

PACER Plus Implementation Unit

AUDIT COMPLETION LETTER

AUDIT FOR THE YEAR ENDED
30 JUNE 2026

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Head of Secretariat
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01 September 2026

AUDIT COMPLETION LETTER FOR THE YEAR ENDED 30 JUNE 2026

During the course of our audit of the financial statements of - Pacer Plus Implementation Unit (the Secretariat) for the year ended 30 June 2026, we observed the Secretariat's significant accounting policies and procedures and certain business, financial and administrative practices.

In planning and performing our audit of the financial statements of the Secretariat as of and for the year ended 30 June 2026, in accordance with International Standards on Auditing (ISAs), we considered the Secretariat's internal control relevant to the preparation of the financial statements (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Secretariat's internal control.

The Secretariat has a relatively limited number of staff employed and relatively low transaction volumes. This does not enable a comprehensive system of internal controls and adequate segregation of duties to exist. Therefore, our audit approach concentrated on substantive procedures rather than reliance on internal controls or tests of internal control activities.

Accordingly, we do not express an opinion on the effectiveness of the Secretariat's internal control. The matters being reported are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to those charged with governance.

Our consideration of internal control was for the limited purpose described in the previous paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies. Had we performed more extensive procedures on internal control, we may have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not, in fact, have been reported.

This communication has been prepared solely for the use of the Joint Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

Yours sincerely,



Ernest Betham
Engagement Partner

Discussion Outline

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Status of our audit

We have substantially completed our audit of the financial statements as of and for the year ended 30 June 2026 pending the completion of the items highlighted below. These items are to be completed prior to the issuance of our auditor's report on the financial statements.

COMPLETION OF AUDIT

- ▶ Receipt of signed financial statements.
- ▶ Receipt of signed management representation letter.

FINANCIAL STATEMENTS

- ▶ Management to update financial statements for the applicability and effect of any new or revised accounting standards.
- ▶ Approval of financial statements by the Joint Committee.
- ▶ Anticipated date of signing financial statements and audit report.

INFORMATION ON STATUS OF AUDIT

Our audit was conducted in accordance with the International Standards on Auditing.

- ▶ The objective of our financial statement audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements, whether caused by error or fraud.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- ▶ We anticipate issuing an unmodified opinion on the financial statements.
- ▶ Our responsibility for other information in documents containing the Secretariat's audited financial statements does not extend beyond the financial information identified in our auditor's report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Secretariat's and consider whether such information, or the manner of its presentation, is materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to Joint Committee's attention any information that we believe is a material misstatement.

Results of our audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES SIGNIFICANT TRANSACTIONS OUTSIDE THE NORMAL COURSE OF BUSINESS

There are no significant required communications related to our audit concerning the Secretariat's accounting practices, policies, estimates and significant transactions outside the normal course of business.

We do however highlight certain practices which are not ideal but are for the time being necessary or the only available option given resource constraints such as software compatibility, technical resourcing etc.

Review and Documentation of Unusual Journal Sequence Gaps

During our review of the journal entry population, we identified gaps in the journal number sequence. Such gaps do not necessarily represent missing journal entries and may arise from valid system activity, including voided or reversed transactions, amendments, draft transactions or system-generated entries. However, unusual or significant gaps should be traceable to the system audit history and appropriately explained.

Management should periodically review journal sequences and investigate gaps that appear unusual or inconsistent with normal system processing. The reasons for selected unusual gaps, together with supporting system history or other evidence, should be documented and retained. Routine gaps that are readily attributable to normal system activity need not be documented individually.

PRELIMINARY CONSIDERATION ON THE IMPLEMENTATION OF IFRS 18

IFRS 18, *Presentation and Disclosure in Financial Statements*, replaces IAS 1 and is effective for annual reporting periods beginning on or after 1 January 2027. As PACER Plus Implementation Unit has a 30 June year end, the standard will first apply to the financial statements for the year ending 30 June 2028.

Based on our preliminary assessment, IFRS 18 is not expected to have a significant impact on the Secretariat's financial position, financial performance, or cash flows. The main effect will relate to the presentation and disclosure of information within the financial statements.

Management should monitor developments relating to IFRS 18 during the 2027 financial year and consider whether any updates to the format and presentation of the financial statements are required to ensure compliance when the standard becomes effective.

At this stage, no immediate action is required. However, management should ensure that the impact of IFRS 18 is assessed as part of the preparation of future financial statements and that any required disclosures are incorporated before the first year of adoption.

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were no corrected and uncorrected misstatements identified during the audit.

