

**REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE
OCTOBER 24-25, 2023**

Note: Specific recommendations from F&A to Governing Council are in blue:

The Finance and Administration (hereafter F&A) Committee met from 14:00-18:00 on October 24 and 14:00-16:00 on October 25, 2023 at the Westin Hotel, Seattle, USA under the Interim-Chair-ship of Kristen Koch.

FA AGENDA ITEM 1 - OPENING REMARKS

The Chair called the meeting to order, welcomed the participants and requested an introduction of members for each delegation. All Contracting Parties were present at the meeting (*F&A Endnote 1*).

FA AGENDA ITEM 2 - ADOPTION OF AGENDA AND MEETING PROCEDURES

The Committee reviewed the provisional agenda and agreed to adopt it. The agenda as adopted is included as *F&A Endnote 2*.

FA AGENDA ITEM 3 - AUDITED ACCOUNTS FOR FY 2022

The auditing process was completed in accordance with the PICES Financial Regulations by the Secretariat with financial statements prepared for March 31 for the external auditor *Hughesman, Morris and Liversedge*. At their request, to accommodate staffing shortages, the audit was undertaken during May and completed on June 13. The electronic copy of the Auditors' Report for FY 2022 was circulated to all Contracting Parties on June 14. The version included here as F&A Endnote 3 has been slightly modified as it was subsequently realized that registration fees received for events in 2022 needed to be separated into symposia and the annual meeting.

Accepting the auditor's report was deferred to Agenda Item 10 allowing a more detailed review of accounts.

The F&A Committee reviewed the letter from the HML Accountancy firm regarding ongoing audits and the information and options provided by the Executive Secretary in the context of Rule 19 of the PICES Rules of Procedure. To balance the need for a complete audit with the increased costs indicated in the quotes, the Committee believes that a full audit may only be required every three years.

The Committee recommends that Council instruct the Executive Secretary to engage the firm of HML for a Financial Statements Compilation for FY 2023. In the mean-time, the Committee further recommends that the Executive Secretary compile a report on the audit process for other similar organizations headquartered in Canada for a review by the F&A Committee at PICES-2024.

The Committee recommends an adjustment to the Financial Regulations as follows to allow for less frequent full audits:

That Financial Regulation 11 be modified from:

11 i. The Executive Secretary shall submit to the external auditor (referred to in Regulation 13), not later than ninety days immediately following the end of the fiscal year,

And

11 ii. These financial statements shall be prepared in a form approved by the Council after consultation with the external auditor;

To

11 i. The Executive Secretary shall submit to the external **Chartered Professional Accountant or auditor** (referred to in Regulation 13), not later than ninety days immediately following the end of the fiscal year,

And

11 ii. These financial statements shall be prepared in a form approved by the Council after consultation with the **external Chartered Professional Accountant**;

Further, that Financial Regulation 13 be modified from:

13 i. The Council shall appoint an external auditor from a reputable auditing firm. The auditor may be consulted on the introduction or amendment of any financial regulations and procedures and on detailed accounting methods, on all matters affecting auditing procedures and methods, and on any other financial matter affecting the Organization;

To

13 i. The Council shall appoint an external auditor from a reputable auditing firm **to conduct a regular audit with a frequency to be determined by Council. Financial Statements are to be prepared by a Chartered Professional Accountant annually.** The auditor may be consulted on the introduction or amendment of any financial regulations and procedures and on detailed accounting methods, on all matters affecting auditing procedures and methods, and on any other financial matter affecting the Organization.

And, that Rule 19 iv a of the Rules of Procedure be changed from:

iv. at an Annual Meeting of the Organization, the Finance and Administration Committee shall examine: a. the audited accounts of the Council for the preceding financial year;

To

iv. at an Annual Meeting of the Organization, the Finance and Administration Committee shall examine: a. **the Financial Statements and/or audited accounts** of the Council for the preceding financial year;

Following review of the audit processes employed by other organizations to be presented at PICES-2024, the Committee may recommend that the firm of Loewen Kruse CPA be approached to provide a quote for a full audit for FY 2024 or 2025.

FA AGENDA ITEM 4 - ANNUAL CONTRIBUTIONS

As stated in *Regulation 5(ii)* of the PICES 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”. A request for payment of the 2023 annual fees was sent to all Contracting Parties on November 29, 2022 in accordance with Decision 2022/A/2/i. Five Contracting Parties met their financial obligations for FY 2023 at this time (*F&A Endnote 4*).

