

1ST SESSION OF THE IHO ASSEMBLY

Monaco, 24-28 April 2017



REPORT OF THE FINANCE COMMITTEE TO THE ASSEMBLY

Submitted by the Finance Committee

Report of the Finance Committee to the Assembly

Introduction

1. The Finance Committee met on Sunday 23 April 2017 from 14:00 to 16:30 under the chairmanship of Ms Muriel Natali-Laure (Monaco) to determine its recommendations on the financial statements, budget estimates and reports on administrative matters that had been prepared by the Secretary-General for presentation to the Assembly.

2. The following Member States were represented: Australia, Brazil, Canada, Chile, China, Colombia, Democratic People's Republic of Korea, France, India, Iran (Islamic Republic of), Italy, Japan, Monaco, Mozambique, Republic of Korea, South Africa, Suriname, Tunisia, Turkey, United Kingdom, United States of America.

Observations and Recommendations

Financial Statements for 2012-2016 (A.1/F/01)

3. Noting that the annual accounts for 2012 to 2015 had been approved by correspondence in accordance with the procedure applicable before 8 November 2016, the Committee agreed to recommend that the Assembly approve the financial report for the five-year intersessional period 2012-2016.

Consideration of the Financial Statements for 2016 and Recommendations (A.1/F/04 and A.1/F/04 Add.1)

4. In accordance with Article 8 of the new Financial Regulations that entered into force on 8 November 2016, the Secretary-General is now required to submit the annual financial statements to the Council, and to the Finance Committee by correspondence, together with the budget estimates for the following financial year. However, the first meeting of the Council will not take place until October 2017. This means that it will be difficult for the Council to consider the Financial Report for 2016 and its recommendations before the last quarter of 2017. As a result, and because of the need for an early decision on the recommendation in this year's report, as well as a need for some clarification, the 2016 report and its recommendations was presented to the Finance Committee prior to further consideration by the Assembly.

5. The Finance Committee observed that it is clear from Article 8 of the Financial Regulations and its reference to Articles VI (g) (vi) and VII (c) of the Convention that the financial statements of the Organization are approved at each ordinary session of the Assembly, taking into consideration the observations and recommendations of the Council on the one hand and of the Finance Committee on the other hand. However, what is not clear, is how any recommendations that arise from either the most recently audited annual accounts or the following year's annual budget estimate are to be addressed and implemented in a timely manner in the years when no Assembly takes place.

6. As a result, of its considerations regarding the Financial Statements for 2016 and the associated recommendations, the Finance Committee agreed to recommend that the Assembly:

- a. Approve the Financial Report for 2016 and its recommendation, which is that the budget surplus for 2016 of 241,000 Euros be distributed as follows:
 - (1) 191,000 Euros to the Capacity Building Fund.
 - (2) 50,000 Euros to the Internal Retirement Fund.

A.1/F/05

- b. Confirm that the Council is empowered to approve the financial statements and any recommendations for the previous year and the budget estimates and the associated annual work programme for each forthcoming year.
- c. Invite the Council at its first meeting to consider an appropriate methodology and timetable to deal with each year's subsequent financial statements and to propose any adjustments to the relevant basic documents if required.

PRO-10: Revision of Article 13(c) of the IHO Financial Regulations (A.1/G/02/Rev.1)

7. The Finance Committee considered *PRO-10: Revision of Article 13(c) of the IHO Financial Regulations*. As a result, the Finance Committee agreed to recommend that the Assembly:

- a. Delete Article 13 (c) of the IHO Financial Regulations;
- b. Agree that any interest paid by on contributions in arrears by Member States after 1st January 2012 be deducted from their contribution due in 2018;
- c. Instruct the Secretariat to include an appropriate provision (around 13 k€) in the budget for 2017.

Appointment of the External Auditor (A.1/F/03 as amended)

8. The Committee considered the report and recommendation of the Secretary-General regarding the appointment of an auditor for the period 2018 to 2020. As a result, the Finance Committee agreed to recommend that the Assembly appoint Price Waterhouse Coopers Monaco as the external auditor for the accounts for the period 2018-2020.

Amendment to the Rules of Procedure for the Finance Committee

9. According to Rule 9 of the Rules of Procedure of the Finance Committee that came into force on 8 November 2016, the Chair and Vice-Chair of the Finance Committee shall be elected at the beginning of the regular meetings of the Committee to be held on the occasion of the ordinary sessions of the Assembly. This means that the Chair and the Vice-Chair will be elected at the meeting immediately prior to a session of the Assembly, and are then responsible for the work and the output of the Committee when it reports to the Assembly a few days later.

10. The Committee noted that if a new Chair is elected at the beginning of the meeting of the Finance Committee, then it is impossible for that new Chair to prepare in advance for the meeting and that this complicates their ability to report with confidence to the Assembly a matter of days later. For this reason, the Finance Committee endorsed the proposal of the Secretary-General to amend the relevant Rule so that the election of the Finance Committee Officers takes place at the end of the meeting, rather than at the beginning and that the term of office begins upon completion of the session of the Assembly. This arrangement would then be consistent with the arrangements for the Chair and the Vice-Chair of the Council who "*hold office until the end of the next ordinary session of the Assembly*".

11. As a result, the Finance Committee agreed to recommend that the Assembly amend Rule 9 of the Rules of Procedure of the Finance Committee as follows (proposed changed highlighted in red):

"The Chair and Vice-Chair shall be elected at regular meetings of the Finance Committee. Member States represented at such meetings may participate in such elections. The Chair and Vice-Chair shall be elected for a period of three years and hold office until the end of the next ordinary session of the Assembly".

Proposed Budget for 2018-2020 (A.1/F/02, A.1/F/02Add.1, A.1/G/03/Rév.1)

12. The Finance Committee reviewed and considered the Proposed Budget for 2018 to 2020 and the proposed Table of Tonnages.

13. As a result, the Committee agreed to recommend that the Assembly adopt the proposed budget for 2018-2020 as submitted in document A.1/F/02.

14. The Committee also agreed to recommend that the Assembly adopt the proposed Table of Tonnages as submitted in document A.1/G/03/Rév.1.

Action required of the Assembly

15. The Assembly is invited to:

- a. **approve** the financial report for the five-year intersessional period 2012-2016;
- b. **approve** the financial report for 2016 and its recommendation, which is that the budget surplus for 2016 of 241,000 Euros be distributed as follows:
 - (1) 191,000 Euros to the Capacity Building Fund,
 - (2) 50,000 Euros to the Internal Retirement Fund;
- c. **confirm** that the Council is empowered to approve the financial statements and any recommendations for the previous year and the budget estimates and the associated annual work programme for each forthcoming year;
- d. **invite** the Council at its first meeting to consider an appropriate methodology and timetable to deal with each year's subsequent financial statements and to propose any adjustments to the relevant basic documents if required;
- e. **delete** Article 13(c) of the IHO Financial Regulations;
- f. **agree** that any interest paid by on contributions in arrears by Member States after 1st January 2012 be deducted from their contribution due in 2018;
- g. **instruct** the Secretariat to include an appropriate provision in the budget for 2017;
- h. **appoint** Price Waterhouse Coopers Monaco as the external auditor for the accounts of the period 2018-2020;
- i. **amend** Rule 9 of the Rules of Procedure of the Finance Committee as proposed in paragraph 11;
- j. **adopt** the proposed budget for 2018-2020 as submitted in document A.1/F/02;
- k. **adopt** the proposed Table of Tonnages as submitted in document A.1/G/03/Rév.1.