QUALITY OF THE SECRETARIAT'S FINANCIAL REPORTING

A discussion was held regarding the quality of the Secretariat's financial reporting, which included the following:

- ▶ Qualitative aspects of significant accounting policies and practices
- ▶ Our assessment of critical accounting policies and practices
- ▶ Our conclusions regarding significant accounting estimates
- ▶ Significant transactions outside the normal course of business
- ▶ Financial statement presentation
- ▶ New accounting pronouncements
- ▶ Alternative accounting treatments

Audit findings and internal control matters

In planning and performing our audit of the financial statements, we considered the secretariat's system of internal control relevant to the preparation of the financial statements ('internal control') as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the secretariat's system of internal control.

If we had performed more extensive procedures on the secretariat's system of internal control, we may have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not, in fact, have been reported.

We are required to communicate, in writing, to those charged with governance all significant deficiencies that have been identified in the secretariat's system of internal control during the audit. The definitions of control deficiency and significant deficiency follow:

Category	Definition
Deficiency	A deficiency in internal control exists when: (a) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or (b) A control necessary to prevent, or detect and correct, misstatements in financial statements on a timely basis is missing.
Significant deficiency	A significant deficiency in internal control is defined as a deficiency or a combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance. Significant deficiencies identified from the audit will be marked with a severity level of 'High' .

We outline in the following pages the findings and observations from our audit which comprise observations from the previous year which are all resolved in the current year and are closed.

There are no observations or findings for the current year.

Follow up on prior year audit recommendation

Description	Deficiencies Observed	Risk	Resolved (Y/N)									
01. Use of Personal Email for Advisor-Level Access to Xero	During our review of Xero user access, we observed that the same individual has Advisor-level access via both official and personal email accounts. Both accounts have the same level of access. For illustration of usage: <table><tr><td>Account Type</td><td>Example JE IDs</td><td>Purpose/Usage</td></tr><tr><td>Official company email</td><td>13648, 13649, 13652</td><td>Posting journal entries</td></tr><tr><td>Personal email</td><td>17095, 17074, 17092</td><td>Posting journal entries</td></tr></table>	Account Type	Example JE IDs	Purpose/Usage	Official company email	13648, 13649, 13652	Posting journal entries	Personal email	17095, 17074, 17092	Posting journal entries	While this arrangement may have been set up for convenience, allowing personal email access at an administrative level could increase cybersecurity and operational risks. These include potential challenges in monitoring access, ensuring traceability, and managing timely access revocation in the event of role changes or staff departures. Recommendation : We recommend that all system access, particularly roles with elevated privileges such as Advisor-level access, be maintained under official secretariat’s -managed email addresses. As a next step, management may wish to review the necessity of the personal email account and, where possible, transition fully to the official secretariat’s account. In addition, implementing a clear IT access policy and conducting regular user access reviews will help strengthen controls and align with good cybersecurity and governance practices.	Yes
Account Type	Example JE IDs	Purpose/Usage										
Official company email	13648, 13649, 13652	Posting journal entries										
Personal email	17095, 17074, 17092	Posting journal entries										
Management comment : Management will work to ensure compliance by the end of the Financial Year. The Secretariat’s Xero accounting database is maintained with restricted access to ensure both operational integrity and cybersecurity. Access is limited to members of the Finance Team as follows: 1. Program Accountant (Mr. Alistair Molioo) - Advisor-level access with full administration rights. The Program Accountant’s personal email address was used as the registered login since his onboarding in October 2023. The account is in his name which ensures traceability and secured by two-step authentication, thereby mitigating cybersecurity and operational risks. 2. Operations & Secretariat Manager (Mrs. Laisiana Tugaga) - Advisor-level access with full administration rights. 3. Finance & Administration Officer (Ms. Tausaafia Sophy Mupo) - Standard-level access, with restricted rights appropriate to her role. Management considers the current control environment to be robust, as access is limited, role- specific, and fully auditable. All actions within Xero are logged against individual user accounts, ensuring accountability and clear traceability. Notwithstanding this, the Secretariat has considered the recommendation removed the one personal email access on XERO.												

