

**REVISED DRAFT FINANCIAL REGULATIONS OF THE COMMISSION FOR THE
CONSERVATION AND MANAGEMENT OF HIGHLY MIGRATORY FISH STOCKS
IN THE WESTERN AND CENTRAL PACIFIC OCEAN**

Prepared by the Secretariat

1. At the fourth session of the Preparatory Conference, held at Nadi, Fiji from 5 – 9 May 2003, Working Group I had a first reading of the draft financial regulations for the Commission contained in document WCPFC/PrepCon/WP.2. That document had been prepared by the Secretariat in April 2001 on the basis of the financial regulations of international organizations and fisheries management organizations world wide, taking into account the considerations identified in document WCPFC/PrepCon/BP.4. Following consideration of the draft by Working Group I, the interim secretariat was requested to prepare a revised draft of the financial regulations taking into account the comments and suggestions made at the fourth session of the Conference.
2. The revised draft regulations contained in the present document cover all matters related to the financial management of an intergovernmental organization in accordance with generally accepted practices. They have been prepared by the interim secretariat with the advice and assistance of an expert in international financial administration. In addition to minor editorial changes and further streamlining of the text where possible, the following are the most significant revisions that have been introduced to the draft:
 - (a) Regulation 3 has been revised to introduce greater flexibility and to clarify inconsistencies that appeared in the earlier text. In Regulation 3.7 the possibility of establishing an advisory committee on finance and administration has been introduced. Although, at PrepCon IV, some participants in the working group suggested establishing such a committee as a formal subsidiary body of the Commission, others were concerned at the potential proliferation of such bodies and its impact upon smaller delegations. The revisions introduced in Regulation 3.7 therefore envisages the possibility of an informal advisory committee, that could be established on an ad hoc basis to work in the margins of each meeting of the Commission.
 - (b) Regulation 4.2 has been revised to provide greater flexibility to the Executive Director, who is entrusted with the financial management of the organization, and to recognize the need to accommodate multi-year, output-based, programme budgeting. In this regard, the accountability of the Executive Director has been emphasized in Regulation 4.6.
 - (c) Regulation 6.1 has been revised in order to clarify its intent. In addition, in the light of the comments made during PrepCon IV, greater flexibility to redistribute any surplus in the budget has been introduced in Regulation 6.2.

(d) A new Regulation 6.7 has been introduced to reflect the need to provide for a special requirements fund.

(e) Regulation 9 has been streamlined and made more consistent with modern accounting practices. Although less prescriptive than the previous draft, it is suggested that many of the matters referred to in Regulation 9 could be elaborated in the detailed financial procedures, which would be scrutinized by the Commission.

(f) Regulations 10 and 11 have been streamlined, without substantive revision, in order to clarify certain inconsistencies that were noted during discussions at PrepCon IV. In particular, it is now made clear that the Executive Director must submit the accounts to the Auditor no later than 31 March each year. The audit report and the financial statements must be circulated to the members of the Commission within 30 days of their receipt by the Executive Director.

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**REGULATION 1
APPLICABILITY**

1.1 These Regulations shall govern the financial administration of the Commission for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (hereinafter referred to as “the Commission”) established under article 9 of the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (hereinafter referred to as “the Convention”).

**REGULATION 2
FINANCIAL YEAR**

2.1 The financial year shall be for 12 months, commencing 1 January and ending 31 December, both dates inclusive.

**REGULATION 3
THE BUDGET**

3.1 A draft budget comprising estimates of receipts by the Commission from all sources and of expenditures by the Commission shall be prepared by the Executive Director for the ensuing year.

3.2 The draft budget shall be divided into parts, sections and, as appropriate, programme support. It shall be accompanied by such information, annexes and explanatory statements as may be requested by the Commission, including a statement on the main changes in comparison with the budget of the previous year, and such further annexes or statements as the Executive Director may deem necessary and useful. The Commission may establish guidelines as to the format which the draft budget is to be presented.

3.3 The draft budget shall be accompanied by details of the appropriations made for the previous year and the expenditure against those appropriations.

3.4 The draft budget shall include a statement of the significant financial implications for subsequent financial years in respect of any proposed work programmes presented in terms of administrative, recurrent and capital expenditure.

