

# REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE

٢٣

٢٤

The Finance and Administration Committee (F&A) met on Oct. 12 and 14 under the chairmanship of Dr. Richard J. Marasco, and Drs. Alexander S. Bychkov and Stewart (Skip) M. McKinnell acted as rapporteurs (see *F&A Endnote 1* for list of participants).

## **Agenda Item 1. Opening by the Chairman**

The Chairman called the meeting to order and welcomed the participants, emphasizing that the job of the Committee is to review financial and administrative matters in keeping with the Rules of the Organization and to provide a report to the Governing Council for consideration and adoption.

## **Agenda Item 2. Adoption of agenda**

The Committee reviewed and adopted the agenda without change.

## **Agenda item 3. Appointment of Executive Secretary and Assistant Executive Secretary**

The F&A Chairman briefed the Committee on the recent changes in the PICES Secretariat. Dr. Alexander S. Bychkov was selected as the Executive Secretary, effective June 1, 1999, and Dr. Stewart M. McKinnell was appointed as the Assistant Executive Secretary, effective September 7, 1999. Dr. Marasco mentioned that they were chosen from among highly competent and qualified candidates and expressed his confidence that Drs. Bychkov and McKinnell have the best assets to bring PICES to new heights and dimensions, and advance the work of the Secretariat as a team.

## **Agenda Item 4. Audited accounts for fiscal year 1998**

The Committee reviewed the Auditor's Report (*F&A Endnote 2*) and recommends that Council approve it on the endorsement of the Executive Secretary.

The Committee recommends that Council retain *Flader and Greene* as auditor for another year.

## **Agenda Item 5. Budget**

### **a. Estimated accounts for fiscal year 1999**

The Committee reviewed and discussed the estimated accounts for 1999.

The Executive Secretary noted that the surplus in the budget is from the *Personnel Services* category, as the Executive Secretary position was vacant from Jan. 1 to May 31, and the Assistant Executive Secretary position was vacant from June 1 to Sept. 7.

The Committee recommends that Council accept the estimated accounts for 1999.

### **b. Budget for fiscal year 2000**

The Committee reviewed the proposed 2000 budget, about a 3% increase from 1999 (*F&A Endnote 3*). The Committee recommends that Council approve the budget of CDN \$590,000, using CDN \$58,400 from the Working Capital Fund surplus, thereby limiting the fees for each Party to CDN \$88,600.

The Japanese Government considers that, as many member countries are under severe financial condition, in order to continue financial contribution to international organizations, the budget of international organizations should be the

minimum necessary. Therefore, the Japanese Government is requesting to many international organizations to keep basically *nominal zero increase* of budget, and PICES cannot be an exception.

**c. Forecast budget for fiscal year 2001**

The forecast 2001 budget of CDN \$607,000 was examined by the Committee and is recommended to Council for information. The 2001 budget will be considered further at PICES IX.

The following guideline was generally accepted to assist member countries to prepare their funding requests to cover annual contributions, and the Executive Secretary to develop future budgets:

*For planning purposes it would be reasonable for the Contracting Parties to expect that the projected budget and annual contributions will increase at the rate of inflation in Canada, currently about 3% per year. Justification and finalization of the budget will occur at the Annual Meeting prior to the beginning of the new PICES fiscal year.*

The Committee further discussed a general approach to developing PICES budgets. At the PICES Seventh Annual Meeting, Council approved a 10% increase in the budget (CDN \$574,000 for 1999 compared to CDN \$521,000 for 1998). At the same time the 1999 annual fees increased only by 1.4% (CDN \$86,000 for 1999 compared to CDN \$84,800 for 1998) as Council approved a transfer of CDN \$58,000 from the Working Capital Fund surpluses to the General Fund to reduce 1999 contributions for each Party. For the year 2000 an equal 3% increase in the budget and annual fees is proposed. To cover the difference between the budget (CDN \$590,000) and the total contribution (CDN \$531,600) a transfer of CDN \$58,400 from the Working Capital Fund to the General Fund is recommended.