Follow up on prior year audit recommendation

Description	Deficiencies Observed	Risk	Resolved (Y/N)
02. Incorrect Recognition of Grant Revenue from Prepayments	The secretariat's policy states that grant revenue should be recognized from deferred revenue based on the expenses incurred. However, during the audit, we noted that the secretariat recognized AUD 14,072 of prepaid amounts as revenue, which does not comply with the revenue recognition policy. This treatment results in revenue being recognised in advance of the related expenses being incurred, contrary to the matching principle and the secretariat's policy.	The recognition of revenue has been overstated by AUD 14,072.68 in the current period, resulting in a misalignment between revenue and the related expenses. This misstatement may mislead users of the financial statements regarding the secretariat's true financial performance. Furthermore, this practice may lead to potential non-compliance with grant agreements and accounting standards governing revenue recognition. Recommendation : It is recommended to reinforce strict adherence to the revenue recognition policy, ensuring that revenue is only recognised based on expenses incurred against the deferred grant balance. Additionally, the accounting records should be reviewed and adjusted to reverse any premature recognition of prepaid amounts as revenue, treating such amounts correctly as deferred revenue until the related expenses are incurred.	Yes
Management comment : Management acknowledges the audit observation regarding the incorrect recognition and has made the appropriate adjustment to ensure compliance with the revenue recognition policy. Furthermore, the misstatement adjusted from grant income on the IFRS financial statements was fully acquitted within the Financial Acquittal Report for the year ended 30th June 2025, which was submitted to parties, as payment was incurred within the current financial year audited.			

Follow up on prior year audit recommendation

Description	Deficiencies Observed	Risk	Resolved (Y/N)
03. Inclusion of Joint Committee Statement	We noted that the financial statements of the PACER Plus Implementation Unit do not currently include a governance or director-style statement from the Joint Committee. While Samoan legislation (e.g., the Companies Act 2001 and the Public Finance Management Act) does not specifically mandate such a statement, in many international contexts it is widely regarded as good governance practice for a governing body to provide a formal statement confirming its responsibility for the preparation and fair presentation of the financial statements. This is generally viewed as an important element of best practice financial reporting and governance disclosure.	The inclusion of a governance statement from the Joint Committee would significantly enhance the credibility and transparency of the financial statements. Such a statement not only reassures stakeholders that there is active oversight of financial reporting, but also demonstrates accountability and the commitment of the governance body to sound financial management. Importantly, it positions the Entity in line with recognized international practices, strengthening confidence among development partners, donors, and other stakeholders who rely on transparent and well-governed reporting frameworks. Recommendation : We recommend that management consider including a statement from the Joint Committee (or equivalent governance body) in future financial statements. This statement could outline the Committee's role and responsibility for financial oversight, and confirm that appropriate processes are in place to ensure reliability and integrity of financial reporting. While not a statutory requirement, adopting this approach would emphasize the Entity's commitment to strong governance and best practice financial disclosure, reinforcing both transparency and accountability within the PACER Plus Implementation Unit.	Yes
Management comment : The Join Committee Statement has now included in the financial statements.			

Follow up on prior year audit recommendation

Description	Deficiencies Observed	Risk	Resolved (Y/N)
04. Employee Leave Liability Recognition	From our review of employment contracts, we understand that there is no explicit obligation to settle unused leave at the end of the contract. However, employment contracts do not always align with the financial year-end, and local labor laws may impose requirements regarding the treatment of unused leave balances.	We recommend that management review the relevant labour laws to confirm whether any obligation exists in respect of unused leave entitlements. This will provide clarity on whether a leave liability should be recognized at each financial year-end.	Yes
Management comment : Management has reviewed the provisions of the Labour and Employment Relations Act 2013 (LERA) in respect of annual leave entitlements. LERA establishes minimum employee rights to annual leave, which must either be taken during employment or otherwise appropriately managed at cessation. Consistent with this, the PACER Plus Implementation Unit (PPIU) Leave Policy (Clause 3.9.1) requires all personnel to utilize their annual leave within the 12-month period in which it falls due and specifies that annual leave will not be paid out upon completion or termination of employment. Management actively implements this policy in practice by directing employees to clear all accrued leave prior to resignation or termination, ensuring no unused leave balances remain payable. Accordingly, management's position is that no material leave liability arises at financial year-end, as accrued annual leave is either taken during employment or scheduled within the notice period prior to cessation. Management continues to monitor compliance with both LERA and the IU Leave Policy to ensure leave obligations remain appropriately managed and disclosed in the financial statements.			

Independence communication

Our engagement letter to you dated 18 June 2026 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. Please refer to that letter for further information.