Decision 2022/A/2/ii further requested that “to address the pension plan liability, Council recommends that each Contracting Party make an additional \$8000 Extraordinary Contribution for FY2022 and that the Extraordinary Contribution shall continue until pension plan liability is extinguished”.

All Contracting parties that paid their fees included the Extraordinary Payment with their Annual dues according to the dates in *F&A Endnote 4*.

The Committee reiterated (1) the importance for all Contracting Parties to pay the Annual Fee by the January 1 deadline and (2) that for planning of their funding requests for annual contributions, Contracting Parties continue to use the guideline generally accepted at PICES-1999 (Decision 1999/A/2(ii)), which states that the annual contributions will increase at the rate of inflation in Canada.

The Committee recommends that Council instruct the Executive Secretary to send letters to all Contracting Parties requesting payments of Annual Fees as soon as practical following the Annual Meeting.

FA AGENDA ITEM 5 – VOLUNTARY CONTRIBUTIONS AND FUND-RAISING ACTIVITIES

The Committee reviewed the recent voluntary contributions.

The Committee recommends instructing the Executive Secretary to invite Contracting Parties to provide voluntary contributions to the Trust Fund to support the Intern Program and capacity building activities in 2024 and beyond.

FA AGENDA ITEM 6 – GENERAL FUND – IN 2022

The Committee reviewed the budget and expenditures in the General Fund for FY2022, noting that expenditures were within the budget tolerance for all categories and the budget was underspent overall.

FA AGENDA ITEM 7 – WORKING CAPITAL FUND - IN 2022 AND 2023

The Executive Secretary provided information on the amount of funds in the Working Capital Fund designated for specific purposes (encumbered funds) for FY2022 and the estimated amount of the encumbered funds for the fiscal year end FY2023. The Committee recommends the following fund activities:

1. That a year-end transfer from the Working Capital Fund to the Trust Fund to restore it the level of \$110,000 is made (the regular practice). This is *estimated* to be less than \$10,000.

2. That the Chairman's Travel Fund be closed (the balance is now \$0).

FA AGENDA ITEM 8 – TRUST FUND

The Committee reviewed the status of the Trust Fund. The Committee noted that ongoing support for the intern program through voluntary contributions is required.

FA AGENDA ITEM 9 – RELOCATION AND HOME LEAVE FUND - IN 2022

The Committee reviewed the status of the Relocation and Home Leave Fund noting that in accordance with Decision 2020/A/5 the liability for excess vacation and severance pay is now captured as a liability of this Fund and it must therefore maintain a balance at, or above, \$0 at year-end. No transfer was required at the FY 2022 year-end because the Fund ended the year with a small surplus (Auditor's note 3 in F&A Endnote 3).

FA AGENDA ITEM 10 – SPECIAL PROJECT FUNDS IN 2021 – DETAILS

The Committee reviewed the Special Projects noting that:

- a. The KIOST SEAturtle project has made progress in 2022. There are several presentations related to the project at PICES-2023, including in the Science Board Symposium and the project is expected to conclude in 2023.
- b. The MAFF Ciguatera project has made good progress in 2022 and their final report was submitted after the project ended March 31, 2023.

This marked the end of the review of financial matters in **FY 2022**.

The Committee recommends accepting the audited accounts. The FY 2022 financial statements were submitted to the external auditor Hughesman, Morris and Liversedge on March 31, 2023 and the audit was completed on June 13, 2023. The electronic copy of the Auditors' Report for FY 2022 was circulated to all Contracting Parties on June 14, 2023. In the Auditors' opinion, "these financial statements are prepared, in all material respects, in accordance with the North Pacific Marine Science Organization's Financial Regulations"

FA AGENDA ITEM 11 – ESTIMATED ACCOUNTS FOR 2023

The Committee reviewed the material presented and noted that Finances for 2023 are projected to be sound.

FA AGENDA ITEM 12 – UNFUNDED PENSION LIABILITY

The Committee reviewed the information provided by the Executive Secretary on the actuarial report performed in January 2023.

The Committee recommends to Governing Council that the Extraordinary Contribution of \$8000 per contracting Party is no longer needed, based on the most recent actuarial valuation, and should be paused until the results of the next valuation are known in spring 2026.

The Committee commends Council on its prompt action and willingness to address the pension plan liability, which has resulted in its rapid extinguishment. The Committee notes that Extraordinary Contributions may, however, be required following the next valuation in 2026. At that time the F&A Committee will provide a recommendation for any FY2027 Extraordinary Contributions and it is expected that Parties would then confirm their intention to provide this contribution.

