



Strengthening
regional connections
to support a safe and
prosperous Pacific



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Head of Secretariat Message



The Oceania Customs Organisation continues to be recognised as a world class, regional organisation that collaborates with global partners to deliver high quality services and sustainable solutions to member administrations.

Our mission - to help administrations align with Customs international standards leading to greater economic prosperity and security - is at the forefront of everything that we do.

It is important that we all take a moment to reflect on the areas where we have transformed and achieved and I therefore present the 2017/2018 Annual Report to our members, donors and global partners.

The environment that we work in is constantly changing and evolving and amongst other achievements, we responded well to an increased demand on our resources.

This report provides a summary of initiatives and activities that the OCO, together with its members, donors and global partners, have engaged in over the 2017/2018 financial year.

As you peruse the pages of the report you will see that the 2017/2018 financial year was a productive one for everyone. This is a positive reflection of the collective hard work and support of all involved and I would like to take the opportunity to acknowledge everyone's contribution over this financial period.

It is also important to acknowledge the leadership and contribution by Mr Seve Paeniu and we wish him all the best.

To conclude, please join me in expressing our sincere gratitude and appreciation to the commitment, resilience and dedication shown by the OCO Secretariat team over the reporting period.

We look forward to continuing to work together with our members, donors and global partners and the exciting opportunities ahead of us.

Roy Lagolago
Interim Head of Secretariat
Oceania Customs Organisation

Understanding the Oceania Customs Organisation

The Oceania Customs Organisation (OCO) was established in 1986 originally with six member Customs organisations under the Customs Head of Administration Regional Meeting (CHARM) and progressively expanded until in 2011, Timor Leste became the most recent member. The OCO comprises of twenty-three nations and territories that are independent Customs jurisdictions in the Pacific.

Mission

OCO’s mission is to facilitate and where appropriate help administrations to align with customs international standards and best practice leading to greater economic prosperity and increased border security within the Oceania region.

Vision

To be recognised 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.

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 governance and credible and inspirational leadership.

Our Strategic Priorities Areas



Our Staff Profile

As at 30 June 2018, **seven** full-time staff, representing four OCO Member countries were employed by the OCO Secretariat.

Australia hosts the 20th Annual Conference

11-14 June 2018

The Oceania Customs Organisation (OCO) annual conference was hosted by the Australian Border Force (ABF) from 11 to 14 June 2018 in Melbourne, Australia with the theme “Strengthening regional connections to support a safe and prosperous Pacific”.

The annual conference was attended by 16 of the 23 OCO customs administrations and key partners including the WCO, ROCB Asia Pacific, Statistics New Zealand, IMF Pacific Financial and Technical Assistance Center (PFTAC), Pacific Immigration Directors’ Conference (PIDC), Japan Customs, Pacific Transnational Crime Coordination Centre (PTCCC), Secretariat of the Pacific Community (SPC), United Nations Conference for Trade and Development (UNCTAD), World Bank Group, Her Majesty’s Customs and Excise, Pacific Island Forum Fisheries Agency, Asia Pacific Group on Money laundering, Statistics New Zealand, US Immigration and Customs Enforcement, United States Coast Guard, US Secret Service and JIATF West.

Key Outcomes:

- **Official signing ceremony of the Memorandum of Understanding on Cooperation in Customs Matters between OCO Members**

Fifteen OCO members signed the MOU on Customs Cooperation, committed to facilitating the exchange of information under relevant border security powers of individual member states.



Members also endorsed the re-establishment of the Information Sharing Working Group to take forward initiatives under the MOU, acknowledged and commended Australia on the development of the smartphone application initiative for small craft movement, and commended New Zealand on the development of the OCO Notebook.

- **Accession of Kiribati to the Revised Kyoto Convention**

Kiribati’s Minister of Justice, Hon. Natan Teewe, deposited Kiribati’s instrument of accession to the International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention - RKC) with the WCO Secretary General on behalf of the Kiribati Government. With this, Kiribati becomes 114th Contracting Party the very first non-WCO Member to accede to the Convention.



- **Official launch of the Pacific Harmonised Commodity Description and Coding System (PACHS) 2017**

The OCO launched the PACHS 2017, a multipurpose goods nomenclature that forms the basis for Customs Tariffs and International Merchandise Trade Statistics, which will enable all OCO members that are at different levels of implementing HS 2017 adopt a common benchmark and better reflect goods exported and imported by the Pacific region, using a standardised system of names and codes.



- **Promoting Customs Excellence in the Pacific**

The Conference welcomed the presentations provided by Member administrations and partner organisations on enhancing the role of Customs in regional integration and trade facilitation, strengthening cooperation and information exchange on law enforcement matters, development of technical and professional capability of Customs in the Pacific, and strategies for the reform of Customs administrations. Members were particularly grateful to CNMI, PNG, Kiribati and Vanuatu for presentations on progress with their respective Customs Reforms agendas.

- **OCO Professional Standards Framework**

Members endorsed the OCO Professional Standards Framework as a mechanism to deliver accredited customs training programs to members that will give a quality assurance to the trainees and provide a pathway to obtaining academic qualifications, and as a means to harmonising and raising the customs performance standards in the OCO region.

- **Declaration of Partnership between PICP, PIDC and OCO**

Members acknowledged the outcomes of the inaugural Joint-Board meeting between PICP, PIDC and OCO in March 2018, and endorsed OCO signing the Declaration of Partnership between PICP, PIDC and OCO.

- **Changes to the Constitution of the OCO and OCO Steering Committee Charter**

Members endorsed changes to the Constitution of the OCO to enable the membership to address Members who demonstrate a continued lack-of-engagement with the OCO.

Members also endorsed changes to the Constitution of the OCO and Charter of the OCO Steering Committee to include the OCO Vice-chair as a member of the OCO Steering Committee.

Delivering the OCO Strategic Plan 2017 – 2022

PRIORITY 1 : Customs Leadership

- Develop and strengthen Members’ leadership capabilities
- Strengthen organisational development for the future
- Enhance governance and organisational performance of the OCO Secretariat

Leadership and Management Development Workshop

The OCO in partnership with the WCO organised a Leadership and Management Development (LMD) Workshop in December, 2017 and delivered to 19 senior Customs Managers from ten non-WCO member countries.

The purpose of the two weeks’ workshop was to develop and integrate more leadership attitude and behaviour in the participant’s management style, and to enhance their skills and knowledge to better contribute to the organisational development and modernisation processes of their respective Customs administration.



Pacific Management Development Program (PMDP)



The PMDP workshop was held in Port Vila, Vanuatu from the 23 April to 4 May 2018 and was conducted in partnership with the PNG Customs Service and Vanuatu Customs Service.

The Customs officers that took part in this workshop enhanced their project management capabilities to effectively manage change within their respective administrations.

