



40th ANNUAL MEETING – SEPTEMBER 2018

**Amendment to Rule 4.5 of the NAFO Financial Regulations
(Proposal by the NAFO Secretariat)**

EXPLANATORY MEMORANDUM

There are various expenditures paid from the NAFO operating budget that only occur every two, four or even eight years. The cost of these expenditures can be fairly significant and, when included in the NAFO budget, they can result in sharp increases to the budget and corresponding increases to the contributions paid by Contracting Parties. At the 2013 NAFO Annual Meeting, General Council requested that STACFAD look at ways of anticipating these expenditures and to determine if the costs can be spread over a number of years, which would therefore help smooth the budget from year to year.

Excerpt from the 2013 Report of STACFAD:

The Committee noted that costs associated with the home leave allowance and repatriation grant are earned every second year and these costs could be spread evenly over a two-year period. Costs associated with the recruitment and relocation of the Executive Secretary may only occur every four or eight years. It was decided to budget for these costs over an eight-year period.

Costs associated with the recruitment and relocation of the incoming Executive Secretary and the relocation of the outgoing Executive Secretary can reach upwards of \$100,000 (CDN). Following the decision noted above to budget for these costs over an eight-year period, an amount of \$12,000 ($\$96,000 \div 8$ years) has been charged to the NAFO budget each year since 2015.

The NAFO auditors noted, during the audit of the 2017 financial statements, that the annual allocation of \$12,000 for future recruitment and relocation expenses goes against current financial reporting standards. To achieve the decision taken in 2013 to avoid sharp increases to membership contributions resulting from these intermittent costs, the auditors are recommending that a relocation fund be established. Therefore, \$12,000 would be added each year to the relocation fund until there is a changeover of Executive Secretaries. At this time, funds required to offset recruitment and relocation costs charged to the NAFO budget, would be transferred from the relocation fund.

PROPOSAL

The Secretariat proposes to amend Rule 4.5 of the NAFO Financial Regulations to allow for the establishment of a relocation fund within the accumulated surplus account, as follows:

Rule 4.5

The Standing Committee on Finance and Administration and the Commission shall review the amount available in the accumulated surplus account during each annual meeting. Insofar as possible, the Commission shall anticipate unforeseen expenditures during the succeeding three years and shall attempt to maintain the accumulated surplus account at a level sufficient to finance operations during the first three months of the year plus an amount up to a maximum of 10% of the annual budget for the current financial year for use in an emergency in accordance with Rule 4.4. In addition, the Organization shall also maintain a recruitment and relocation fund to pay recruitment and relocation costs for incoming and outgoing internationally recruited staff. The recruitment and relocation fund balance shall be kept at a maximum of \$100,000.