

# REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE

83

83

The Committee met Oct. 19, 20 and 24 under the Chairmanship of Dr. Warren S. Wooster and Drs. W. Doug McKone and Alexander S. Bychkov acted as rapporteurs (See Endnote 1 for list of participants).

## **Agenda Item 1. Opening by the Chairman**

The Chairman called the meeting to order and welcomed the participants, stressing that the job of the Committee was to review financial and administrative matters in keeping with the Rules of the Organization and to provide a report to Governing Council for consideration and adoption.

## **Agenda Item 2. Adoption of agenda**

The Committee reviewed and adopted the agenda without change.

## **Agenda Item 3. Proposed Rules of Procedure changes**

The Committee reviewed changes in the Rules of Procedure proposed by Science Board. These include terms of office for certain Committees, Programs and other groups not currently covered by the Rules. The Science Board would be able to propose members of these Committees, Programs and other groups for approval by their governments. The Committee recommends that Council approve the proposed changes to the Rules.

## **Agenda Item 4. Audited accounts for Financial Year 1997**

The Committee reviewed the Auditor's Report (Endnote 2) and recommends that Council approve it on the endorsement of the Executive Secretary.

The Executive Secretary noted that he approached five Chartered Accounting firms and received three bids to become the Organization's auditor. Bids were received from the current auditor Flader and Greene, Moore, Roberts & Company and Deloitte & Touche. The bids ranged from \$3,000-\$4,000. The Executive Secretary indicated that the current auditor's bid was one of the lowest and replacing him at this time could cause problems for a new Executive Secretary not familiar with the Canadian accounting procedures. The Committee recommends that Council appoint the existing auditor Flader and Greene for another year.

## **Agenda Item 5. Budget**

### **a. Estimated accounts for fiscal year 1998**

The Committee reviewed and discussed the estimated accounts for 1998.

The Executive Secretary noted that there were problems with receiving clearance from the People's Republic of China and subsequently from the Republic of Korea to hold the proposed MEQ Workshop, as a result there were no expenditures from the Special Meeting category. Canada has agreed to hold the Workshop in the spring of 1999.

The Committee recommends that Council accept the estimated accounts for 1998.

### **b. Budget for fiscal year 1999**

The Committee reviewed the proposed 1999 budget CDN \$574,000. Parties generally felt that the proposed budget is a modest increase over the previous year. Some Parties felt that the proposed

increase in fees to CND\$89,000 was too much and suggested that some funds should be transferred from the Working Capital Fund to reduce the contribution level. The Committee recommends that Council approve a budget level of CDN \$574,000 and that \$58,000 from the Working Capital Fund be transferred to support special meetings and other scientific activities, thereby reducing the fees to CDN \$86,000 for each Party. **The U.S.A. proposed to contribute CDN \$3000 in addition to their annual assessment to support PICES VIII.**

#### **c. Forecast budget for fiscal year 2000**

This item was examined by the Committee and is recommended for information to Governing Council without need to adopt the forecast budget. The U.S.A. suggested that in future years it would be reasonable for Parties to expect that the forecast budget would be about 3% higher than the current years budget unless otherwise indicated. This was generally accepted.

#### **d. Working Capital Fund**

The Executive Secretary estimated that the Working Capital Fund would have a surplus of CDN \$70,762 at the end of 1998. CND \$58,000 of the estimated surplus should be used to fund special meetings and other activities. Five of the six Parties agreed that five-sixths (\$10,635) of the remaining CDN \$12,762 of the estimated surplus should be transferred to the Trust Fund. It is recommended that the remaining one-sixth (\$2,127) of the estimate be held separately for review at F&A next year. **The practice of continuing to transfer surpluses in the Working Capital Fund to the Trust Fund was generally agreed.**

#### **e. Trust Fund**

The Executive Secretary reported that the Trust Fund is estimated to be CDN \$63,656

by December 31, 1998. With the transfer of CND \$10,635 from the Working Capital Fund the Trust Fund is estimated to increase to CND \$74,291 at the end of 1998. This year, approximately CDN \$40,000 was used to bring Korean, Russian, Chinese and young scientists to this year's Annual Meeting.

#### **f. Home Leave Relocation Fund**

The Executive Secretary reported that funds expended this year to send the Assistant Executive Secretary and family on home leave will be replaced from levies to keep the Fund at its maximum of CDN \$110,000.

