

## REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE



The Finance and Administration Committee (F&A) met from 08:30-17:00 hours on October 16 and from 08:30-17:00 on October 19, under the chairmanship of Dr. Richard J. Marasco. Dr. Stewart M. McKinnell acted as rapporteur.

### **Welcome and opening remarks (Agenda Item 1)**

The Chairman called the meeting to order, welcomed participants and requested an introduction of members for each delegation. All Contracting Parties were present at the meeting, but the People's Republic of China was represented only at the second session (*F&A Endnote 1*).

### **Adoption of agenda (Agenda Item 2)**

The Committee reviewed and adopted the agenda as presented (*F&A Endnote 2*). To ensure participation of all Contracting Parties in the discussion, Dr. Laura Richards suggested moving budgetary items until later in the meeting, and her proposal was accepted.

### **Audited accounts for FY 2003 (Agenda Item 3)**

At the first inter-sessional Governing Council meeting (April 9, 2003, Victoria, Canada), *Flader & Hale* was selected as the external auditor for FY 2003-2005.

The Auditor's Report for FY 2003 (*F&A Endnote 3*) was circulated by e-mail to all Contracting Parties in April 2004, and distributed again at the second inter-sessional Governing Council meeting on May 7, 2004 (Jeju, Republic of Korea). In the auditor's opinion, the financial statements are an accurate representation of the financial position of the Organization as of December 31, 2003. The Committee reviewed the Auditor's Report and recommended it for approval by Council.

### **Annual contributions (Agenda Item 4)**

As stated in Financial Regulation 5(ii), all national contributions to PICES "*shall be considered due as of the first day of the financial year (January 1) to which they relate*". The Executive Secretary reported on the 2004 annual fee payment dates, and provided information on the payment schedule of national contributions for the last five years (*F&A Endnote 4*). The Committee noted that even though only two contributions (from Japan and Canada) arrived close to the due date, there has been an overall improvement in the timeliness of payment for all countries but China (the late payment in 2004 is uncharacteristic for the United States). It was also re-iterated that the operation of the Secretariat is structured around the receipt of full annual fee payments at the beginning of the PICES fiscal year, and that late and partial payments could adversely affect its operations. The Committee recommended that Council instruct the Executive Secretary to send a letter to each Contracting Party commending them for improved performance in submitting annual contributions in 2004, and describing the difficulties partial payment causes the Organization. It was also recommended that for planning purposes, Contracting Parties should continue to use the guideline generally accepted at the Eighth Annual Meeting (Decision 99/A/2(ii)), which states that "the annual contributions will increase at the rate of inflation in Canada". This should assist member countries in preparing timely funding requests to cover annual contributions, and the Executive Secretary in developing future budgets.

The Executive Secretary reviewed the history of annual contributions and pointed out that the total budget is growing faster than these contributions. In the eight years from 1996 (when the number of Contracting Parties increased to six) to 2004, annual contributions have increased less than 18%. At the same time, the annual budget has increased by almost 39%.

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Every year since 1999, a significant amount was transferred from the Working Capital Fund to the General Fund to offset this deficit. The practice of transferring such surpluses from the Working Capital Fund is a viable approach to balance accounts, but only if the required transfer is lower than the miscellaneous income.

The Executive Secretary requested a discussion on the need for increased annual contributions, as their current level (about \$100,000) is not adequate for the level of scientific activities sponsored and/or conducted by PICES. To support the work of the Organization at the level that Contracting Parties desire, annual contributions of \$150,000-160,000 would be an appropriate target. The Chairman suggested deferring this discussion until the next Annual Meeting.

### **Fund-raising activities (Agenda Item 5)**

The Executive Secretary reported on fund-raising efforts in 2004. Extra-budgetary contributions and grants received since PICES XII (October 2003) are reflected in F&A *Endnote 5*. It was noted that the level of external funding for various activities initiated by PICES has increased significantly over the last several years, but (i) it remains heavily dependent on U.S. funding sources (*e.g.*, \$57,756 in 2002, \$91,336 in 2003, and \$175,810 in 2004), and (ii) these funding offers have specific product and service requirements, and place additional demand on the Secretariat, the size and structure of which have remained unchanged for the last 10 years.

Mr. Robin Brown reminded the Committee that Japan's contribution to support activities of WG 13 and WG 17 has been high but is not reflected in the tabled summary document as funds were spent directly, without transferring to PICES accounts.

Discussion then focused on potential sources of additional funding for on-going or proposed projects. Committee members suggested that PICES should explore the possibility of working more closely with the North Pacific Research Board (on topics such as the development of the

North Pacific Ecosystem Status Report, and the utility of ecological indicators to evaluate ecosystem change), the Asia-Pacific Network for Global Change Research (ecosystem modeling and effect of climate change on ecosystems), and the Brain Korea 21 Program (capacity building). Dr. Marasco pointed out that projects submitted for external funding have to be multi-disciplinary and of multi-national interest. Dr. Richards reminded Committee members that these projects also need to be consistent with the PICES Strategic Plan.

