

**THE EXECUTIVE SECRETARY'S REPORT ON THE
MEETING OF THE STANDING COMMITTEE ON
ADMINISTRATION AND FINANCE (SCAF)**

**THE EXECUTIVE SECRETARY'S REPORT ON THE
MEETING OF THE STANDING COMMITTEE ON
ADMINISTRATION AND FINANCE (SCAF)**

The Standing Committee on Administration and Finance met on 22 and 25 October 1991 under the Chairmanship of Ms Robin Tuttle (USA) and considered the following items:

- (i) Examination of Audited Financial Statements for 1990;
- (ii) Review of Budget for 1991;
- (iii) Budget for 1992 and Forecast Budget for 1993;
- (iv) Payment of Members' Contributions; and
- (v) Commemoration of CCAMLR-X.

2. The appointment of Jim Rossiter to replace Terry Grundy as Administration/Finance Officer was recorded by the Committee. The Committee placed on record its appreciation to Terry for his services during his time with the Commission.

EXAMINATION OF AUDITED FINANCIAL STATEMENTS FOR 1990

3. The Committee had before it document CCAMLR-X/3 'Examination of the Audited Financial Statements for 1990'.

4. The Committee noted the Auditor's report that 'The statements, which are in the form approved by the Commission pursuant to Financial Regulation 10.2, have been prepared in accordance with the policies outlined in Note 1 to the Accounts and conform with International Accounting Standards' and that 'The statements are based on proper accounts and records; the income, expenditure and investment of moneys and the acquisition and disposal of assets by the Commission during the year ending 31 December 1990 haven been in accordance with the Regulations'.

5. The Committee noted that there were no qualifications to the Financial Statements by the Auditor and agreed that in accordance with Financial Regulation 12.1, the Commission should signify its acceptance of the Audited Financial Statements.

REVIEW OF BUDGET FOR 1991

6. The Administration/Finance Officer introduced document CCAMLR-X/4, explained the likely outcome of the 1991 Budget and informed the Committee that no expenditures were expected to exceed the approved appropriations; savings have been made in the areas of salaries, as a result of the position of Administration/Finance Officer being vacant for several months, and in home leave, where the Secretariat had been able to take advantage of competitive air fares.

7. The Committee noted that contributions to the 1991 Budget from two Members were outstanding.

BUDGET FOR 1992

8. The Committee reviewed the Budget for 1992 as presented in CCAMLR-X/4 and noted that, except for the Scientific Committee Budget and the commemorative sculpture, there were no significant increases or any new large items included. Although the total expenditure was expected to increase at a rate less than inflation, the Members' Contributions would rise at a rate equal to inflation due to reductions in Interest and New Members' Contributions.

9. The Administration/Finance Officer advised that the reduction in interest was the result of a significant reduction in the rate of interest currently received in Australia and an increasing delay in the receipt of some Members' Contributions. To the date of the meeting, the interest foregone as a result of contributions not received by 31 May 1991 was A\$11 000.

10. The item 'New Members' Contributions' included an amount of A\$53 500 from Italy which had been reduced in the budget by A\$48 200, being the costs relating to the departure and replacement of the Administration/Finance Officer in 1991. No Acceding State has advised that it intends to apply for membership during 1992 so no further New Members' Contributions are anticipated in the 1992 Budget.

11. The delegate from Australia expressed concern that the costs relating to the resignation and replacement of members of the Secretariat staff are budgeted for only in those cases where resignations have been advised at the time of the preparation of the budget. The delegate also suggested that consideration be given to annually accruing funds to meet biennial home leave entitlements.

12. It was noted that the ability of the budget to absorb the relatively large items of unexpected expenditure depended on the income items. In the case of the departure of the Administration/Finance Officer in 1991 it was fortunate that there was available a New Member's Contribution. It was agreed that the availability of such income items in the future cannot be relied upon to be available to absorb these costs which will almost certainly involve Members in having to make supplementary contributions in order to meet these financial obligations of the Commission.

13. It was felt by the Committee that the Commission should consider the establishment of a fund in order that future resignations would not lead to large variances in the annual budgets. It was noted that such a suggestion was also made at previous meetings and had been rejected (CCAMLR-II, paragraphs 21 and 22; CCAMLR-III, Appendix E, paragraphs 20 and 21).