The Committee further recommends that the Executive Secretary provides an annual update to the F&A Committee on any deficit liability information presented by the Pension Plan management company (Mercer) to the International Fisheries Commissions Pension Society at their annual meeting, to keep apprised of the situation in-between the actuarial reports received every three years.

FA AGENDA ITEM 13 – RESERVE FUND STATUS

The F&A Committee discussed the Reserve Fund and noted that at the end of 2022 the Reserve Fund exceeded the threshold set by Decision 2022/A/4. The Reserve Fund is also projected to be above the required level at the end of 2023 provided that annual fees from all Contracting Parties are received before the end of the year.

The Committee noted the comment from the Russian Federation representative that they are *“ready to pay the annual contribution to the PICES budget as soon as the technical issues that prevent the transfer of funds are resolved. The Russian Party continues to work on this problem in relation to all international fisheries organizations based in Canada (PICES, NAFO and NPAFC). The problem is that Russian banks do not work with the Canadian dollar. Payment can be made using the US dollar, Euro, or Chinese Yuan as the payment currency.”*

The Committee recommends that Council request that the Executive Secretary provide information to the Russian Federation on the PICES US\$ bank account in the hope that this can facilitate the transfer of 2023 annual fees and to remain in communication with other Secretariats regarding this issue.

FA AGENDA ITEM 14 – PROPOSED BUDGET FOR FY 2024 AND FORECAST BUDGET ESTIMATES FOR FY 2025

The Committee reviewed the proposed FY 2024 budget of \$1,180,000 and recommends its approval by Council.

The Committee reviewed the proposed FY 2024 budget of \$1,180,000 and recommends that annual fees be set at \$157,000. A transfer of \$238,000 from the Working Capital Fund at the beginning of 2024 will be required to balance the budget.

The Committee reviewed the forecast budget for FY 2025 and submits it to Council for information only.

FA AGENDA ITEM 15 - SCHEDULE, STRUCTURE AND FINANCING OF FUTURE ANNUAL MEETINGS, [DECISION 2021/A/6]

The Committee reviewed the schedule of upcoming annual meetings. Japan proposed to hold PICES-2025 in Yokohama, November 7-16, 2025.

The Committee recommends that Council approve the proposal from Japan to hold the PICES-2025 Annual Meeting from November 7-16, 2025 in Yokohama.

The Committee further recommends that Council request Canada to explore the possibility of hosting the 2026 Annual Meeting, and inform the Secretariat on this matter by March 31, 2024.

The F&A Committee reviewed the cost estimates and funding sources for PICES-2024 to be held in Honolulu, Hawaii. The committee discussed and prioritized the funding sources to meet the expected costs as indicated below. Japan preferred the use of a temporary increase to the registration fee for 2024 only, and Canada and the USA indicated that they would try to find voluntary contributions and inform the Executive Secretary if funds are available.

Estimated costs for PICES-2024:		Cad\$	
	Convention Centre room rental (as quoted)	47,000	
	Incidentals/additions	20,000	
	Catering (minimum spend) Poster reception and coffee at a minimum.	112,000	
	A/V (based on 2023 costs)	100,000	
	Total to raise	279,000	
Priority	Funding Sources:	Cad\$	Still to find
1	GNF regular annual meeting budget	45,000	234,000
2	FUTURE Fund for 1 day Symposium	50,000	184,000
3	Unused 2023 Extraordinary Payments	48,000	136,000
4	Temporary one-time increase in registration fees (Early \$350, Regular \$450, Student \$50)	40,000	96,000
5	Approach potential sponsors		
6	Voluntary contributions		
7	Use of the Reserve Fund		

The Committee recommends amending the fee structure for PICES-2024 to include an additional \$100 on Early and Regular Fees only, with the following fee structure:

Type of registration fee	CDN \$
Regular	450
Early	350
Student	50
Spousal/guest	50
Absentee Presenter	75

The Committee further recommends that Council instruct the Executive Secretary to write to National Delegates requesting that the unused 2023 Extraordinary Contributions be put towards the costs of PICES-2024 as a voluntary contribution, that additional voluntary contributions may be made, and to request that they approach external parties and organizations for potential sponsorship of PICES-2024 to reduce the impact on the Reserve Fund.

The F&A Committee reviewed the current approach to Intersessional Science Board meetings.

The Committee recommends that virtual Intersessional Science Board meetings be held each year with no need for the Committee to make further recommendations.

FA AGENDA ITEM 16 - UPTAKE/IMPACT OF SCIENCE ACTIVITIES INCLUDING INCLUDING A REPORT TO ADDRESS DECISION 2022/A/6.

The Committee reviewed the metrics provided by the Executive Secretary and requested that future figures break-out the virtual participant component of annual meeting attendance.