We confirm that there were no threats to independence during the audit

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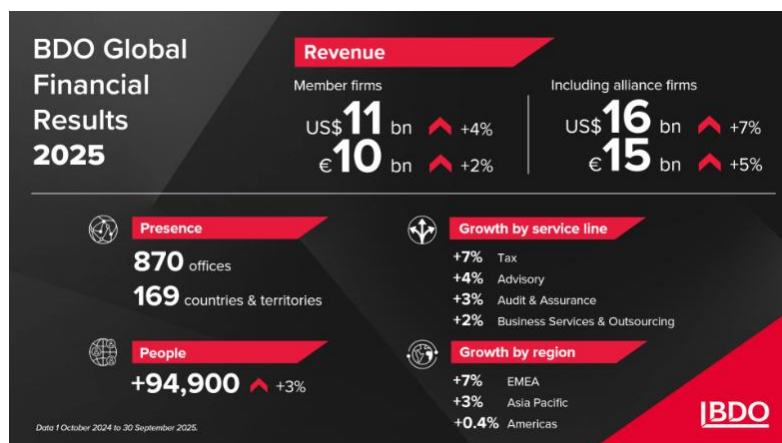
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Statistics as of and for the year ended 30-09-2025

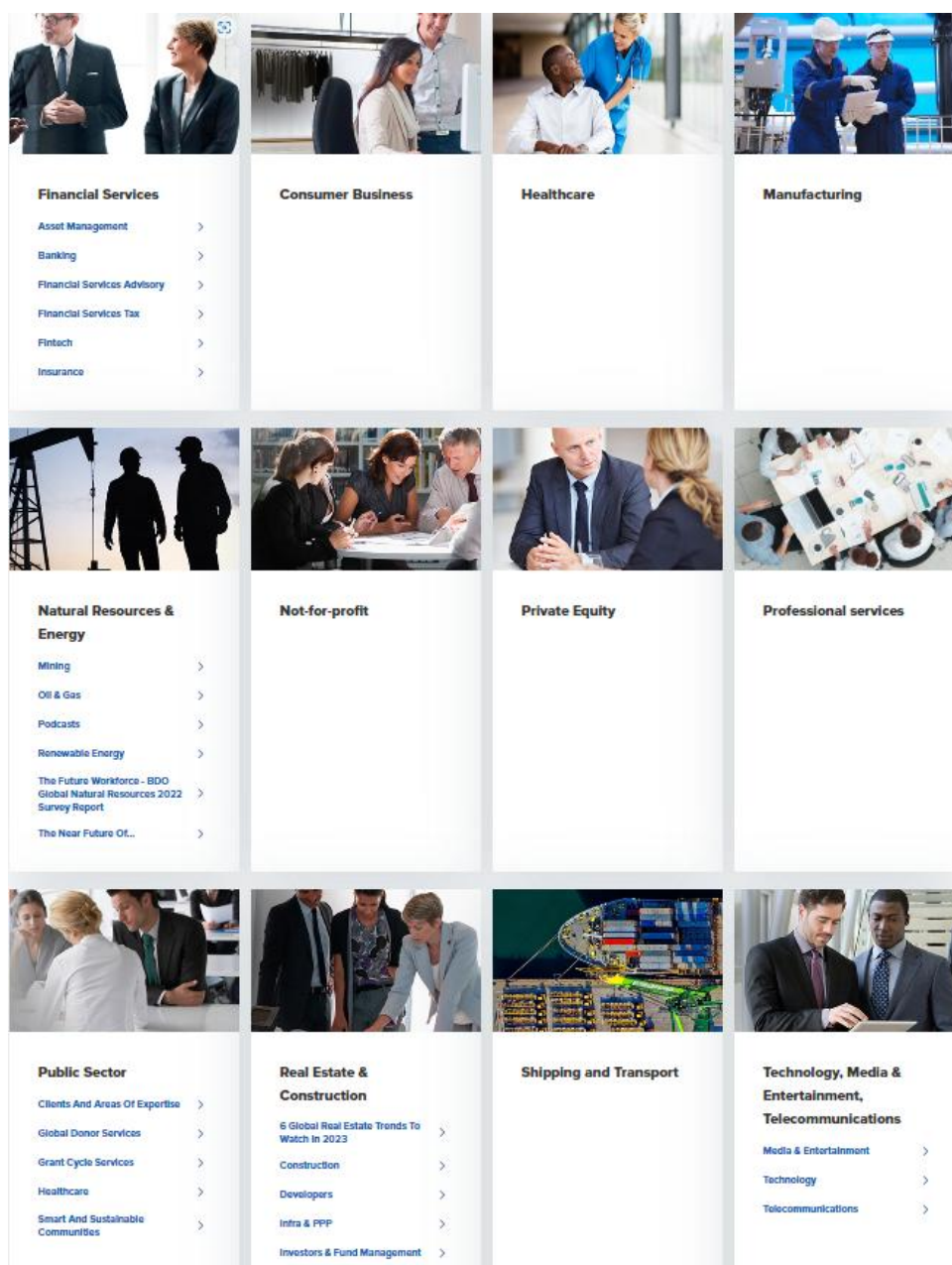
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