



Assembly Council

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Report of the Finance Committee

1. During the ninth session of the International Seabed Authority, the Finance Committee held five meetings, on 31 July and 1 and 2 August 2003. The Committee elected Hasjim Djalal (Indonesia) as its Chairman and noted with appreciation the work of Domenico Da Empoli, who had been the Chairman for the preceding four years.

I. Agenda

2. The Committee adopted the agenda, noting that under the item "Other matters" there would be discussion of the status of contributions, assessment of contributions for 2004 and a legal interpretation of financial regulations 3.6, 6.2 and 6.3.

II. Audit report for 2002

3. The Committee considered the report of KPMG Peat Marwick on the audit of the accounts of the Authority for the year 2002. The view was expressed that the reports, along with all the documents, should be made available to the members well in advance. The Committee once again urged the Secretariat to distribute a full set of meeting papers sufficiently in advance of the meeting, including presenting the audit management letter and the audit report together. The Secretary-General of the Authority noted the concerns of the members and assured them that efforts would be made to send the reports in advance as soon as the audit was completed. The Committee sought clarification of various matters in the report and requested that more details be provided with respect to the method of conduct of the audit. Clarification was provided by the Secretary-General of a number of specific items in the course of examination of the report. The Secretary-General was requested to provide clarification of the application of United Nations accounting standards as approved by the former Administrative Committee on Coordination and to provide the relevant documents.

* Reissued for technical reasons.

III. Appointment of auditors

4. The Committee considered the question of appointment of an auditor for 2003. One of the members felt that it would be preferable to have the audit of the Authority's accounts carried out by the United Nations Auditors. It was clarified that letters were sent to the Executive Secretary of the United Nations Board of Auditors, requesting a proposal for the audit of the Authority's accounts, followed by personal contact. It was noted that no member from the Board of Auditors was interested in accepting the task of auditing the Authority. The Committee then considered the bids from KPMG Peat Marwick, Deloitte and Touche and Pricewaterhouse Coopers to undertake the audit for the 2003 and 2004 period. After discussion about the merits of the three bids, including their experience in auditing international organizations, the necessity to make an appointment at the ninth session and the optimum period of appointment in relation to the requirements of the financial regulations, the Committee, while pursuing the request to the Board of Auditors, decided that Deloitte and Touche should be appointed for two years to audit the 2003 and 2004 accounts.

IV. Supplementary agreement

5. The Committee noted with concern that the supplementary agreement between the International Seabed Authority and the Government of Jamaica has not yet been concluded. The Committee noted that the issues to be resolved specifically concerned the amount of maintenance costs, the amount payable for the use of the Conference Centre, and host country obligations to provide adequate security and insurance. The Committee reiterated that the host country and the Secretary-General should make serious efforts to conclude the matter as soon as possible, and in any event before the end of October 2003. The Committee requested its Chairman to facilitate further contact between the host country and the Secretary-General, if necessary.

V. Trust fund

6. The Committee noted the establishment, on an interim basis, of a voluntary trust fund to defray the costs of travel expenses of members of the Legal and Technical Commission and the members of the Finance Committee from developing countries. While expressing its appreciation to the three donors, the Committee noted that the response from others had been rather slow. With respect to the issue of the modalities for funding the participation of members of the Legal and Technical Commission and the Committee from developing countries, after extensive discussion the Committee adopted the decision and recommendations contained in the annex to the present report. In accordance with that decision, the Committee agreed to revisit the matter at its next meeting.

VI. Pension entitlement of the Secretary-General of the Authority

7. This item was included in the agenda at the request of a member of the Committee. The Committee had before it a document entitled, "Terms of service of the Secretary-General of the International Seabed Authority, including pension arrangements" (ISBA/9/FC/R.1). Since there was insufficient time to consider the matter in detail, the Committee deferred it for consideration at the next session of the Authority.

VII. Other matters

A. Status of contributions

8. The Committee noted the status of contributions to the administrative budget and expressed concern about the number of member States that had been in arrears for multiple years and the effect of that situation, including on any voting processes. The Committee recalled the provisions of financial regulation 6.8, by which the Secretary-General should submit a report on the matter to each regular session of the Assembly, the Council and the Committee, and report on the collection of contributions and advances to the Working Capital Fund.

