



Serial No.1982  
(B.q)

ICNAF Comm.Doc.68/7

ANNUAL MEETING - JUNE 1968

REPORT OF THE SUBCOMMITTEE ON FINANCIAL REGULATIONS

The Subcommittee met in Montreal, February 5-6, 1968 to review the ICNAF Financial Regulations, including consideration of the bank interest question raised at the 1967 Annual Meeting, the crediting of Canadian income tax if the Canadian Government action is favourable, and a Norwegian proposal that the size of the Standing Committee on Finance and Administration be reduced. (Wide 1967 Proceedings No. 11 (F&A Items 10 and 13) and No. 23 (Section 9)). Mr. Blyth Young (Canada), Mr. William L. Sullivan, Jr. (USA), and the Executive Secretary were present. Written comments from the United Kingdom were presented.

The Subcommittee reviewed the Financial Regulations and the portions of the Rules of Procedure and the Rules of Procedure for the Panels which deal with financial matters. The Subcommittee concluded that the Financial Regulations contained so many omissions and ambiguities and so much unnecessary detail that it would be preferable to rewrite them than to attempt to revise them, and recommends that the revised Financial Regulations set forth below be adopted by the Commission. The Subcommittee also concluded that several amendments to the Rules of Procedure are called for and recommends that the amendments set forth below be adopted by the Commission. No changes were found necessary in the Rules for the Panels, but the Subcommittee noted that Panel A has not yet adopted the Rules for the Panels and recommends that it do so.

The Subcommittee took note of the recommendations of the Standing Committee on Regulatory Measures that the Rules of Procedure (No. 16) be amended to include that Standing Committee. The Subcommittee also recommends a change in Rule No. 16 to reduce the size of the Standing Committee on Finance and Administration, and accepted the U.K. proposal that the number of the Committee be set at five. The proposed change is included in the amendments to the Rules of Procedure below.

The most notable feature of the proposed new Financial Regulations is the bringing together and clarifying in Rule 4 of various provisions found in several parts of the present Regulations dealing with funds of the Commission. Included is the establishment of a Miscellaneous Fund, which it was felt would clarify the handling and disposition of certain funds available to ICNAF.

The ... note that unforeseen and ... , such as, for example, ... equipment ... to be met. Proposed ... with this omission.

Rule ... of bank interest and the ... the latter has not been resolved ... meeting, but the ... since it was still ... might be taken. If such ... they would fall under proposed ... however, were to provide ... Canadian income tax for members ... would be subtracted from the ... prior to assessing ... amounts in accordance with ...

The ... the ... bank interest ... Fund, ... using that ... to the greatest extent ... administrative budget ... ceiling is provided ... the Commission ... flexibility in ... expenditures ... in the annual administrative ... on Contracting Government ... proposed Rule 4.1 specifies that ... the annual review to be in ... Miscellaneous Fund. Such ... payments in the next ... transfer from the Miscellaneous ... provided in Rule 4.8(b).

The ... that annual payments ... by the following ... but do not specify what shall happen if a Contracting Government falls seriously in arrears ...

Proposed Rule 4.1 provides that the annual payment of a new Contracting Government shall be on the basis of one Panel membership. The Subcommittee felt that such an increase in the initial payment ... existing Contracting Governments ... discourage any prospective members ... interest in ICNAF.

The Subcommittee felt that the Financial Regulations should recognize the Commission as having the right to base Secretariat salaries on those of the ... This is provided in proposed Rule 4.2 ... ensures that the salary items presented to the Committee at the annual budget shall be

complete, but does not detract from the ultimate responsibility of the Commission to determine actual salaries.

Since the Financial Regulations govern the actions of the Executive Secretary in handling Commission funds to a large extent, proposed Rule 11 changes the present Financial Regulations to provide that the Chairman shall rule on interpretation of the Rules. The Subcommittee felt that this would afford greater protection both to the Commission and to the Executive Secretary.

The Subcommittee proposes that the new Financial Regulations take effect on July 1 rather than on the date adopted to provide a more orderly transition.

The International Civil Aviation Organization (ICAO), is a large international organization which also has its headquarters in Canada.