PRIORITY 2 : Law Enforcement and Border Security

- Enhance coordinated border management
- Strengthen intelligence-driven risk management capacity
- Combat transnational organised crime
- Strengthen coordination between border and law enforcement Agencies

Customs Intelligence and Data Analysis using CENComm and other Applications

The Regional Workshop on Customs Intelligence & Data Analysis using CENComm was held at the WCO Regional Training Centre at Fiji Revenue & Customs Services headquarters from 20-24 November, 2017. The Workshop was organised by the OCO and facilitated by the WCO and the Regional Intelligence and Liaison Office Asia Pacific (RILO AP). Seventeen (17) Customs officers from the following Customs Administrations; CNMI, Cooks Islands, Fiji, Federated State of Micronesia, Guam, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu took part in the Workshop.

During the workshop, the participants were registered on CENComm enabling them to familiarise themselves with the tool and enter the information. The participants at the end of the Workshop were designated CENComm contact points and committed to entering of seizure/ detention information on CENComm.



National Workshop on Financial Crime

In collaboration with our key law enforcement partners, the OCO ran a National Workshop on Financial Crime in Commonwealth of Northern Mariana Islands (CNMI) from the 13th – 17th November 2017, which was attended by more than 60 personnel from various law enforcement agencies.

The Training was conducted by Enforcement agencies, which included Asia Pacific Group on Money Laundering [APG], New Zealand Customs NZCS, New Zealand Police NZP, Joint Interagency Task Force West JIATF West, US Immigration & Customs Enforcement US ICE and the OCO.

The overall aim of the workshop was to ensure that regional efforts are properly coordinated to combat illicit financial flows and transnational organised crime, which has an adverse effect on livelihoods, social structures, and governance of any economy.



Small Craft Intelligence and Targeting Workshop

The workshop targeted intelligence analysts and operational-level officers involved in small craft boarding. The focus was on small craft targeting and intelligence, with an added component of training in the use of the newly developed Small Craft Reporting Mobile Application

This workshop was held in Noumea, New Caledonia from 18 to 24 March 2018 with over ten participants from OCO member countries.



PRIORITY 3 : Trade Management And Facilitation

- Modernise and harmonise Customs procedures and processes
- Support the implementation of regional trade facilitation initiatives
- Promote single window environment
- Promote digital customs

Revised Kyoto Convention Workshops in CNMI and Guam

The OCO conducted national workshops on the RKC in CNMI and Guam from 11-15 September, 2017 and 18-22 September 2017 respectively.

The core objectives of the workshops were to inform the participants of the benefits of acceding to the RKC, improve their understanding of the RKC provisions, as well as assisting both administrations to enhance their capacities to use the WCO self-assessment tools to assess the compliance of the national legislation with the provisions of the RKC.

The Gap Analysis conducted with participants of the CNMI workshop identified the standards which CNMI will need to implement towards compliance.

Participants of the Guam workshop also assessed Guam’s existing customs laws and other regulations and practices against the RKC standards, and identified gaps that exist between the legal framework and the standards of the RKC.



The OCO also facilitated the drafting of a Memorandum of Understanding (MOU) between CNMI Customs and Guam CQA. The MOU provides for collaboration between the two Customs Administrations and this was also discussed by the two Heads of Customs in the margins of the Workshop in Guam.



WCO Mercator Programme Advisor Accreditation Workshop

Through its partnership with the WCO, four members of the OCO participated in the WCO Mercator Programme Advisor Accreditation Workshop in January 2018. The Workshop was facilitated by two Technical Officials from the WCO and the Head of the Asia/Pacific Regional Office for Capacity Building (ROCB A/P).

Although the OCO members, given that they are non-WCO members, were not able to receive the WCO accreditation, the opportunity to be pre-selected to take part in the workshop and to undertake the same assessment was an important one. Through the Workshop, the OCO members were able to get not only a better understanding of WTO TFA but also the related WCO instruments and tools which support TFA implementation. The availability of these tools can assist members not only for TFA but also in their commitments to the different regional trade agreements that they are signatory to.



Assisting members to accede to the Revised Kyoto Convention

Following from the 2017 Annual Conference, six non-WCO members (Cook Islands, FSM, Nauru, Kiribati, Tuvalu, Solomon Islands) had requested assistance on RKC accession noting that any member of the United Nations or its specialised agencies may become a Contracting party to the Convention. The OCO has since been assisting members with the process of compliance and accession to the RKC Convention.

The six members had initially participated in a National RKC workshop facilitated by WCO in 2017. The members had undertaken in-depth analysis with the assistance of OCO which involved the comparison of the RKC to their existing customs laws, regulations and practices and identified gaps that exist between the legal framework. The six members also participated in the Pacific Management Development Program workshop in Vanuatu, in which they have begun formulating action plans for accession.

The Hon Natan Teewe, Minister of Justice of Kiribati deposited Kiribati’s instrument of accession to the International Convention on the Simplification and Harmonization of Customs Procedures (RKC) with the Dr. Kunio Mikuriya, WCO Secretary General on 11 June, 2018.

Kiribati’s accession to the RKC makes the country the first non-WCO member in the world to accede to the RKC, placing it among the progressive countries that have ratified and are following international best practice for customs.

PRIORITY 4 : Revenue Mobilisation

- Develop and promote standard guidelines and tools on revenue collection
- Increase Customs and excise compliance and improve data analytical capability
- Enhance collaboration between Customs and Tax administrations

Pacific Harmonised Commodity Description and Coding System (PACHS) 17 Workshop

In collaboration with the Secretariat of the Pacific Community (SPC), the OCO contributed to development of the Pacific Harmonised Commodity Description and Coding System (PACHS) 17.

On 14-16 August, 2017, the PACHS17 workshop was convened in Nadi, Fiji with the financial support of Australia and New Zealand through the Readiness Package for PACER Plus. Twelve Customs officers representing ten Customs administrations participated in the Workshop which was facilitated by experts from SPC, New Zealand Statistics, FRCS and OCO. The key outcome from the workshop was the acceptance of the PACHS 2017, and members that have yet to implement HS 2017 agreed to use the PACHS 2017 for implementation at the national level.

The OCO launched the PACHS 17 on 11 June, 2018.

Technical Workshop on International Merchandise Trade Statistics

The Workshop was a combined initiative with SPC, PIFS, OCO and MSG and was convened on 26 February to 3 March, 2018.

The main reason for holding this workshop was due to the need for detailed, reliable and timely commodity data by the Pacific Island Governments for effective monitoring of the implementation of preferential trade agreements and to assist in policy formulation for changes to these agreements.

Through the workshops, participants gained a better understanding on international merchandise statistics, how the Trade agreements work, their benefits, and the range of commodities traded under these TAs (e.g. PICTA and MSG TA). The Customs officers also undertook practical exercises on how to correctly identify commodities trade under PACER Plus and to provide the same to the Statistics Offices for policy considerations.



Assistance to FSM to implement HS 2017

Upon request from FSM Customs, the OCO assisted FSM in undertaking transposition work from HS 2002 to the HS 2017 version, compatible with the WCO HS Convention and including the PACHS 17. The OCO also facilitated and delivered a national workshop to inform the FSM Customs administration and its stakeholders on operational changes that would result from adoption/migration to the HS 2017 version. The transposition work to HS 2017 was completed with FSM to undertake national legislative process for the effective implementation of HS 2017.



