



FINANCE AND ADMINISTRATION COMMITTEE
Fourteenth Session
Virtual
7 – 15 December 2020

APPOINTMENT OF AN AUDITOR

WCPFC17-2020-FAC14-05
26 October 2020

Purpose

1. The purpose of this paper is to table for the consideration of FAC the tender for the appointment of the external auditor to audit the 2020 and 2021 financial statements and accounts of the Commission.

Introduction

2. The current two year appointment of the external auditor, Deloitte and Touche LLP, ended after the audit of the 2019 accounts was completed this year. The Commission's Financial Regulation 12 sets out the requirements for the appointment of an external auditor for a period of two years.

3. A tender for auditing services was circulated to Members on 15 September, 2020 and posted on the Commission's website. The Secretariat received one proposal from Deloitte and Touche LLP to undertake this work.

4. Deloitte and Touche LLP maintains an office in Pohnpei Micronesia and the proposed cost of the audit is USD7,000 per year. The proposal is attached for reference.

5. The current fees for the audit of the 2019 financial statements and accounts are USD7,000.

Recommendation

6. The Committee is invited to recommend to the Commission the auditor to be appointed for two years to undertake the audits of the 2020 and 2021 financial statements and accounts.

October 9, 2020

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

Dear Mr. Nighswander:

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

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

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

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on whether the Commission’s financial statements for the year ending December 31, 2020 are presented fairly, in all material respects, in accordance with financial regulations of the Commission and certain accounting standards adopted by other international organizations, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

D&T Reports

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

Mr. Aaron Nighswander
Finance and Administration Manager
Western and Central Pacific Fisheries Commission
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Management's Responsibilities

Appendix B describes management's responsibilities.

Communications with the Board of Directors

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

Fees

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

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

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

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

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

Mr. Aaron Nighswander
Finance and Administration Manager
Western and Central Pacific Fisheries Commission
October 9, 2020

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

Electronic Communications

It is recognized that the Internet is inherently insecure and that data can become corrupted, communications are not always delivered promptly (or at all), and that other methods of communication may be appropriate. Electronic communications are also prone to contamination by viruses. Each party will be responsible for protecting its own systems and interests and, to the fullest extent permitted by law, will not be responsible to the other on any basis (contract, tort or otherwise) for any loss, damage or omission in any way arising from the use of the Internet or from access by any D&T personnel to networks, applications, electronic data or other systems of the Company.

Other Services

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

2021 Annual Audit

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

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Mr. Aaron Nighswander
Finance and Administration Manager
Western and Central Pacific Fisheries Commission
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We are committed to ensuring that we deliver high quality service. If at any time you would like to discuss with us how our service to you could be improved or if you are unsatisfied with the services you are receiving, please contact us. Your primary contact is Daniel S. Fitzgerald at the above address or, if you would prefer to deal with someone else, contact Lee H. Vensel, who is our National Professional Practice Director. We shall carefully consider any matters that are brought to our attention in a timely manner and contact you to discuss and resolve the matter.

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

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

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

Yours truly,



Daniel S. Fitzgerald
Partner

HK:dmt
Enclosures

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

By: _____

Title: _____

Date: _____

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

This Appendix A is part of the engagement letter dated October 9, 2020, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission.

Auditor's Responsibilities

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

Scope of an Audit

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated October 9, 2020, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission.

Financial Statements

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

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

Management's Representations

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

Independence Matters

In connection with our engagement, D&T, management and the Commission's Board of Directors will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence and ensuring compliance with the relevant laws and regulations. D&T will communicate to its partners, principals, and employees that the Commission is an audit client. The management will ensure that the Commission has policies and procedures in place for the purpose of ensuring that neither the Commission or other entity will act to engage D&T, or accept from D&T any service that would impair D&T's independence under American Institute of Certified Public Accountants (AICPA), generally accepted government auditing standards, or other applicable rules. All potential services are to be discussed with Mr. Daniel S. Fitzgerald. In addition, the management shall immediately inform the Board of Directors of any breaches or potential breaches of independence that may affect the service under this engagement and ensure that any approvals required from the Board of Directors for the provision of other services by the firm in compliance with independence requirements are obtained prior to our commencement of any such service.

APPENDIX B, CONTINUED

In connection with the foregoing, the Commission agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of affiliates (e.g., parents, subsidiaries, investors or investees), together with the ownership relationship among such entities. The Commission acknowledges and consents that such information will be maintained in a database accessible by D&T in connection with its compliance with AICPA or other applicable independence rules.

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees for certain positions. Management will ensure that the Commission also has policies and procedures in place for purposes of ensuring that D&T's independence will not be impaired by hiring a former or current D&T partner, principal, or professional employee in an accounting role or financial reporting oversight role that would cause a violation of relevant laws and regulations. Any employment opportunities with the Commission for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Daniel S. Fitzgerald before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee, if such opportunity relates to serving (1) as chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer or any equivalent position for the Commission or in a comparable position at a significant subsidiary of the Commission; (2) on the Commission's Board of Directors or similar management or governing body; (3) as a member of the Audit Committee; or (4) in an accounting role or any other position that would cause a violation of relevant laws and regulations.

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

COMMUNICATIONS WITH BOARD OF DIRECTORS

This Appendix C is part of the engagement letter dated October 9, 2020, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission.

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

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

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

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

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

GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the “engagement letter”) dated October 9, 2020, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission.

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

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated October 9, 2020, between Deloitte & Touche LLP and Western and Central Pacific Fisheries Commission

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

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

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

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

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

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