



Oceania Customs  
Organisation Secretariat

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# Annual Report

## July 2015 - June 2016

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“Digital Customs, Progressive Engagement”



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# Foreword

## Statement by the 2015/16 Chair of the OCO Conference and Steering Committee



It is a distinct pleasure to provide an opening statement for this annual report in my role as Chair of the Oceania Customs Organisation (OCO) Conference and the OCO Steering Committee for the 2015/16 year, and to summarise the achievements of both the OCO Steering Committee and the OCO Secretariat in a year that proved both challenging and rewarding.

With the establishment of the OCO Steering Committee in 2014, this was the first year to test in earnest its oversight and governance role. This was also the year in which the OCO's organisational change management process came to fruition, with the appointment of a new Head of Secretariat and management team, and a change in OCO's engagement with members from an implementation modality to one of facilitation and coordination. I am happy to report that the OCO Steering Committee has proved to be an excellent governance mechanism for the OCO, and provided invaluable oversight and guidance to the OCO Secretariat to progress its work. The Steering Committee has been instrumental in negotiating a proposed financing solution that is expected to address the financial issues related to the Trade Facilitation in Customs Cooperation project with the Pacific Islands Forum Secretariat and the European Union, and in ensuring that the interests of all parties were adequately addressed. The Committee has also provided flexible and responsive oversight to the OCO Secretariat's work during the year, and has been available to make timely and efficient decisions when required.

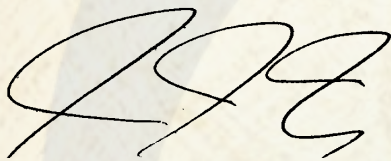
The good progress made by the OCO Steering Committee in the past year, and that of the OCO Secretariat and the OCO as a whole, was a welcome change after enduring challenges that the OCO had faced in 2014. While we are yet to work through the issues identified in 2014 in their entirety, present indications suggest that we will be able to emerge from this as a stronger and more resilient organisation.

This success would not have been possible without outstanding commitment and dedication of Steering Committee members. For this, I express my heartfelt thanks to individuals from Australia, Fiji, New Zealand, Samoa, and Tuvalu, who have served as members of the Steering Committee over the past year, for their perseverance. I also express my appreciation to the Head of Secretariat, in his role as Secretary to the OCO Steering Committee, for timely provision of high quality advice to facilitate effective and efficient decisions of the Committee.

I am also happy to report that the reform agenda that the OCO embarked on in 2014

resulted in the appointment of a new Head of Secretariat and management team in August 2015. This has also proved to be a highly successful change management process, with the new management team playing a pivotal role in working towards a managed conclusion to the Trade Facilitation in Customs Cooperation project that is mutually beneficial to all parties concerned, and in rebuilding credibility of the OCO in the eyes of our development partners, donors, partner regional and international agencies, and members.

The future certainly looks much brighter than it did a year ago, and as we continue to progress through the reform agenda, I can only see further positives being derived by the OCO. As I hand over chairmanship of the OCO Annual Conference and the OCO Steering Committee to Tuvalu, I humbly thank the wider membership for the opportunity to chair this dynamic and professional organisation, and for the support provided for me in this role. This has made my experience as Chair of the OCO immensely rewarding, and I wish Tuvalu every success for the future.



**John Tarkong Jr.**  
**Director, Palau Bureau of Customs and Border Protection**  
**and 2015/16 Chair of OCO Conference and Steering Committee**

## Message from the Head of Secretariat



It is an honour to present the 2016 Annual Report to the Members, Donors and Development partners of the Oceania Customs Organisation, and to our regional stakeholders and partners in Trade Facilitation, Border Security and Law Enforcement.

This report provides a summary of the main activities undertaken by the OCO in the fiscal year ended 30 June 2016, under the guidance of Members and the OCO Steering Committee. This is the first annual report since the OCO changed its fiscal and reporting year from a calendar year to a 1 July to 30 June year. With the last annual report being for the 2014 calendar year, this report also includes a brief summary of activities during the period from 1 January to 30 June 2015.

The year ended 30 June 2016 coincides with the end of my first year as Chief Executive and Head of the OCO Secretariat. This year saw the end of an 18-month transformation and change management process aimed at fulfilling the vision of making the OCO a values-driven, forward-facing, customer-focused regional organisation in the service of its members. As a result of the change management that was effected, it led to a significant restructuring of the Secretariat, with the appointment of a completely new senior executive management team, and changes to many other staffing structures at the OCO. Although the year has not been one without challenge, I am delighted to report that we have been able to respond to our Members effectively and positively, and deliver a considerable body of work in a short time.

I am particularly indebted to members of the OCO Steering Committee, who have selflessly committed their time, effort and considerable knowledge to guiding this important regional organisation to a better place than it was two years ago. To each of you, I express my heartfelt gratitude.

I also express my appreciation to my committed and talented staff, who have worked tirelessly over the last year to address a variety of issues facing the OCO, including some that have threatened its very existence. This report contains many examples of success in our endeavours, and I am sure that OCO Members will join me in thanking the team for their efforts.

Finally, it would be remiss of me not to mention three specific individuals who have moved on from direct involvement with the OCO, but who still remain at the forefront of our thoughts when we think of contributors to the OCO. Mr Jitoko Tikolevu, former Chief Executive of the Fiji Revenue and Customs Authority, Mr Michael Papesh of the New Zealand Customs Service, and Ms Lusua Sefo-Leau, former Chief Executive of the Samoa Ministry of Revenue and Customs, cannot be thanked enough for the considerable contributions they have made to the success of the OCO in the recent past. We wish them well for the future.

A handwritten signature in black ink, appearing to be 'Seve Paeniu'. The signature is stylized and written in a cursive-like font.

**Seve Paeniu**  
Head of Secretariat

# Republic of Palau hosts the 2015 Annual Conference in Koror, Palau on 22nd – 24th June 2015



## Key Outcomes:

- **Adoption of the Charter and Constitution of the OCO**  
The Conference adopted the Charter and Constitution of the OCO, which clearly defines the organisation's purpose and powers, its membership, voting procedures and its governance structures.
- **Adoption of the OCO Steering Committee Charter**  
The Conference formally adopted the OCO Steering Committee Charter, which will provide oversight and strategic direction to the Secretariat and OCO. The Conference also elected Palau (Chair and Micronesia representative), Fiji (Vice Chair and Melanesia representative), New Zealand (Permanent member), Australia (Permanent member), Samoa (Polynesia representative) and Tuvalu (Vice Chair) to the OCO Steering Committee.
- **Adoption of the OCO 2015 – 2017 Strategic Plan**  
The Conference adopted the OCO Strategic Plan 2015-2017, which sets out the strategic direction of the OCO with a focus on helping Member administrations align with customs international standards and best practice, leading to greater economic prosperity and increased border security. The Conference also adopted the Revised Organisational Structure and Capabilities Plan, which establishes the human resource profile the OCO needed to implement the Strategic Plan.
- **Appointment of Head of Secretariat**  
The Conference endorsed the appointment of Mr Seve Paeniu as Head of Secretariat for the next three years, and acknowledged the outstanding efforts of the outgoing Head of Secretariat, Mr Allwyn Netto, during his time at the OCO.

