities once the funding is restored.

In a new twist of events, following the resignation of Mr Kulu Bloomfield, the former Head of

Secretariat on 24 January 2014, the TMFD Advisor was appointed as the Acting Head of Secretariat to oversee the operations until a substantive appointment was made. The Acting HoS with the support and assistance of the Chair, Management Team and the Interim Administrator put in place several new (interim) measures to keep the Secretariat operational as the impasse over the continuity of the core funding was being resolved by the members. In light of the financial crisis, the 2014 OCO Conference was shifted to Fiji. In a move to resurrect the organisation the Conference adopted a new strategic direction for the Secretariat under the new administration led by the new Head of Secretariat.

Research and Development Strategy

Key Strategic Activities

The Research and Development Division is mandated to empower and assist the OCO Secretariat and its Members to respond to challenges pertaining to their Customs operational affairs and development efforts thus maximizing their chances of implementing their current and future Customs operational, development and management businesses ensuring their effectiveness, efficiency and sustainability.

In April 2014, the Secretariat undertook a Baseline Assessment Study (BAS) mission to the Federated States of Micronesia (FSM).

This was followed by a Baseline Assessment of Fiji between December 2014 and January 2015. Whilst in the FSM, a member of the team also undertook Corporate Plan and Strategic Plan Development for the FSM Customs and Tax Administration.

Finance & Corporate Services

The Finance & Corporate Services Division provides administrative support to the functions of OCO Secretariat. This includes supporting other divisions of the OCO Secretariat namely the Law Enforcement, Trade Facilitation and Research and

Development Division and the Project Division in the areas of Human Resources, General Administration, Financial Services, and Information Communication and Technology. Under the Corporate Services Division is the provision of ICT supporting role in terms of infrastructure for automation, use of the network and operating systems, and assistance in providing the Secretariat the functionality it needs for business continuity.

1. Funding Support to the OCO Secretariat

- On the 13th of June 2014, the Head of Secretariat signed a Memorandum of Understanding between the OCO and the Government of Australia that allows Australia to fund the operations of the Secretariat for three years i.e. from 2014 - 2016.
- A similar MOU was also signed on the 20th of June 2014 between the Head of Secretariat and the Acting High Commissioner of New Zealand for funding support to the Secretariat for the period from 1st May to 31st December 2014.

2. KPMG takes over Financial Management Services for the Secretariat.

Following on from the role of Interim Administrator for the Secretariat, KPMG took over the responsibilities of managing the financial affairs as well assisting the Head of Secretariat and Finance staff in implementing necessary reforms to policies and procedures relating to financial management and accountability. As part of this arrangement and as a temporary measure the interim funding received from Australia was placed in a trust account to be managed by KPMG.

Representation of OCO at Conferences, Workshops etc...

The Head of Secretariat is mandated to represent the OCO at various meetings and conferences when invited. Staff of the Secretariat may on occasions attend on behalf of the Head of Secretariat depending on the nature of the forums. In 2014, the Secretariat was represented at the following

meetings and workshops:

- **Asia Pacific Trade Facilitation Forum, Bangkok, Thailand.**

The Head of Secretariat attended the 2014 Asia Pacific Trade Facilitation Forum held in Bangkok, Thailand between the 24th and 27th September. With him at the Forum were Tevita Tupou, General Manager Customs, Fiji Revenue & Customs Authority; John Dafanisi, Deputy Comptroller of Customs & Excise, Solomon Islands and Harold Tarosa, Acting Manager Customs Revenue, Vanuatu Customs and Inland Revenue.

- **PACER Plus Meeting, Nadi, Fiji**

The Head of Secretariat represented OCO at the PACER Plus meeting on the 11 December 2014 where issues relating to the Rules of Origin with specific focus on Product Specific Rules (PSR) were discussed.

- **Pacific Islands Chiefs of Police Conference, Auckland, New Zealand.**

At the invitation of the PICP Secretariat, the Head of Secretariat attended the 43rd. Conference of the Pacific Islands Chiefs of Police held in Auckland, New Zealand between 14-16 October 2014.

TRADE FACILITATION IN CUSTOMS COOPERATION PROJECT

1. Background

The Trade Facilitation in Customs Cooperation (TFCC) Project is aimed at assisting the 15 Pacific ACP Customs Administrations as Beneficiaries to fully implement the Customs management and operational systems and processes that are compliant with international standards. The Project commenced in 2012, and 2014 is the third year of its implementation. The implementation of these international standards will contribute to the strengthening of Customs Administrations' capacity to maximize revenue collection, enhance trade competitiveness and secure their borders. The OCO Secretariat will also benefit from the Project in developing its infrastructure as well as the technical expertise of its staff. All these should ultimately result in achieving the overall objectives of the SPEITT Program.

The activities under the Project included Customs Automation, Harmonized Coding System, WTO Valuation Agreement, Legislative Reform and Modernisation, Risk Management, Rules of Origin, and adoption and implementation of the Revised Kyoto Convention and SAFE Framework of Standards, Revised Arusha Declaration, Management of Supply Chain Security for imports and exports, enhancement of international market access under the Free Trade Agreements and institutional strengthening of OCO.

2. Challenges

The Annual Work Programme 2 (AWP2) was originally scheduled for 1 year i.e. for delivery in 2013, however because of the delay in the receipt of the funding as well as management issues involving the Project, the AWP2 was extended to December 2014.

It is important to note that under separate cover, there is an Interim Progressive Narrative Report 2014, which details the status of the roll over activities from 2013 to 2014. The report covers the period from 1st January to the 31st December 2014 and is accompanied by the Project Financial Report.