IMF Regional Workshop on ISORA & ISOCA

The training was held on 16 – 20 April 2018 to introduce the use of the ISORA & ISOCA data capture capabilities for respective Member countries, and was attended by the OCO Operations Manager. ISORA & ISOCA is a single, regular survey on Tax /Customs administration using common questions and definition that have been developed in partnership with international organizations (CIAT, IMF, IOTA, OECD, WCO) through an on- line platform (the IMF’s RA-FIT).

Data capture by members on respective business functions was an area that PICS would need to work intentionally on to fully realise the benefit of the survey. Participants were taught on how to populate the system with relevant organisational information that can be used for comparative value against other Tax & Customs organisations with the same economy of scales. Another key the benefit of ISORA & ISOCA is using the (historical time series) data for analytical and comparative purposes, but also identifying policy and administrative inefficiencies. The same set of Data is then used to make informed diagnosis into areas of Business improvements which can also be used by international organisations, donors and Government.



Combating Value Added Tax (VAT) Fraud Workshop

The Workshop targeted PCA Auditors and investigators in the 8 Revenue administrations who apply Border VAT, and was attended by the OCO Operations Manager. The workshop was designed for middle managers and auditor’s/customs officials who are involved in day-to-day compliance work and who are investigators with some experience in this area.

Participants played an active part in the workshop and Members who had uncovered VAT fraud shared their experiences, which provided a learning opportunity for the wider group with a view to encouraging trade liberalisation and a greater integration into the regional economy.

PRIORITY 5 : Institutional Strengthening of Small Member Administrations

- Modernise legislative and regulatory frameworks
- Strengthen capability to manage Customs reforms

Regional Pleasure Craft Vessel Search Training Program

The OCO facilitated the participation of members at a Regional Pleasure Craft Vessel Search Training Program at the Australian Border Force College in Sydney, Australia from 27 November to 1 December 2017. The program offered training capacity for members on planning and undertaking systematic vessel searches taking into account potential hazards, methods of concealment and modern tools and personal protective equipment.



Conducting Investigation Workshop

The workshop was facilitated by the Australian Department of Home Affairs from the 16 to 28 April 2018. The 2-week long workshop was specific to officers currently working in investigative roles. Participants presented on how investigations in their country/agency was carried out so that other participants could learn from the various techniques and procedures. The workshop had 20 participants from the Customs and Immigration field.

Document Examination Principles and Application (DEPA) Workshop

OCO also facilitated attendance of customs officers from six OCO Member administrations to the DEPA workshop, which was delivered in collaboration with the Australian Department of Home Affairs from the 19 to 21 June 2018 in Port Vila, Vanuatu.

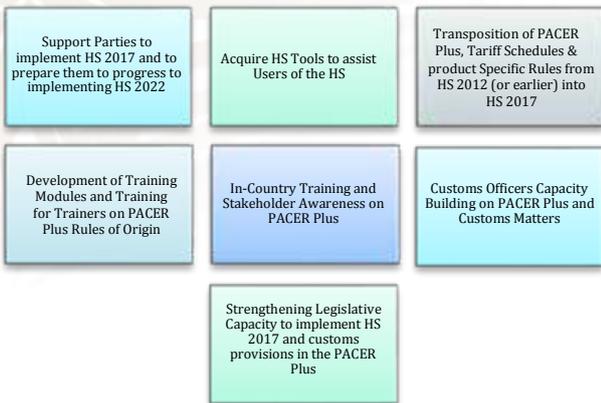
Along with counterpart immigration officials, workshop attendees received capacity building in document examination skills to improve effective management of passengers and cargo at ports and airports.



Capacity Development for Forum Island Countries for the implementation of Harmonised System 2017 Project

The Project managed by the OCO through funding assistance under the Australia and New Zealand PACER Plus Readiness Package is aimed at assisting nine PACER Plus signatory countries (Cook Islands, Kiribati, Nauru, Niue, Samoa, Solomon Islands, Tonga, Tuvalu & Vanuatu) to implement HS 2017 and provide other related capacity building activities.

The project is a two-year program of technical assistance that commenced in November 2017.



HS 2017 Implementation

The OCO completed country missions to nine 9 countries for the implementation of the HS 2017 and the work included:

- a) Review and update of the present HS (in-country) which entails the migration process to 2017 HS realigned with PACHS17 and national subdivisions.
- b) Consultation with private sector and government agencies on Pacer Plus issues and seek their input and comments to assist in the updating of the 2017 products coding.
- c) Information session with Customs officials and private sector stakeholders on the HS 2017 changes.

At the end of June, 2018, nine members have completed the updating of their current HS 2012 to the HS 2017 compatible with the WCO HS Convention and also incorporating the PACHS17.

Six of the PACER Plus signatory members have implemented HS 2017, whilst the remaining three are undertaking legislative processes for effective implementation.

Implementing Customs Procedures under PACER Plus

Chapter 4 of the PACER Plus Agreement is aimed at simplification and harmonisation of customs procedures and to allow for faster clearance of goods.

Whilst PACER Plus parties that are WTO members are required to fully apply principles of the WTO Trade Facilitation Agreement, parties that are non WTO members are required to apply these disciplines to the extent of their ability. Nonetheless, the parties must ensure customs procedures are predictable, consistent and transparent and that it facilitates trade through the expeditious clearance of goods .

All of the nine PACER Plus signatory countries have completed their gap analysis that highlights not only the legislative gaps, but more importantly the procedural gaps with respect to implementation of customs procedures under PACER Plus.

The OCO will also be undertaking the legislative review/amendment of these customs procedures.

Assessment of PC Trade

The PC Trade Assessment, funded by NZ MFAT was aimed at assessing the operation and functionality of PC Trade to effectively implement HS 2017. The assessment for the user countries was completed in April 2018.

The initial findings of the assessment were presented at the PC Trade Validation Workshop on 29-31 May, 2018 where the user countries validated the country reports provided by the Consultant and deliberated a way forward for PC Trade in terms of HS 2017 implementation and for the future.

Capacity Building

To help ensure sustainability of project outcomes and that Customs officials have the necessary knowledge and capacity to implement their commitments under PACER Plus, Customs officials will require further training to improve their skills. Through the national work programs, members are being provided assistance on the HS transposition work and also training on the HS 2017.

In June, 2018 a Customs Officer from Samoa Customs was seconded to the Secretariat to work with the Customs expert to undertake transposition work from HS 2012 to HS 2017 and taking into account the PACHS 17. The outcome of this secondment was completion of the draft HS 2017 schedule for Samoa, which has been submitted to Cabinet for approval.

The overall outcome of the PACER Plus Project is to ensure that the customs procedures are updated and that PACER Plus signatories are prepared to benefit from the Agreement on entry into force.