- **Establishment of the Working Group on Information Sharing**

The Conference discussed current threats and risks in the Pacific including activities by organised crime gangs and their increasing use of Pacific Island Countries as transshipment points. In the interest of promoting greater cooperation between OCO Members and observers in protecting our borders through the sharing of information, the Conference established the Working Group on Information Sharing to; a) Assess Member's capability for information collection and sharing; b) Assess Member's authority to share information; and c) Assess the suitability of current fora and platforms for information sharing in the region. The conference appointed members to the Working Group comprising Australia, Fiji, Guam, New Zealand, Niue, and supported by the Head of Secretariat.



OCO



# Tuvalu hosts the 2016 Annual Conference in Funafuti, Tuvalu on 1st – 3rd June 2016



## Key Outcomes:

- **OCO Regional Information and Intelligence Sharing Framework**

The Conference adopted the OCO Regional Information and Intelligence Sharing Framework; endorsed and adopted the OCO Regional High Level Understanding on Information and Intelligence Sharing; welcomed the expansion of the Working Group on Information Sharing to include New Caledonia; and tasked the working group to develop an MOU for signing by members to facilitate more formal sharing of information.
- **Joint Pacific Law Enforcement Conference**

The Conference endorsed the concept for a Joint Pacific Law Enforcement Conference to be explored with PICP, PIFS and PIDC, and endorsed in-principle the convening of simultaneous conferences for OCO, PICP and PIDC in 2018, culminating in a Joint Pacific Law Enforcement Conference.
- **Annual Conference**

The Conference reaffirmed the need to maintain the OCO conference annually, and also agreed that hosts for annual conferences from 2019 onward be determined alphabetically.
- **Financial Governance**

The Conference endorsed the approval process for the various layers of the OCO financial governance framework, and the approach for a comprehensive review of OCO's Financial Policies and Procedures Manual whereby the Annual Conference approves high level financial management principles; policy review and development will be carried out by the OCO Steering Committee; and the financial procedures will be undertaken by the Head of Secretariat.

- **Reporting Timelines**

In light of the implications arising from the transition from a calendar year to a July to June fiscal year, the Conference endorsed the new reporting periods and timelines for delivery of the OCO corporate business matters as follows: (a) OCO Annual Report tabled for approval by the OCO Steering Committee in October and subsequently disseminated out-of-session for the information of Members; (b) OCO Annual Budget and Work Program tabled for approval at the OCO Annual Conference; and (c) OCO Annual Audit Report and Financial Statements tabled for consideration by the OCO Steering Committee in October and subsequently disseminated out-of-session for the endorsement of Members.

- **Administration Policy**

The Conference endorsed the proposed revisions to the OCO Administration Policy; and directed the Head of Secretariat that where there are inconsistencies between staff entitlements in the revised Administration Policy and existing staff contracts, those contracts should be revised accordingly, unless a special entitlement has been agreed.

- **Customs Digitisation and Modernisation**

The Conference welcomed the presentations provided by Member administrations, partner organisations and service providers sharing national experiences, approaches and processes linked to digitisation, the advancement of paperless trade and the implementation of Single Window processes across the breadth of the supply chain. Members further noted the importance of potential threats to border security posed by transnational and e-crime and reaffirmed the significant need to prioritise leadership to support both national and regional efforts to implement reforms necessary to implement agreed future directions.



ICT Equipment Upgrade Mission, Nauru, Mar 2016



DEPA Nadi Workshop, May 2016

# DELIVERING THE OCO STRATEGIC PLAN 2015 - 2017

The OCO is mid-way through implementation of its 2015 - 2017 strategic plan. This Annual Report reports on progress made during the year from 1 July 2015 to 30 June 2016 in delivering the following Programmes and Strategies, as contained in the 2015 - 2017 strategic plan. It also reports on institutional reform efforts that have taken place during the year, and of changes in the corporate support functions of the OCO Secretariat.



The current organisational structure of the OCO Secretariat approved by Members to deliver the strategic plan is included at Annex 1 to this document. This organisational structure highlights positions which are currently filled or budgeted to be recruited in the coming year, and those that remain vacant due to the OCO's present inability to fund the positions. It also notes positions that are filled with full-time staff, and those that are filled on a temporary or secondment basis.



In the twelve months ended 30 June 2016, the OCO carried out a number of activities that contributed to achieving its 2015-2017 Strategic Plan. These activities continue to be delivered according to OCO's coordination and facilitation role, for the benefit of its wider membership, and address OCO's responsibilities under its 2015-17 Strategic Plan, as well as the European Union funded Trade Facilitation in Customs Cooperation (TFCC) project.

In reporting on OCO's successes in the June 2016 year, acknowledgement must be made of OCO's larger members and partners, without whom delivery of these activities would not have been possible. Specific acknowledgement is made of the Australian Department of Immigration and Border Protection (DIBP), the European Union, the Fiji Revenue and Customs Authority (FRCA) and the New Zealand Customs Service (NZCS).

## 1. Law Enforcement and Border Security

### Key Strategic Activities

Law enforcement and border security continued to be an important area of focus for the OCO. Apart from the specific activities carried out to achieve this Strategic Goal, the OCO also strengthened partnerships with key regional law enforcement agencies during the year, including the Pacific Islands Forum Secretariat, the Pacific Immigration Director's Conference Secretariat and the Pacific Islands Chiefs of Police Secretariat. Continued dialogue with these regional

agencies going forward will enable the OCO to address pertinent law enforcement and border security issues that affect the region as a whole, and position its Members to benefit from and contribute to mutually beneficial regional initiatives.



### 1.1 Improve border management and usage of modern tools and techniques

The OCO facilitated a Regional Marine Awareness and Maritime Vessel Search Training Program offered by the Australian Department of Immigration and Border Protection at the Australia Border Force College in Sydney, Australia from 4 to 8 April 2016. This training intended to build the capacity of OCO Members to plan and undertake systematic vessel searches taking into account potential hazards, methods of concealment and modern tools and personal protective equipment.

The training was attended by 13 OCO Members, and focused specifically on competencies in:

- Health and safety policies and procedures;
- Monitoring hazardous atmospheres;
- Identifying confined spaces;
- Conducting a search on a small (fishing) vessel;
- Conducting a search on a merchant vessel; and
- Conducting a search on a pleasure craft.

The OCO also facilitated a Document Examination Principles and Application training on 18 – 20 May 2016, in association with the Australian Department of Immigration and Border Protection. The training workshop was attended by mostly immigration officials and including four OCO Members in Nadi, Fiji, and covered:

- Forensic decision making processes;
- Correct use of document examination equipment;

- Demonstration of equipment and practical exercises;
- Identification of paper and security features;
- Hands on examination of documents to detect fraud; and
- Recording methodology for examination and results.

## 1.2 Improve intelligence and investigation capacity

The OCO facilitated three workshops on intelligence and investigation techniques during the year, in collaboration with the Australian Department of Immigration and Border Protection (DIBP), the World Customs Organisation, and the Pacific Immigration Directors Conference (PIDC).