#### **Agenda Item 6. Space, facilities and equipment**

The Executive Secretary reported that the Canadian Government has provided new accommodations at the Institute of Ocean Sciences that has given the Secretariat more profile and increased space. He indicated the facilities should be sufficient for needs over the next few years and expressed his appreciation for this action of the Government.

The Executive Secretary reported that the electronic equipment has been upgraded over the last two years and it is not expected that major expenditures will be needed in the short term. In view of the upgrade, preparation of the requested five-year equipment plan has not been undertaken. Practicability of this request should be reviewed by the next Executive Secretary.

#### **Agenda Item 7. Future meetings of the Organization and subsidiary bodies, including time and place for the 8<sup>th</sup> and 9<sup>th</sup> Annual Meetings**

The Committee reviewed possible dates for the Eight Annual Meeting in Vladivostok, the

Russian Federation in 1999, and recommends to Council that the meeting be held October 11-17. Meetings of Working Groups and other groups being held at the time of the Annual Meeting would occur before the 11<sup>th</sup>. These dates were established in consultation with a member of the NPAFC Secretariat with a view to facilitate participation by those who attend both meetings. Council approved the principle that dates of future meetings be established in consultation with NPAFC. In

particular, since in 2000 (see below) both meetings are to be in Japan, an effort should be made to have them held consecutively in nearby locations. Dr. Richard J. Beamish, who will represent PICES at the forthcoming NPAFC meeting, should be instructed to discuss these matters with that organization. The Committee recommends that Council approve the Japanese offer to host the Ninth Annual Meeting.

## Endnote 1

### Participants and Observers

#### Canada

Richard J. Beamish  
Michael A. Henderson

#### China

Qian-Fei Liu  
Yong Li

#### Japan

Satsuki Matsumura  
Hideo Nishikawa

#### Republic of Korea

Jhin-Kyoo Chae  
Hyung-Tack Huh

#### Russia

Lev N. Bocharov  
Vadim Minin  
Igor I. Shevchenko

#### U.S.A.

Richard J. Marasco  
Dorothy Bergamaschi

#### Other

Warren S. Wooster (Chairman, F&A Committee; ex-officio Council member)  
W. Doug McKone (Executive Secretary) (Rapporteur)  
Alexander S. Bychkov (Assistant Executive Secretary) (Rapporteur)

**Endnote 2**

**Auditor's Report (1997) to the Organization**

Flader and Greene  
Chartered Accountants  
9768 Third Street,  
Sidney, B.C.  
V8L 3A4

We have audited the statement of financial position of the North Pacific Marine Science Organization as at December 31, 1997, and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 1997, and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

Sidney, B.C. Canada  
March 6, 1998

Flader and Greene  
Chartered Accountants

**Statement I**

**Statement of Assets and Liabilities  
December 31, 1997**

	<u>1997</u>	<u>1996</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and term deposits	\$ 366,807	\$ 388,666
	=====	
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 9,494	\$ 20,561
Funds held for contracting parties	<u>-</u>	<u>\$ 50,000</u>
	9,494	70,561
<b>Fund Balances</b>		
Working Capital Fund	146,249	110,014
Trust Fund	101,064	107,608
Home Leave Relocation Fund	<u>110,000</u>	<u>100,483</u>
	<u>357,313</u>	<u>318,105</u>
	<u>\$ 366,807</u>	<u>\$ 388,666</u>