Corporate Governance

The OCO Steering Committee provided oversight of the OCO’s operations during the year, and continues to provide an effective governance mechanism to guide and monitor the strategic direction of the Organisation.

During the reporting period, the OCO Steering Committee reviewed and cleared OCO’s annual report and audited financial statements for the fiscal year ended 30 June 2017, approved OCO’s Risk Management and Internal Audit policies and revisions to existing financial policies, and also approved revisions to the 2017/18 Annual Budget and Work Program. The Committee also provided oversight of proposed changes to the OCO Constitution and Charter, strategies to progress OCO’s Long-term Sustainable Funding Strategy, and the 2018/19 Annual Budget and Work Program that were presented to Members at the 2018 OCO Annual Conference.

In addition to this, the OCO Steering Committee also: vetted partnership arrangements between PICP, PIDC and OCO; provided guidance on development of the OCO Professional Standards Framework; provided oversight of staffing issues at the OCO Secretariat; commissioned an organisational health check of the Secretariat; and reviewed and approved the format and agenda of the 2018 OCO Annual Conference.

The OCO Secretariat also provided regular monthly financial reporting to the OCO Steering Committee, to allow the Committee to deliver its financial oversight function of the OCO’s operations.

OCO finalised and executed funding arrangements with the Governments of Australia and New Zealand during the reporting period for implementation of capacity building support for PACER Plus signatories for the implementation of Harmonised System 2017. The funding for this activity, which will be spread over two years from October 2017, amounts to AU\$2.0m and is in addition to the annual funding arrangements the OCO has agreed with both Members. The OCO also received specific support of NZ\$130,000 from New Zealand to undertake an assessment of the PC-Trade customs automation system currently being utilised by OCO Members.

Trade Facilitation in Customs Cooperation (TFCC) Project

The OCO Secretariat implemented the European Union funded Trade Facilitation in Customs Cooperation (TFCC) project from 1 January 2012 to 31 December 2016. The project work plan for the final year of implementation was funded entirely by the OCO as a means to reimburse ineligible project expenditure that had been identified during annual expenditure verification exercises that were carried out during project implementation.

The project was subjected to an independent final external audit commissioned by the European Commission in late 2017. The findings of this audit supersede those of previous annual expenditure verification exercises, and will be the basis of possible recovery action instituted by the European Commission on the OCO for ineligible expenditure findings.

The final audit report was presented to the European Commission in June 2018, and included findings that would be subject to further consideration by the Commission. The OCO has yet to receive feedback from the Commission on a way forward for these findings.

The OCO's expectation on the final balance of the project is an amount reimbursable by the European Commission to the OCO of €121,648.

Partnerships with Key Stakeholders

OCO recognises that the development of relationships and network with similar international and regional organisations is key to strengthening our Organisation and enabling us to enhance our service deliver to our members. In this regard, OCO have proactively engaged and collaborated with these organisations to enhance working relationships.

The ongoing partnership with the WCO and WCO ROCB Asia Pacific has continued to provide for our members access to WCO working documents and Customs-related materials and also allowed our non-WCO members to participate at WCO workshops conducted in the region.

Fifteen OCO members signed the MOU on Customs Cooperation at the 20th OCO Annual conference in Melbourne aimed at facilitating the exchange of information under relevant border security powers of individual member states. The intent of the MOU is to strengthen coordination, and enhance existing regional security platforms for better utilisation of existing scarce resources.



In the formulation of the PACHS 17, OCO had collaborated with a number of partners, key of which was the Secretariat of the Pacific Community, and also including the Pacific Islands Forum Secretariat, New Zealand Customs Service, Statistics NZ, Charles Sturt University- Centre for Customs & Excise Studies, United Nations Statistics Division and the United Nations Conference for Trade and Development (UNCTAD).

Given that about 38 percent of our members are Revenue Authorities, OCO have continued to work with regional tax institutions, PITAA and PFTAC to undertake joint workshops on VAT Fraud and ISORA & ISOCA. The bringing together of tax and customs officials in these workshops leverages upon the expertise and knowledge of officials from both authorities leading to better understanding of the cross- sectoral risks and challenges and enhancement of capacity.



A Declaration of Partnership was signed by the PIDC, PICP and OCO. The vision of the Partnership is maintaining safe and secured Pacific communities through strengthened regional law enforcement, security cooperation and partnerships. With the increasing complexity and scope of the security environment, OCO have continued to work with key Law Enforcement partners to deliver capacity building. These Agencies include Asia Pacific Group on Money Laundering [APG], New Zealand Customs NZCS, New Zealand Police NZP, Joint Interagency Task Force West JIATF West, and US Immigration & Customs Enforcement US ICE.

Value of Service

As a Member based organisation, OCO is focused on providing value to all Members in the delivery of its annual work program. Table 1 below provides a summary of the cost of delivering activities summarised in “Delivering the OCO Strategic Plan” section of this report, by Members that were active during the reporting period”.

Table 1 is prepared on the following basis

- Direct allocation of costs to Members include specific costs incurred for the benefit of Members, including travel costs of Member representatives to workshops, and staff time on Member specific activities.
- Costs that cannot be allocated to a specific Member are apportioned equally amongst all active Members, and in the case of Pacer Plus related costs, between all Pacer Plus signatories.

Member	Customs	Law	Trade	Revenue Mobilisation			SMA Institutional	Strengthening	Core Operations	Total
	Leadership Capacity Building	Enforcement & Border Security	Management & Facilitation	Harmonised System 2017	Rules of Origin	Other Revenue Mobilisation Assistance	Support for PC Trade	Other Capacity Building Activities		
Australia	1,912	1,330	-	1,727	550	3,138	1,422	-	81,981	92,061
Cook Islands	20,678	6,913	7,497	55,875	2,112	20,401	1,422	1,620	112,656	229,175
Fiji	1,912	626	-	4,150	550	3,138	3,293	3,607	81,094	98,371
Guam	21,468	9,386	22,860	1,727	550	3,138	1,422	987	81,062	142,602
Kiribati	30,518	7,207	6,802	17,028	1,620	32,131	18,716	12,209	107,136	233,368
RMI	24,371	13,960	-	1,727	550	18,195	1,422	2,560	81,272	144,058
FSM	11,726	13,223	-	21,071	4,045	12,186	7,942	1,252	87,784	159,230
New Caledonia	1,912	1,330	-	1,727	550	3,138	1,422	-	81,062	91,143
New Zealand	1,912	1,330	-	1,727	550	3,138	1,422	-	81,072	91,153
Niue	11,209	6,520	-	47,182	1,620	18,694	33,960	1,011	103,435	223,631
CNMI	19,953	25,053	22,860	1,727	550	27,060	1,422	4,323	87,828	190,777
Palau	25,358	11,281	-	4,785	550	18,173	1,422	4,924	81,325	147,820
PNG	1,912	7,046	-	1,727	550	8,157	1,422	756	81,062	102,634
Nauru	29,733	7,112	6,622	26,820	1,620	3,631	26,700	2,501	90,409	195,147
Samoa	1,912	4,128	4,293	27,197	1,620	11,410	1,422	3,716	96,061	151,760
Solomon Islands	26,734	6,225	19,392	12,167	17,335	25,111	1,422	2,218	97,047	207,651
Timor Leste	1,912	1,330	-	1,727	550	3,138	1,422	-	126,683	136,763
Tonga	1,912	4,690	-	20,179	1,620	13,931	1,422	-	84,945	128,700
Tuvalu	15,493	5,037	3,845	18,261	1,620	9,848	29,672	6,345	91,632	181,753
Vanuatu	17,671	3,482	6,780	30,739	1,620	13,391	1,422	1,464	85,339	161,909
Total Cost	\$270,212	\$137,209	\$100,952	\$299,273	\$40,332	\$251,151	\$140,197	\$49,494	\$1,820,885	\$3,109,704