The first of these was a five-day Intelligence workshop held on 16 to 21 November 2015 at the FRCA's Regional Training Centre in Suva, and attended by 8 OCO Members. The workshop was held to increase the law enforcement and compliance capacity of selected OCO and PACP Members through the provision of an introduction to the theory and basic practices behind intelligence analysis for officers with no previous experience in intelligence.

The Workshop facilitators provided training over a period of five days on the intelligence cycle and processes as well as the development of products both verbal and written and were introduced to:

- Intelligence analysis theory and the theory behind the intelligence cycle;
- Intuitive and critical thinking theory;
- Bias and mindsets theory;
- Risk and threat in an intelligence environment;
- Intelligence reporting - verbal and written;
- Structured brainstorming analytical technique;
- Excel spreadsheets as an analysis tool;
- Scenario based exercise that incorporates all of the above.

As a result of the workshop, participants were: (a) introduced to foundation principles of intelligence theory, the intelligence cycle and standard intelligence products; (b) learnt new skills to assist in the collection, collation, analysis and dissemination of intelligence; (c) were briefed on how intelligence can be used to provide strategic, operational and tactical guidance to their Customs administration; (d) participated in desktop exercises to utilise newly learned skills; and (d) presented to colleagues regarding analysis based on workshop exercises.

The second workshop was the Regional Skills Development Programme Workshop on Investigations held on 14 - 17 June 2016 at the same venue in Suva, and attended

by eight OCO Members. This workshop aimed to provide participants with the skills, knowledge and confidence required to undertake Customs investigations, and covered theoretical principles of generic investigation techniques.

The course content focussed on building capacity in:

- Investigating fraud, illegal importation/exportation and other crime related offences;
- Understanding, interpreting and applying provisions within legislation with regard to officer powers, offence and procedural requirements for investigations;
- Planning and preparing investigations;
- Collecting, assessing and handling evidence;
- Understanding and appreciating the range of investigative duties including non-investigative functions which may interact with investigations;
- Preparing and submitting applications for warrants;
- Interviewing witnesses, suspects and preparing statements;
- Preparing a brief of evidence;
- Appearing in court and presenting evidence; and
- Using an official notebook to take contemporaneous notes fit for use in court.

The third workshop was the WCO Sub-Regional Workshop on Search, Investigation and Interrogation Techniques, also held at the FRCA's Regional Training Centre in Suva on 27 June to 1 July 2016, and attended by eight OCO Members. The workshop covered Customs control processes and legislative frameworks for search, investigation and interrogation, as well as search, investigation and interrogation techniques.

The OCO also supported a short term attachment for Samoa with the New Zealand Customs Service in April 2016 under the TFCC Twinning Programme, to build intelligence capacity.



### 1.3 Improve coordination between border and law enforcement agencies

At the 2015 OCO annual conference, Members discussed the growing threat from organised crime to the Pacific region and agreed to establish the Working Group on Information Sharing to develop recommendations on how to strengthen information sharing among Members. The Working Group was to be convened by the OCO Secretariat with Members being represented by Australia, Fiji, Guam, New Zealand and Niue.



The Working group held two meetings in Guam in February 2016 and Auckland in May 2016. As part of the second meeting, the Working Group held a teleconference with the Pacific Islands Chiefs of Police, the Pacific Islands Forum Secretariat and the Pacific Transnational Crime Coordination Centre to discuss opportunities for information sharing as well as proposed activities to strengthen the OCO Small Craft Movement Report (SCMR).

A key part of the Working Group's activities was an environmental scan of existing international and regional Customs and law enforcement mechanisms and the dissemination of two questionnaires to Members to ascertain national capacities and priorities. The questionnaires provided valuable information to guide the Working Group's discussions and inter alia identified five main areas prioritised by responding administrations needing OCO support. These priority areas included the need for support to develop national information and intelligence related: (a) legislation; (b) corporate policies and standard operating procedures; (c) model intelligence products and templates; (d) guidelines and training manuals; and (e) formal and informal information and intelligence sharing networks.

A full report of the Working Group's activities was disseminated to OCO Members at the 2016 Annual Conference in Tuvalu, where Members:

- a) Endorsed and adopted the OCO Regional High Level Understanding on Information and Intelligence Sharing, which provided overarching strategic direction and an indication of the commitment of OCO Members to work towards collaborating and sharing information; and
- b) Endorsed the Working Group's recommended Regional Information and Intelligence Sharing Framework to strategically coordinate national and regional efforts for OCO Members, the OCO Secretariat and partner organisations.

The key components of the regional framework include:

- a) a high level OCO Regional Agreement on Information and Intelligence Sharing

signed by OCO Members to formalise the adoption of the Framework, provide principles to underpin Framework activities and highlight a regional commitment among Members;

- b) a clear vision to guide the strategic direction of the Framework based on the OCO Charter and Strategic Plans;
- c) clear implementing strategic objectives to realise the Vision with specific activities to be undertaken by OCO Members and Secretariat at national and regional levels;
- d) a multi-lateral Memorandum of Understanding for Members' consideration to formalise agreed information and intelligence sharing activities to be developed and finalised by the Working Group for Members' consideration; and
- e) a number of information and intelligence sharing mechanisms such as: (i) CRIN, SCMR and a proposed formal Network of Designated Contact Points to facilitate information sharing; and (ii) tools to support the development of national capacity to manage and share information.

## 2. Trade Management & Facilitation

### Key Strategic Activities

With the negotiation of the Pacer Plus trade agreement reaching its final stages, Trade Management and Facilitation continues to be of profound importance to OCO Members. OCO's support to its Members in facilitating and managing trade carries on from similar work relating to the Economic Partnership Agreement with the European Union, which was supported under the EU funded Trade Facilitation in Customs Cooperation project.



### 2.1 Adopt Profiling and Risk Management Measures

Although no specific profiling and risk management activities were carried out during the year, the OCO did place considerable focus on the prerequisite for effective profiling and risk management measures – the standard customs data model. This standard customs data model was introduced in the OCO Regional Customs Data and Trade Statistics Workshop held at the FRCA's Regional Training Centre in Suva, Fiji on 11 – 15 April 2016.

Accurate and timely collection of customs data in the standard customs data model format, will allow effective analysis for profiling and risk management purposes.

### 2.2 Improve Assessment and Valuation Methods

The OCO hosted a Rules of Origin workshop on 30 November to 4 December 2015 at the FRCA Regional Training Centre in Suva, and attended by eight OCO Members. The aim of the workshop was to: (a) assist OCO Members to remedy identified capacity gaps in the implementation of national ROO frameworks; (b) respond to requests for



support from Member administrations regarding the rapidly changing regional ROO environment; and (c) to further enhance the capacity of Member administrations and partner domestic agencies to support national trade agreement activities and responsibilities.

The following specific ROO principles and activities were covered in the workshop:

- a) introducing common concepts and principles;
- b) discussing current international and regional Trade Instruments and links to ROO;
- c) highlighting the importance of ROO links to statistical analysis of trade data;
- d) developing the capacity of Participants and Member administrations in implementing import and export ROO obligations relevant to individual Pacific Islands Countries; and
- e) Reviewing national and regional challenges to implementing preferential ROO as envisaged under various Trade Agreements currently being negotiated.