It was re-iterated that current funding constraints from an increase in annual contributions only, at the rate of inflation in Canada, can impede improvement and development of the Organization, and therefore, fund-raising continues to be an important component of PICES activities. The discussion led to two recommendations to Council:

- To instruct the Science Board to prepare a list of high priority PICES activities that are strong candidates for external funding to be tabled at the 2005 inter-sessional Science Board/ Governing Council meeting (or at PICES XIV if no inter-sessional meeting occurs);
- To request National Delegates, members of F&A and Science Board to prepare information about funding opportunities in their countries by the 2005 inter-sessional Science Board/Governing Council meeting (or at PICES XIV if no inter-sessional meeting occurs).

Ms. Elizabeth Tirpak suggested that identified funding opportunities have to be reflected on the PICES website. The Committee supported this proposal and agreed to nominate a person with responsibility for this action.

### **Budget (Agenda Item 6)**

#### **Estimated accounts for FY 2004 (Agenda Item 6a)**

The Committee reviewed the estimated accounts for FY 2004 and recommended their acceptance by Council.

**Interest and other income (Agenda Item 6b)**

In *FY* 2004, the total income (excluding annual fees from Contracting parties) is estimated at approximately \$300,000, but only about 25-30% of this amount is from permanent “guaranteed” sources such as bank interest, tax rebates, income tax levies from foreign staff, and registration fees for Annual Meetings. The remainder includes the postage reimbursement from Fisheries and Oceans Canada and voluntary contributions and grants as listed in *F&A Endnote 5*.

**Relocation and Home Leave Fund (Agenda Item 6c)**

The status of the Relocation and Home Leave Fund was reviewed. It was noted that home leave expenses for the Executive Secretary and his family (\$7,367) will be offset by interest earned by the Fund and, in part, by the foreign staff tax levies. The Fund will be at its required level of \$110,000 by the end of the fiscal year. No relocation expenses are expected in *FY* 2005.

**Trust Fund (Agenda Item 6d)**

Approximately \$74,250 from the Trust Fund will be used by the end of *FY* 2004, to finance the PICES Intern Program, and to support participation of young scientists and scientists from countries with “economies in transition” in meetings organized and co-sponsored by PICES. These expenditures are compensated for partly by interest earned by the Fund, the voluntary contributions from Fisheries and Oceans Canada and the Alaska Fisheries Science Center (U.S.A.) for the Intern Program (totalled \$33,550), and by a travel grant from SCOR (\$5,250). The Committee recommended a transfer of about \$15,700 from the Working Capital Fund to the Trust Fund to recover the 2004 expenses, and to restore it to the level of \$110,000 by the end of the financial year.

**Working Capital Fund (Agenda Item 6e)**

The balance in the Working Capital Fund is expected to be about \$295,600 at the end of *FY* 2004. The Committee recommended a transfer

of \$95,500 from the Working Capital Fund to the General Fund for 2005. The Committee also recommended a transfer of \$15,700 to the Trust Fund as mentioned above. After these transfers, the Working Capital Fund will total approximately \$179,400. This amount includes \$59,200 provided by the Alaska Fisheries Science Center for future high priority PICES projects, and encumbered funds (\$18,690) held for activities of the Study Group on *Fisheries and ecosystem responses to recent regime shifts* and the symposium on “Climate variability and sub-Arctic marine ecosystems” (May 16-20, 2005, Victoria, Canada).

At the recommendation of Canada, a new format was adopted for the table summarizing income and expenses from the Working Capital Fund. This table now clearly shows all encumbered funds and makes it easier to understand the level of surpluses available for transferring to other funds, if necessary.

**Budget for *FY* 2005 (Agenda Item 6f)**

The Committee reviewed the proposed *FY* 2005 budget of \$710,500 (*F&A Endnote 6*) and recommended its approval by Council. The Executive Secretary reported that the July 2003 value of the Canadian Consumer Price Index (CPI) provided by the Bank of Canada is 2.3%. The government of the Province of British Columbia, home of the PICES Secretariat, stated that in the city of Victoria, the annual (from July 2003 to July 2004) CPI was 2.7%. The United States suggested that setting the increase in annual contributions to 2.5% would be consistent with the guideline generally accepted at the PICES Eighth Annual Meeting (Decision 99/A/2(ii)). This proposal was supported, and the Committee recommended a transfer of \$95,500 from the Working Capital Fund to reduce the total annual contribution to \$615,000, setting the 2005 fees at \$102,500 per Contracting Party.

China informed the Committee that their internal procedure requires justification of the increase in annual contributions, and requested an inflation rate certificate indicating the percentage used for calculations, and why it was chosen.

**Forecast budget for FY 2006 (Agenda Item 6g)**

The Executive Secretary presented the *FY 2006* forecast budget of \$732,100, and noted that this budget is prepared based on insufficiently founded information that was available as of September 15, 2004, and is 3.04% higher than in *FY 2005*. It was indicated that if the inflation rate in Canada remains the same as in 2004 (2.5%), then under the adopted guidelines, the 2006 annual fee should be set at a level of \$105,100 per Contracting Party. Then total annual contribution will be \$630,600, and a transfer of \$101,500 from the Working Capital Fund would be required to balance the budget. A transfer of this magnitude will only be possible if additional funds can be raised.

The Committee examined the *FY 2006* forecast budget and submitted it to Council for information only. Canada suggested that for planning purposes, the Executive Secretary should be requested to hold 2006 expenses at the 2005 level, with the exception of personnel services.