14. The amount which would be required to fund the contractual termination entitlements of the Executive Secretary and other relevant staff as at 31 December 1991 is A\$375 000 (A\$17 900 per Member). If it is assumed that staff remain in the posts for an average of five years, then the annual cost of funding the termination entitlements, and recruiting and installing replacements, will be A\$90 700 (A\$4 300 per Member). The amounts per Member are indicative only, as they do not account for the larger share of contributions currently borne by fishing Members.

15. While the Committee recognised that the introduction of this new item into the budget would result in an increase in the budget, most delegates considered that this is preferable to having to deal with funding each staff change as it occurs, which could require supplementary contributions. A number of delegates noted that their governments would have difficulty in providing supplementary contributions.

16. The need to address this matter now was highlighted by the Executive Secretary's announcement that he had decided to retire from his position at some time around the end of 1992. The Administration/Finance Officer advised that the cost of this departure and the recruitment and installation of a replacement is likely to be in the region of A\$240 000 (A\$11 400 per Member). This estimate is dependant on such factors as the US dollar/Australian dollar exchange rate at the time, and the actual costs incurred in obtaining a replacement in accordance with paragraph 29 of CCAMLR-VI.

17. It was the opinion of the Committee that the matter of termination entitlements and replacement costs should be addressed separately from other budgetary issues. A number of delegates advised that matters of contribution increases significantly in excess of inflation, or of special contributions, would have to be referred back to their governments.

18. Three separate areas were identified for funding requirements:

- (i) expenses relating to the Executive Secretary's position one year hence;
- (ii) other existing contractual responsibilities; and
- (iii) the on-going costs of termination and recruitment.

It was recognised that to fund existing contractual responsibilities equally over a period exceeding two years would yield insufficient funds to pay for the Executive Secretary's entitlements and replacement in 1992.

19. Three alternatives to the existing system of funding the costs as they arise were identified for consideration by the Commission:

Option 1: Establish a Fund to cover the existing entitlements by way of an immediate Special Contribution, and thereafter incorporate the ongoing expense into the annual budget.

Option 2: Establish the initial Fund over a period of two years. The ongoing expense to be incorporated into the annual budget.

Option 3: Fund the Executive Secretary's entitlements and replacement in 1992, possibly by way of a Special Contribution. Thereafter proceed with Option 2.

It was noted that if funding was by way of Special Contribution, then this Special Contribution would not be required by 31 May.

20. Indicative costs, to individual members, of the three options are set out in the table below. These Australian dollar amounts would be subject to inflation.

	Option 1 A\$	Option 2 A\$	Option 3 A\$
1992	22 200	13 300	11 400
1993	4 300	13 200	9 700
1994	4 300	4 300	9 700
1995	4 300	4 300	4 300

21. While the Committee restated its suggestion above that the issue of funding termination and replacement costs should be addressed separately from other budgetary issues, it suggested that A\$

10 000 could be allocated from the 1992 Budget to the sub-item 'Allowances' as a contribution towards staff entitlements and replacement costs.

22. The Chairman of the Scientific Committee presented the Scientific Committee Budget for 1992. This showed an increase of 38% over that of 1991. This increase was the result of a reduction in the amount to be drawn from the Norwegian Contribution Special Fund and a 23% increase in proposed expenditure, mainly in specifically identified projects.

23. The Committee requested that the Scientific Committee consider the priority of items within its program in case it should be required to reduce its budget by 10%, 20% or 30%. The Scientific Committee advised that it strongly opposed any cut in its budget, which was conservative in terms of the amount of work to be performed.

24. The Scientific Committee also advised that the work planned for 1992 was in response to directions from the Commission and that any cut in excess of 10% would inhibit the Scientific Committee's ability to fulfil these directions. In case a cut was required, the Scientific Committee presented a budget incorporating a reduction of nearly 10% which reflected the imposition of priorities on the work to be performed.

25. In incorporating this reduced Scientific Committee budget in the 1992 Budget presented to the Commission, the Standing Committee noted that there is at least one new item this year, the Pilot Study on Sea-Ice Distribution, which could also lead to significant expenditure in future years.

26. The Committee suggested that the Commission may wish to advise the Scientific Committee of limits to its budget in future years, possibly by way of an annual growth limit. The Committee noted that to impose such limits, the Commission may need to establish priorities of the work which it requires of the Scientific Committee.

27. The Draft Budget for 1992 indicates that the total Members' Contributions will be A\$1 131 658. The contributions calculated according to the agreed formula (CCAMLR-VI, paragraph 28) are estimated as follows:

Japan	A\$57 193
USSR	A\$88 431
19 other Member	A\$51 896

The above amounts and the attached draft budget do not include any provision for the termination entitlements and replacements costs discussed in paragraphs 11 to 20 except for the amount of A\$10 000 referred to in paragraph 21.