The OCO also facilitated an extensive three-day capacity building workshop on the implementation of international standards and best practices on valuation in Tuvalu. This workshop was delivered by experts provided by the New Zealand Customs Service, as part of its legislative assistance mission in November 2015. This workshop was well attended by Customs officials, partner border and revenue agencies, the private sector and representatives of the public, and was highly successful. A concrete outcome of this intervention was the identification of a requirement to include WCO valuation in the Tuvalu Customs Act.

### **2.3 Implement Post Clearance Audits**

A Regional Post Clearance Audit workshop was held from 23 to 27 November 2015 in Suva to enhance the capacity of Customs Administrations around the Pacific Region in facilitating trade through the development and strengthening of Post Clearance Audit (PCA) processes. The workshop was part of the OCO's 2015 Revised Activity Plan under the TFCC project, and focused on building capacity to develop or implement legislative and procedural PCA frameworks aligned with the Revised Kyoto Convention (RKC) and international standards and best practices.



The workshop was attended by eleven OCO Members, and was facilitated by New Zealand Customs Service experts, who provided training on PCA principles and activities: (a) to provide participants with an understanding of how audits and in this case, field audits are planned, conducted and followed up; and (b) discuss topics such as basic business models and transactions, risk management, verification of origin and value, tariff classification, compliance or performance measurements, promotion of Customs co-operation and greater voluntary compliance, and basic accounting processes and reports necessary to undertake basic PCA activities.

Workshop participants were required to identify the current legislative and policy provisions in their respective administrations to enable them to: (a) develop an Action Plan on how to strengthen or introduce (where appropriate) national PCA capacity; (b) develop a targeted reform project to adopt (where appropriate) or strengthen PCA systems to enhance the capacity of their administrations to effectively undertake Post Clearance Audits while still promoting the facilitation legitimate trade according to international Customs standards and best practices; and (c) identify constraints for the implementation of their respective Action Plans and proposed reform projects and collectively explore possible sources of support.

Upon return to their respective Customs administrations, participants were expected to implement the project proposals and seek endorsement of the Action Plans with further remote technical support to be provided where possible by the OCO and PCA Mentors that facilitated the workshop.

### 3. Revenue Management

#### Key Strategic Activities

The OCO's primary activity in the Revenue Management programme area during the year was the OCO Regional Customs Data and Trade Statistics Workshop held at the FRCA's Regional Training Centre in Suva, Fiji on 11th - 15th April 2016. This workshop was attended by fifteen OCO Members, and addressed a number of the priority strategies in this programme area.

#### 3.1 Establish Sound Financial Processes and Management Systems

The OCO facilitated an in-country mission to the Federated States of Micronesia in November 2015 to assist in the development of Standard Operating Procedures for FSM Customs and Tax Administration. The Australian Department of Immigration and Border Protection provided the expert for this mission, who reviewed existing processes and procedures, and provided training to FSM Customs and Tax Administration officers to formulate Standard Operating Procedures.

In addition to this, two of the three key areas of focus of the Regional Customs Data and

Trade Statistics Workshop addressed the Sound Financial Processes and Management strategy:

- a) Customs data management - to strengthen processes and operational capacity of Member administrations to capture, process, validate, store, record, analyse and share Customs data; and
- b) National trade statistics - to strengthen processes and operational capacity of Member administrations to collect, analyse and share national trade statistics.

This enhanced the capacity of participants in customs data management and development of national trade statistics.



### 3.2 Improve Staff Integrity and Code of Conduct

The majority of OCO's work to achieve this priority strategy was in preparation for the three-day Regional Workshop on Integrity organised by FRCA and the WCO held on 27th - 29th July 2016. This workshop was an initiative of FRCA on assumption of its new role as Vice Chair of the World Customs Organisation for the Asia Pacific Region.

As this workshop falls into the reporting period succeeding that covered by this report, it will be reported in the next Annual Report.



### 3.2 Improve Customs Capacity in Revenue Analysis

The third focal area of the Regional Customs Data and Trade Statistics Workshop addressed this priority strategy:

- a) Customs research - to develop internal research capacity to support institutional planning and decision making process.

This enhanced the capacity of participants in quantitative and qualitative research on Customs processes to support institutional planning and decision making, which in turn would lead to improved Customs capacity in revenue analysis in Member administrations.

## 4. Institutional Strengthening of Small Customs Administrations

In recognition that Small Customs Administrations in the region face the biggest challenges with respect to vulnerability and resourcing, much of the OCO's work focusses on benefiting this category of its membership. Small Customs Administrations are defined as those with fewer than 50 staff members, and represent approximately half of OCO's membership.

### 4.1 Update Customs Legislation

The OCO provided support to Tuvalu Customs in November 2015 to assist in operationalising the newly enacted Tuvalu Customs Act. This activity formed part of the TFCC Revised Activity Plan for 2015, and involved a short-term mission by experts provided by New Zealand Customs, who provided training to various government and private sector stakeholders on how the new Customs Act would impact national activities.

The OCO also provided in-country assistance to Tonga, Niue and Kiribati in 2016 to update and modernise their respective customs legislative frameworks. These in-country missions included provision of specific legislative drafting assistance, which involved working collaboratively with the respective Attorney General's offices, as well as general customs assistance based on country specific needs.

The legislative drafting expertise for the Kiribati mission was provided by the Pacific Islands Forum Secretariat.

## 4.2 Improve Leadership at All Levels

The OCO provided technical assistance during the year to the Palau Bureau of Customs and Border Protection with organisational restructuring. As Palau Customs was in the process of having their draft Customs Bill, which contained a number of key amendments in line with the Revised Kyoto Convention, passed in Parliament, they required a reform strategy for the organisation. Apart from a new organisation structure requiring to support the modernisation work resulting from the legislative amendments, new position descriptions were also required as the new business dynamics would result in new roles.

OCO provided support through formulating new job descriptions for different roles, ranging from customs officers to senior executive positions.



## 4.3 Enhance Appropriate Automation Systems

The OCO provided and configured upgraded ICT equipment to Nauru Customs, including front-end PC's, printers and back-end servers, as part of the 2015 Revised Activity Plan of the TFCC project. The equipment was installed and commissioned in March 2016.

## 4.4 Strengthen Information Sharing through IT Systems

Nauru was the ninth customs administration that benefited from upgraded ICT equipment under the TFCC project since 2012. ICT equipment upgrades have also been provided to Fiji, Kiribati, Nauru, Niue, Palau, RMI, Tuvalu and Vanuatu.

This equipment upgrade work has ensured that all members utilise at least a minimum standard of ICT equipment. This will enable information sharing from customs desktops once a format for such information exchange is finalised by the Working Group on Information Sharing.

## 5. Organisational Reform & Corporate Services

The OCO Steering Committee continues to provide an effective mechanism to guide and monitor the strategic direction of the Secretariat and to report on its performance to Members, besides providing high level policy advice and strengthening the governance of OCO.