**PICES Intern Program (Agenda Item 7)**

The Committee reviewed the current status of the Intern Program. At PICES XII, it was recommended that all Contracting Parties should advertise the Program broadly to ensure the selection of high quality candidates. Dr. Igor Shevchenko reported that the description of the Program was translated into Russian and posted on the TINRO website; it was suggested that PICES and Russian versions should be linked to each other and the websites of other Russian institutes. Dr. Chul Park indicated that the Korean Oceanographic Commission will notify ocean-related organizations about the Program. Dr. Tokimasa Kobayashi mentioned that the Intern Program was advertised in Japan but there were no applications.

The Executive Secretary reminded the Committee that the Intern Program remains unbudgeted for, and over the years has been financed solely by voluntary contributions. He

reviewed the history of voluntary contributions for the Program and noted that in 2004, the Alaska Fisheries Science Center (U.S.A.) and Fisheries and Oceans Canada provided \$23,550 and \$10,000, respectively, to finance the Program. The Committee recommended that Council thank both partners for their continuing support of the Intern Program, and instruct the Executive Secretary to invite Contracting Parties to provide voluntary contributions supporting the Program in 2005 and beyond.

The Committee reviewed the level of stipends for the interns and discussed whether this stipend is sufficient to cover the cost of living in Canada. It was recommended that the stipend be kept at the current level of \$2,000 per month, and given the modest amount, that Contracting Parties consider whether personal circumstances warrant supplementation.

**PICES capacity building (Agenda Item 8)**

The report of the Study Group on *PICES Capacity Building* was approved in November 2003, and is now available on the PICES website ([http://www.pices.int/about/capacity\\_strategy.pdf](http://www.pices.int/about/capacity_strategy.pdf)). The Committee re-iterated that PICES is already involved in various capacity building activities (*e.g.*, travel support for young scientists to attend meetings organized or co-sponsored by PICES, Intern Program, *etc.*) and that the current budget limits any additional demands placed on the Organization. It was unanimously agreed that Council and Science Board need to evaluate the priority of capacity building proposals, in relation to resources available. Then, the Committee reviewed:

- potential monetary sources for capacity building, such as (*i*) special allocations from member countries, government agencies and private foundations; and (*ii*) partnering with some other organizations and programs to jointly support capacity building activities or jointly apply for funding for educational/training/outreach projects);
- some new PICES' activities that incorporate substantial capacity building elements that have been planned or already begun.

The main discussion focused on a proposal for a Young Scientists Conference to be held jointly with ICES in 2007. At PICES XII, Dr. David Griffith, General Secretary of ICES, extended an invitation to PICES to jointly organize a conference that would bring together “early career” scientists from around the globe. A draft proposal for the conference was endorsed at the interim Science Board/Governing Council meeting in May 2004, and by the ICES Consultative Committee and ICES Bureau at their meetings in June 2004. Science Board also recommended that a Study Group be formed to facilitate PICES’ action on this topic.

Dr. Ian Perry, Science Board Chairman, reviewed the outcome of his meeting with the ICES Consultative Committee at the ICES Annual Science Conference in September 2004, during which this topic was discussed. At this meeting, ICES:

- identified several “senior” scientists who might be willing to serve on the Organizing Committee to help guide the young scientists (PICES is expected to do the same);
- suggested the following possible locations for the conference on the eastern seaboard of the United States: Portsmouth, New Hampshire or the Chesapeake Bay area;
- recommended that at least 10% of the participating young scientists be from developing countries;
- agreed that ICES and PICES should coordinate their funding requests to various agencies/foundations, spearheaded by the convenors.

The Committee supported, in principle, the holding of the Young Scientists Conference, but indicated that funding required is sizable (US \$150,000 per organization) and fund-raising for this event needs further study. Dr. Marasco noted that considering existing resistance to support international organizations, ICES and PICES need to be realistic about their ambitions and, if the goal of raising \$150,000 cannot be achieved, to scale the conference down. It was also suggested that Contracting Parties have two options for supporting the conference: (i) to provide money to PICES; or (ii) to support

participation of their scientists in the conference directly.

### **Schedule and financing of future Annual Meetings (Agenda Item 9)**

#### Schedule of future Annual Meetings

At PICES XII (October 2003, Seoul, Republic of Korea), Council approved the proposal of the Russian Federation to hold the Fourteenth Annual Meeting from September 30-October 8, 2005, in Vladivostok, Russia (Decision 03/A/5(i)). The overall theme for PICES XIV is “Mechanisms of climate and human impacts on ecosystems in marginal seas and shelf regions”. The Russian delegation and the Secretariat provided some brief information on the status of preparations and the budgetary requirements for the meeting.

At PICES XII, Council requested Japan to explore the possibility of hosting the Fifteenth Annual Meeting in 2006, and inform the Secretariat on this matter by May 31, 2004 (Decision 03/A/5(ii)). Dr. Tokimasa Kobayashi indicated that Japan will be able to confirm their intention to host PICES XV at the Council meeting later during the Annual Meeting.

The Committee recommended that in keeping with the 6-year rotation cycle, Canada be invited to explore the feasibility of hosting the Sixteenth Annual Meeting in 2007. Dr. Richards noted that Canada anticipates hosting PICES XVI, and a formal notification will be provided by May 31, 2005.