3.5 The Executive Director shall submit the draft budget to all members of the Commission at least 30 days prior to the annual meeting of the Commission. At the same time, and in the same form as the draft budget, the Executive Director shall prepare and submit to all members of the Commission a forecast budget for the subsequent financial year.

3.6 The draft budget and the forecast budget shall be presented in United States dollars.

3.7 At each annual meeting, the Commission shall decide upon its annual budget. The Commission may establish, for this purpose, a committee to provide advice and recommendations to the Commission on matters related to the budget, finance and administration of the Commission.

3.8 Supplementary budget proposals may be prepared by the Executive Director if exceptional circumstances make this necessary. Supplementary budget proposals shall be prepared in a form consistent with the approved budget. The provisions of these Regulations shall be applicable to the proposed supplementary budget to the extent possible.

REGULATION 4 APPROPRIATIONS

4.1 The appropriations adopted by the Commission shall constitute an authorization for the Executive Director to incur obligations and make payments for the purposes for which the appropriations were adopted and up to the amounts so voted.

4.2 The Executive Director may incur obligations against future financial years before appropriations are adopted when such obligations are necessary for the continued effective functioning of the Commission, provided such obligations are restricted to administrative requirements of a continuing nature not exceeding the scale of such requirements as authorized in the budget of the current financial year. The Executive Director may also enter into obligations for future financial periods when such obligations are for programme activities which have been approved by the Commission and are expected to continue beyond the end of the current financial year.

4.3 Appropriations shall be available for obligation during the financial year to which they relate. Appropriations shall remain available for twelve months following the end of the financial year to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial year and to liquidate any other outstanding legal obligation of the financial year.

4.4 At the end of the twelve-month period provided in regulation 4.3 above, the then remaining balance of any appropriations retained will be surrendered. Any unliquidated obligations of the financial year in question shall, at that time, be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

4.5 The Commission shall prescribe the conditions under which unforeseen and extraordinary expenses may be incurred.

4.6 The Executive Director shall prudently manage the appropriations, taking into account the availability of cash balances. The Executive Director shall be accountable to the Commission for the proper management of the financial resources in accordance with these Regulations.

REGULATION 5 PROVISION OF FUNDS

5.1 The funds of the Commission shall include:

- (a) assessed contributions made by members of the Commission;

(b) funds received by the Commission pursuant to article 30, paragraph 3, of the Convention;

(c) voluntary contributions made by members or other entities; and

(d) such other funds to which the Authority may become entitled or may receive, including income from investment.

5.2 Each member of the Commission shall contribute to the budget in accordance with article 18, paragraph 2, of the Convention. Pending the receipt of such contributions, the appropriations may be financed from the working capital fund.

5.3 On approval of the budget for a financial year, the Executive Director shall send a copy thereof to all members of the Commission informing them of their contributions and requesting them to remit their contributions due.

5.4 Annual contributions and advances to the working capital fund shall be considered as due and payable in full within sixty days of the receipt of the communication of the Executive Director referred to in regulation 5.3 above, or as of the first day of the calendar year to which they relate, whichever is the later. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears.

5.5 Annual contributions and advances to the working capital fund shall be assessed and paid in United States dollars.

5.6 Payments made by a member of the Commission shall be credited first to the working capital fund and then to the annual contributions due, in the order in which the member was assessed.

5.7 The Executive Director shall submit to each regular session of the Commission a report on the collection of annual contributions and advances to the working capital fund.

5.8 Except in the first financial year, a new member of the Commission whose membership becomes effective during the first six months of the financial year shall be liable to pay the full amount of the annual contribution which would have been payable had it been a member of the Commission when assessments were made under article 18, paragraph 2, of the Convention. A new member whose membership becomes effective during the last six months of the financial year, shall be liable to pay half of the amount of the annual contribution referred to above. In the first financial year all members whose membership becomes effective during the first nine months of the year shall be liable to pay the full amount of the annual contributions. A member whose membership becomes effective during the last three months of the first financial year shall be liable to pay half the amount of the first financial contribution.

REGULATION 6 FUNDS

6.1 (a) There shall be established a General Fund for the purpose of accounting for the income and expenditure of the Commission;

- (b) Contributions paid under Regulation 5.2, miscellaneous income and any advances made from the working capital fund to finance general administrative expenditure shall be credited to the General Fund;
- (c) Any cash surplus in the General Fund at the close of a financial year that is not required to meet undischarged commitments may be treated as income to the following year's budget with a consequential effect on the net amount by which the contributions of members are assessed;
- (e) Advances made by members shall be carried over to the credit of the members which have made such advances.