## Statement II

**Statement of Operations and Changes in Fund Balances  
For the Year Ended December 31, 1997**

	General Fund	Working Capital Fund	Trust Fund	Home Leave Relocation Fund	1997 Total	1996 Total
<b>Fund Balances, beginning of year</b>	\$ -	\$ 110,013	\$ 107,608	\$ 100,483	\$ 318,104	\$ 189,302
<b>Sources of Funds</b>						
Contributions from Contracting Parties	508,800	-	-	-	508,800	558,800
Inter-Fund transfers	(47,289)	-	40,000	7,289	-	-
Interest and other income – Note 4	24,696	3,629	2,117	2,342	32,784	41,601
<b>Fund Balances, before expenditures</b>	<u>486,207</u>	<u>113,642</u>	<u>149,725</u>	<u>110,114</u>	<u>859,688</u>	<u>789,703</u>
<b>Expenditures</b>						
Personnel services	286,163	-	-	-	286,163	269,368
Travel	55,866	3,629	48,661	-	108,156	46,483
Communication	26,124	-	-	-	26,124	26,654
Contractual services	12,628	-	-	-	12,628	10,290
Printing	35,185	-	-	-	35,185	37,606
Supplies	4,376	-	-	-	4,376	6,339
Equipment	10,898	-	-	-	10,898	10,026
Annual General Meeting expenditures	5,296	-	-	-	5,296	20,738
Workshops	11,708	-	-	-	11,708	23,311
Relocation	-	-	-	114	114	17,247
Miscellaneous	1,727	-	-	-	1,727	3,536
	<u>449,971</u>	<u>3,629</u>	<u>48,661</u>	<u>114</u>	<u>502,375</u>	<u>471,598</u>
<b>Net Funds Available</b>	36,236	110,013	101,064	110,000	357,313	318,105
<b>Transfers to Working Capital Fund</b>	<u>(36,236)</u>	<u>36,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, end of year</b>	\$ -	\$ 146,249	\$ 101,064	\$ 110,000	\$ 357,313	\$ 318,105

**Notes to Financial Statements**  
**December 31, 1997**

**1. Purpose of the Organization**

The North Pacific Marine Science Organization (PICES) is an intergovernmental non-profit scientific organization whose present members include Canada, Japan, the People's Republic of China, the Republic of Korea, the Russian Federation and the United States of America. The purpose of the organization is to promote and coordinate marine scientific research in order to advance scientific knowledge of the North Pacific and adjacent seas.

**2. Accounting Policies**

The financial statements are prepared in accordance with the North Pacific Marine Science Organization's Financial Regulations and are prepared in accordance with generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of these financial statements:

a) Fund Accounting

The Working Capital Fund represents the accumulated excess of contributions provided from Contracting Parties over expenditures in the General Fund. The purposes of the General Fund and Working Capital Fund are established by Regulation 6 of the Organization Financial Regulation.

The Trust Fund was established in 1994 for the purpose of facilitating participation of a broad spectrum of scientists in activities of the Organization.

The Home Leave Relocation Fund was established in 1996 to pay relocation and home leave expenses of new employees and their dependents to the seat of the Secretariat and removal after period of employment has ended, and provide home leave for international staff. This Fund is set at a maximum of \$110,000.

b) Capital Assets

Capital assets acquired by the Organization are expensed in the year of acquisition.

c) Income Tax

The Organization is a non-taxable organization under the Privileges and Immunities (International Organizations) Act (Canada).

d) Foreign Exchange

Transactions originating in foreign currencies are translated at the exchange rate prevailing at the transaction dates. Assets and liabilities denominated in foreign currency are translated to equivalent Canadian amounts at the current rate of exchange at the statement of finance position date.

### 3. Commitments

Office space and services are provided to the Secretariat to the Organization by the Government of Canada through the Department of Fisheries and Oceans. This agreement commenced April 1, 1992, and continues indefinitely with a review every three years. The fixed cost for office space is \$2,000 per year. Services provided are invoiced quarterly.

### 4. Interest and other income

	General Fund	Working Capital Fund	Trust Fund	Home Leave Relocation Fund
Interest income	\$ -	\$ 3,629	\$ 2,117	\$ 2,342
Income tax levies	20,911	-	-	-
GST rebates	3,785	-	-	-
	<u>\$ 24,696</u>	<u>\$ 3,629</u>	<u>\$ 2,117</u>	<u>\$ 2,342</u>

### Endnote 3

#### Budget for Fiscal Year 1999

Source	Contributions
Contributions from six Contracting Parties	516,000
<b>Category</b>	<b>Allotment</b>
Personnel Services	293,000
Travel	76,000
Communication	28,000
Contractual Services	16,000
Printing	49,000
Supplies	7,000
Equipment	5,000
Annual Meeting	57,000
Special Meetings	40,000
Miscellaneous	3,000
Total	574,000
<b>1999 Total Allotment</b>	<b>516,000</b>
Transfer from Working Capital Fund	58,000
<b>1999 Annual Fee for each Party</b>	<b>86,000</b>