#### Financing of future Annual Meetings

The Committee reviewed Canada’s proposal of 2002 (re-iterated at PICES XII in 2003) to discontinue the practice of transferring funds from PICES to member countries to partially cover Annual Meeting costs, and the recent experience of the Organization. After a lengthy discussion it was agreed to keep the present system of providing up to \$40,000 to assist the host country with expenses. Additional costs for the Secretariat associated with the Annual

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Meeting can be taken from the registration fee revenue.

At PICES X (October 2001, Victoria, Canada), Council approved the charging of a registration fee for future Annual Meetings of the Organization (Decision 01/A/4(iv)). The Committee recommended the following registration fee structure for 2005:

Type	CDN \$
Registration fee	225
Early registration fee	150
Students	50

Fees will be collected by the Secretariat and credited to the Working Capital Fund to support high priority projects and the Intern Program, and to cover costs associated with Annual Meetings. The Committee supported the proposal by Canada that the allocation among these three purposes should be flexible and decided by the Executive Secretary for the first year. He will report on the success of this approach at the next Annual Meeting.

### Inter-sessional meeting of Science Board and Governing Council

The 2003 and 2004 inter-sessional Science Board meetings with the participation of Governing Council were held in Victoria (Canada) and Jeju (Korea), respectively. These joint meetings of the two senior bodies of PICES were successful and met their objectives of engaging both groups in detailed discussions on issues of broad and long-term importance to the Organization, that are not possible during the busy Annual Meetings. The Committee supports the concept of inter-sessional Science Board/Governing Council meetings, as required, provided that costs are carefully controlled.

### **Changes to PICES Rules of Procedure and Financial Regulations (Agenda Item 10)**

Since PICES was established in 1992, the Organization has expanded from four to six Contracting Parties. New organizational elements such as Sections, Advisory Panels, Study Groups, *etc.*, have been added, and the

scope of PICES activities has broadened to include ecosystem status reports, an advisory role, and capacity building. Throughout this period of change, the administrative procedures of the Organization (Rules of Procedure and Financial Regulation) have been amended infrequently, to accommodate only the most major changes. The Committee agreed that a thorough review of the Rules of Procedure and Financial Regulations is warranted, and recommended the establishment of a Study Group (under the direction of Council) on *Rules of Procedure and Financial Regulations* with the following terms of reference:

- To review the Rules of Procedure and Financial Regulations (hereafter RPF) to identify any inconsistencies between these documents and the PICES Convention, and to recommend, where appropriate, amendments to the RPF that might be required to alleviate any discrepancies found;
- To recommend such amendments as might be required to reduce ambiguity and/or inconsistency within the RPF;
- To assess the degree of compliance between the RPF and the current organization structure and its practices, and to recommend such amendments to the RPF or changes in current practices to resolve any major discrepancies;
- To report to Council at its next meeting (at the 2005 interim meeting or at PICES XIV).

The Study Group should be chaired by the F&A Chairman, with representation from each Contracting Party and from the Science Board. The Executive Secretary and Deputy Executive Secretary should serve as *ex-officio* members of the Study Group.

### **Administrative matters from PICES XII (Agenda Item 11)**

At PICES XII (October 2003, Seoul, Korea), four specific administrative issues were raised and discussed. The United States was requested (i) to explore the possibility of tax exempt status for PICES; and (ii) to resolve the problem with restrictions when issuing the official G4 visa for PICES' Russian staff. Canada was requested

(i) to clarify and inform the Secretariat of the process required to request a change in the terms of “Canadian acceptance” for foreign personnel at the Secretariat; and (ii) to explore the feasibility of an amendment to the Headquarters Agreement that will allow the extension of the tax levy practice to all staff (foreign and local) of the Secretariat.

The Committee reviewed the status of these requests:

- The U.S. Department of State Legal Office has confirmed that PICES is not entitled to sales tax exemption under the International Organizations Immunities Act (22 USC 288k; defines immunities - U.S. sales tax is not one of the listed immunities).
- Partial progress has been achieved on visa problems. The U.S. Consulate in Vancouver agreed to issue a G4 visa for the current Executive Secretary and members of his family by mail. The Office of Foreign Mission of the Department of State decided to add the pre-flight inspection facilities in Vancouver and Toronto, Canada, as authorized ports of exit/entry for Dr. Bychkov and his wife for a 1-year period, but they were granted only a 1-time exception (for PICES XIII) for Honolulu as an authorized port of entry/exit. The U.S. delegation will seek a waiver of port restrictions for Dr. Bychkov and his wife that will remain valid for the duration of his appointment as Executive Secretary.
- In response to a written request sent to the Canadian Department of Foreign Affairs and International Trade (DFAIT) regarding the terms of “Canadian acceptance” for foreign personnel at the Secretariat, Mr. Stephane Henry, DFAIT Head of Documentation & Liaison, decided that “upon the next request of an extension for the Executive Secretary (February 2005), DFAIT could give him and his wife a 3-year extension.
- No practical information has been received from the Canadian delegation on the extension of the tax levy practice to all staff of the Secretariat. On September 16, 2004, the Executive Secretary was re-assured that Fisheries and Oceans Canada “will be trying

to determine the process by which the federal portion of the income tax could, if possible, be recouped by PICES.” It was also suggested that for the provincial portion of taxes, the Organization should deal directly with the government of British Columbia.