2014 was a challenging year for OCO more so for the Project. The major OCO reforms began with the resignation of the Project Supervisor in January 2014 followed by the non-renewal of the Project Manager and the Project Information Assistant's service contracts which expired in July 2014 and December 2014 respectively. The working environment was not that favorable and this was instigated by the fact that staff contracts were not renewed.

Both of the 100% and zero tolerance post-auditing of the 2012 and 2013 Project accounts were conducted in 2014. The delays arising from this exercise were major setbacks for implementing

AWP2. The Project staffs assigned a substantial amount of their time in justifying and addressing several issues and queries raised by the external auditors.

Due to the financial difficulty experienced by the OCO Secretariat following the exhaustion of the core funding in September 2013, the TFCC Project Fund of FJ\$753,000 was drawn by the OCO senior management to cover core operations expenditure without the prior approval of the Regional Authorising Officer or the EU Pacific Delegation. As at 31st December 2014, the members had settled a total of \$369,380 of this amount as per their commitment made during the 2014 Conference. The Secretariat had also refunded a total of \$264,136 from the core funding towards the repayment. This means a total of FJ\$633,516 had been paid leaving a balance of only FJ\$119,484 to be restituted.

Protracted delays in the release of the 3rd tranche of the TFCC funds earmarked for AWP2 was primarily attributable to the necessity for the thorough verification of all expenditures through the 100% external audit for AWP1 in 2012 and AWP2 in 2013. At the end of 2014, the Project continued to be hampered by these issues and accomplished only 11% of the rolled over activities from 2013 to 2014.

3. Annual Work Plan 2, Activities and Results¹

The TFCC Project Action Plan is divided into three (3) Key Result Areas. The KRA 1 has six (6) activities, KRA 2 has six (6) activities and KRA 3 has fifteen (15) activities. The achievements of these activities contributed directly to the objectives of the TFCC Key Result Areas and ultimately to the accomplishment of the TFCC and SPEITT objectives. Table 1 highlights the activities delivered for the targeted PACP countries during the reporting period. A total of 10 missions were undertaken in 2014 and 74 missions were completed in 2013 under AWP2.

¹ The details of all missions' reports during the reporting period are available as soft copies (e-copies) and they are enclosed as separate cover for the TFCC PACP Steering Committee.

Table 1: Activity (Workshops and Trainings) Achieved by Country under AWP2 during 1st January to the end of 31st December 2014

ACTIVITY	Cook Islands	Republic of FSM	Kiribati	Nauru	Niue	Palau	PNG	RMI	Samoa	Solomon	Timor Leste	Tonga	Tuvalu	Vanuatu
Diagnostic Mission														
IT Feasibility Study & IT Set Up				X									X	
Single Window Feasibility Study														X
WTO Valuation - National Capacity Building														
Harmonised Coding System (HCS) National Capacity Building														
Twinning Program														
National Risk Management - National Capacity Building														
Post Clearance Audit (PCA) - National Capacity Building														
Investigation- National Capacity Building														
Intelligence- National Capacity Building														
Rules of Origin- National Capacity Building							X							
Legislation Development				X										
Baseline Study		X	X											
- Benchmarking of Time Release Study														
- Benchmarking of Customs Customers Satisfaction Study														
National Corporate Plan Development				X										
Monitoring and Evaluation adopting EU ROM Criteria for assessment.					X			X						

Following the delivery of the above activities in Table 1, the achievements during the reporting period per Key Result Area are summarized hereunder.

A. Key Result Area 1: "Improved and Sustainable Institutional Capacity of the OCO Secretariat"

In light of the allegation surrounding the mismanagement of the project funding, the OCO Steering Committee (SC) was reinstated as one of the key outcomes of the 2014 Members' Annual Conference to enhance the transparency and accountability of the Secretariat. To pave the path for a new OCO a new Head of Secretariat was appointed who also assumed the role of the new Project Supervisor. A 3 year Strategic Plan for 2015-2017 was also articulated together with an enabling Capability Plan. An Interim Project Manager was also recruited towards the end of the

year to oversee the transitional change relating to the retrenchment of the Project personnel.

B. Key Result Area 2: *“Internationally compliant customs legislation developed, adopted and enacted by PACP’s”*

The achievement of KRA2 is a key concern. This concern was raised by the EU-Mid Term Review of 2013 and again the Project M&E System clearly states the efficiency of what the Project has achieved for KRA2 in 2014 is very low. This clearly reflects that the AWP2 design was overly optimistic in that it was premised on the assumption that the revised laws will be promulgated by the member administrations in a timely manner which unfortunately did not happen. Consequently, all the planned Activities 8, 10, 11 and 12 that were dependent on the successful enactment of Customs Legislations for all identified countries could not proceed without the supportive legal framework being in place.

The enactment of the new Customs Act based on the OCO Model Legislation by Nauru in 2014 is a milestone, as being the first target country to achieve this landmark.

C. Key Result Area 3: *“Internationally Compliant Customs Processes and Systems in use in PACP’s”*

The Project M&E System shows an efficiency rate of 50% achievement rating for KRA3. This includes the completion of Nauru Customs Legislation, IT Feasibility Study for Nauru, Procurement, Installation and Training assistance for Tuvalu on IT, Feasibility Study on Single Window System for Vanuatu, Trainings on Rules of Origin for Palau and RMI, Baseline Study for Fiji and FSM and Monitoring and Evaluation Mission for Niue.