PAYMENT OF MEMBERS' CONTRIBUTIONS

28. The Committee discussed the interpretation of Article XIX (6) of the Convention:

‘A Member of the Commission that fails to pay its contributions for two consecutive years shall not, during the period of its default, have the right to participate in the taking of decisions in the Commission.’

In addressing the interpretation, three phrases were separately reviewed:

- ‘fails to pay its contribution for two consecutive years’;
- ‘during the period of its default’; and
- ‘the right to participate in the taking of decisions in the Commission’.

29. ‘Fails to pay its contribution for two consecutive years’ was interpreted as referring to a Member who by 1 June has not paid its contribution for the current year and has any part of its contribution from the previous year still outstanding.

30. In arriving at the interpretation of the phrase ‘during the period of its default’, the Committee noted that the period of default should commence on 1 June in a year if the contribution for that year has not been paid and the whole or any part of the previous year’s contribution is outstanding.

31. The question was raised as to whether default ended when the contribution of one year only was paid or whether a Member would remain in default until all of its contributions were paid, including that of the current year. It was noted that the Spanish version of Article XIX (6) translates, verbatim, the English text, whereas the French and Russian versions prohibit participation in the decision making until the amounts due are paid. While the possibility of ambiguity was recognised, it was pointed out by the delegate from Norway that the first interpretation followed that adopted by the United Nations. Others felt that while this was an example of international practice, there were large differences between the two organisations and CCAMLR should not necessarily follow United Nations procedure.

32. It was concluded that the period of default ends when one of the two years contributions has been paid in full.

33. It was agreed that the loss of 'the right to participate in the taking of decisions in the Commission' during the period of default would be interpreted as precluding a Member who is in default from voting on items voted upon by the Commission and from registering an objection when a consensus decision is required. This relates both to voting at the meetings of the Commission and to postal voting by the Commission during the intersessional period.

34. The Delegate of Brazil suggested that the continuing situation of Members paying contributions late could be addressed by providing restitution by way of interest depending on the date of payment. The Australian Delegation discussed informally with a number of other Member delegates an option of accruing interest on each Member's contribution, commencing the accrual on the due date (1 January). The interest would be payable only if the contribution is paid later than 150 days after the due date. Australia has drafted an appropriate amendment to the Finance Regulations to reflect this suggestion.

COMMEMORATION OF CCAMLR-X

35. The Committee discussed document CCAMLR-X/8 'Commemorative Sculpture'. The document presented a proposal by the Executive Secretary that, at an estimated cost of A\$25 000, the Commission should present to the City of Hobart a sculpture to commemorate the Tenth Anniversary of CCAMLR.

36. The idea received in-principle support from delegates but the Committee considered that the amount could not be justified in the context of other budgetary requirements and constraints.