6.2 There shall be established a working capital fund in an amount and for purposes to be determined from time to time by the Commission. The source of moneys of the working capital fund shall be advances from members of the Commission, together with such other funds as the Commission may determine, including, if the Commission so decides, any surplus from appropriations to the annual budget, and these advances shall be carried to the credit of members which have made such advances. The formula for assessment of advances to the working capital fund will be based on that established for the annual budget of the Commission.

6.3 Advances made from the working capital fund to finance budgetary appropriations shall be reimbursed to the fund as soon as income is available for that purpose.

6.4 Income derived from investments of the working capital fund shall be credited to miscellaneous income.

6.5 Trust funds, reserve and special accounts may be established by the Executive Director and shall be reported to the Commission.

6.6 The purpose and limits of each trust fund, reserve and special account shall be clearly defined by the Commission. Unless otherwise provided by the Commission, such funds and accounts shall be administered in accordance with the present Regulations.

6.7 A special requirements fund shall be established for the following purposes:

- (a) funding the costs of travel and subsistence for one representative from each small island developing State member of the Commission and participating territory to each meeting of the Commission and its subsidiary bodies;

- (b) assisting small island developing State members of the Commission and participating territories with human resources development, technical assistance and transfer of technology in relation to conservation and management of highly migratory fish stocks in the Convention Area and development of fisheries for such stocks;

- (c) building capacity for activities in key areas such as effective exercise of flag State responsibilities, monitoring, control and surveillance, data collection and scientific research relevant to straddling and highly migratory fish stocks on a national and/or regional level.

**REGULATION 7
OTHER INCOME**

7.1 All income other than contributions to the budget under Regulation 5 and that referred to in Regulation 7.3 below, shall be classified as miscellaneous income and credited to the General Fund. The use of miscellaneous income shall be subject to the same financial controls as activities financed from regular budget appropriations.

7.2 Voluntary contributions above and beyond assessed contributions may be accepted by the Executive Director provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Commission. Voluntary contributions offered by non-members may be accepted, subject to agreement by the Commission that the purposes of the contribution are consistent with the policies, aims and activities of the Commission.

7.3 Voluntary contributions accepted for purposes specified by the donor shall be treated as trust or special funds under Regulation 6.5.

7.4 Moneys accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as “gifts” in the accounts of the financial period.

**REGULATION 8
CUSTODY AND INVESTMENT OF FUNDS**

8.1 The Executive Director shall designate the bank or banks in which the funds of the Commission shall be kept and shall report the identity of the bank or banks so designated to the Commission.

8.2 (a) The Executive Director may make short-term investments of moneys not needed for the immediate requirements of the Commission. Such investments shall be restricted to securities and other investments issued under Government guarantee. The details of investment transactions and income derived shall be reported in the documents supporting the budget.

(b) With regard to moneys held in trust or special funds for which use is not required for at least 12 months, longer-term investments may be authorized by the Commission provided such action is consistent with the terms and conditions under which the moneys were lodged with the Commission.

**REGULATION 9
INTERNAL CONTROL**

9.1 The Executive Director shall:

(a) establish detailed financial rules and procedures to ensure effective financial administration and the exercise of economy in the use of funds These rules and procedures shall be brought to the Commission for its consideration;

(b) cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the goods or services have been received and that payment has not previously been made;

- (c) designate the officers who may receive moneys, incur obligations and make payments on behalf of the Commission;
- (d) maintain and be responsible for internal financial control to ensure:
 - (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Commission;
 - (ii) the conformity of obligations and expenditures with the appropriations adopted by the Commission, or with the purposes and rules relating to trust and special funds; and
 - (iii) the economic use of the resources of the Commission.

9.2 No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Executive Director.

9.3 The Executive Director may make such ex gratia payments as he or she deems to be necessary in the interest of the Commission, provided that a statement of such payments shall be submitted to the Commission with the accounts.

9.4 The Executive Director may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Auditor with the accounts together with the justifications attached thereto. Such losses shall be included in the annual accounts.

9.5 Substantial purchases of equipment, supplies and other requirements as specified in the detailed financial rules and procedures shall normally be by tender, except:

- (a) where it has been ascertained that only a single supplier exists and that fact is so certified by the Executive Director;
- (b) in case of emergency, or where, for any other reason, these rules would not be in the best financial interests of the Commission and that fact is so certified by the Executive Director.