4. Audit 2012 and 2013 Results

The 2012 Audit resulted in Euro 481,008 being declared as ineligible expenditures, after OCO had exhausted all available avenues to resolve the queries. However, following further negotiations

and consultations with the RAO and the EU Delegation this amount was reduced to Euro \$348,358.55. It was agreed that this amount will be deducted from the next tranche expected to be received for the Project for Annual Work Plan 3.

As at end of December 2014, the final report of the 2013 Audit from the Auditors showed the expenditure incurred in the sum of Euro \$638,169 as ineligible. The OCO Secretariat feels that some of these ineligible costs should be considered as eligible and on that basis had requested the RAO and the EU Delegation to reconsider expenditures identified as eligible. We are optimistic that a positive outcome will be forthcoming and that the 2013 ineligible expenditures will be further decreased.

The ineligible expenditures were categorised into 4 broad categories namely, i. Supporting documentation not available, ii. Procurement of services, supplies and works contract have not been undertaken in accordance with the 10th EDF processes, rules and regulations, iii. Expenditure not incurred for Project purposes and iv. other financial discrepancies.

5. Development Partners’ Support

The TFCC Project had brought a lot of tangible benefits to the PACP Customs Administrations. It would be remiss of us if we do not acknowledge the tremendous support provided by the development partner, the European Union as well as the Regional Authorising Officer, the Pacific Islands Forum Secretariat. The OCO as an organisation is currently at a very critical stage in its reform; as such we need to continue walking together on this journey in order to accomplish the goals and objectives of the Project.

We greatly value the contribution and continued commitment of these two organisations towards the successful completion of the Project despite the challenges the Project is facing. We remain hopeful that this support will continue till the end of the Project so that the members can reap the desired benefits.

FINANCIAL

OCCO

REPORT

FINANCIAL REPORT

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 SPECIAL PURPOSE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 DECEMBER 2014

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OCEANIA CUSTOMS ORGANISATION SECRETARIAT
STATEMENT BY THE HEAD OF SECRETERAT
FOR THE PERIOD ENDED 31 DECEMBER 2014

In the opinion of the Head of Secretariat of Oceania Customs Organisation Secretariat:

- a) the accompanying statement of financial position of the Secretariat is drawn up so as to give a true and fair view of the state of affairs of the Secretariat at 31 December 2014;
- b) the accompanying statement of comprehensive income is drawn up so as to give a true and fair view of the results of the Secretariat for the period ended 31 December 2014;
- c) the accompanying statement of cash flows is drawn up so to give a true and fair view of the cash flows of the Secretariat for the period ended 31 December 2014;
- d) at the date of this statement there are reasonable grounds to believe the Secretariat will be able to pay its debts as and when they fall due; and
- e) all related party transactions have been adequately recorded in the books of the Secretariat.
- f) These financial statements exclude the Trade Facilitation in Customs Corporation fund (TFCC), a European Commission funded project.

For and on behalf of the members of Oceania Customs Organisation Secretariat.

Dated this 11th day of June, 2015.



Allwyn Netto
Head of Secretariat



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working world

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INDEPENDENT AUDIT REPORT

To the members of Oceania Customs Organisation Secretariat

We have audited the accompanying special purpose financial statements of Oceania Customs Organisation Secretariat (OCO), which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. These special purpose financial statements exclude the Trade Facilitation in Customs Corporation fund (TFCC). These special purpose financial statements have been prepared on a going concern basis as per Note 2.

Secretariat's Responsibility for the Financial Statements

The Secretariat is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with Regulation 30 of OCO's Financial Policy. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion :

- a) proper books of account have been kept by the Secretariat, so far as it appears from our examination of those books; and
- b) the accompanying financial statements which have been prepared in accordance with Regulation 30 of OCO's Financial Policy:
 - i) are in agreement with the books of account; and
 - ii) to the best of our information and according to the explanations given to us:
 - a) give a true and fair view of the state of affairs of the Secretariat as at 31 December 2014 and of its financial performance and its cash flows for the period ended on that date; and



INDEPENDENT AUDIT REPORT *continued*

Opinion continued

- b) give the information required by Regulation 30 of OCO's Financial Policy in the manner so required.

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

Suva, Fiji
11 June 2015

Ernst & Young
Ernst & Young
Chartered Accountants

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2014

	Notes	2014 \$	2013 \$
Income			
Australian aid grant		800,448	949,477
New Zealand aid grant		725,700	-
Members contribution		433,319	463,938
Repayment of TFCC liability by member countries		369,380	-
Other income	3	219,525	249,281
Total income		2,548,372	1,662,696
Expenditure			
Depreciation		87,647	108,860
Doubtful debts		11,865	134,282
TFCC expenses deemed ineligible by EU	12	-	1,232,591
Operating expenses	4	1,913,784	2,468,016
Total expenditure		2,013,296	3,943,749
Surplus/(deficit) of income over expenditure before income tax		535,076	(2,281,053)
Income tax expense		-	-
Surplus/(deficit) of income over expenditure after income tax		535,076	(2,281,053)
Other comprehensive income		-	-
Total comprehensive income for the period		535,076	(2,281,053)
Accumulated losses at 1 January		(1,897,210)	383,843
Accumulated losses at 31 December		(1,362,134)	(1,897,210)