The Subcommittee took advantage of being in Montreal to consult with Mr. Lewis, ICAO External Relations Office, on questions relating to the Canadian income tax and privileges and immunities of international organizations in Canada. These consultations opened a number of avenues of approach to various matters which might benefit ICNAF, but which could not be dealt with immediately for the most part. The Subcommittee therefore recommends that it be continued to explore these matters further. In connection with these consultations, the Subcommittee felt that it might be beneficial to the Commission if arrangements could be made with Canada to handle income tax as handled by ICAO. Mr. Young agreed to explore this further and report to the 1968 Annual Meeting.

In reviewing the Rules of Procedure and the Panel Rules for financial provisions, the Subcommittee noted several aspects which might be improved but which it considered outside its terms of reference. If continued as proposed above, the Subcommittee recommends that it also be empowered to review the Rules of Procedure and the Panel Rules en toto.

I. It is recommended that the Financial Regulations adopted by the Commission 5 April 1951, 30 May 1960, 12 June 1965, 10 June 1966, and 9 June 1967 be repealed and the following Financial Regulations be adopted in lieu thereof.

#### Financial Regulations

The following Rules shall govern the financial administration of the International Commission for the Northwest Atlantic Fisheries.

#### Financial Year

##### Rule 1

The financial year shall be the period July 1 to June 30.

## Budget

### Rule 2

2.1 The Executive Secretary shall prepare and submit to the regular annual meeting estimates in Canadian dollars for the administrative budget and the special projects budget covering income and expenditures for the following financial year. At the same time he shall prepare a forecast budget for the subsequent financial year. He shall transmit these to all Contracting Governments at least sixty days before the opening of the regular annual meeting of the Commission.

2.2 The estimates and forecast shall be divided by categories, and shall be accompanied by such information as the Commission may specify from time to time, and as the Executive Secretary may deem useful.

2.3 The Standing Committee on Finance and Administration shall meet during each regular annual meeting of the Commission to examine the estimates and forecast and shall report thereon to the Commission. The Commission shall adopt the budget after considering this report.

2.4 The Executive Secretary may submit to the Commission supplementary estimates as he deems necessary. Supplementary estimates shall be prepared, considered, and acted upon in the same manner as regular estimates.

## Appropriations

### Rule 3

3.1 The appropriations adopted by the Commission in the budget shall constitute an authorization to the Executive Secretary to incur obligations and make payments for the purposes and up to the amounts so adopted.

3.2 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 incurred during that financial year. At the end of the twelve month period any unliquidated prior year obligations shall be cancelled, or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

3.3 The Chairman of the Commission may authorize the Executive Secretary to transfer appropriations between categories in any budget adopted by the Commission.

Funds

Rule 4

4.1 There shall be established a General Fund, a Miscellaneous Fund, and a Working Capital Fund for purposes of accounting for the expenditures of the Commission.

4.2 The following monies shall be credited to the General Fund:

- (a) Annual payments from Contracting Governments, except as provided in Rule 4.3(a)
- (b) Transfers from the Miscellaneous Fund as provided in Rule 4.8(b).
- (c) Appropriations from the Working Capital Fund for capital and special expenditures.

4.3 The following monies shall be credited to the Miscellaneous Fund:

- (a) Annual payments from new Contracting Governments, as provided in Rule 4.12.
- (b) All monies not otherwise specified in Rule 4.

4.4. The following monies shall be credited to the Working Capital Fund:

- (a) Contributions from Contracting Governments; new Contracting Governments shall contribute as provided in Rule 4.12.
- (b) Income from the sale of Commission publications.
- (c) Appropriations remaining in the General Fund at the end of the financial year not required to discharge obligations in accordance with Rule 3.2.
- (d) Appropriations remaining in the General Fund at the end of the twelve month period specified in Rule 3.2 for prior year obligations, but not disbursed.
- (e) Refunds, from any source, of prior expenditures of the Commission.
- (f) Bank interest.

4.5 Monies available in the Working Capital Fund may be transferred to the General Fund temporarily to the extent necessary to finance appropriations pending receipt of annual payments by Contracting Governments.

4.6 The Chairman of the Commission, after consultation with Commissioners, may authorize expenditure of available funds, not appropriated, for unforeseen and extraordinary expenses necessary to the good conduct of the business of the Commission. Such funds may not be in excess of twenty percent of the annual administrative budget for the current financial year, and except to the extent recoverable from some other source shall be reimbursed through the submission of supplementary estimates. Monies available in the Working Capital Fund may be transferred to the General Fund to finance such authorized expenses.