REGULATION 10 THE ACCOUNTS

10.1 The Executive Director shall ensure that appropriate records and accounts are kept of the transactions and affairs of the Commission and shall do all things necessary to ensure that all payments out of the Commission's moneys are correctly made and properly authorized and that adequate control is maintained over the assets of, or in the custody of, the Commission and over the incurring of liabilities by the Commission.

10.2 The Executive Director shall submit annual financial statements. The annual financial statements shall show, for the financial year to which they relate:

- (a) the income and expenditure relating to all funds and accounts;
- (b) the situation with regard to budget appropriations, including:
 - (i) the original budget appropriations;

- (ii) the approved expenditure under or in excess of the original budget appropriations;
 - (iii) any other income;
 - (iv) the amounts charged against these appropriations and other income;
- (c) the financial assets and liabilities of the Commission;
 - (d) investments;
 - (e) losses of assets proposed in accordance with Regulation 9.4.

The Executive Director shall also give such other information as may be appropriate to indicate the financial position of the Commission.

10.3 The accounts of the Commission shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Executive Director may deem necessary.

10.4 Appropriate separate accounts shall be kept for all special, reserve and trust funds.

10.5 The annual financial statements shall be submitted by the Executive Director to the Auditor not later than 31 March following the end of the financial year.

REGULATION 11 EXTERNAL AUDIT

11.1 The Commission shall appoint an external auditor who shall be the Auditor-General or equivalent statutory authority from a member of the Commission or an internationally recognized independent auditor with experience in the audit of international organizations. The Auditor shall be appointed for a period of two years and may be reappointed. The Commission will ensure respect for the Auditor's independence of the Commission, any subsidiary bodies established under the Convention and the Commission's staff, and shall make provision for appropriate funds to the Auditor.

11.2 The Auditor shall be completely independent and solely responsible for the conduct of the audit.

11.3 The Auditor or a person or persons authorized by him or her shall be entitled at all reasonable times to full and free access to all accounts and records of the Commission relating directly or indirectly to the receipt or payment of moneys by the Commission or to the acquisition, receipt, custody or disposal of assets by the Commission and may make copies of or take extracts from any such accounts or records.

11.4 The Auditor shall conduct his or her examination of the financial statements in conformity with generally accepted auditing standards and shall report on all relevant matters, including:

- (a) whether, in his or her opinion, the statements are based on proper accounts and records;
- (b) whether the statements are in agreement with the accounts and the records;

- (c) whether, in his or her opinion, the income, expenditure and investment of moneys and the acquisition and disposal of assets by the Commission during the year have been in accordance with these Regulations; and
- (d) observations with respect to the efficiency and economy of the financial procedures and conduct of business, the accounting system, internal financial controls and the administration and management of the Commission.

11.5 The Executive Director shall provide the Auditor with the facilities he or she may require in the performance of the audit.

11.6 The Auditor shall issue a report on the audit of the financial statements and relevant schedules relating to the accounts for the financial period, which shall include such information as the Auditor deems necessary with regard to matters referred to in Regulation 11.4 as appropriate. The Executive Director shall provide to the Commission a copy of the audit report and the audited financial statements within 30 days of their receipt.

11.7 The Commission may request the Auditor to perform certain specific examinations and issue separate reports on the results.

REGULATION 12 ACCEPTANCE OF ANNUAL FINANCIAL STATEMENTS

12.1 The Commission shall, following consideration of the audited annual financial statements and audit report submitted to it under Regulation 11.7 of these Regulations, signify its acceptance of the audited annual financial statements or take such other action as it may consider appropriate.

REGULATION 13 INSURANCE

13.1 The Commission may take out suitable insurance with a reputable financial institution against normal risks to its assets.

REGULATION 14 GENERAL PROVISION

14.1 These Regulations shall become effective on the date they are approved by the Commission and shall apply to the financial year 200.. and to subsequent financial periods. Subject to the provisions of the Convention, these Regulations may be amended by the Commission in accordance with the Rules of Procedure.

14.2 Where the Commission or any of its subsidiary bodies is considering matters which may lead to a decision which has significant financial or administrative implications, it shall have before it an evaluation of those implications from the Executive Director.