The accompanying notes form an integral part of this Statement of Comprehensive Income.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 \$	2013 \$
Current assets			
Cash and cash equivalents	11	899,024	28,248
Prepayments and other receivables	5	81,323	46,199
Total current assets		<u>980,347</u>	<u>74,447</u>
Non-current assets			
Furniture and equipment	6	46,138	133,785
Total non-current assets		<u>46,138</u>	<u>133,785</u>
Total assets		<u>1,026,485</u>	<u>208,232</u>
Current liabilities			
Bank overdraft		-	126,415
Creditors and other payables	7	345,571	467,324
Employee benefit liability	8	61,644	137,296
Owing to related party member contributions	9	264,439	141,816
Owing to European Commission	12	1,232,591	1,232,591
Total current liabilities		<u>1,904,245</u>	<u>2,105,442</u>
Non current liabilities			
Deferred income	10	484,374	-
Total non-current liabilities		<u>484,374</u>	<u>-</u>
Total liabilities		<u>2,388,619</u>	<u>2,105,442</u>
Net assets/(deficit)		<u>(1,362,134)</u>	<u>(1,897,210)</u>
Represented by:			
Equity			
Accumulated losses		(1,362,134)	(1,897,210)
Total equity/(deficit)		<u>(1,362,134)</u>	<u>(1,897,210)</u>

The accompanying notes form an integral part of this Statement of Financial Position.

Signed on behalf of the members.



Head of Secretariat

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 31 DECEMBER 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from donors		2,010,522	949,471
Receipts from members		895,030	578,618
Payments to suppliers and employees		(2,028,314)	(1,976,891)
Interest and other receipts		469	10,215
Net cash provided by/(used in) operating activities		<u>877,707</u>	<u>(438,587)</u>
Cash flows from investing activities			
Process from sale of fixed assets		-	300
Purchase of fixed assets		-	(73,900)
Net cash flow for investing activities		<u>-</u>	<u>(73,600)</u>
Cash flows from financing activities			
Loan from related parties		753,000	-
Loan repayment to related parties		(633,516)	-
Net cash flow from financing activities		<u>119,484</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		997,191	(512,187)
Cash and cash equivalents at beginning of the period		(98,167)	414,014
Cash and cash equivalents at the end of the period	11	<u><u>899,024</u></u>	<u><u>(98,173)</u></u>

The accompanying notes forms an integral part of this Statement of Cash Flows.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 DECEMBER 2014

1. GENERAL INFORMATION

The financial statements of the Oceania Customs Organisation Secretariat ("OCO") for the year ended 31st December, 2014 were authorized for issue by the Head of Secretary on the 11th of June, 2015. The OCO was established in Fiji under a Memorandum of Understanding with the Government of Fiji on 1 March 2006. The principal activities of the Secretariat are detailed in note 14.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The special purpose financial statements have been prepared in accordance with Regulation 30 of OCO's Financial Policy. The special purpose financial statements are presented in Fiji dollars. These special purpose financial statements have been prepared on a going concern basis. The Head of Secretariat believes that members and donors will continue to fund the operations of OCO into the future as a result of the successful restructure in 2014.

(a) Revenue recognition

Revenue consists of subscriptions from members and grants received for donors. Revenue recognition is based on an accrual basis. Accordingly, revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Other income is brought to account on an accrual basis.

(b) Grants

Grants and subscriptions are recorded as income when due.

(c) Contribution in kind

Contribution in kind is recognized as income in the year of receipt. Contribution in kind provided by the Fiji Islands Revenues Customs Authority represents the Fiji Government contribution towards the Secretariat. The grant includes the provision of office space and essential utilities free of charge.

(d) Income tax

The Secretariat is exempted from income tax under the Fiji Diplomatic Privileges and Immunities Act.

(e) Furniture and equipment

Items of furniture and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

<u>Asset depreciation</u>	<u>Rate</u>
Furniture and fittings	25%
IT equipment	40%
Office equipment	25% - 40%
Motor vehicle	25%

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS *continued*
FOR THE PERIOD ENDED 31 DECEMBER 2014

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *continued*

(f) Impairment of assets

At each reporting date, furniture and equipment, and intangible assets are reviewed to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

(g) Employee entitlements

Employee entitlements relating to wages, salaries, annual leave and sick leave represent the amount which the Organisation has a present obligation to pay resulting from the employees' services provided up to balance date.

Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave are recognized, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(h) Trade payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in the foreign currency are translated into Fijian dollars using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

(i) Bank overdrafts

Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

(j) Cash and cash equivalents

Cash in the statement of financial position comprise cash at bank and on hand. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash as defined above.

(k) Comparatives

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS *continued*
 FOR THE PERIOD ENDED 31 DECEMBER 2014

	\$	\$
	2014	2013
3. OTHER INCOME		
Contribution in kind (FRCA)	125,500	238,766
Consultancy income	-	9,065
Gain on sale of assets	-	300
Interest income	469	1,150
Recovered from doubtful debts- member contributions	92,331	-
Unrealized exchange gain	1,225	-
	<u>219,525</u>	<u>249,281</u>
4. OPERATING EXPENSES	\$	\$
Consultancy fee	320,748	22,660
Auditor's remuneration	6,300	10,854
Change management fees	26,519	-
Electricity and other occupancy costs	126,931	240,874
Legal fees	48,243	-
Per diems	67,454	147,483
Salaries and other benefits	1,083,187	1,556,584
Telecommunication and facsimile	30,482	52,686
Bank charges and interest	2,390	17,453
Education allowance	13,947	63,188
Insurance (medical and life)	31,440	77,574
Motor vehicle expenses	10,392	15,066
Other expenses	12,499	30,538
Other professional fees	123,311	52,296
Rental expense	-	13,908
Travel and accommodation	9,941	66,860
Assets - not capitalized	-	6,448
Missing cash (cash on hand US\$209)	-	407
Unrealized exchange loss	-	93,137
	<u>1,913,784</u>	<u>2,468,016</u>
5. PREPAYMENTS AND OTHER RECEIVABLES	\$	\$
Members contributions	78,280	110,821
Prepayments	540	(90,192)
	<u>78,820</u>	<u>20,629</u>
less: Provision for doubtful debts-member contribution	-	-
	<u>78,820</u>	<u>20,629</u>
Other receivables	145,789	159,130
less: Provision for doubtful debts-other receivables	(143,286)	(133,560)
	<u>2,503</u>	<u>25,570</u>
	<u>81,323</u>	<u>46,199</u>