The main focus of the OCO Steering Committee since the Palau Conference in June 2015 has been devoted largely to developing an acceptable integrated solution to the financial issues related to the TFCC project (EU-funded) and a managed conclusion to the grant contract.

Consistent with the revised organisational structure and capabilities plan approved at the 2015 annual conference in Palau, the Head of Secretariat and the two Manager positions (the Operations Manager and Finance & Corporate Services Manager) were

recruited in mid-2015 facilitated by a change management team. With the recruitment of the Finance & Corporate Services Manager, KPMG's engagement as administrator was concluded, and responsibilities for the financial affairs of the Secretariat transferred back to the OCO.

The Human Resource & Logistics Officer position was also recruited in mid-2015, and an experienced former head of a member customs administration was engaged in January 2016 to provide technical advice and support, particularly for the smaller customs administrations.

A new staff was recruited in March 2016 to fill a re-structured ICT and Finance Officer position, and a secondment arrangement were agreed with FRCA and the Tuvalu Customs Service for technical staff to be seconded to the OCO on a short-term placement. These secondment arrangements can be viewed as a capacity development opportunity with a win-win outcome for both the OCO Secretariat, who gain through the services and experience of staff seconded from members, and member administrations, who gain from the broadening of the experience of their seconded officers in a regional customs-centric organization and from contributing regional solutions to assist smaller member organizations.



Having a small but highly experienced and professional team has enabled the OCO to coordinate and facilitate a number of regional training programs, and deliver some in-country work, within a short period of time between August 2015 and June 2016.

Improvement in effectiveness and efficiency of financial management practices has also been a focus of OCO during the reporting period. A comprehensive review of the OCO Financial Policies and Procedures Manual commenced during the period, and is expected to be completed over the coming year in close consultation with the OCO Steering Committee.

A new Annual Budget and Work Program format has been adopted, which is expected to allow more informed financial decision making by the Annual Conference and the OCO Steering Committee, and will provide a basis for improved timeliness of financial reporting during the coming year.

Financial management at an operational level has also been improved by signing up for Westpac Bank's Corporate Online internet banking platform. This is expected to provide greater efficiency in financial transaction processing going forward, whilst maintaining existing levels of financial authority and oversight.

On-going funding arrangements were concluded during the period with the New Zealand Ministry of Foreign Affairs for the period from January 2015 to June 2016. In principle agreement for funding arrangements with the Australian Department of Foreign Affairs and Trade for the period from July 2016 to June 2019, and are expected to be confirmed in a Grant Funding Agreement early in the new fiscal year.

## Trade Facilitation in Customs Cooperation Project

Consistent with the objectives of the TFCC Project, the primary focus in 2015 and 2016 remained at providing capacity building activities at both the national and regional levels to assist OCO PACP Members align domestic legal frameworks and processes with international standards and best practices contained in the Revised Kyoto Convention, WCO Framework of Standards and various WTO Agreements.

Originally scheduled to conclude on 31st December 2015, the project was extended by mutual agreement with the Pacific Islands Forum Secretariat and the European Union for a further 12 months to address the financial issues arising from prior years' audits. The strategy agreed with the PIFS and the EU to address these financial issues was for the OCO effectively to use the 2016 work-plan for the TFCC, which would be financed entirely with funding from non-EU sources, to offset project expenses identified in 2012, 2013 and 2014 audits as ineligible. This strategy has been agreed trilaterally between OCO, PIFS and the EU, and formalised in Addendum 4 to the TFCC Grant Contract, which was signed in June 2016.

During the reporting period, project activities were implemented according to 2015 Annual Work Plan 3 (AWP3), a 2015 Revised Activity Plan for AWP3 (RAP AWP3), and 2016 Annual Work Plan 4 (AWP4). Significant technical support for these activities have been provided by Australia, New Zealand and Fiji with Fiji in particular hosting all related workshops at the FRCA Regional Training Centre in Suva.

Although a number of activities were initially planned for 2015 under AWP3, ongoing reform processes and significant OCO staff turnover resulted in challenges to implementation. In August 2015 a Revised Activity Plan (RAP AWP3) was developed to deliver eleven key activities based on EU funds on hand with the Secretariat, time available and revised priority areas identified by Members. Priority activities under RAP AWP3 that could not be implemented in 2015 were carried over for implementation in 2016 under AWP4.



Tuvalu Legislation & Valuation Workshops, Funafuti, Nov 2015

## **Representation of OCO at Conferences, Workshops etc...**

The Head of Secretariat is mandated to represent and promote the OCO at various international and regional meetings and conferences. Staff of the Secretariat may on occasions attend on behalf of the Head of Secretariat depending on the nature of the forums. In the 2015/16 year, the OCO was represented at the following meetings and workshops:



### **Asia Pacific Trade Facilitation Forum, Wuhan, China.**

The Head of Secretariat (HOS) attended the 2015 Asia Pacific Trade Facilitation Forum held in Wuhan, China between the 19th and 23rd October 2015. The HOS presented to the Forum on ways to improve coordination among the group, and participated as a panellist in the “role of trade facilitation in regional integration for inclusive & sustainable growth”, and “subregional experience sharing on regional integration through Trade Facilitation” sessions. Important contacts and networks with relevant partner agencies and donors were established during the forum.

### **Pacific Immigration Directors Conference Annual Meeting, Apia, Samoa**

The Operations Manager represented the OCO at the annual meeting of the Pacific Immigration Directors Conference in Apia, Samoa from 28th to 30th July 2015.

### **World Trade Organisation Trade Facilitation Agreement Workshop, Sigatoka, Fiji**

The Operations Manager represented the OCO at the World Trade Organisation Trade Facilitation Agreement Workshop in Sigatoka, Fiji from 17th to 18th August 2015.

### **Tuvalu National Summit for New Development Plan, Funafuti, Tuvalu**

The Head of Secretariat represented the OCO at the Tuvalu National Summit for Sustainable Development in Funafuti, Tuvalu on 11th to 13th November 2015. The national summit was convened to finalise and adopt Tuvalu’s new national development plan Te Kakeega III.

### **Forum Regional Security Committee, Suva, Fiji**

The Head of Secretariat represented the OCO at the Forum Regional Security Committee (FRSC) in Suva on 8th and 9th June 2016. The FRSC is mandated to advance regional discussions and actions on regional and international security issues affecting the Pacific region.

# FINANCIAL REPORTS

The OCO Special Purpose Financial Statements and Audit Report for the year ended 30th June 2016 are Annexed to this Annual Report. They show a net surplus for the year of FJ\$1.4 million, total assets of FJ\$1.1 million, accumulated surpluses at 30th June 2016 of FJ\$0.9 million, and are compared against financial results for the six months ended 30th June 2015.