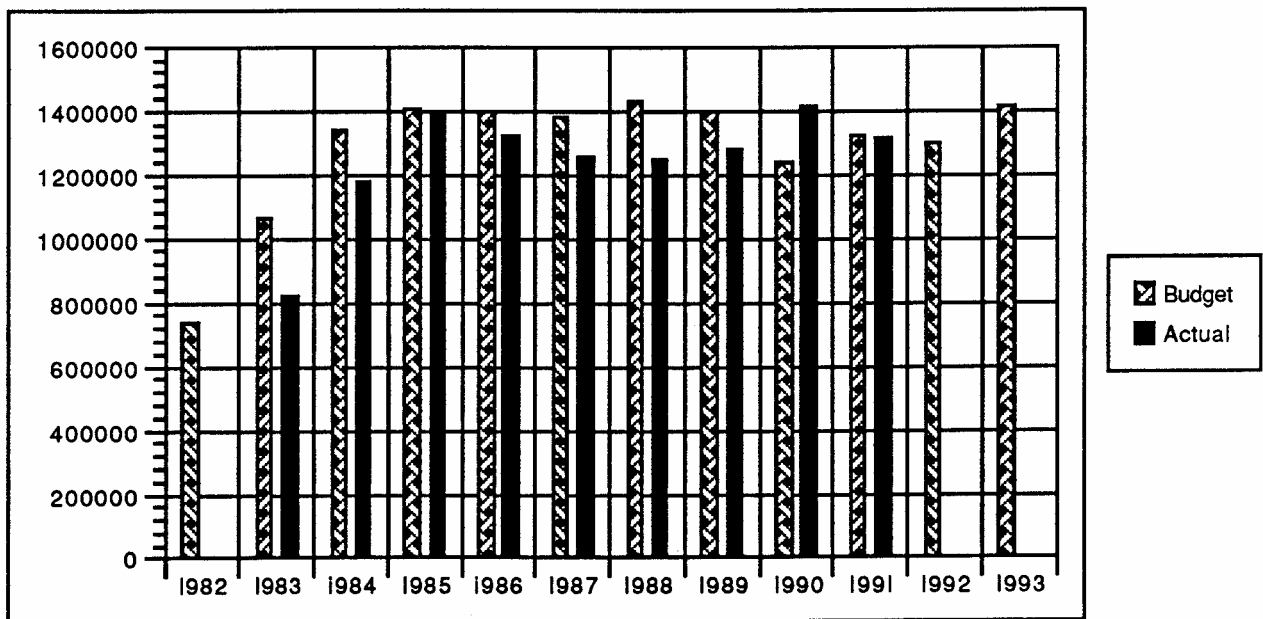
FORECAST 1993 BUDGET

37. Most items in the Forecast Budget for 1993 are calculated on the basis of the 1992 figures, allowing 4.5% for inflation.

ANNUAL EXPENDITURE SUMMARY

38. At the request of the Commission (CCAMLR-IX, paragraph 3.8) the relative amounts of expenditure in real terms (i.e., after accounting for inflation) are set out in the graph below:

CCAMLR expenditure in 1991 Australian dollar values
(adjusted using annual inflation rates)



**PROJECTED INCOME AND EXPENDITURE 1991, BUDGET 1992
AND FORECAST BUDGET 1993
(Australian Dollars)**

Budget for 1991			Budget for 1992 and Forecast Budget for 1993			
(1)	(2)	(3)	Item	Subitem	(4)	(5)
Budget Adopted in 1990	Estimates Projected to 31/12/91	Variance from Budget			Budget 1992	Forecast Budget 1993
INCOME						
1 086 834	1 086 196	-638		Members' Contributions	1 131 658	1 248 700
				Items from previous year		
0	0	0		• Arrears of Contributions	0	0
60 000	67 662	7 662		• Interest	31 000	30 000
0	0	0		• Members' Contributions	0	0
83 166	29 624	-53 542		• New Members' Contributions	5 342	0
94 400	129 899	35 499		• Staff Assessment Levy	167 000	178 000
0	11 019	11 019		• Surplus	19 000	0
<u>1 324 400</u>	<u>1 324 400</u>	<u>0</u>	Total Income		<u>1 354 000</u>	<u>1 456 700</u>
EXPENDITURE						
DATA MANAGEMENT						
0	0	0		Capital Equipment	6 000	6 400
3 400	3 400	0		Consumables	3 500	3 600
36 900	36 900	0		Contract Labour	38 700	40 500
10 300	10 300	0		Maintenance	10 700	11 200
4 900	4 900	0		Time Share Usage	5 100	5 200
<u>55 500</u>	<u>55 500</u>	<u>0</u>	Total Data Management		<u>64 000</u>	<u>66 900</u>
MEETINGS						
349 500	349 500	0	Total Meetings		364 700	381 200
PUBLICATIONS						
126 000	126 000	0	Total Publications		110 200	118 300
SCIENTIFIC COMMITTEE						
93 900	93 900	0	Total Scientific Committee		117 700	136 800
SECRETARIAT COSTS						
16 500	16 500	0	Administration		17 200	18 000
107 200	97 800	9 400	Allowances		84 500	113 100
4 600	4 600	0	Automobile		4 800	5 000
26 500	26 500	0	Communication		27 600	28 800
3 500	3 500	0	Incidentals		3 600	3 700
3 500	3 500	0	Library		3 600	3 800
26 300	26 300	0	Office Requisites		27 400	28 600
8 100	8 100	0	Premises		8 400	8 800
479 000	469 400	9 600	Salaries		495 000	517 300
24 300	24 300	0	Travel		25 300	26 400
<u>699 500</u>	<u>680 500</u>	<u>19 000</u>	Total Secretariat Costs		<u>697 400</u>	<u>753 500</u>
1 324 400	1 305 400	19 000	Total Expenditure		1 354 000	1 456 700

Note: In addition to the Scientific Committee 1992 amount, a sum of A\$8 100 is to be drawn from the Norwegian Contribution Special Fund to meet the total Scientific Committee Program of A\$125 800.