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS *continued*
 FOR THE PERIOD ENDED 31 DECEMBER 2014

6. FURNITURE AND EQUIPMENT	\$	\$
<i>Furniture and fittings</i>	2014	2013
<i>Cost:</i>		
At 1 January	6,434	6,434
Additions	-	-
At 31 December	<u>6,434</u>	<u>6,434</u>
<i>Depreciation and impairment</i>		
At 1 January	2,854	1,567
Annual depreciation	<u>1,608</u>	<u>1,286</u>
At 31 December	<u>4,462</u>	<u>2,853</u>
Net book value	<u>1,972</u>	<u>3,581</u>
 <i>Office equipment</i>	 \$	 \$
<i>Cost:</i>		
At 1 January	13,950	13,950
Additions	-	-
Disposals	-	-
At 31 December	<u>13,950</u>	<u>13,950</u>
<i>Depreciation and impairment</i>		
At 1 January	8,032	5,243
Annual depreciation	<u>3,487</u>	<u>2,790</u>
At 31 December	<u>11,519</u>	<u>8,033</u>
Net book value	<u>2,431</u>	<u>5,917</u>
 <i>IT equipment</i>		
<i>Cost:</i>		
At 1 January	204,669	130,769
Additions	-	73,900
At 31 December	<u>204,669</u>	<u>204,669</u>
<i>Depreciation and impairment</i>		
At 1 January	137,617	59,030
Annual depreciation	<u>49,807</u>	<u>78,587</u>
At 31 December	<u>187,424</u>	<u>137,617</u>
Net book value	<u>17,245</u>	<u>67,052</u>
 <i>Motor vehicle</i>		
<i>Cost:</i>		
At 1 January	130,979	130,979
Additions	-	-
At 31 December	<u>130,979</u>	<u>130,979</u>
<i>Depreciation and impairment</i>		
At 1 January	73,743	47,547
Annual depreciation	<u>32,746</u>	<u>26,197</u>
Less: accumulated depreciation on assets disposed of	-	-
At 31 December	<u>106,489</u>	<u>73,744</u>
Net book value	<u>24,490</u>	<u>57,235</u>
 Net book value as at 31 December	 <u>46,138</u>	 <u>133,785</u>

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS *continued*
 FOR THE PERIOD ENDED 31 DECEMBER 2014

	2014	2013
7. TRADE CREDITORS AND OTHER PAYABLES	\$	\$
Creditors and accruals	114,344	386,252
Advance general contributions	231,227	81,072
	<u>345,571</u>	<u>467,324</u>
8. EMPLOYEE ENTITLEMENTS	\$	\$
Annual leave entitlements	61,644	137,296
	<u>61,644</u>	<u>137,296</u>
9. OWING TO RELATED PARTY	\$	\$
Net amounts owing to related party		
Expenses for Core paid by project	144,955	141,816
TFCC loan liability	119,484	-
	<u>264,439</u>	<u>141,816</u>
<p>An amount of FJD\$753,000 was borrowed by the OCO Core Operations (with approval from the former Head of Secretariat) from TFCC Funds in January 2014, to pay for outstanding salaries, entitlements and other Core operational costs as Core Operational Funds had been exhausted at that date.</p>		
10. DEFERRED INCOME	\$	\$
Opening balance	-	-
Add: grant for next phase received in advance	484,374	-
Closing balance	<u>484,374</u>	<u>-</u>
11. CASH AND CASH EQUIVALENTS	\$	\$
Cash at bank	899,024	28,248
Bank overdraft	-	(126,415)
	<u>899,024</u>	<u>(98,167)</u>
12. OWING TO EUROPEAN COMMISSION	\$	\$
Ineligible expenses	<u>1,232,591</u>	<u>1,232,591</u>

Subsequent to year end, on 14 May 2015 Pacific Islands Forum Secretariat advised the Head of Secretariat that an audit of Trade Facilitation in Customs Corporation project (TFCC) 2013 expenses concluded that €502,404 as ineligible. The total ineligible expense was converted to Fijian dollars using conversion rates existing at year end. No foreign currency gain or loss was taken up in the accounts. The total amount owing is payable to the European Commission by 31 August 2015. TFCC expenses are not included in these financial statements but the OCO is responsible for TFCC expenses that are deemed ineligible by the European Commission.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS *continued*
FOR THE PERIOD ENDED 31 DECEMBER 2014

13. COMMITMENTS AND CONTINGENT LIABILITIES

- a) Capital expenditure commitments at balance date amounted to nil (2013: nil)
- b) Contingent liabilities at balance date amounted to nil (2013: nil)

14. PRINCIPAL ACTIVITY

The OCO coordinates and fosters international and regional cooperation communication and assistance between its members on all Customs issues to ensure that individual interests and concerns are highlighted to Governments, regional Organisations, non-Government Organisations, private sector bodies and international Organisations such as the World Customs Organisation (WCO) and the World Trade Organisation.