OCO



## OUR PARTNERS and SUPPORTERS

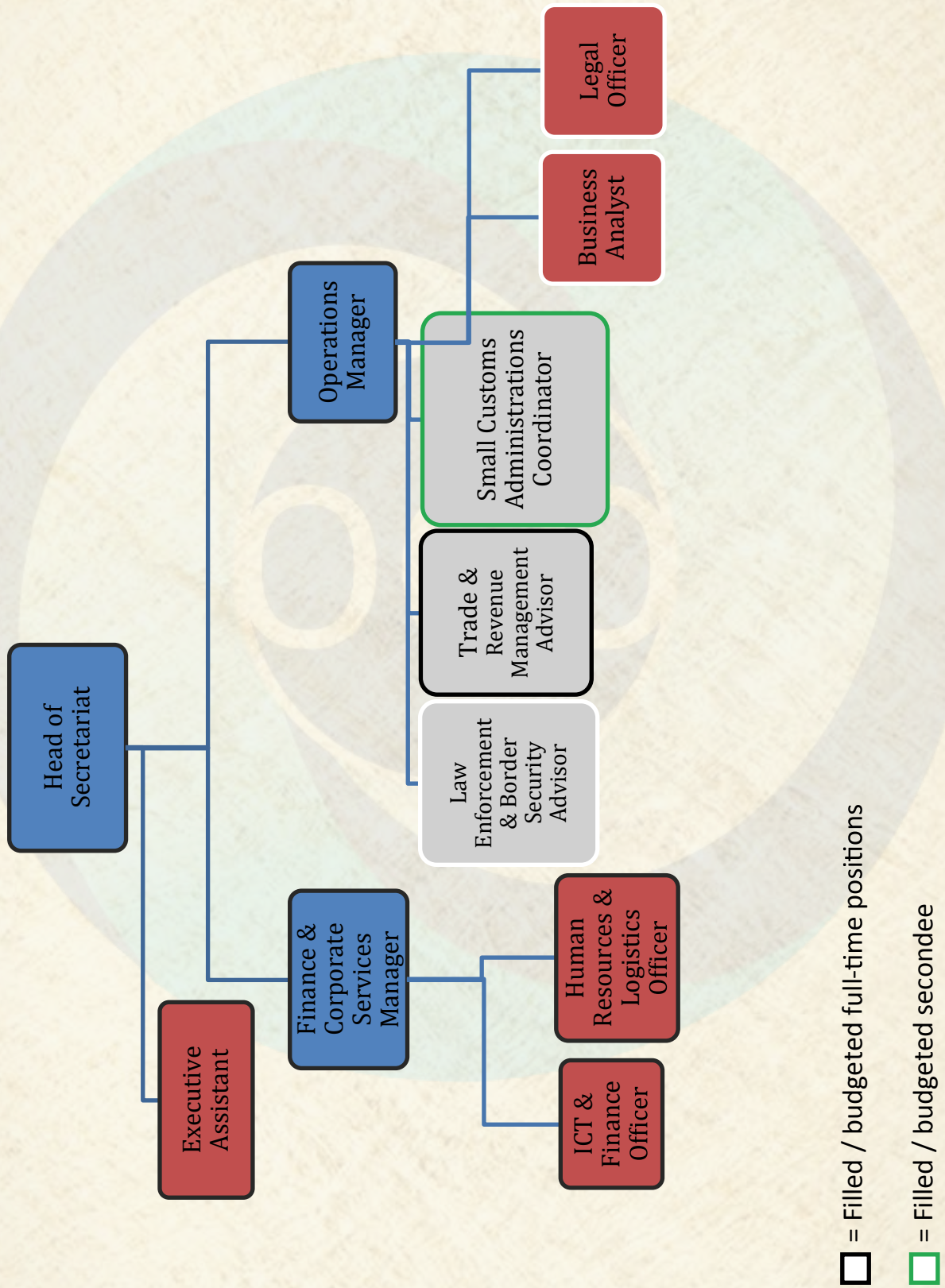
The OCO would like to acknowledge the valuable contribution and on-going support of the following organisations to the work of the organisation.

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. International Port Community Systems Association
8. Melanesian Spearhead Group Secretariat
9. New Zealand Statistics
10. Office of the Chief Technical Adviser
11. Pacific Financial and Technical Assistance Centre
12. Pacific Immigration Directors Conference
13. Pacific Islands Chiefs of Police Conference
14. Pacific Islands Forum Secretariat
15. Pacific Islands Law Officers Network
16. Pacific Transnational Crime Coordination Centre
17. Secretariat of the Pacific Community
18. United Nations Conference on Trade and Development
19. United Nations Economic and Social Commission for the Asia Pacific
20. United Nations Office on Drugs and Crime
21. Williams and Gosling Ltd
22. World Bank
23. World Customs Organisation (WCO)
24. WCO Regional Office for Capacity Building for Asia Pacific
25. WCO Regional Intelligence Liaison Office for Asia Pacific
26. World Trade Organisation

# ACRONYMS

AWP	Annual Work Plan
CRIN	Customs Regional Intelligence Network
DIBP	Australian Department of Immigration and Border Protection
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU	European Union
FJ\$	Fiji Dollar
FRCA	Fiji Revenue and Customs Authority
FRSC	Forum Regional Security Committee
FSM	Federated States of Micronesia
HCS	Harmonized Coding System
HOS	Head of Secretariat
ICT	Information Communications Technology
IT	Information Technology
MOU	Memorandum of Understanding
NZCS	New Zealand Customs Service
OCO	Oceania Customs Organisation
PACP	Pacific African Caribbean Pacific
PCA	Post Clearance Audit
PICP	Pacific Islands Chiefs of Police
PIDC	Pacific Immigration Directors Conference
PIFS	Pacific Islands Forum Secretariat
RAP	Revised Activity Plan
RMI	Republic of Marshall Islands
ROO	Rules of Origin
RKC	Revised Kyoto Convention
SCMR	Small Crafts Movement Report
TFCC	Trade Facilitation in Customs Cooperation
WCO	World Customs Organisation
WTO	World Trade Organisation

# ANNEX 1 - CURRENT ORGANISATION STRUCTURE



# ANNEX 2 - AUDITED FINANCIAL STATEMENTS

## OCEANIA CUSTOMS ORGANISATION SECRETARIAT

### SPECIAL PURPOSE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2016

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OCEANIA CUSTOMS ORGANISATION SECRETARIAT  
STATEMENT BY THE HEAD OF SECRETARIAT  
FOR THE YEAR ENDED 30 JUNE 2016

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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 30 June 2016;
- 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 2016;
- 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 2016;
- 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 6<sup>th</sup> day of September 2016.



Seve Paeniu  
Head of Secretariat

## 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 30 June 2016, the statement of comprehensive income, the statement of cash flows for the year 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).

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

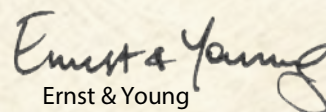
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Secretariat's preparation and fair presentation of the special purpose 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 special purpose financial statements.

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

### Audit opinion

In our opinion, the special purpose Financial Statements present fairly, in accordance with Regulation 30 of OCO's Financial Policy, the financial position of Oceania Customs Organisation Secretariat as at 30 June 2016 and the results and cash flows of its operations for the year then ended.