Table 1 – Value of Service Delivered to OCO Members (in Fijian dollars)

Financial Results

The OCO Financial Statements and Audit Report for the year ended 30 June 2018 have been prepared in accordance with International Public Sector Accounting Standards, and are annexed to this Annual Report. They show total expenditure for the year of FJ\$3.1m (2016/17 FJ\$3.0m), a surplus for the year of FJ\$1.7m (2016/17 deficit of FJ\$66,115), total assets of FJ\$2.9m (2016/17 FJ\$1.1million), and accumulated surpluses at 30 June 2018 of FJ\$2.5m (2016/17 FJ\$0.8million). The financial results for the 30 June 2018 fiscal year are compared against results for the year ended 30 June 2017.

Our Partners and Supporters

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

1. Asian Development Bank
2. European Union through the European Union Delegation for the Pacific
3. Government of Australia through the Department of Foreign Affairs and Trade
4. Government of New Zealand through the Ministry of Foreign Affairs and Trade
5. Government of Republic of Fiji through the Ministry of Foreign Affairs and International Cooperation
6. Government of Japan through Japan Customs and Tariff Bureau
7. Government of Korea through Korea Customs Service
8. Melanesian Spearhead Group Secretariat
9. New Zealand Statistics
10. Pacific Financial and Technical Assistance Centre
11. Pacific Immigration Development Community
12. Pacific Islands Chiefs of Police
13. Pacific Islands Forum Secretariat
14. Pacific Islands Law Officers Network
15. Pacific Transnational Crime Coordination Centre
16. Secretariat of the Pacific Community
17. United Nations Conference for Trade and Development
18. United Nations Economic & Social Commission for the Asia Pacific
19. United Nations Office on Drugs and Crime
20. World Bank
21. World Customs Organisation (WCO)
22. World Health Organization (WHO)
23. WCO Regional Office for Capacity Building for Asia Pacific
24. WCO Regional Intelligence Liaison Office for Asia Pacific
25. World Trade Organisation

Acronyms

ABF	Australian Border Force
APG	Asia Pacific Group on Money Laundering
AUSTRAC	Australian Transaction Reports and Analysis Centre
CENComm	Customs Enforcement Network Communications
CIAT	Center for Tropical Agriculture
CNMI	Commonwealth of the Northern Mariana Islands
DEPA	Document Examination Principles and Application
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
FRCS	Fiji Revenue & Customs Service
FSM	Federated States of Micronesia
Guam CQA	Guam Customs and Quarantine Agency
HS	Harmonised System
IMF	International Monetary Fund
IOTA	Distributed ledger to record and execute transactions between machines in the Internet of Things (IoT) ecosystem
ISORA	International Survey on Revenue Administration
ISOCA	International Survey on Customs Administration
JIATF	Joint Interagency Task Force
LMD	Leadership and Management Development
MFAT	Ministry of Foreign Affairs and Trade
MOU	Memorandum of Understanding
MSG	Melanesian Spearhead Group
NZCS	New Zealand Customs Service
NZP	New Zealand Police
OCO	Oceania Customs Organisation
OECD	Organisation for Economic Co-operation and Development
PACER	The Pacific Agreement on Closer Economic Relations
PACHS	Pacific Harmonised Commodity Description and Coding System
PCA	Post Clearance Audit
PFTAC	Pacific Financial Technical Assistance Centre
PICP	Pacific Islands Chiefs of Police

PICS	Pacific Island Countries
PICTA	Pacific Island Countries Trade Agreement
PIDC	Pacific Immigration Development Community
PIFS	Pacific Islands Forum Secretariat
PITAA	Pacific Islands Tax Administrators Association
PMDP	Pacific Management Development Program
PNG	Papua New Guinea
PTCCC	Pacific Transnational Crime Coordination Center
RA-FIT	Revenue Administration's Fiscal Information Tool
RMI	Republic of Marshall Islands
ROCB AP	WCO Regional Office on Capacity Building, Asia Pacific
RILO APWCO	Regional Intelligence and Liaison Office, Asia Pacific
RKC	Revised Kyoto Convention
SMA	Small Member Administration
SPC	Secretariat of the Pacific Community
TA	Trade Agreement
TFA	Trade Facilitation Agreement
TFCC	Trade Facilitation in Customs Cooperation
UNCTAD	United Nations Conference for Trade and Development
UNODC	United Nations Office on Drugs and Crime
US ICE	United States Immigration and Customs Enforcement
VAT	Value Added Tax
WCO	World Customs Organisation
WHO	World Health Organisation
WTO	World Trade Organization

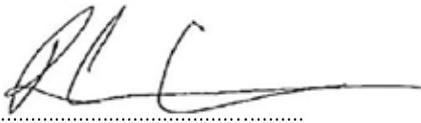
OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 STATEMENT BY THE HEAD OF SECRETARIAT
 FOR THE YEAR ENDED 30 JUNE 2018

As the Head of Oceania Customs Organisation Secretariat ("the Secretariat"), I hereby declare that:

- 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 30 June 2018;
- 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 year ended 30 June 2018;
- 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 year ended 30 June 2018;
- 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;
- e) all related party transactions have been adequately recorded in the books of the Secretariat; and
- f) these financial statements exclude the Trade Facilitation in Customs Corporation fund (TFCC), a European Commission funded project.

For and on behalf of the Secretariat.

Dated this 8th day of October 2018.



.....
 Roy Lagolago
 Head of Secretariat



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1 Butt Street Suva Fiji
PO Box 1359 Suva Fiji

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Auditor's Independence Declaration to the Head of Oceania Customs Organisation Secretariat

As lead auditor for the audit of Oceania Customs Organisation Secretariat for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Oceania Customs Organisation Secretariat during the financial year.

Ernst & Young
Chartered Accountants

Sikeli Tuinamuana
Partner
Suva, Fiji

8 October 2018



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INDEPENDENT AUDITOR'S REPORT

To the members of Oceania Customs Organisation Secretariat

Opinion

We have audited the accompanying financial statements of Oceania Customs Organisation Secretariat ("Organisation"), which comprise the Statement of Financial Position as at 30 June 2018, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies. These Financial Statements exclude the Trade Facilitation in Customs Corporation fund (TFCC).