The Committee re-iterated that tax levies are an important source of alternative “revenue” for PICES, but this practice currently extends only to the foreign personnel. Several international organizations (*e.g.*, ICES with headquarters in Denmark and NAFO with headquarters in Canada) have had such a practice for all staff members. Adoption of such a practice by PICES would greatly increase PICES’ revenue (with the current level of salaries, to about \$70,000 per year). Canada was requested to continue their efforts of exploring a possibility of making an appropriate amendment to the Headquarters Agreement.

#### **Space, facilities and services for the PICES Secretariat (Agenda Item 12)**

Space and general administrative services are traditionally provided to the Secretariat by the Government of Canada through the Department of Fisheries and Oceans (DFO). The original agreement commenced on April 1, 1992, and continues indefinitely with a review every three years. According to the current agreement (signed in 2001, and amended on April 1, 2002), PICES is to pay an annual sum of \$28,000 (in quarterly payments of \$7,000), which includes \$23,500 for postage, \$2,500 for telephone and fax lines and \$2,000 for janitorial/ maintenance services. The Committee noted that the agreement between PICES and DFO is to be renewed in 2005.

#### **Appointment of Finance and Administration Committee Chairman (Agenda Item 13)**

According to the PICES Rules of Procedure (Rule 15), “*The Chairman of the Finance and Administration Committee shall be appointed by the Council from amongst the Committee’s members for a term of two years and shall be eligible for re-appointment only once for a*

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*successive term.*” Dr. Marasco (U.S.A.) was appointed as the F&A Chairman at PICES VII in 1998 (Fairbanks, U.S.A.), and re-appointed at PICES IX in 2000 (Hakodate, Japan). At the recommendation of the Committee, Council extended his term for one year in 2002 (PICES XI, Decision 02/A/7), and again in 2003 (PICES XII, Decision 03/A/7).

The Committee expressed its gratitude to Dr. Marasco for his leadership over the years, and recommended that Council appoint Dr. Laura Richards (Canada) as the Chairman of the Finance and Administration Committee for a period of 2 years (October 2004-October 2006).

### **Other business (Agenda Item 14)**

#### Term extension for Committee Chairmen

As stated in *Rules of Procedure*, Chairmen of the permanent Scientific Committees shall be elected for a term of three years and shall not be eligible for re-election for the immediate succeeding term (Rule 16(i)), and Chairmen of Technical Committees shall be appointed for a term of three years and shall not be eligible for re-appointment for the immediate succeeding

term (Rule 16(ii)). In 2002, the Review Committee suggested that PICES should be more flexible and have an option to extend terms for Committee Chairmen, if worthwhile. At PICES XI, Council endorsed the report of the Review Committee and its recommendations (Decision 02/A/9), but no changes were made in the *Rules of Procedure*. In the meantime, in practice, recommendations by the Review Committee were already implemented: MEQ unanimously approved the extension of Dr. John Stein’s term as MEQ Chairman for one year in 2003 and again in 2004, and TCODE unanimously approved the extension of Dr. Igor Shevchenko’s term as TCODE Chairman for one year in 2004.

The Committee supported these decisions and recommended that appropriate changes be made in the *Rules of Procedure* and the *Chairman’s Handbook*.

### **Adoption of F&A report and recommendations to Council (Agenda Item 15)**

The Committee approved the F&A Report and its recommendations to Council.



**F&A Endnote 1****Participation List**Canada

Robin M. Brown (alternate)  
 John A. Moores (advisor)  
 Laura Richards

Japan

Tatsu Kishida (advisor)  
 Tokimasa Kobayashi  
 Tokio Wada (advisor)

People's Republic of China

Qian-Fei Liu (alternate, only on Oct. 19)

Republic of Korea

Chul Park

Russia

Sergey Maximov (advisor)  
 Victor Nazarov (advisor)  
 Igor Shevchenko  
 Pavel Vorobyov (advisor)

U.S.A.

Elizabeth J. Tirpak

Other

Vera Alexander (Chairman, PICES)  
 Alexander Bychkov (Executive Secretary)  
 Richard J. Marasco (F&A Chairman)  
 Stewart M. McKinnell (Deputy Executive Secretary)  
 R. Ian Perry (Science Board Chairman)

**F&A Endnote 2****F&A Committee Meeting Agenda**

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Audited accounts for fiscal year 2003
4. Annual contributions
5. Fund-raising activities
6. Budget
  - a. Estimated accounts for fiscal year 2004
  - b. Interest and other income
  - c. Relocation and Home Leave Fund
  - d. Trust Fund
  - e. Working Capital Fund
  - f. Proposed budget for fiscal year 2005
  - g. Forecast budget for fiscal year 2006
7. PICES Intern Program
8. PICES capacity building opportunities
9. Schedule and financing of future Annual Meetings
10. Changes to PICES Rules of Procedure and Financial Regulations
11. Administrative matters from PICES XII
12. Space, facilities and services for the PICES Secretariat
13. Appointment of F&A Committee Chairman
14. Other business
15. Adoption of F&A report and recommendations to Governing Council