Suva, Fiji  
6 September 2016



Ernst & Young  
Chartered Accountants

**OCEANIA CUSTOMS ORGANISATION SECRETARIAT  
STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED LOSSES  
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	12 months 2016 \$	6 months 2015 \$
<b>Income</b>			
Australian aid grant		929,181	1,039,992
New Zealand aid grant		795,585	397,800
Members contribution		482,928	532,096
Repayment of TFCC liability by member countries		-	14,737
Other income	3	414,427	67,606
Reversal of European Union liability	12	1,232,591	-
<b>Total income</b>		<b>3,854,712</b>	<b>2,052,231</b>
<b>Expenditure</b>			
Depreciation		15,151	33,701
Doubtful debts		18,764	490
Operating expenses	4	2,388,752	1,214,559
<b>Total expenditure</b>		<b>2,422,667</b>	<b>1,248,750</b>
<b>Surplus of income over expenditure before income tax</b>		<b>1,432,045</b>	<b>803,481</b>
Income tax expense		-	-
<b>Surplus of income over expenditure after income tax</b>		<b>1,432,045</b>	<b>803,481</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>1,432,045</b>	<b>803,481</b>
Accumulated losses at 1 July		(558,653)	(1,362,134)
Accumulated surplus/ (losses) at 30 June		<b>873,392</b>	<b>(558,653)</b>

*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 2016

	Notes	12 months 2016 \$	6 months 2015 \$
<b>Current assets</b>			
Cash and cash equivalents	11	532,782	1,083,487
Prepayments and other receivables	5	519,234	278,933
<b>Total current assets</b>		<u>1,052,016</u>	<u>1,362,420</u>
<b>Non-current assets</b>			
Furniture and equipment	6	80,798	12,437
<b>Total non-current assets</b>		<u>80,798</u>	<u>12,437</u>
<b>Total assets</b>		<u>1,132,814</u>	<u>1,374,857</u>
<b>Current liabilities</b>			
Creditors and other payables	7	89,995	128,393
Employee benefit liability	8	25,216	45,992
Owing to related party member contributions	9	144,211	128,734
Owing to European Commission	12	-	1,232,591
<b>Total current liabilities</b>		<u>259,422</u>	<u>1,535,710</u>
<b>Non current liabilities</b>			
Deferred income	10	-	397,800
<b>Total non-current liabilities</b>		<u>-</u>	<u>397,800</u>
<b>Total liabilities</b>		<u>259,422</u>	<u>1,933,510</u>
<b>Net assets</b>		<u>873,392</u>	<u>(558,653)</u>
Represented by:			
<b>Accumulated losses</b>			
Accumulated surplus/ (losses)		873,392	(558,653)
<b>Total accumulated surplus/ (losses)</b>		<u>873,392</u>	<u>(558,653)</u>

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

Signed on behalf of the members.

Seve Paeniu  
Head of Secretariat



**OCEANIA CUSTOMS ORGANISATION SECRETARIAT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	12 months 2016 \$	6 months 2015 \$
<b>Cash flows from operating activities</b>			
Receipts from donors		1,961,466	1,867,235
Receipts from members		259,851	97,935
Payments to suppliers and employees		(2,706,989)	(1,645,509)
Interest and other receipts		3,002	507
Net cash (used in)/ provided by operating activities		<u>(482,670)</u>	<u>320,168</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		<u>(83,512)</u>	-
Net cash flow (used in) investing activities		<u>(83,512)</u>	-
<b>Cash flows from financing activities</b>			
Loan from/(to) related parties		<u>15,477</u>	<u>(135,705)</u>
Net cash flow provided by/(used in) financing activities		<u>15,477</u>	<u>(135,705)</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(550,705)</b>	<b>184,463</b>
Cash and cash equivalents at 1 July		1,083,487	899,024
<b>Cash and cash equivalents at 30 June</b>	11	<u><u>532,782</u></u>	<u><u>1,083,487</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 YEAR ENDED 30 JUNE 2016

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1. GENERAL INFORMATION

The financial statements of the Oceania Customs Organisation Secretariat ("OCO") for the year ended 30 June 2016 were authorized for issue by the Head of Secretary on the 6<sup>th</sup> of September 2016. 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 15.

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.

(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:

Asset depreciation	Rate
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.

**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 the Statement of Comprehensive Income.

**(g) Employee entitlements**

Employee entitlements relating to wages, salaries, annual leave and sick 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 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 YEAR ENDED 30 JUNE 2016**

	<b>12 months</b>	<b>6 months</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>3. OTHER INCOME</b>		
Contribution in kind (FRCA)	125,500	62,750
Interest income	3,002	507
Sale of asset	3,400	-
Workshop/conference sponsorship	145,894	-
Other income	136,631	-
Unrealized exchange gain	-	4,349
	<u>414,427</u>	<u>67,606</u>
<b>4. OPERATING EXPENSES</b>	<b>\$</b>	<b>\$</b>
Advertisement	1,004	6,222
Auditor's remuneration	10,015	6,578
Annual conference	263,993	128,254
Assets - not capitalised	721	-
Bank charges and interest	3,831	575
Bad debts	7,966	-
Change management fees	9,074	208,787
Consultancy fee	23,125	91,450
Electricity and other occupancy costs	133,137	64,123
Entertainment	7,523	75
Education allowance	71,050	9,579
Insurance (medical, life and travel)	3,119	2,158
Legal fees	3,969	15,869
Motor vehicle expenses	3,200	2,910
Other professional fees	40,013	64,739
Other travelling expenses	226	708
Per diems	231,555	8,584
Postage and stationery	5,948	1,710
Publicity and public relation	-	7,265
Realised exchange loss	4,024	-
Repair and maintenance	39,583	1,710
Rental expense	-	153
Salaries and other benefits	1,146,705	521,162
Software maintenance	6,328	-
Staff amenities	2,337	1,938
Telecommunication and facsimile	23,587	11,517
Travel and accommodation	338,260	58,493
Unrealized exchange loss	8,459	-
	<u>2,388,752</u>	<u>1,214,559</u>
<b>5. PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>\$</b>	<b>\$</b>
Members contributions	269,625	276,102
Prepayments	-	2,391
	<u>269,625</u>	<u>278,493</u>
Other receivables	412,114	143,726
less: Provision for doubtful debts	(162,505)	(143,286)
	<u>249,609</u>	<u>440</u>
	<u>519,234</u>	<u>278,933</u>

**OCEANIA CUSTOMS ORGANISATION SECRETARIAT**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS** *continued*  
**FOR THE YEAR ENDED 30 JUNE 2016**

