

INTERNATIONAL SEABED AUTHORITY

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INTERNATIONAL SEABED AUTHORITY
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PROPOSED BUDGET OF THE INTERNATIONAL SEABED AUTHORITY
FOR THE FINANCIAL PERIOD 2001 TO 2002

Report of the Finance Committee

1. During the resumed sixth session of the Authority, the Finance Committee held four meetings on 6 and 7 July 2000. The Committee re-elected Domenico da Empoli (Italy) as its Chairman.
2. The Committee examined the proposed budget of the International Seabed Authority for the two-year financial period 2001 to 2002 (ISBA/6/A/7-ISBA/6/C/4) in the amount of \$10,506,400.00. The Committee considered the proposed budget against the audited financial statements of the Authority for 1999. In accordance with regulation 6.3 of the Financial Regulations of the Authority, the contributions of the members of the Authority to the administrative budgets of the Authority in 2001 and 2002 shall be assessed on the basis of half of the appropriations approved by the Assembly for that two-year financial period. The contributions of the members of the Authority to the administrative budgets in 2001 and 2002 will therefore be \$5,253,200.00 in both 2001 and 2002, except as adjusted in accordance with regulations 6.3 (a) to (d).
3. The Committee decided to recommend the approval of the proposed budget for the financial period 2001 to 2002 in the amount of \$10,506.400.00
4. The Committee considered that the duration of meetings was a matter to be decided by the Assembly, but that the provisions made for the conference-servicing costs of the Authority for 2001 and 2002 will be adequate for either a two or three-week session in each year. The Committee makes this recommendation, bearing in mind the budget performance as contained in the financial statements for 1999.

5. The Finance Committee noted that as at 7 July 2000 the total amount received in contributions to the administrative budget for 2000 was \$4,060,372.00, which corresponds to 79 per cent of the budget. Contributions of \$1,110,328.00 remained outstanding. The arrears of members for 1998 and 1999 amounted to \$1,291,200.00 and \$167,562.00 respectively. The Committee expressed its concern in relation to the arrears in contributions for 1998, 1999 and delays in contributions in 2000. It noted that the arrears for 1998 and 1999 amounted to a total of \$1,458,762.00. The Committee recommends that the Assembly address an appeal to members as well as the former provisional members that have not yet paid their contributions and advances to the administrative budgets, and to the Working Capital Fund. The Committee also recommends that the matter be brought to their attention by the Secretary-General.

Working Capital Fund

6. At the third session of the Assembly, the Authority decided to establish a Working Capital Fund in the amount of \$392,000.00 being approximately one twelfth of the approved budget for 1998, with \$196,000.00 to be paid in 1998 and \$196,000.00 in 1999. The Committee noted that while the approved level of the Fund is \$392,000.00, arrears in contributions to the Fund amount to \$60,853.00 (including arrears of 3 provisional members in the amount of \$49,935.00). The Finance Committee considered the Secretary-General's proposal and makes the following recommendations concerning the Fund.

"First, because of the cessation of the membership of 7 provisional members, the membership of the Authority was reduced in 1999. Owing to an oversight, the Authority, while not billing the former members for 1999, did not adjust the assessed contributions of the remaining members for the second half of the Working Capital Fund payable in 1999. As a result, the Working Capital Fund suffered a shortfall of \$58,635.00. It is proposed that this amount be assessed in accordance with the agreed scale of assessment for the year 2001.

Secondly, it is also proposed to increase the level of the Working Capital Fund from \$392,000.00 to \$438,000.00 (i.e. an increase of \$46,000.00) which represents one twelfth of the annual estimated expenditure for the biennium 2001-2002. This is without prejudice to future decisions on the level of the Fund, which should take into account the actual use of the Fund in practice."

7. Therefore, the Committee recommends that a total additional amount of \$104,635.00 (\$58,635.00 plus \$46,000.00) be sought for which member States should be assessed in accordance with the agreed scale of contributions for the year 2001.

8. These proposals do not in any way affect the arrears of members or former members of the Authority.

Scale of Assessment

9. The Committee recommends that the scale of assessment of contributions to the administrative budget for 2001 and 2002 be based on the scale of

assessment to the regular budget of the United Nations for 2000 and 2001 respectively. 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. In this regard, the Committee recommended that the contribution for 2001 and 2002 should remain the same as in 2000.

10. The Committee recommends that Nicaragua, which became a member of the Authority on 2 June 2000, contribute the prorated amount of \$297.00 towards the administrative budget of the Authority for 2000 (assessed rate of 0.01 per cent), and to advance an amount of \$12.00 to the Working Capital Fund. This contribution shall be credited as miscellaneous income in accordance with the Financial Regulations.

Audit for 1999

11. The Committee noted that KPMG Peat Marwick, appointed to audit the Authority for 1999, had audited the financial statements of the Authority. Their report, containing the financial statements (pages 2 to 6) and supporting notes (pages 7 to 11), is herewith forwarded to the Council and Assembly in accordance with regulation 12.8 of the Financial Regulations.

12. The Committee noted with appreciation the opinion expressed by KPMG Peat Marwick that proper accounting records have been maintained and that the financial statements, which are in agreement therewith, had been prepared in accordance with generally accepted accounting principles, and give a true and fair view of the state of the Authority's affairs as at 31 December 1999 and its operations and its cash flows for the year.

13. The Committee was informed by the Secretariat that, as a result of the audit, the following changes are being implemented:

(a) Before a payment for overtime is made, the Authority will ensure that prior approval had been granted, and where the hours worked are in excess of the amount approved, suitable explanations will be provided;

(b) The Authority has fully adopted the United Nations Accounting Standards;

(c) The Authority will, in accordance with regulation 11.3 of the Financial Regulations, maintain separate accounts for trust funds, reserves and special accounts;

(d) The Authority will make the necessary adjustment to regularize the shortfall in the Working Capital Fund resulting from the changes in its membership in 1999; and

(e) The Authority will continue to maintain a comprehensive fixed asset register, which includes description, cost, location, date of purchase or disposal and disposal proceeds, commonly referred to as the non-expendable property records of the Authority.

14. The Finance Committee recommends that in the future a provision be made for consultations with the auditors in the Committee's examination of the Authority's Financial Statements and audit report.

15. The Finance Committee takes note of the presentation of the report of the audit of the Authority for 1999 and recommends that for future audits, the auditors should comply strictly with regulation 12 and the annex (including paragraph 5) of the Financial Regulations. In this regard, the Committee

further recommended that the observations required in regulation 12.3 should be incorporated in all future audits.

16. The Finance Committee takes note of the improvements in the administration of the Authority since its last audit.

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Appointment of auditors for 2000

17. In light of the experience of KPMG Peat Marwick, the Finance Committee decided to recommend that the firm of KPMG Peat Marwick be appointed as auditor of the Authority for year 2000, without prejudice to possible extension.