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Organisation as at 30 June 2018, and of its financial performance, cash flows, and financial performance against budget for the year then ended in accordance with International Public Sector Accounting Standards ("IPSAS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organisation in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Financial Statements in Fiji and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Steering Committee and Management for the Financial Statements

The Steering Committee and management are responsible for the preparation and fair presentation of the Financial Statements in accordance with IPSAS, and for such internal control as the Steering Committee and Management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Steering Committee and management are responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Steering Committee and management either intend to liquidate the organisation or to cease operations, or have no realistic alternative but to do so.

The Steering Committee and management are responsible for overseeing the organisation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



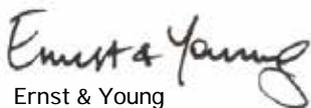
INDEPENDENT AUDITOR'S REPORT *continued*

Auditor's Responsibilities for the Audit of the Financial Statements *continued*

- Obtain an understanding of internal control relevant to the audit 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 organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Steering Committee and management.
- Conclude on the appropriateness of the Steering Committee and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organisation's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Steering Committee and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Steering Committee and management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Ernst & Young
Chartered Accountants



Sikeli Tuinamuana
Partner
Suva, Fiji

8 October 2018

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Revenue from non-exchange transactions			
Australia grant - core		928,218	935,162
New Zealand grant income - core		830,000	795,600
Members' contribution		520,128	517,007
		<u>2,278,346</u>	<u>2,247,769</u>
Revenue from exchange transactions			
Australia grant income - project funding		1,303,495	389,651
New Zealand grant income - project funding		1,139,701	-
Other income	3	118,595	335,206
		<u>2,561,791</u>	<u>724,857</u>
Total income		<u>4,840,137</u>	<u>2,972,626</u>
Expenditure			
Operating expenses	4	3,023,794	2,981,701
Depreciation		58,342	48,099
Doubtful debts		27,568	8,941
Total expenditure		<u>3,109,704</u>	<u>3,038,741</u>
Surplus/(loss) of income over expenditure		1,730,433	(66,115)
Total comprehensive income/(loss) for the period		<u>1,730,433</u>	<u>(66,115)</u>
Accumulated surplus at 1 July		807,277	873,392
Accumulated surplus at 30 June		<u>2,537,710</u>	<u>807,277</u>

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

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	11	1,861,172	887,716
Receivables and prepayments	5	324,523	56,584
Total current assets		2,185,695	944,300
Non-current assets			
Furniture and equipment	6	62,701	117,213
Intangible assets	7	53,627	-
Held-to-maturity investments	12	613,104	-
Total non-current assets		729,432	117,213
Total assets		2,915,127	1,061,513
Current liabilities			
Creditors and other payables	8	153,092	37,106
Employee benefit liability	9	76,134	68,939
Owing to related party	10	148,191	148,191
Total current liabilities		377,417	254,236
Total liabilities		377,417	254,236
Net assets		2,537,710	807,277
Represented by:			
Accumulated Funds			
General reserve fund		1,355,672	747,708
PACER plus specified fund		1,182,038	59,569
		2,537,710	807,277
Total accumulated surplus		2,537,710	807,277

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

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Operating Activities			
Receipts from donors		4,275,333	2,709,164
Receipts from members		259,851	259,851
Payments to suppliers and employees		(2,910,679)	(2,516,151)
Interest and other receipts		19,512	3,611
Net cash provided by Operating Activities		1,644,017	456,475
Investing Activities			
Acquisition of fixed assets		(57,457)	(108,515)
Placement of term deposits		(613,104)	-
Proceeds from sale of assets		-	2,994
Net cash flow used in Investing Activities		(670,561)	(105,521)
Financing Activities			
Loan from related parties		-	3,980
Net cash flow provided by Financing Activities		-	3,980
Net increase in cash and cash equivalents		973,456	354,934
Cash and cash equivalents at 1 July		887,716	532,782
Cash and cash equivalents at 30 June	11	1,861,172	887,716

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

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018

	Final Budgeted	Actual	Performance
	2018	Comparable	Difference
	\$	Basis	(under)/over
		2018	2018
		\$	\$
Income			
Australia	2,322,787	2,231,713	(91,074)
New Zealand	1,807,086	1,969,701	162,615
Member Subscriptions	523,106	520,128	(2,978)
Contribution in kind	78,487	78,487	-
Other Income	33,107	40,108	7,001
Total income	4,764,573	4,840,137	75,564
Expenses			
Salaries and benefits	1,407,370	1,343,394	(63,976)
Travel costs	60,793	29,488	(31,305)
Meeting costs	48,000	48,226	226
Occupancy costs	93,100	86,762	(6,338)
Computer & Office equipment	5,000	10,254	5,254
Communications	57,068	43,379	(13,689)
Publicity	21,400	18,175	(3,225)
Professional fees	48,834	45,842	(2,992)
Finance charges	5,302	67,980	62,678
General and administration	24,408	69,043	44,635
Depreciation	38,671	58,342	19,671
Work program	2,807,715	1,288,819	(1,518,896)
Total expenses	4,617,661	3,109,704	(1,507,957)
Surplus of income over expenditure	146,912	1,730,433	1,583,521

* Final budget was approved by the Oceania Customs Organisation Secretariat Steering Committee on 4th October, 2017.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

1. GENERAL INFORMATION

The financial statements of the Oceania Customs Organisation Secretariat ("OCOS or the Organisation") for the year ended 30 June 2018 were authorized for issue by the Head of Secretary on the 8 October 2018. The OCOS was established in Fiji under a Memorandum of Understanding between OCOS and the Government of Fiji on 15 March 2006. The principal activities of the Secretariat are detailed in note 13.

2.1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared primarily on the basis of historical costs, unless specifically stated otherwise, do not take into account current valuations of non-current assets. The financial statements are presented in Fijian dollars except when otherwise indicated.

Statement of compliance

The financial statements of the Organisation have been prepared in accordance with and comply with the International Public Sector Accounting Standards ("IPSAS") issued by the International Public Sector Accounting Standards Board ("IPSASB").

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

2.2. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Changes in accounting policy and disclosures

For all periods up to and including the year ended 30 June 2017, the Organisation prepared its Financial Statements in accordance with its Internal Financial Regulations. These financial statements, for the year ended 30 June 2018, are the first the Organisation has prepared in accordance with IPSAS.

Accordingly, the Secretariat has prepared Financial Statements which comply with IPSAS applicable for periods beginning on or after 1 June 2017 as described in the accounting policies. In preparing these Financial Statements, the Secretariat opening balance sheet was prepared as at 1 June 2018, the Secretariat's date of transition to IPSAS.

There have been no significant changes to accounting policies as a result of the adoption of IPSAS in the current financial year except for some modification in accounting policies compared to previous practise. The adoption of IPSAS gave rise to additional disclosures and changes in presentation. A reconciliation of the impact of IPSAS on the Secretariat is outlined in Note 17.