**F&A Endnote 3**

**Auditor's report (2003) to the Organization**

To the Council of the  
North Pacific Marine Science Organization

We have audited the statement of financial position of North Pacific Marine Science Organization as at December 31, 2003 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2003 and the results of its operations and changes in fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

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Sidney, B.C.  
March 20, 2004

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2003**

ASSETS	2003	2002
<b>CURRENT ASSETS</b>		
Cash and short term deposits	\$ 554,475	\$ 637,748
Accounts receivable	4,630	21,387
Prepaid expenses	5,814	5,253
	\$ 564,919	\$ 664,388
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 36,667	\$ 9,624
Funds held for contracting parties (Note 3)	100,000	194,000
	136,667	203,624
<b>FUND BALANCES</b>		
<b>WORKING CAPITAL FUND</b>	189,474	223,264
<b>TRUST FUND</b>	128,778	127,500
<b>HOME LEAVE RELOCATION FUND</b>	110,000	110,000
	428,252	460,764
	\$ 564,919	\$ 664,388

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General Fund	Working Capital Fund	Trust Fund	Home Leave Relocation Fund	2003 Total	2002 Total
<b>FUND BALANCES</b> , beginning of year	-	\$ 223,266	\$ 127,500	\$ 110,000	\$ 460,766	\$ 395,808
<b>SOURCES OF FUNDS</b>						
Contributions from Contracting Parties	560,800	4,000			564,800	560,000
Budgeted transfer to General Fund	110,500	(110,500)				
Additional transfer to General Fund (Note 4)	21,200	(21,200)				
Voluntary contributions and grants (Note 5)	-	105,478	60,326		165,804	150,510
Interest and other income (Note 6)	-	58,794	420	7,538	66,572	103,191
<b>FUND BALANCES</b> , before expenditures	692,500	259,838	188,246	117,538	1,258,122	1,209,509
<b>EXPENDITURES</b>						
Personnel services	330,000	10,909			340,909	321,113
Annual Meeting	49,884	4,124			49,884	49,990
Workshops	60,613	4,016			64,629	68,050
Travel	83,691	3,609	42,967		130,267	114,024
Printing	74,025				74,025	68,901
Communication	30,980				30,980	30,753
Equipment	8,787	1,122			9,909	8,213
Supplies	7,584				7,584	7,447
Contractual services	26,389				26,389	14,719
Miscellaneous	3,256				3,256	3,563
Intern program			26,799		26,799	26,968
Ecosystem Status Report		28,702			28,702	10,581
PICES X Anniversary						31,144
Relocation				7,538	7,538	4,830
Unrealized losses on foreign exchange (Note 7)	27,534				27,534	(6,722)
	702,563	50,003	69,766	7,538	829,870	748,745
<b>NET FUNDS AVAILABLE</b>	(10,063)	209,835	118,480	110,000	428,252	460,764
<b>TRANSFER TO WORKING CAPITAL FUND</b> (Note 8)	10,063	(10,063)	-	-	-	-
<b>INTERFUND TRANSFERS</b> (Note 4)	-	(10,298)	10,298	-	-	-
<b>FUND BALANCES</b> , end of year (Note 9)	-	\$ 189,474	\$ 128,778	\$ 110,000	\$ 428,252	\$ 460,764

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**1. PURPOSE OF ORGANIZATION**

The North Pacific Marine Science Organization (PICES) is an intergovernmental non-profit scientific organization whose present members include Canada, Japan, the People's Republic of China, the Republic of Korea, the Russian Federation, and the United States of America. The purpose of the organization is to promote and coordinate marine scientific research in order to advance scientific knowledge of the North Pacific and adjacent seas.

**2. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with the North Pacific Marine Science Organization's Financial Regulations and are prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of these financial statements:

(a) Fund Accounting

The Working Capital Fund represents the accumulated excess of contributions provided from Contracting Parties over expenditures in the General Fund. The purposes of the General Fund and Working Capital Fund are established by Regulation 6 of the Organization Financial Regulation.

The Trust Fund was established in 1994 for the purpose of facilitating participation of a broad spectrum of scientists in activities of the Organization.

The Home Leave Relocation Fund was established in 1996 to pay relocation and home leave expenses of new employees and their dependents to the seat of the Secretariat and removal after period of employment has ended, and to provide home leave for international staff. This fund is set at \$110,000.

(b) Capital Assets

Capital assets acquired by the Organization are expensed in the year of acquisition.

(c) Income Tax

The Organization is a non-taxable organization under the Privileges and Immunities (International Organizations) Act (Canada).

(d) Foreign Exchange

Transactions originating in foreign currencies are translated at the exchange rate prevailing at the transaction dates. Assets and liabilities denominated in foreign currency are translated to equivalent Canadian amounts at the current rate of exchange at the statement of financial position date.

**3. FUNDS HELD FOR CONTRACTING PARTIES**

The funds held for contracting parties are advance contributions from Japan (\$100,000).

#### 4. INTERFUND TRANSFERS

The Governing Council approved the transfer of \$21,200 from the Working Capital Fund to the General Fund to compensate for China's insufficient payment.

