

INTERNATIONAL SEABED AUTHORITY

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PROPOSED BUDGET OF THE INTERNATIONAL SEABED AUTHORITY FOR 2000 AND RELATED MATTERS

Report of the Finance Committee

1. During the fifth session of the Authority, the Finance Committee held nine meetings from 16 to 20 August 1999. The Committee elected Domenico da Empoli (Italy) as its Chairman.
2. The Committee examined the proposed budget of the International Seabed Authority for the period from 1 January to 31 December 2000 (ISBA/5/A/2-ISBA/5/C/2) in the amount of \$5,679,400. The Committee considered the proposed budget against the prevailing situation resulting from the termination of provisional membership. The Committee expressed its concern in relation to the arrears in contributions of members, including those whose provisional membership has terminated, and noted that the financing of the Authority is therefore precarious.
3. In the light of the questions, comments and suggestions by members of the Committee and in order to take account of the existing situation, the Secretary-General submitted to the Finance Committee revised budgetary requirements (ISBA/5/A/2/Add.1-ISBA/5/C/2/Add.1), taking into account the estimates for conference-servicing costs for 2000 that were submitted by the United Nations.
4. The Committee considered that the duration and number of meetings was a matter to be decided by the Assembly. Two alternatives were submitted: for one three-week session the budgetary requirements for 2000 would total \$5,175,200; for two two-week sessions the total budgetary requirements would total \$5,439,200. In the latter case, consideration should be given to making savings in the revised budget, in particular in the conference-servicing costs, in such a way as to offset the difference. Based upon the audited budget performance contained in the report of the Board of Auditors for the year ended 31 December 1998 and assuming the elimination of the programme support cost on the external conference-servicing costs, the Committee believes that it is technically feasible that the sum of \$1,120,000 would be enough to meet the requirements of the Authority for conference-servicing,

subject to the strenuous efforts of the Secretary-General to achieve economy and efficiency in the use of available resources.¹

5. The Finance Committee noted that as at 17 August 1999 the total amount received for contributions to the administrative budget for 1999 was \$4,407,417, which corresponds to 87.9 per cent of the budget. Contributions of \$604,283 remained outstanding. The arrears of members for 1998, including four States that were members of the Authority on a provisional basis until 16 November 1998, amounted to \$1,396,663. The Committee recommends that the Assembly address an appeal to those members that have not yet paid their contributions.

Working Capital Fund

6. The Committee considered that the level of the Working Capital Fund was enough for cash management. Taking into account the current use of the Fund and the financial needs of the Authority, the Committee recommends that for 2000 the Fund be maintained at the current level of \$392,000. Should the Fund prove inadequate to meet the shortfall in cash flow, the Committee recommends that the Secretary-General be authorized to utilize in 2000 available funds under his custody up to a limit of 10 per cent of the approved budget for 2000, provided that such borrowed sum shall be reimbursed as soon as contributions or advances are available.

Scale of assessments

7. The Committee recommends that the scale of assessment of contributions to the administrative budget for 2000 be based on the scale of assessment to the regular budget of the United Nations for 1999. The Committee further recommends that the floor and ceiling be maintained at the same level as 1999. No member should contribute more than 25 per cent or less than 0.01 per cent of the budget of the Authority. With respect to the agreed contribution of the European Community, the Committee recognized that its contributions would be reviewed and determined from time to time by the Authority, taking into consideration the total amount of the budget.

8. The Committee recommends that Ukraine and Vanuatu, which became members of the Authority in 1999, contribute the amount shown below towards the administrative budget of the Authority and the Working Capital Fund for 1999. Such contributions shall be credited as miscellaneous income in accordance with regulation 5.2 of the Financial Regulations of the United Nations.

Member State	Date of membership (1999)	United Nations percentage rate	Adjusted Authority scale	Contribution to the general administrative fund	Contribution to working capital fund
(United States dollars)					
Ukraine	26 August	0.302	0.4541	7,466	2,170
Vanuatu	10 September	0.001	0.01	123	20

Staff regulations

9. The Committee completed its work on the draft staff regulations for submission to the Council.

Rules of procedure of the Finance Committee

10. The Committee approved its rules of procedure. In the scheduling of its meetings, the Committee intends to conduct its work in the most efficient and cost-effective manner.

Audit of the Authority for 1998

11. The Committee noted that the United Nations external auditors appointed to audit the Authority for 1998 had audited the financial statements of the Authority comprising statements I to IV and the supporting notes and had expressed the opinion that the financial statements presented fairly, in all respects, the financial position of the Authority as at 31 December 1998 and the results of operations and cash flows for the period in accordance with the Authority's stated accounting policies set out in note 2 of the financial statements, which were applied on a basis consistent with that of the preceding financial period.

12. The Committee further noted that the auditors recommended that:

(a) The Administration should obligate amounts only on the basis of contracts, purchase orders, agreements or other forms of undertaking or recognized liability, as provided in article XIV of the Financial Regulations of the United Nations;

(b) The Authority should conclude expeditiously the issue relating to plans of work for exploration for polymetallic nodules as requested by the Council.

13. The external auditors also recommended that ex post facto approval by the Secretary-General be sought to regularize the amount borrowed from the pioneer investment fund, that the Administration ensure that its procurement plan is comprehensive and that the procedures for confirming receipt of goods are followed more closely.

14. The Finance Committee recommends that the Assembly concur with the recommendations of the Board of Auditors. The full report of the auditors is available for inspection by members of the Authority.

Appointment of auditors for 1999

15. The Secretary-General provided the Committee with a report on the appointment of auditors, both government and private, and recommending, on a

cost-effective basis, the appointment of a locally based international accountancy firm (ISBA/5/A/6).

16. After a careful evaluation of the proposals by the four international accountancy firms that responded to the Secretariat's request, the Committee decided to recommend to the Assembly that, for 1999, and without prejudice to possible extension, the firm of KPMG Peat Marwick be appointed as auditor.

Headquarters of the International Seabed Authority

17. The Secretary-General provided a report on considerations relating to the offer by the Government of Jamaica concerning the location of the permanent headquarters of the Authority (ISBA/5/A/4 and Add.1). The Committee recommends that the Assembly approve the recommendation of the Secretary-General as contained in document ISBA/5/A/4. In this connection, the Committee recommends that the Secretary-General pursue his negotiations with the host country, based on the most complete information available, in order to secure the best terms for the maintenance of the premises of the Authority.

Other observations

18. The Committee recommends that the Secretary-General:

(a) Negotiate with the United Nations a reconsideration of the charges for conference services, including overhead and the participation of personnel;

(b) Ensure early circulation of the relevant documents needed for the session and in particular ensure that the draft budget proposal is prepared in accordance with the recommendations of the Committee in 1998 in the most complete and effective presentation;²

(c) Develop a Web site allowing members to be regularly informed about the progress of activities of the Authority.

¹ The estimate of \$1,120,000 is based upon the elimination of 13 per cent of programme support costs and the possibility of an actual saving of 10 per cent on conference-servicing costs.

² Paragraph 13 (a), ISBA/4/A/13/Rev.1-ISBA/4/C/10/Rev.1.