The preparation of the Organisation's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Organisation's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Financial Statements.

Estimations and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant task of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Provision for doubtful debts

The Organisation maintains a provision for estimated losses expected to arise from members being unable to make required payments. In assessing the provision, factors such as past collection history, the age of receivable balances, the level of activity in the member accounts, are taken into account.

2.3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted by the Organisation is set out in this note. The policies adopted are in accordance with accounting principles generally accepted in Fiji and, unless stated otherwise, are consistent with those applied in the prior year. All amounts are stated in Fijian currency.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

2.3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(a) Revenue recognition

Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Organisation and can be measured reliably.

Assessed contributions

Contributions from member countries are recognised on an accrual basis and made from reference to assessed computations approved at annual conferences.

Revenue from exchange transactions

Extra-budgetary funds

Funds received from governments and aid agencies under extra-budgetary work programmes are usually for specified purposes. These funds are separately identified in the accounting system and expenditure recorded against each fund. Revenue is generally recognized at the time of receipt of funds to comply with the fund reporting required by the donor.

Contribution in kind

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

(b) Income tax

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

(c) 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	20%
IT equipment	40%
Office equipment	20%
Motor vehicle	20%

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.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Comprehensive Income in the year in which the expenditure is

(e) 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 the Statement of Comprehensive Income.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE FINANCIAL STATEMENTS continued
 FOR THE YEAR ENDED 30 JUNE 2018

2.3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(f) Employee entitlements

Employee entitlements relating to wages, salaries and annual leave represent the amount which the Secretariat 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, 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.

(g) 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.

(h) Bank overdrafts

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(j) Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in finance costs.

(k) Deferred income

Grants received for specific end purpose is recognised as revenue when the conditions attached to the grants have been met. Until those conditions are met, receipt of grant funds in advance is accounted for as deferred income and recognised as a liability.

(l) Comparatives

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

(m) Reserves

The general reserve fund contains balances of membership subscriptions and recurrent donor funding received for operation of the OCO, and Specified Funds, which include specific project funds. The PACER plus specified fund contains the balance of funding received from Australia and New Zealand for implementation of the Capacity Development project for Forum Island Countries for the implementation of Harmonised System 2017.

3. OTHER INCOME

	2018 \$	2017 \$
Contribution in kind (FRCS)	78,487	90,240
Interest income	19,512	3,611
Other donors	387	210,917
Sale of asset	-	2,993
Realised exchange gain	20,209	-
Unrealized exchange gain	-	27,445
	<u>118,595</u>	<u>335,206</u>

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE FINANCIAL STATEMENTS continued
 FOR THE YEAR ENDED 30 JUNE 2018

4. OPERATING EXPENSES	2018	2017
	\$	\$
Advertisement	325	3,092
Auditor's remuneration	10,015	10,015
Annual conference	48,226	248,988
Assets - not capitalised	2,690	2,331
Bank charges and interest	8,367	9,153
Bad debts	7,670	4,000
Consultancy fee	-	22,334
Consultant travel	-	42,788
Electricity and other occupancy costs	82,947	96,811
Entertainment	3,652	8,874
Insurance (motor vehicle and general)	8,987	6,370
Legal fees	545	-
Loss on disposal	-	24,000
Motor vehicle expenses	8,077	4,377
Other administrative expenses	-	1,732
Office equipment expenses	3,437	2,295
Other professional fees	35,283	121,287
Postage and stationery	4,654	3,167
Publicity and public relation	18,175	16,611
Repair and maintenance	3,815	19,011
Salaries and other benefits	1,343,394	1,383,139
Software maintenance	6,817	6,993
Staff amenities	5,419	1,825
Telecommunication and facsimile	43,379	26,147
Travel and accommodation	29,488	69,799
Unrealized exchange loss	59,613	-
Work program	1,288,819	846,562
	<u>3,023,794</u>	<u>2,981,701</u>
5. RECEIVABLES AND PREPAYMENTS	\$	\$
Members' contributions	353,609	31,514
Prepayments	9,616	12,176
Other receivables	151,027	184,307
less: Provision for doubtful debts	(189,729)	(171,413)
	<u>324,523</u>	<u>56,584</u>
6. FURNITURE AND EQUIPMENT	\$	\$
<u>Furniture and fittings</u>		
Cost:		
At 1 July 2017	20,191	13,814
Additions	-	6,377
Transfers from project	7,975	-
At 30 June 2018	<u>28,166</u>	<u>20,191</u>
Depreciation and impairment		
At 1 July 2017	8,905	6,101
Annual depreciation	2,752	2,804
Transfers from project	7,975	-
At 30 June 2018	<u>19,632</u>	<u>8,905</u>
Net book value	<u>8,534</u>	<u>11,286</u>

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE FINANCIAL STATEMENTS continued
 FOR THE YEAR ENDED 30 JUNE 2018

6. FURNITURE AND EQUIPMENT continued	2018	2017
<u>Office equipment</u>	\$	\$
Cost:		
At 1 July 2017	27,280	49,625
Additions	-	19,905
Transfers from project	76,147	-
Disposals	-	(42,250)
At 30 June 2018	<u>103,427</u>	<u>27,280</u>
Depreciation and impairment		
At 1 July 2017	6,507	15,550
Annual depreciation	4,716	9,206
Transfers from project	76,147	-
Disposals	-	(18,249)
At 30 June 2018	<u>87,370</u>	<u>6,507</u>
Net book value	<u>16,057</u>	<u>20,773</u>
<u>IT equipment</u>		
Cost:		
At 1 July 2017	253,280	245,126
Additions	-	82,233
Transfers from project	24,488	-
Disposals	-	(74,079)
At 30 June 2018	<u>277,768</u>	<u>253,280</u>
Depreciation and impairment		
At 1 July 2017	168,126	206,116
Annual depreciation	47,044	36,089
Transfers from project	24,488	-
Disposals	-	(74,079)
At 30 June 2018	<u>239,658</u>	<u>168,126</u>
Net book value	<u>38,110</u>	<u>85,154</u>
<u>Motor vehicle</u>		
Cost:		
At 1 July 2017	127,387	130,979
Transfers from project	73,620	-
Disposals	-	(3,592)
At 30 June 2018	<u>201,007</u>	<u>127,387</u>
Depreciation and impairment		
At 1 July 2017	127,387	130,979
Transfers from project	73,620	-
Disposals	-	(3,592)
At 30 June 2018	<u>201,007</u>	<u>127,387</u>
Net book value	<u>-</u>	<u>-</u>
Net book value as at 30 June 2018	<u>62,701</u>	<u>117,213</u>
7. INTANGIBLE ASSETS		
<u>Software costs</u>		
Cost:		
At 1 July 2017	-	-
Additions	57,457	-
At 30 June 2018	<u>57,457</u>	<u>-</u>

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE FINANCIAL STATEMENTS continued
 FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
7. INTANGIBLE ASSETS continued		
Amortisation and impairment:	\$	\$
At 1 July	-	-
Amortisation	3,830	-
At 30 June	3,830	-
Net book value as at 30 June	53,627	-
8. TRADE CREDITORS AND OTHER PAYABLES	\$	\$
Trade creditors	141,295	25,771
Accruals	11,797	11,335
	153,092	37,106
9. EMPLOYEE ENTITLEMENTS	\$	\$
Annual leave entitlements	76,134	68,939
10. OWING TO RELATED PARTY	\$	\$
<u>Net amounts owing to related party</u>		
Expenses for Core paid by project	148,191	148,191
11. CASH AND CASH EQUIVALENTS	\$	\$
Cash on hand	300	348
Cash at bank	1,073,726	867,357
Short-term deposits	787,146	20,011
	1,861,172	887,716
12. HELD TO MATURITY INVESTMENTS	\$	\$
Term deposits- ANZ	613,104	-

The term of the investment is 6 months at an interest rate of 1.77%.