15. Organisation DETAILS

Registered office

84 Harris Road
Suva
Fiji

Number of employees

As at balance date, 12 full time employees were employed by the Secretariat (2013: 28).

16. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely not already considered in these special purpose financial statements, in the opinion of the Head of Secretariat, to affect significantly the operations of the Secretariat, the results of those operations or the state of affairs of the Secretariat in the subsequent financial period. At the same time, OCO is undergoing a transformational change.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of Oceania Customs Organisation Secretariat for the period ended 31 December 2014 were authorized for issue by the Head of Secretariat on 11th June, 2015.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2014

Disclaimer on additional Financial Information

The additional financial information, being the attached Detailed Income Statement has been compiled by the management of Oceania Customs Organisation Secretariat.

To the extent permitted by law, Ernst & Young do not accept liability for any loss or damage which any person, other than Oceania Customs Organisation Secretariat may suffer arising from any negligence on our part. No person should rely on the additional financial information without having an audit or review conducted.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 DETAILED INCOME STATEMENT
 FOR THE PERIOD ENDED 31 DECEMBER 2014

	2014	2013
	\$	\$
Income		
AUSAID	800,448	949,477
Contribution in kind (FRCA)	125,500	238,766
Consultancy Income	-	9,065
Interest income	469	1,150
Membership fee	433,319	463,938
NZAID	725,700	-
Recovered from doubtful debts	92,331	-
Repayment of TFCC liability by member countries	369,380	-
Sale of Asset	-	300
Unrealized exchange gain	1,225	-
Total income	2,548,372	1,662,696
Expenditure		
Audit fee	39,177	22,660
Accounting fees (including administrator services)	287,871	10,854
Assets - not capitalized	-	6,448
Advertisement	1,009	2,007
Bank charges and interest	2,390	17,453
Change management fees	26,519	-
Depreciation	87,647	108,860
Doubtful debts	11,865	134,282
Electricity and other occupancy costs	126,931	240,874
Entertainment	1,219	13,991
Education allowance	13,947	63,188
EU ineligible expenses	-	1,232,591
Insurance (medical and life)	31,440	77,574
Legal fees	48,243	-
Missing cash (cash on hand US\$209)	-	407
Motor vehicle expenses	10,392	15,066
Miscellaneous expenses	74	2,000
Other professional fees	123,311	52,296
Other travelling expenses	127	1,875
Per diems	67,454	147,483
Postage and stationery	1,873	886
Publicity and public relation	1,592	5,940
Repair and maintenance	3,965	508
Rental expense	-	13,908
Staff amenities	2,640	3,330
Salaries and other benefits	1,083,187	1,556,584
Travel and accommodation	9,941	66,860
Telecommunication and facsimile	30,482	52,686
Unrealized exchange loss	-	93,137
Total expenditure	2,013,296	3,943,749
Surplus/(deficit) for the period	535,076	(2,281,053)

The Detailed Comprehensive Income Statement is to be read in conjunction with the disclaimer on page 14.

STAFF DEPARTURES

The following staff departed the Secretariat due to various reasons:

Selwa Nandan - Trade Management & Facilitation Advisor



Selwa joined the Secretariat as a Project Officer in April 2006. Prior to his secondment to the regional body he had served Fiji Revenue & Customs Authority in various capacities for over 32 years both at operational and senior executive management levels. After joining OCO he moved up the ranks and was appointed as the Advisor for Trade Management & Facilitation Division in 2009 a position, which he occupied until his retirement in July 2014 due to his illness. He was appointed as the Acting Head of Secretariat in January 2014 following the resignation of Kulu Bloomfield at a time when the Secretariat was facing real challenges. As a key member of the EU funded Trade Facilitation in Customs Cooperation (TFCC) Project he was instrumental in developing the capacities of the member administrations through the implementation of these programs and initiatives. In his parting message to the members and colleagues he expressed his sincere gratitude to the Secretariat for according him the opportunity to serve the members, which he found to be a very fulfilling and rewarding experience and for which he will always remain indebted to the members. The Secretariat records its profound thanks and appreciation to Selwa for his long, dedicated and invaluable service to the organisation and its members. We wish him good health and every success in his future endeavours.

Saia Kami (PhD) - Research and Development Advisor

Dr. Saia Kami joined the Secretariat in 2011 as advisor in the Research & Development Division. A Tongan national, Dr. Kami was, prior to joining the OCO, a lecturer at the University of the South Pacific. Dr. Kami holds a Doctorate in Economics from the University of Sydney, and Masters Degrees in Information Sciences (University of Canberra), Statistics (ANU) and Mathematics and Biology (USP). He has wide experience, professional skills and has undertaken research and consultancy in the following areas:

- » Applied Macro and Sector Economics
- » Applied Macro and Welfare Economics
- » Economics Statistics
- » Applied Econometrics
- » National Income Accounting and National Accounts and Statistical Systems.

Saia took leadership of the Baseline Studies and with the support of his team developed baseline profiles and statistical information on the various trade and economic indicators for



most of the Pacific-ACP countries in the region as part of the TFCC Project.