The Committee reviewed the report provided by the Executive Secretary on Science Products [Decision 2022/A/6] and discussed the components.

The Committee concurred with the summary provided and requests Council to further discuss and provide any desired direction.

Summary:

- The PICES organization is gaining capacity in developing appropriate, useful, policy-ready scientific products through the activities of AP-SciCom and through the inclusion of ECOP in expert groups. Continued work will be required between the different elements of PICES infrastructure to best use this capacity.
- Additional resources in the form of a dedicated UNDOS coordinator would enable effective liaison between PICES, ICES and components of the UNDOS realm to make sure that PICES outputs were well integrated.
- The Review Panel’s report may contain explicit member country requirements which can be used to guide the work of the expert groups, the Secretariat and with AP-SciCom, to deliver better targeted products.

FA AGENDA ITEM 17 - ADMINISTRATIVE MATTERS:

- A. Tracking the activity of the PICES Secretariat

The Committee reviewed the graphical representation of the activity metrics provided in response to Decision 2019/A/8/ii. This decision already instructs the Executive Secretary to track them indefinitely, particularly to assess the impacts of COVID-19 on productivity beyond 2022.

B. Staffing in the PICES Secretariat

Staffing of the PICES Secretariat was reviewed. The Committee noted that the Deputy on Administration retired in early 2023 and has been replaced by Ms Saeseul Kim as Administrative Officer.

C. International Fisheries Commission Pension Plan status

This item was previously reviewed under Agenda Item 12 and there was no further comment.

D. Hosting of the PICES Secretariat

The hosting of the Secretariat was reviewed.

E. PICES Intern Program and Capacity Building

Capacity Building activities and the Intern program were reviewed. The Committee noted and reiterated the need for ongoing support for the Intern Program through voluntary contributions to the Trust Fund as expressed under Agenda Item 5. The Committee also noted that the Intern Stipend had not been increased since 2015.

The Committee recommends that Council increase the Intern Stipend to \$3,750 per month effective immediately, with an annual increase for inflation in Canada on Jan 1 each year, beginning in 2025. The Committee further requests Contracting Parties to consider this increased burden on the Trust Fund when making their voluntary contributions.

FA AGENDA ITEM 18 - SCHEDULE FOR APPOINTMENT OF F&A COMMITTEE CHAIR AND ELECTION OF NEW CHAIR

In accordance with Rule 19(iii), Dr. Mike Seki began his second two-year appointment as F&A Chair in October 2022 after PICES-2022. Following his retirement at the end of 2022 the PICES Chair appointed Ms Kristen Koch (F&A member representing the USA) as interim Chair.

The Committee recommends that Council appoint Ms Koch as F&A Chair for a first two-year term, beginning after PICES-2023.

FA AGENDA ITEM 19. OTHER BUSINESS

There was no other business

FA AGENDA ITEM 20. 2023 F&A REPORT AND RECOMMENDATIONS TO GOVERNING COUNCIL

The F&A Chair and Executive Secretary have prepared this draft report for circulation.

F&A ENDNOTE 1

2023 F&A Participation list

<p><u>Canada</u> Andrew Thomson Bernard Vigneault (R)</p>	<p><u>Russian Federation</u> Vladimir Radchenko (R)</p>
<p><u>Japan</u> Tatsuki Oshima Yutaka Hiroe Tetsuo Fujii (PICES Vice Chair, Advisor)</p>	<p><u>USA</u> Amanda Williams Tia Brown (R) Cisco Werner (USA GC member, Advisor) Jack Barth (USA GC member, Advisor)</p>
<p><u>People’s Republic of China</u> Pengbin Wang (Alternate) Zheng Wei (Alternate)</p>	<p><u>Other</u> Kristen Koch (F&A Interim Chair) (R) Enrique Curchitser (Chair) Jorn Schmidt (External Review Panel) Sonia Batten (Executive Secretary)</p>
<p><u>Republic of Korea</u> Jun Hyung Kim Joongho Moon (Advisor)</p>	