13. COMMITMENTS AND CONTINGENT LIABILITIES

- a) Capital expenditure commitments at balance date amounted to nil (2017: nil).
- b) Contingent liabilities at balance date amounted to \$189,154 (2017: \$1,232,591).

The OCOS Secretariat implemented the European Union funded Trade Facilitation in Customs Cooperation (TFCC) project from 1 January 2012 to 31 December 2016. During project implementation, the project was subjected to annual expenditure verification exercises, which had identified various items of ineligible project expenditure. TFCC expenses are not included in these financial statements but the OCOS is responsible for TFCC expenses that are deemed ineligible by the European Commission. Total ineligible expenses identified for the 2013 calendar year of 502,404 was the basis of the contingent liability disclosure in the Financial Statements for the year ended 30 June 2017.

The project was subjected to an independent external audit commissioned by the European Commission in late 2017. The findings of this audit supersede those of previous annual expenditure verification exercises, and will be the basis of any recovery action instituted by the European Commission on the OCOS for ineligible expenditure findings.

The final audit report was presented to the European Commission in June 2018, and included findings that would be subject to further consideration by the Commission. The OCOS has yet to receive feedback from the Commission on a way forward for these findings.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE FINANCIAL STATEMENTS continued
 FOR THE YEAR ENDED 30 JUNE 2018

13. COMMITMENTS AND CONTINGENT LIABILITIES continued

The report also included a revision of the methodology for determining a final balance of the project that would be either recoverable by the Commission from the OCOS, or payable by the Commission to the OCOS. Using this revised methodology, the maximum amount that would possibly be payable by the OCOS to the Commission is calculated to be €78,707, which equates to FJD189,154 at 30 June 2018 exchange rates.

14. PRINCIPAL ACTIVITY

The OCOS facilitates and where appropriate helps member customs administrations align with customs international standards and best practice leading to greater economic prosperity and increased border security within the Oceania region.

15. SECRETARIAT DETAILS

Registered office
 84 Harris Road
 Suva
 Fiji

Number of employees

As at balance date, 7 full time employees were employed by the Secretariat (2017: 7 employees).

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 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.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements of Oceania Customs Organisation Secretariat for the year ended 30 June 2018 were authorized for issue by the Head of Secretariat on 8 October 2018.

17. RECONCILIATION FROM THE ORGANISATION'S FINANCIAL REGULATIONS TO IPSAS AS AT 1 JULY 2017

	Notes	OCO Policies \$	Adjustments \$	IPSAS \$
Assets				
Current assets				
Cash and cash equivalents		1,861,172	-	1,861,172
Receivables and prepayments		324,523	-	324,523
Total current assets		2,185,695	-	2,185,695
Non-current assets				
Furniture and equipment		116,328	53,627	62,701
Intangible assets	A	-	53,627	53,627
Held-to-maturity investments		613,104	-	613,104
Total non-current assets		729,432	-	729,432
Total assets		2,915,127	-	2,915,127

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
 NOTES TO THE FINANCIAL STATEMENTS continued
 FOR THE YEAR ENDED 30 JUNE 2018

17. RECONCILIATION FROM THE ORGANISATION'S FINANCIAL REGULATIONS TO IPSAS AS AT 1 JULY 2017

	OCO Policies \$	Adjustments \$	IPSAS \$
Current liabilities			
Creditors and other payables	153,092	-	153,092
Employee benefit liability	76,134	-	76,134
Owing to related party	148,191	-	148,191
Total current liabilities	<u>377,417</u>	<u>-</u>	<u>377,417</u>
Total liabilities	<u>377,417</u>	<u>-</u>	<u>377,417</u>
Net assets	<u>2,537,710</u>	<u>-</u>	<u>2,537,710</u>
Represented by:			
Accumulated Funds			
General reserve fund	1,355,672	-	1,355,672
PACER plus specified fund	1,182,038	-	1,182,038
Total accumulated surplus	<u>2,537,710</u>	<u>-</u>	<u>2,537,710</u>

A Intangible assets

Under the Organisation's Internal Financial Regulations, the Organisation included software costs not integral to computer hardware as part of property, plant and equipment. This has now been classified as intangible assets and amortised over their useful lives.

OCEANIA CUSTOMS ORGANISATION SECRETARIAT
DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2018

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 YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
Income		
Australia grant income	2,231,713	1,324,813
Contribution in kind (FRCS)	78,487	90,240
Interest income	19,512	3,611
Membership fee	520,128	517,007
New Zealand grant income	1,969,701	795,600
Other donors	387	210,917
Realized exchange gain	20,209	-
Sale of asset	-	2,993
Unrealized exchange gain	-	27,445
Total income	4,840,137	2,972,626
Expenditure		
Audit fee	10,015	10,015
Assets - not capitalised	2,690	2,331
Advertisement	325	3,092
Annual conference	48,226	248,988
Bank and finance charges	8,367	9,153
Bad debts	7,670	4,000
Consultancy fees	-	22,334
Consultant Travel	-	42,788
Depreciation	58,342	48,099
Doubtful debts	27,568	8,941
Entertainment	3,652	8,874
Insurance (motor vehicle and general)	8,987	6,370
Legal fees	545	-
Loss on disposal	-	24,000
Motor vehicle expenses	8,077	4,377
Occupancy costs	82,947	96,811
Other administrative expenses	-	1,732
Office equipment expenses	3,437	2,295
Other professional fees	35,283	121,287
Postage and stationery	4,654	3,167
Publicity and public relation	18,175	16,611
Repair and maintenance	3,815	19,011
Staff amenities	5,419	1,825
Software maintenance	6,817	6,993
Salaries and other benefits	1,343,394	1,383,139
Travel and accommodation	29,488	69,799
Telecommunication	43,379	26,147
Unrealized exchange loss	59,613	-
Work program	1,288,819	846,562
Total expenditure	3,109,704	3,038,741
Surplus/(loss) for the year	1,730,433	(66,115)

The Detailed Comprehensive Income Statement is to be read in conjunction with the disclaimer on page 42.