4.7 The Standing Committee on Finance and Administration and the Commission shall review the amount available in the Working Capital Fund during each annual meeting. Insofar as possible the Commission shall anticipate capital and special expenditures during the succeeding three years and shall attempt to maintain the Working Capital Fund at such a level that appropriations can be made from the Fund for such purposes instead of being included in the annual administrative or special projects budgets. However, the Working Capital Fund shall be maintained at a level, determined by the Commission, sufficient to finance appropriations in accordance with Rule 4.5 and for use in an emergency in accordance with Rule 4.6. Any monies determined to be in excess of the needs of the Working Capital Fund shall be transferred to the Miscellaneous Fund.

4.8 The Executive Secretary shall inform each Contracting Government of the annual payments due, in accordance with Article XI, paragraphs 3,4, and 5, as soon as possible after the Commission has adopted the annual administrative and special projects budgets. In assessing the amounts due, the Executive Secretary shall make the following adjustments:

- (a) Include supplementary appropriations for which assessments have not previously been made on Contracting Governments.
- (b) Reduce the amount appropriated in the administrative budget by monies available in the Miscellaneous Fund, which shall be transferred to the General Fund on the first day of the financial year. At the same time the Executive Secretary shall inform each Contracting Government of any new contributions required for the Working Capital Fund, which shall be determined in the same manner as the annual payment to the annual administrative budget.
- (c) Reduce the amount appropriated in the administrative budget by the amount of staff assessments, if any.

4.9 The Standing Committee on Finance and Administration, in reporting on an estimate for a special projects budget, shall recommend a scale for allocation of the budget to Contracting Governments.

4.10 Annual payments and contributions shall be due and payable in full within thirty days of receipt of the information from the Executive Secretary referred to in Rule 4.8, or the first day of the financial year, whichever is later. As of the first day of the following financial year, the unpaid balance shall be considered to be in arrears. Any Contracting Government more than two years in arrears shall not vote at any meeting until the unpaid balance has been received by the Commission.

4.11 All payments and contributions from Contracting Governments shall be made in Canadian dollars, unless, upon recommendation of the Standing Committee on Finance and Administration, the Commission specifies otherwise in adopting the budget.

4.12 New Contracting Governments shall make an annual payment within ninety days of depositing an instrument of adherence with the Depository Government for that financial year. The payment shall be the same as for a Contracting Government with one Panel membership, provided that the payment shall be one-half this amount if the adherence is deposited during the last six months of the financial year. At the same time new Contracting Governments shall contribute 1,000 Canadian dollars to the Working Capital Fund.

#### Accounts

#### Rule 5

5.1 The Executive Secretary shall establish detailed financial procedures in order to ensure effective financial administration and the exercise of economy.

5.2 The Executive Secretary shall maintain such accounting records as are necessary for each financial year, including:

- (a) Income and expenditures.
- (b) The status of appropriations, including:
  - (i) The original budget appropriation;
  - (ii) Transfers between appropriation categories;
  - (iii) Amounts charged against appropriation categories.
- (c) The origin of miscellaneous income.
- (d) The status of the Working Capital Fund.
- (e) Funds held in currencies other than Canadian dollars.

5.3 The annual accounts shall be submitted by the Executive Secretary to the Auditors not later than ninety days following the end of the financial year.

5.4 The Executive Secretary 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 Commission and the Auditors with the annual accounts.

#### Salaries

##### Rule 6

6.1 The Commission shall adopt from time to time a salary scale for the Executive Secretary and the staff based to the extent possible on the salary scale and position classification system of the Public Service of Canada.

6.2 The Executive Secretary shall consult appropriate Canadian authorities as he deems necessary concerning salary scales and position classifications and shall recommend appropriate modifications to the Commission.

6.3 The Executive Secretary shall include in the estimates for the following financial year salary amounts increased in accordance with the salary scale for each member of the staff whom he deems to be performing his duties in a satisfactory manner, and increased for the Executive Secretary (subject to review by the Commission). He shall also include such additional amounts as would be necessary to implement a recommendation for modification of the salary scale or position classifications.