F&A ENDNOTE 2

Agenda as Adopted

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Audited accounts for FY 2022.
 - a. Letter to F&A from the Auditors and future Audit planning.
4. Annual contributions
5. Voluntary Contributions and Fund-raising activities
6. General Fund in 2022 – Details
7. Working Capital Fund in 2022–Details
 - a. Includes decisions on moving money within the WCF
8. Trust Fund in 2022 – Details
9. Relocation and Home Leave Fund in 2022 – Details and planning for upcoming retirements.
10. Special Project Funds in 2022 – Details
 - a. Korea SEATurtle Fund in 2022
 - b. MAFF Ciguatera Fund in 2022
11. Estimated accounts for 2023
12. Unfunded Pension Liability
13. Reserve Fund Status
14. Proposed budget for FY 2024 and forecast budget estimates for FY 2025
15. Schedule, structure and financing of future Annual Meetings [Decision 2021/A/6]
 - a. Financing PICES-2024 Decision 2023/A/2
16. Uptake/impact of science activities [Decision 2020/A/9] including a report to address Decision 2022/A/6: Science Products
17. Administrative matters:
 - a. Tracking the activity of the PICES Secretariat [Decision 2020/A/7]
 - b. Staffing in the PICES Secretariat
 - c. International Fisheries Commission Pension Plan status
 - d. Hosting of the PICES Secretariat
 - e. PICES Intern Program and Capacity Building
18. Schedule for Appointment of F&A Committee Chair and Election of Chair
19. Other business
20. 2023 F&A report and recommendations to Governing Council

F&A ENDNOTE 3 FINANCIAL STATEMENTS FOR 2022

Provided as a separate PDF document as prepared by the Auditors

F&A ENDNOTE 4

Payment Schedule for Annual Fees 2005–2023

	<i>Canada</i>	<i>China</i>	<i>Japan</i>	<i>Korea</i>	<i>Russia</i>	<i>USA</i>
2005	Dec 24, 04	Sept 22, 05²	Mar 2, 05	Mar 30, 05	Mar 31, 05³	Jan 10, 05
2006	Dec 28, 05	Aug 1, 06	Dec 15, 05	Feb 8, 06	Feb 28, 06	Jan 30, 06
2007	Jan 23, 07	Jul 3, 07	Dec 5, 06	Apr 3, 07	Feb 13, 07	Jan 10, 07
2008	Jan 16, 08	May 15, 08	Dec 20, 07	Feb 15, 08	Feb 13, 08	Jan 7, 08⁴
2009	Jan 5, 09	Jun 3, 09	Dec 11, 08	Apr 1, 09	Mar 27, 09	Dec 24, 08
2010	Apr 1, 10	Aug 5, 10	Dec 14, 09	Mar 2, 10	Mar 26, 10	Dec 11, 09
2011	Feb 8, 11	Jun 30, 11	Dec 3, 10	Mar 25, 11⁵	Feb 9, 11	Dec 7, 10
2012	Jan 3, 12	Aug 31, 12	Nov 22, 11	Oct 11, 12	Mar 29, 12	Nov 16, 11
2013	Jan 7, 13	Oct 11, 13	Nov 21, 12	May 14, 13	Apr 12, 13	Dec 17, 12
2014	Feb 18, 14	Jul 11, 14	Dec 6, 13	Apr 11, 14	Mar 5, 14	Dec 20, 13
2015	Feb 16, 15	Nov 26, 14	Dec 8, 14	Mar 25, 15	May 1, 15⁶	Dec 31, 14
2016	Mar 30, 16	Nov 13, 15	Dec 4, 15	Jul 8, 16	Apr 8, 16	May 5, 16
2017	Mar 14, 17	Dec 15, 16	Dec 16, 16	Jul 5, 17	May 4, 17	Jan 9, 17
2018	Mar 28, 18	Aug 30, 17	Nov 21, 17	Jul 30, 18	Oct 24, 18	Apr 11, 18
2019	Apr 24, 19	Jul 19, 18	Jan 31, 19	Jan 17, 19	May 15, 19	Feb 28, 19
2020	May 22, 20	Dec 18, 19	Mar 11, 20	Mar 17, 20	Aug 28, 20	Jun 1, 20
2021	Feb 26, 21	Sep 27, 20	Mar 5, 21	May 31, 21	Mar 17, 21	Apr 20, 21
2022	April 12, 22	Aug 31, 21	Mar 10, 22	Jan 11, 22	Feb 10, 22	June 7, 22
2023	Mar 13 ⁷ , 23	Jun 29, 22	Mar 3, 23	Jun 23, 23		Mar 14, 23

Notes:

- 1 Late (after March 31) or partial payments are indicated in bold
- 2 Partial (86%) payment, remainder paid December 30, 2005
- 3 Partial (96.6%) payment, remainder paid April 25, 2005
- 4 Partial (92.3%) payment, remainder paid on May 22, 2009
- 5 Partial (88.1%) payment, remainder paid on September 20, 2011
- 6 Partial (62%) payment, remainder paid on July 24, 2015
- 7 Partial (95%) payment, remainder paid April 28, 2023