Additionally, the Governing Council approved the transfer of \$10,298 from the Working Capital Fund to bring the Trust Fund balance to \$110,000. After this decision was made, Korea made a voluntary contribution to the Trust Fund which brought the fund balance to \$128,778.

#### 5. VOLUNTARY CONTRIBUTIONS AND GRANTS

Contributions/grants	Working Capital Fund, \$	Trust Fund, \$
MOMAF contribution for high priority projects	18,778	
EVOS contribution for NPESR	33,047	
AFSC contribution for NPESR	17,200	
SWFSC contribution for Pacific Coastal Obser. System	23,889	
IOC contribution for CO <sub>2</sub> Guide	7,932	
GLOBEC contribution to PICES Press	4,632	
Contributions to Intern Program:		
DFO Canada		10,000
Alaska Fisheries Science Center		17,200
MOMAF contribution for young scientists		18,778
SCOR travel grant for Zooplankton Symposium		7,738
SCOR grant for PICES XII		6,610
	<b>105,478</b>	<b>60,326</b>

#### 6. INTEREST AND OTHER INCOME

	Working Capital Fund, \$	Trust Fund, \$	Home Leave and Relocation Fund, \$
Interest income	3,246	420	2,456
Income tax levies	21,917		5,082
GST, PST & WCB rebates	802		
Registration Fees	32,829		
	<b>58,794</b>	<b>420</b>	<b>7,538</b>

#### 7. FOREIGN EXCHANGE LOSS

At year-end all funds held in foreign currency (US \$108,727) are converted to Canadian dollars using the December 31st exchange rate. An unrealized foreign exchange loss has been reported on the current year financial statements; this amount is an unbudgeted item which has been caused by the ongoing fluctuations in the US dollar (2003 =1.2965, 2002 =1.5776), and not by the actual purchase or sale of any foreign currencies.

## 8. TRANSFER TO/FROM WORKING CAPITAL FUND

Pursuant to Financial Regulation 6 (iii), the Working Capital Fund is to be increased/decreased by the surplus/deficit in the General Fund.

## 9. WORKING CAPITAL FUND SURPLUS

Pursuant to decision 03/A/3(ii) of the Governing Council, \$79,000 of the funds held in the Working Capital Fund will be transferred to the General Fund to reduce 2004 contributions.

## 10. COMMITMENTS

General administrative and communications services are provided to the Secretariat of the Organization by the Government of Canada through the Department of Fisheries and Oceans. The agreement was amended April 1, 2002 and continues until March 31, 2004. The fixed cost for services is \$28,000 per year which are paid quarterly as invoiced.

## 11. FINANCIAL STATEMENTS

A statement of cash flows has not been presented, as the required information is readily apparent from the other financial statements presented and the notes to the financial statements.

### F&A Endnote 4

#### Payment schedule of national contributions, 2000-2004<sup>1</sup>

	Canada	China	Japan	Korea	Russia	U.S.A.
<b>2000</b>	Feb. 9, 00	<b>Aug. 29, 00</b>	Nov. 30, 99	<b>June 1, 00</b>	<b>Nov. 2, 00</b>	Jan. 18, 00
<b>2001</b>	Jan. 24, 01	<b>Dec. 10, 01</b>	Dec. 13, 00	<b>Aug. 23, 01</b>	<b>May 18, 01</b>	Jan. 3, 01
<b>2002</b>	Jan. 21, 02	<b>Oct. 8, 02<sup>2</sup></b>	Nov. 27, 01	<b>Aug. 26, 02</b>	<b>June 10, 02<sup>3</sup></b>	Dec. 24, 01
<b>2003</b>	Jan. 13, 03	<b>Oct. 3, 03<sup>4</sup></b>	Dec. 11, 02	<b>May 5, 03</b>	<b>Apr. 2, 03<sup>5</sup></b>	Dec. 6, 02
<b>2004</b>	Jan. 5, 04	<b>Aug.10, 04</b>	Dec. 26, 03	<b>Mar. 24, 04</b>	<b>Mar. 2, 04</b>	<b>Feb. 9, 04<sup>6</sup></b>

<sup>1</sup> late payments are indicated in bold

<sup>2</sup> partial payment (95.7%), remainder paid October 3, 2003 (21 months overdue)

<sup>3</sup> partial payment (72%), remainder paid October 10, 2002 (9 months overdue)

<sup>4</sup> partial payment (78%), remainder paid Aug. 10, 2004 (19 months overdue)

<sup>5</sup> partial payment (96.5%), remainder paid July 18, 2003 (6 months overdue)

<sup>6</sup> partial payment (50%), remainder paid September 8, 2004 (8 months overdue)

**F&A Endnote 5**

**External funding and special contributions received since PICES XII (October 2003)**

High priority PICES projects (including North Pacific Ecosystem Status Report)

- In December 2003, the Ministry of Maritime Affairs and Fisheries (MOMAF) of the Republic of Korea contributed \$18,778 to support high priority PICES projects.
- In July 2004 and September 2004, the Alaska Fisheries Science Center (AFSC/NMFS, U.S.A.) contributed \$9,200 (US \$7,000) and \$50,000 (US \$38,200), respectively, to finance high priority PICES projects. [Between 2001-2003, AFSC had provided US \$36,710 for the North Pacific Ecosystem Status Report.]
- In September 2004, the Exxon Valdez Oil Spill Trustee Council (EVOS, U.S.A.) contributed \$11,600 (US \$8,800) to the production of the North Pacific Ecosystem Status Report. [Between 2002-2003, EVOS had provided US \$34,000 for the North Pacific Ecosystem Status Report.]