The Executive Secretary reminded the Committee that the Working Capital Fund is set at CDN \$100,000. The amount of funds in this account may be increased, mainly by miscellaneous income (GST rebates, income tax levies, etc.) or by voluntary contributions. According to 1995-1999 statistics, the Working Capital Fund could increase annually by about CDN \$40,000 from the miscellaneous income, if non-Canadians fill one of the positions (Executive Secretary or Assistant Executive Secretary) in the Secretariat, and if there is no demand to transfer funds to build up the Home Leave and Relocation Fund to its maximum. With this level of income flow, the practice of transferring surpluses from the Working Capital Fund to the General Fund is a viable approach to balancing accounts, only if the transfer does not exceed about CDN \$35,000.

Two possible approaches to improve the current situation and balance the total budget and the annual fees (for example) are:

- To keep the increase in the annual fees to about 2% higher than the increase in the total budget during the next three years (2001-2003);
- To request the Contracting Parties to pay a one-time contribution in addition to their annual assessment in the year 2001, and then keep the equal increase in the total budget and annual fees in future years;

Considering that the Contracting Parties are generally cautious about increasing their annual contributions, the current imbalance between the annual contributions and the annual budget, and recognizing that PICES must improve its financial situation, the Committee recommends that PICES seek outside funding, consistent with the goals of the Organization, by establishing a Fund-Raising Committee.

#### **d. Working Capital Fund**

The Executive Secretary forecast is that the Working Capital Fund will have a surplus of CDN \$75,594 at the end of 1999. It is recommended that CDN \$58,400 of the estimated surplus be transferred to the General Fund and that the residual surplus of CDN \$17,194 be transferred to the Trust Fund.

#### **e. Home Leave Relocation Fund**

The Executive Secretary reported that funds expended this year for the relocation of the new Assistant Executive Secretary and his family to the seat of the Secretariat will be recovered from the income tax levies from foreign staff to adjust the Fund to a maximum of CDN \$110,000 at the end of the fiscal year.

#### **f. Trust Fund**

The Executive Secretary reported that this year, approximately CDN \$30,000 from the Trust Fund was used to bring Canadian, Chinese, Korean, Russian, Mexican and young scientists to this year's Annual Meeting. The Trust Fund is forecast to be CDN \$71,336 at the end of 1999. After the recommended transfer of CDN \$17,194 from the Working Capital Fund, the Trust Fund will increase to approximately CDN \$88,530 in the beginning of 2000. Working Capital Fund surpluses have allowed this fund to be replenished for the last several years. It is unlikely that surpluses of this magnitude will exist in the future, so activities supported by the Trust Fund will need to be reduced accordingly.

#### **Agenda Item 6. Annual contributions**

The Executive Secretary presented historical statistics on the payment schedule of annual fees to the Organization. As stated by Regulation 5(ii) of Financial Regulations, 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 record of annual payments illustrates that most contributions were not received until the third or fourth quarter of the PICES fiscal year. This creates problems for the general operations of the Secretariat, and results in much lower interest income in PICES accounts. The Committee recommends that Council request cooperation from member countries

to provide annual contributions by January 1<sup>st</sup>. The Committee suggests that Council instruct the Chairman to send letters, indicating the importance of prompt payment, to appropriate authorities in each country, as identified by national delegates.

#### **Agenda item 7. Tenth anniversary of PICES**

The Executive Secretary indicated that PICES will hold its Tenth Annual Meeting in 2001, and in 2002 PICES will celebrate its tenth anniversary (the Convention for a North Pacific Marine Science Organization entered into force on March 24, 1992). The Secretariat and Science Board proposed that PICES X be hosted by the Secretariat at the location of the First Annual Meeting, in Victoria, Canada. The Committee suggests that various activities be planned to commemorate the anniversary (e.g. to hold an Anniversary Symposium in conjunction with PICES X, to publish a new PICES brochure and a special scientific publication, etc). The Executive Secretary noted that the proposed activities will require additional funding, and this was accepted in principle. The Committee recommends that Council send a request to member countries and agencies for voluntary contributions to support these special events. It was suggested that a PICES Anniversary Steering Committee be formed to develop a plan by January 1, 2000.