The following staff departed following expiration of Contracts:

Paul Iramu - Project Manager - TFCC Project



Paul Iramu was recruited as Project Manager for the Trade Facilitation in Customs Cooperation Project in 2011 following 35 years as a Customs Officer in the PNG Customs Service. He held the post of Commissioner of Customs before resigning in 2010 from PNG Customs to pursue other interests. As Project Manager, he was responsible for the day-to-day management of the project staff, planning, budgeting and implementation of all the activities, engagement and deployment of Consultants and monitoring and evaluation.

Roma Lal - Senior Corporate Assistant

Roma was originally recruited in 2010 as Personal Assistant to the Head of Secretariat. She was later transferred to the Corporate Services Division as Senior Corporate Assistant. Ms. Lal had been responsible for providing support and assistance to the Corporate Manager in the operations of the HR, Corporate and Logistical requirements of the Secretariat. She was also engaged in delivering Corporate Planning, Strategic Planning and Organisational Design for a number of Customs administrations as part of the TFCC Project interventions.



Selemana Soqe - Executive Officer to the Head of Secretariat



Selemana was the Executive Officer to the Head of Secretariat prior to her leaving the Secretariat. He was responsible for the daily running of the requirements of the Office of the Head of Secretariat including secretarial service to the Management Committee, Project Management Committee and other meetings. Selemana was involved in a big way in the logistical support and secretarial support to a number of annual conferences that came out very successful.

Sera Whippy - Information Assistant - TFCC Project

Sera played a key role in the visibility aspects of the TFCC Project by ensuring that information pamphlets, videos and photo graphs of the TFCC Implementation in action were captured and made visible to the public and stakeholders as well.



OUR PARTNERS AND SUPPORTERS

The OCO Secretariat would like to acknowledge the valuable contribution and on-going support of the following organisations and individuals to the work of the organisation.

1. Asian Development Bank
2. European Union (European Union Delegation for the Pacific)
3. Government of Australia through AusAID
4. Government of New Zealand through NZAID
5. Government of Republic of Fiji
6. Government of Japan
7. International Fund for Animal Welfare
8. Organization for the Prohibition of Chemical Weapons
9. Pacific Immigration Directors Conference
10. Pacific Islands Chiefs of Police Conference
11. Pacific Islands Forum Secretariat
12. Pacific Islands Law Officers Network
13. Pacific Transnational Crime Coordination Centre
14. Price Water House Coopers
15. Royal Malaysia Customs
16. Secretariat of the Pacific Regional Environmental Program
17. United Nations Office of Drugs and Crime
18. United Nations Environment Programme
19. Wild Life Enforcement Group (NZ)
20. World Customs Organisation (WCO)- General Secretary Mr. Kunio Mikuriya
21. WCO Regional Office for Capacity Building for Asia Pacific-Mr. Yoshihiro Kosaka
22. World Trade Organisation
23. Consultants and Customs experts
24. OCO Members:
 - i. American Samoa
 - ii. Australia
 - iii. Cook Islands
 - iv. Federated States of Micronesia
 - v. French Polynesia
 - vi. Guam
 - vii. Nauru
 - viii. New Caledonia
 - ix. New Zealand
 - x. Norfolk Islands
 - xi. Northern Marianas
 - xii. Niue
 - xiii. Palau
 - xiv. Papua New Guinea
 - xv. Republic of Fiji
 - xvi. Republic of Kiribati
 - xvii. Republic of Marshall Islands
 - xviii. Republic of Vanuatu
 - xix. Samoa
 - xx. Solomon Islands
 - xxi. Timor Leste
 - xxii. Tonga
 - xxiii. Tuvalu
 - xxiv. Wallis and Futuna

ACRONYMS

ADB	Asian Development Bank	ODS	Ozone Depleting Substance
AWP	Annual Work Plan	PACER	Pacific Agreement on Closer Economic Relations
BAS	Baseline Assessment Studies	PACP	Pacific African Caribbean Pacific
CITES	Convention on the International Trade on Endangered Species	PCA	Post Clearance Audit
CRIN	Customs Regional Intelligence Network	PICs	Pacific Island Countries
EDF	European Development Fund	PICTA	Pacific Island Countries Trade Agreements
EPA	Economic Partnership Agreement	PIPSO	Pacific Islands Private Sector Organisation
EU	European Union	PSR	Product Specific Rules
FRSC	Forum Regional Security Committee	RKC	Revised Kyoto Convention
FSM	Federated States of Micronesia	RMI	Republic of Marshall Islands
FTA	Free Trade Agreements	ROM	Result Oriented Mission
HCS	Harmonized Coding System	ROO	Rules of Origin
HOS	Head of Secretariat	SOP	Standard Operating Procedure
HR	Human Resources	TFCC	Trade Facilitation in Customs Cooperation
HS	Harmonized Coding Systems	TRS	Time Release Study
ICT	Information Communications Technology	UNODC	United Nations Office on Drugs and Crimes
IT	Information Technology	WCO	World Customs Organisation
LESD	Law Enforcement & Security Division	WTO	World Trade Organisation
MDG	Millennium Development Goal	WTOVA	World Trade Organisation Valuation Agreement
MTR	Mid-Term Review		
OCO	Oceania Customs Organisation		
OCTA	Office of the Chief Trade Advisor		