Implications of the 1998/99 regime shift

- In April 2004, the National Marine Fisheries Service (NMFS/NOAA, U.S.A.) provided \$60,410 (US \$45,000) to support PICES activities to address a formal request made by the United States Government for scientific advice on the implications of the 1998/99 regime shift for fisheries.

Ecosystem modeling

- In April 2004, the Asia Pacific Network (APN) approved a proposal by the PICES MODEL Task Team (PIs: Drs. Francisco E. Werner and Bernard A. Megrey) entitled “Climate interactions and marine ecosystems: Effects of climate on the structure and function of marine food-webs and implications for marine fish production in the North Pacific Ocean and marginal seas”. The amount of the award is US \$45,000, and this will fund a workshop (with approximately 25 participants) and young investigator training to be held October 10-13, 2004, in Honolulu, immediately prior to PICES XIII. Funds will be managed by the MODEL Task Team Co-Chairman, Dr. Werner (Univ. North Carolina).

Guide to best practices for oceanic CO<sub>2</sub> measurements and data reporting

- In September 2004, the International Ocean Carbon Coordinated Program (IOCCP), via the Intergovernmental Oceanographic Commission (IOC), provided \$2,650 (US \$2,000) for the publication of the “Guide to best practices for oceanic CO<sub>2</sub> measurements and data reporting” being prepared by PICES WG 17 on *Biogeochemical data integration and synthesis*. [In 2003, IOCCP/IOC contributed \$7,932 (US \$6,000) for the same publication.]

Inter-calibration of micronekton sampling

- The PICES Advisory Panel on *Micronekton inter-calibration experiment* (MIE-AP) succeeded in securing 8 days at sea aboard the NOAA ship *Oscar Elton Sette* (October 6-13, 2004), for an international collaborative field program to evaluate the efficiency of sampling gears and procedures employed by different agencies to sample micronekton.
- A proposal entitled “Inter-calibration of sampling gear and techniques for assessing prey abundance (micronekton) in the North Pacific and the Eastern Bering Sea” seeking funds for logistical support to conduct the cruise has been submitted to the North Pacific Research Board (NPRB, U.S.A.). Although the proposal was favorably reviewed (all three reviewers rated it “Excellent/Should be Funded”), there was only a limited amount of funding available this year, and the proposal was rejected.

Intern Program

- In March 2004, Fisheries & Oceans Canada (DFO) contributed \$10,000 to finance the PICES Intern Program. [From 2000-2003, DFO had provided \$37,500 for the Intern Program.]



- In July 2004, AFSC/NMFS contributed \$23,550 (US \$17,900) to finance the PICES Intern Program. [From 2000-2003, AFSC had provided \$51,360 for the Intern Program.]

#### PICES Annual Meetings

- In December 2003, MOMAF contributed \$18,778 to the Trust Fund to involve more young scientists in PICES activities, including Annual Meetings.
- In May 2004, MOMAF provided special funds to offset PICES expenses for the 2004 inter-sessional Science Board/ Governing Council meeting (May 6-8, 2004, Jeju, Korea).
- In July 2004, AFSC/NMFS contributed \$7,900 (US \$6,000) to support travel of speakers at the BIO Topic Session on “Mechanisms that regulate North Pacific ecosystems: Bottom up, top down, or something else?” at PICES XIII.
- In September 2004, IOCCP/IOC allocated \$10,500 (US \$8,000) to support travel of speakers at the joint PICES/IOCCP Topic Session on “The impact of climate change on the carbon cycle in the North Pacific” at PICES XIII.
- In July 2004, the Scientific Committee on Oceanic Research (SCOR) provided a travel grant of \$5,250 (US \$4,000) for scientists from countries with “economies in transition” to attend the MEQ Workshop on “Developing a North Pacific HAB data resource” at PICES XIII.

#### PICES Publications

- The National Science Foundation approved funding in an amount of US \$15,000 for the publication of a book “The journey to PICES: Scientific cooperation in the North Pacific”.

#### ESSAS Symposium

- In July 2004, AFSC/NMFS provided \$13,150 (US \$10,000) for the international symposium on “Climate variability and sub-Arctic marine ecosystems” (May 16-20, 2005, Victoria, Canada).

#### **F&A Endnote 6**

#### **Budget for fiscal year 2005**

<b>Category</b>	<b>Allotment</b>
Personnel Services	376,500
Annual Meeting	40,000
Special Meetings	68,000
Travel	81,000
Printing	76,000
Communication	32,000
Equipment	8,000
Supplies	7,500
Contractual Services	18,000
Miscellaneous	3,500
<b>Total</b>	<b>710,500</b>
<b>Source</b>	<b>Contribution</b>
Contributions from six Contracting Parties	615,000
Transfer from Working Capital Fund	95,500
<b>Total</b>	<b>710,500</b>
<b>2005 Annual Fee for each Party</b>	<b>102,500</b>