#### **Agenda Item 8. Time, place and structure of future Annual Meetings of the Organization and subsidiary bodies**

The Committee reviewed possible dates for the Ninth Annual Meeting in Hakodate, Japan, in 2000, and recommends to Council that the meeting be held October 23-28. Meetings of Working Groups, Task Teams and others groups held in conjunction with the Annual Meeting would occur before October 23<sup>rd</sup>. These dates were established

in consultation with NPAFC (North Pacific Anadromous Fish Commission) to facilitate participation by those who attend both Annual Meetings organized consecutively in nearby locations, and to allow scientists to attend the joint NPAFC-PICES Workshop on Factors Affecting Production of Juvenile Salmon. This Workshop will be held immediately after PICES IX (October 29) in Tokyo.

The Committee recommends that Council approve the proposal that the PICES Secretariat host the Tenth Annual Meeting in Victoria, Canada. Dates of the meeting will be confirmed at next year's Annual Meeting.

#### **Agenda Item 9. Space, facilities and services**

Space, general services and communications are provided to the Secretariat by the Government of Canada through the Department of Fisheries and Oceans. This agreement commenced April 1, 1992, and continues indefinitely with a review every three years. The Executive Secretary reported that in 1998, the Canadian Government introduced a new comprehensive fixed cost of CDN \$4,000 per year for office space/services at the Institute of Ocean Sciences. He also indicated that the more profile and larger space provided in 1998 should be sufficient for the Secretariat's needs over the next few years.

#### **Agenda Item 10. PICES Intern Program**

The Committee reviewed and revised the proposal to establish a PICES Intern

Program and recommends its approval-in-principle to Council. If Council wishes to implement the Program in the next fiscal year, it will be necessary to use the Trust Fund, as there is no special allocation for the Intern Program in the 2000 fiscal year budget. Permanent support for the Intern Program will require replenishing the Trust Fund or developing some other mechanism to support it, as funds used for the Intern Program will reduce Trust Fund support available for other activities.

#### **Agenda Item 11. Other business**

PICES has developed an organizational structure that allows it to carry out its business on an annual basis. Recently, Science Board encouraged Scientific Committees and Programs to develop strategic plans for their work in order to promote and facilitate longer-term planning and direction. The Committee discussed the proposal to form a PICES Bureau (consisting of the Chairman and Vice-Chairman of Governing Council, the PICES Executive Secretary and the Chairmen of Science Board and F&A Committee) that can perform the same function for the organization as a whole. It is the opinion of the Committee that a new administrative body is not necessary at this time. As the PICES Chairman provides leadership in long-term planning for the Organization and monitoring progress towards PICES objectives, he/she may call a mid-term meeting of PICES officers for that purpose. The meeting could be held at a convenient and cost-effective location to be determined by the Chairman in consultation with the Executive Secretary.

#### **F&A Endnote 1**

#### **Participants and Observers**

Canada

Richard J. Beamish

China

Qian-Fei Liu  
Hai-Qing Li

Igor I. Shevchenko  
Alexander Kurmazov

U.S.A.

Dorothy Bergamaschi

Japan

Makoto Kashiwai  
Koji Harunari

Other

Hyung-Tack Huh (Chairman, PICES)  
Vera Alexander (Vice-Chairman,  
PICES)

Republic of Korea

Jin Yeong Kim  
Young Shil Kang

Richard J. Marasco (Chairman, F&A)  
Alexander S. Bychkov (Executive  
Secretary) (Rapporteur)  
Stewart (Skip) M. McKinnell (Assistant  
Executive Secretary) (Rapporteur)

Russia

**F&A Endnote 2**

**Auditor's Report (1998) to the Organization**

Flader and Greene  
Chartered Accountants  
9768 Third Street,  
Sidney, B.C.  
V8L 3A4

To the Council of the North Pacific Marine Science Organization

We have audited the statement of financial position of the North Pacific Marine Science Organization as at December 31, 1998, 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 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, 1998, and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

Sidney, B.C. Canada  
March 3, 1999

Flader and Greene  
Chartered Accountants

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 1998**

	<u>1998</u>	<u>1997</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and term deposits	\$ 365,201	\$ 366,807
Accounts receivable	\$ 12,000	
Due from Contracting Parties	\$ 7,376	
	<b>\$ 384,577</b>	<b>\$ 366,807</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 12,801	\$ 9,486
<b>Fund Balances</b>		
Working Capital Fund	\$ 162,620	\$ 146,249
Trust Fund	\$ 99,156	\$ 101,064
Home Leave Relocation Fund	\$110,000	\$ 110,000
	<b>\$ 371,776</b>	<b>\$ 357,313</b>
	<b>\$ 384,577</b>	<b>\$ 366,807</b>