#### Other Committees and Panels

##### Rule 7

Each other Committee and each Panel shall report to the Standing Committee on Finance and Administration on anticipated costs to the Commission if it were to adopt any program recommended by the Committee or Panel.

#### External Audit

##### Rule 8

8.1 The Commission shall employ external auditors who may be removed only by the Commission.

8.2 Having regard to the budgetary provisions for the audit, and after consultation with the Standing Committee on Finance and Administration relative to the scope of the audit, the Auditors shall perform such an audit as they deem necessary to certify:

- (a) That the financial statements are in accord with the books and records of the Commission;



- (b) That the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions, and other applicable directives;
- (c) That the monies on deposit and on hand have been verified by certificate received direct from the Commission's depositories or by actual count.

8.3 Subject to the directions of the Commission, the Auditors shall be the sole judge as to the acceptance in whole or in part of the certifications by the Executive Secretary and may proceed to such detailed examination and verifications as they choose of all financial records, including those relating to supplies and equipment.

8.4 The Auditors may affirm by test the reliability of the internal audit, and may make such reports with respect thereto as they may deem necessary to the Commission, to the Standing Committee on Finance and Administration, or to the Executive Secretary.

8.5 The Auditors and their staff shall have free access at all convenient times to all books of account and records which are, in the opinion of the Auditors, necessary for the performance of the audit. Information classified in the records of the Executive Secretary as confidential, and which is required for the purposes of the audit, shall be made available on application to the Executive Secretary.

8.6 The Auditors, in addition to certifying the accounts, may make such observations as they deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the financial consequences of administrative practices. In no case, however, shall the Auditors include criticism in their audit report without first affording the Executive Secretary an opportunity of explanation to the Auditors of the matter under observation. Audit objections to any item in the accounts shall be immediately communicated to the Executive Secretary.

8.7 The Auditors shall have no power to disallow items in the accounts, but shall draw to the attention of the Executive Secretary for appropriate action any transaction concerning which they entertain doubt as to legality or propriety.

8.8 The Auditors shall prepare a report on the accounts certified, and on any matters on which the Commission by resolution thereon may from time to time give specific instructions.

8.9 The Auditors shall submit their report to the Commission not later than six months following the end of the financial year to which the accounts relate. The Standing Committee on Finance and Administration shall forward to the Commission its comments, if any, on the audit report.

#### Bonding

##### Rule 9

The Executive Secretary and such staff as he deems necessary shall be bonded in Canadian currency by any reputable Bonding Company in such amount as may be determined by the Commission from time to time. The cost of the premium therefor shall be assumed by the Commission.

#### Delegation of Authority

##### Rule 10

The Executive Secretary may delegate to other staff of the Secretariat such of his powers as he considers necessary for the effective implementation of these regulations.

#### Interpretation

##### Rule 11

The Chairman may rule, after such consultation with Commissioners as he deems necessary, in cases of doubt as to the interpretation and application of any of these Rules.

#### Applicability

##### Rule 12

12.1 These Rules shall become effective on the first day of the financial year following their approval by the Commission. All previous Financial Regulations shall become null and void at that time.

12.2 These Rules may be amended only by the Commission.

II. It is recommended that the Rules of Procedure adopted by the Commission 5 April 1951 and 30 May 1953 be amended as follows:

Rule 11(a) Delete 2nd sentence, and delete in 4th sentence "prepare and submit to the Chairman a draft of the Commission's budgets (Article XI of the Convention) for each year and".

Rule 13 Delete

- Rule 15 Delete "in North America"
- Rule 16(b) Replace with the following: "There shall be a Standing Committee on Finance and Administration consisting of one nominee from each of five Contracting Governments who may be assisted by experts and advisers and which shall advise the Commission on matters relating to the Executive Secretary and his staff, on the budget of the Commission, on the time and place of meetings of the Commission, and on publications of the Commission. The Committee shall choose its own Chairman from among the nominees. The Chairman shall have no vote but his Contracting Government may designate an alternate nominee who shall cast its vote. The Executive Secretary shall be an ex-officio member of this Committee without vote."
- Rule 23(a) Delete everything after "Convention" and insert: "Area, the Chairman's Report of the annual meeting, and a financial statement."

Rules 15-24 would be renumbered to take into account the deletion of Rule 13 and the lack of a Rule 14 (deleted by 1953 Annual Meeting).