2014 PICTORIAL



Nauru Customs Staff



Change Management Team



Dr. Helen Leslie & Ms. Daphney Stone



FRCA/OCO Signing of Lease Renewal Agreement



HoS & NZ High Commissioner Signing Grant Agreement



Palau Customs Staff with HoS



OCO Members at the 2014 Annual Conference, Fiji



PNG Customs Delegation visit to the Secretariat



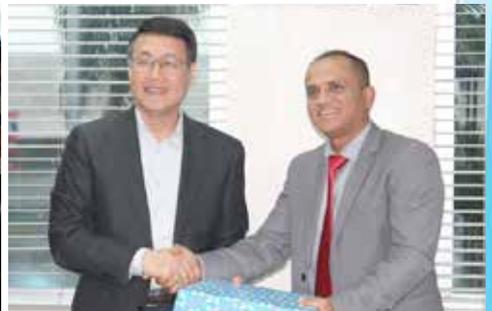
Mr. Salvador Jacob, Assistant Secretary, FSM (left)



OCO Chair at the Secretariat



OCO Staff and Public at 16th Annual Conference



Vice Minister of China Visits the Secretariat



Mr. Jone Seniloli - IT Upgrade at Tuvalu Customs



Tuvalu Trade Policy Framework Meeting - Secretariat



Participants at the Asia-Pacific TF Forum, Bangkok



Secretariat Staff and Friends during Diwali Celebrations



Secretariat Staff with OCO Chair



Mr. Selwa Nandan's Farewell



FRCA/OCO Signing of Lease Renewal Agreement



International Customs Days Celebration at FRCA



Chinese Delegation Visit to the Secretariat



Mr. Shelesh Madhavan - IT Upgrade at Tuvalu Customs



Mr. Meiapo Fa'asau at FSM



OCO Members at the 2014 Annual Conference, Fiji



Secretariat Staff at the 2014 Annual Conference, Fiji



Mr. Clement Taipala - 2014 Annual Conference, Fiji



2014 OCO Chair with Chief Guest



Madhu Narayan, Mere Fa, Clement Taipala & FRCA Staff



OCO Members at the 2014 Annual Conference, Fiji



Meiapo Fa'asau, Rajhnael Deo & Jone Seniloli



Viliame Rova & Isileli Aholelei



Dr. Saia Kami & Secretariat Staff



Secretariat Staff



HS Regional Training Workshop Facilitators & Participants



FRCA Staff at 2014 Annual Conference



Mr. Paul Iramu with Delegate



Mr. Taipala & FRCA with Fiji's PS Finance at Customs Day



Mr. Viliame Rova with RoO Participants - Palau



Mr. Taipala & Mr. Waqabaca, Fiji PS Finance



2014 Annual Conference Delegates



UNEP Workshop Participants - Tonga



2014 Annual Conference Delegates



2014 Annual Conference Delegates



2014 Annual Conference Opening Ceremony



Mr. Selwa Nandan Farewelled by Mr. Paul Iramu



HoS with Secretariat Staff



Ms. Daphney Stone at the Secretariat



Customs Shirt Presentation by HoS



2014 Annual Conference Delegates



2014 Annual Conference Delegates



2014 Annual Conference Delegates



2014 Annual Conference Delegates

16th Oceania Customs Organisation Annual Conference,

Suva, Fiji

7th - 9th April, 2014



Front row-From left: Mr John Ken (Federated State of Micronesia Customs & Tax Administration); Mr John Tarkong (Palau Chief of Customs); Mr John Potter (Director International Programs Australian Customs); Mr Stone Sionetama (Collector of Niue Customs); Mr Andrew Haigh (Comptroller of Cook Is Customs); Mr Benjamin Malas (Acting Director Vanuatu Customs & Inland Revenue); Mr Frank Babaga (Acting Commissioner Modernization PNG Customs); Ms Daphney Stone (Tonga Customs CEO); Mr Amena Yaovoli (Permanent Secretary Foreign Affairs Fiji); Ms Tekautia Lusua (Ministry for Revenue Samoa CEO); Mr Christophe Laine (Deputy Director New Caledonia Customs); Mr Clement Taipala (Head of Secretariat of OCO); Mr Michael Papesch (NZ Group Manager Policy); Mr Marcellus Mau (Nauru Principal Customs Officer); Mr Tuilagi Teii (Director Customs Tuvalu); Mr Tekeie Ittaake (Comptroller Kiribati Customs); Mr Alan Biffet (Norfolk Manager Customs & Immigration); Mr Jose Malinas (Director CNMI Customs)
Back row-From left: Ms Shaleshni Prasad (EU rep); Ms Helen Ieslie (NZ High Commission first Secretary Regional Development); Ms Raemila Rakesh (FRCA Teamleader Customs); Mr Tevita Tupou (FRCA GM Customs); Mr Jerome Pois (EU rep); Mr Richard Brennan (Technical Advisor Tonga Customs); Mr Sau Niulala (Senior Assistant Deputy CEO Tonga); Mr Nicholas Godden (Manager Customs Vanuatu); Mr Jitoko Tikolevu (FRCA CEO); Mr Sigaud Philippe (New Caledonia Intelligence Officer); Mr Paul Meredith (Deputy Secretary Customs Nauru); Mr Adam Sumbak (Legal Counsel Ministry of Finance Cook Is); Mr Jacob Cannon (Manager International Engagement Australia); Mr Brett Collett (Senior Policy Analyst NZ Customs); Mr Ray Paul (Commissioner PNG Customs)



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Member Administrations

- 1. American Samoa**
- 2. Australia**
- 3. Cook Islands**
- 4. Federated States of Micronesia**
- 5. French Polynesia**
- 6. Guam**
- 7. Nauru**
- 8. New Caledonia**
- 9. New Zealand**
- 10. Norfolk Islands**
- 11. Northern Marianas**
- 12. Niue**
- 13. Palau**
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- 24. Wallis and Futuna**



**Oceania Customs
Organisation Secretariat**