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	General Fund	Working Capital Fund	Trust Fund	Home Leave Relocation Fund	1998 Total	1997 Total
<b>Fund Balances</b> , beginning of year	\$ -	\$ 146,247	\$ 101,064	\$ 110,000	\$357,311	\$ 318,104
<b>Sources of Funds</b>						
Contributions from Contracting Parties	508,800	-	5,609	-	514,409	508,800
Inter-Fund transfers	(7,829)	-	5,234	2,595	-	
Interest and other income – (Note 4)	26,456	4,526	2,589	3,780	37,351	32,784
<b>Fund Balances</b> , before expenditures	527,427		150,773	114,496	116,375	909,071
	859,688					
<b>Expenditures</b>						
Personnel services	280,215	-	-	-	280,215	286,163
Travel	72,300	2,874	38,430	-	113,604	108,156
Communication	16,832	-	-	-	16,832	26,124
Contractual services	17,353	-	-	-	17,353	12,628
Printing	45,998	-	-	-	45,998	35,185
Supplies	6,311	-	-	-	6,311	4,376
Equipment	10,996	-	-	-	10,996	10,898
Annual General Meeting expenditures	37,440	-	-	-	37,440	5,296
Workshops	-	-	-	-	-	11,708
Relocation	-	-	-	6,375	6,375	114
Miscellaneous	2,171	-	-	-	2,171	1,727
	489,616		2,874	38,430	6,375	537,295
	502,375					
<b>Net Funds Available</b>	37,811	147,899	76,066	110,000	371,776	357,313
<b>Transfers to Working Capital Fund</b>	(37,811)	37,811	-	-	-	-
<b>Transfer of Working Capital Surplus</b>		(23,090)	23,090			
<b>Fund Balances</b> , end of year (Note 5)	\$ -	\$ 162,620	\$ 99,156	\$ 110,000	371,776	\$ 357,313

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

**1. Purpose of the 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 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 provide home leave for international staff. This Fund is set at a maximum of \$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 finance position date.

**3. Commitments**

General administrative and communication services are provided to the Secretariat of the Organization by the Government of Canada through the Department of Fisheries and Oceans.

This agreement commenced on April 1, 1992, and continues indefinitely with a review every three years. The fixed cost for office space is \$4,000 per year. Services provided are invoiced quarterly.

#### 4. Interest and other income

	General Fund	Working Capital Fund	Trust Fund	Home Leave Relocation Fund
Interest income	\$ -	\$ 4,526	\$ 2,589	\$ 3,780
Income tax levies	21,882	-	-	-
GST rebates	4,574	-	-	-
	<b>\$ 26,456</b>	<b>\$ 4,526</b>	<b>\$ 2,589</b>	<b>\$ 3,780</b>

#### 5. Working Capital Fund surplus

Pursuant to the decision of the Governing Council, \$ 58,000 of the funds held in the Working Capital Fund will be transferred to reduce 1999 fees.

#### 6. Uncertainty due to the year 2000 issue

The Year 2000 Issue arises because many computerized system use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effect of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of contracting parties, suppliers, or other third parties, will be fully resolved.

**F&A Endnote 3****Budget for fiscal year 2000**

<b>Category</b>	<b>Allotment</b>
Personnel Services	288,000
Annual Meeting	42,000
Special Meetings	51,000
Travel	85,000
Printing	57,000
Communication	31,000
Equipment	10,000
Supplies	7,000
Contractual Services	16,000
Miscellaneous	3,000
<b>Total</b>	<b>590,000</b>

  

<b>Source</b>	<b>Contribution</b>
Contributions from six Contracting Parties	531,600
Transfer of Working Capital Fund surplus	58,400
<b>Total</b>	<b>590,000</b>

  

<b>2000 Annual Fee for each Party</b>	<b>88,600</b>
---------------------------------------	---------------