<b>6. FURNITURE AND EQUIPMENT</b>	<b>2016</b>	<b>2015</b>
<u>Furniture and fittings</u>	<b>\$</b>	<b>\$</b>
<i>Cost:</i>		
At 1 July 2015	6,434	6,434
Additions	7,380	-
At 30 June 2016	<u>13,814</u>	<u>6,434</u>
<i>Depreciation and impairment</i>		
At 1 July 2015	5,266	4,462
Annual depreciation	835	804
At 30 June 2016	<u>6,101</u>	<u>5,266</u>
Net book value	<u>7,713</u>	<u>1,168</u>
 <u>Office equipment</u>	 <b>\$</b>	 <b>\$</b>
<i>Cost:</i>		
At 1 July 2015	13,950	13,950
Additions	35,675	-
At 30 June 2016	<u>49,625</u>	<u>13,950</u>
<i>Depreciation and impairment</i>		
At 1 July 2015	13,264	11,519
Annual depreciation	2,286	1,745
At 30 June 2016	<u>15,550</u>	<u>13,264</u>
Net book value	<u>34,075</u>	<u>686</u>
 <u>IT equipment</u>		
<i>Cost:</i>		
At 1 July 2015	204,669	204,669
Additions	40,457	-
At 30 June 2016	<u>245,126</u>	<u>204,669</u>
<i>Depreciation and impairment</i>		
At 1 July 2015	202,204	187,424
Annual depreciation	3,912	14,780
At 30 June 2016	<u>206,116</u>	<u>202,204</u>
Net book value	<u>39,010</u>	<u>2,465</u>
 <u>Motor vehicle</u>		
<i>Cost:</i>		
At 1 July 2015	130,979	130,979
At 30 June 2016	<u>130,979</u>	<u>130,979</u>
<i>Depreciation and impairment</i>		
At 1 July 2015	122,861	106,489
Annual depreciation	8,118	16,372
At 30 June 2016	<u>130,979</u>	<u>122,861</u>
Net book value	<u>-</u>	<u>8,118</u>
 Net book value as at 30 June 2016	 <u>80,798</u>	 <u>12,437</u>

**OCEANIA CUSTOMS ORGANISATION SECRETARIAT**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS *continued***  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
<b>7. TRADE CREDITORS AND OTHER PAYABLES</b>	<b>\$</b>	<b>\$</b>
Creditors and accruals	89,995	128,393
<b>8. EMPLOYEE ENTITLEMENTS</b>	<b>\$</b>	<b>\$</b>
Annual leave entitlements	25,216	45,992
<b>9. OWING TO RELATED PARTY</b>	<b>\$</b>	<b>\$</b>
<u>Net amounts owing to related party</u>		
Expenses for Core paid by project	144,211	113,851
TFCC loan liability	-	14,883
	144,211	128,734
<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. During the year, the balance of the TFCC loan liability was settled.</p>		
<b>10. DEFERRED INCOME</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July	397,800	484,374
Add: grant for next phase received in advance	-	397,800
Less: grant utilised during the period	(397,800)	(484,374)
Balance at 30 June	-	397,800
<b>11. CASH AND CASH EQUIVALENTS</b>	<b>\$</b>	<b>\$</b>
Cash at bank	532,782	1,083,487
<b>12. OWING TO EUROPEAN COMMISSION</b>	<b>\$</b>	<b>\$</b>
Ineligible expenses	-	1,232,591

On 14 May 2015, Pacific Islands Forum Secretariat (PIFS) 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 (EC) 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.

Reversal of European Commission liability	1,232,591	-
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On 22 December 2015, addendum No 3 was signed whereby the project life was extended to 31 December 2016. The Secretariat and PIFS agreed to submit a detailed work plan of €851,413 for the activities to be carried out to successfully conclude the TFCC project in 2016 and address the ineligible expenditures. This work plan was approved during the year and will be fully funded by the Secretariat. The Secretariat is currently implementing the work plan and is expected to complete this by December 2016. Furthermore, the EC agreed that the recovery order for the ineligible expenditure for the project would be deferred until an assessment was made of project expenditure. The assessment by EC is expected to be undertaken in the first two quarters of 2017. The Secretariat has recorded a contingent liability to recognise the effect of these changes.

**13. COMMITMENTS AND CONTINGENT LIABILITIES**

- a) Capital expenditure commitments at balance date amounted to nil (2015: nil).
- b) Contingent liabilities at balance date amounted to \$1,232,591 (refer to Note 12) (2015: 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. 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 (2015: 7).

**17. 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.

**18. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements of Oceania Customs Organisation Secretariat for the year ended 30 June 2016 were authorized for issue by the Head of Secretariat on 6<sup>th</sup> of September 2016.

**OCEANIA CUSTOMS ORGANISATION SECRETARIAT  
DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2016**

**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.



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**OCEANIA CUSTOMS ORGANISATION SECRETARIAT  
DETAILED INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2016**

<b>Income</b>	<b>12 months 2016 \$</b>	<b>6 months 2015 \$</b>
AUSAID	929,181	1,039,992
Contribution in kind (FRCA)	125,500	62,750
Interest income	3,002	507
Membership fee	482,928	532,096
NZAID	795,585	397,800
Doubtful debts recovered	-	-
Repayment of TFCC liability by member countries	-	14,737
Sale of asset	3,400	-
Workshop/conference sponsorship	145,894	-
Other income	136,631	-
Unrealized exchange gain	-	4,349
Reversal of European Union liability	1,232,591	-
<b>Total income</b>	<b>3,854,712</b>	<b>2,052,231</b>
<b>Expenditure</b>		
Audit fee	10,015	6,578
Accounting fees (including administrator services)	23,125	91,450
Assets - not capitalised	721	-
Advertisement	1,004	6,222
Annual conference	263,993	128,254
Bank charges and interest	3,831	572
Bad debts	7,966	-
Change management fees	9,074	208,787
Depreciation	15,151	33,701
Doubtful debts	18,764	490
Electricity and other occupancy costs	133,137	64,123
Entertainment	7,523	75
Education allowance	71,050	9,579
Insurance (medical, life and travel)	3,119	2,158
Legal fees	3,969	15,869
Motor vehicle expenses	3,200	2,910
Other professional fees	40,013	64,739
Other travelling expenses	226	708
Per diems	231,555	8,584
Postage and stationery	5,948	1,711
Publicity and public relation	-	7,266
Repair and maintenance	39,583	1,710
Rental expense	-	153
Realised exchange loss	4,024	-
Staff amenities	2,337	1,938
Software maintenance	6,328	-
Salaries and other benefits	1,146,705	521,163
Travel and accommodation	338,260	58,493
Telecommunication and facsimile	23,587	11,517
Unrealized exchange loss	8,459	-
<b>Total expenditure</b>	<b>2,422,667</b>	<b>1,248,750</b>
<b>Surplus for the year</b>	<b>1,432,045</b>	<b>803,481</b>

*The Detailed Comprehensive Income Statement is to be read in conjunction with the disclaimer on page 38.*





## **Member Administrations**

- 1. American Samoa**
- 2. Australia**
- 3. Cook Islands**
- 4. Federated States of Micronesia**
- 5. Fiji**
- 6. French Polynesia**
- 7. Guam**
- 8. Kiribati**
- 9. Marshall Islands**
- 10. Nauru**
- 11. New Caledonia**
- 12. New Zealand**
- 13. Niue**
- 14. Northern Mariana Islands**
- 15. Palau**
- 16. Papua New Guinea**
- 17. Samoa**
- 18. Solomon Islands**
- 19. Timor Leste**
- 20. Tonga**
- 21. Tuvalu**
- 22. Vanuatu**
- 23. Wallis and Futuna**



**Oceania Customs  
Organisation Secretariat**