B. Assessment of contributions for 2004

9. With respect to the scale of assessed contributions for 2004, one member informed the Committee that, owing to a request by one member country, the scale of assessed contributions of the United Nations had been adjusted. It was suggested that the scale of assessed contributions of the Authority also be adjusted. The Committee noted that, at the eighth session of the Authority, the Assembly had adopted the scale of contributions for 2004 based on the scale of contributions to the regular budget of the United Nations for 2003. In the absence of any specific request from a member of the Authority, there was no reason to amend the scale at this stage. The matter would be considered further in connection with the scale of contributions for the next financial period of the Authority and in the light of interpretation of regulations 3.6, 6.2 and 6.3 of the Financial Regulations.

C. Interpretation of Financial Regulations 3.6, 6.2 and 6.3

10. The secretariat was requested to prepare an explanatory note on the interpretation and application of these regulations to be taken up for discussion at the next meeting.

D. New members

11. The Committee recommended that Albania, Kiribati, Qatar, Tuvalu and Armenia, which had become members of the Authority in 2003, contribute the amounts shown below towards the administrative budget of the Authority and the

Working Capital Fund for 2003. Such contributions should be credited as miscellaneous income.

<i>States</i>	<i>Date of membership</i>	<i>United Nations contribution scale, 2003</i>	<i>Adjusted Authority scale</i>	<i>Contribution to General Admin. Fund for 2003 (United States dollars)</i>	<i>Contribution to Working Capital Fund for 2003 (United States dollars)</i>
Albania	23 July 2003	0.003	0.010	172	19
Kiribati	24 March 2003	0.001	0.010	301	33
Qatar	9 January 2003	0.034	0.050	1 464	161
Tuvalu	9 January 2003	0.001	0.010	379	42
Armenia	9 January 2003	0.002	0.010	379	42

12. The Committee recommended that the Council and Assembly of the International Seabed Authority again request members of the Authority to pay their assessed contributions in full and on time, and that they also urge members to consider contributing to the voluntary fund set up to assist the participation of members of the Legal and Technical Commission and the Committee from developing countries.

Annex

The Finance Committee,

Bearing in mind that the Legal and Technical Commission and the Finance Committee discharge essential functions that are prerequisite for the decision-making of the International Seabed Authority, drawing upon the personal qualifications and expertise of their members,

Mindful of the need to enhance the participation of all members of the Commission and the Committee, without which the Authority would not be able to gather the necessary knowledge and experience in a balanced fashion,

Adopts the recommendations set out below.

1. The Finance Committee recommends the continuation of the voluntary trust fund. The purpose of the fund would be to defray the costs of participation of members of the Legal and Technical Commission and the Committee from developing countries.

2. The voluntary trust fund will be funded by voluntary contributions from members of the Authority and others.

3. The provisional terms and conditions for the use of the fund will be as follows:

(a) A formal request by the Government which nominated the member must be made to the Secretary-General of the Authority no later than three months in advance of the opening of the meeting, indicating why the costs of participation cannot be met by the Government concerned;

(b) Consideration should be given to the expertise of the member, taking into account his or her qualifications, continuity in attendance and contributions to the meetings;

(c) Where possible, priority should be given to members from least developed countries;

(d) As a general rule, airfare costs should be for economy class travel and DSA should only be provided for in exceptional cases;

(e) The Secretary-General should inform the Government concerned of the outcome of the request no later than two months in advance of the opening of the meeting.

4. To supplement the voluntary contributions, the Secretary-General, for the first year of operation of the voluntary trust fund, is authorized to advance, to the extent necessary, up to \$75,000 from such extraordinary sources of funding as may be under the custody of the Secretary-General and accrued to the Authority, on the understanding that that authorization is made on an exceptional, one-time basis and is without prejudice to any future recourse to the general administrative fund that may arise from the determination of definitive sources of financing requested in paragraph 7 below. The Secretary-General is requested to report to the Committee at its next meeting on the advances made in a consolidated manner for eventual appropriation.

5. The Secretary-General shall report to the Committee annually on the use and status of the fund. The Committee intends to review the use and status of the fund in the light of the Secretary-General's report.

6. The Committee recommends that the Assembly of the International Seabed Authority, at its tenth session, decide on a definitive source of financing for supplementing the voluntary funds for the participation of members of the Legal and Technical Commission and the Committee from developing countries, on the basis of the recommendation of the Committee and the Council at the next session of the Authority.

7. The Secretary-General should investigate and indicate to the Committee at the next session of the Authority the interest accruing from the various funds and resources of the Authority.

8. The Committee decides to define at its next meeting, on the basis of proposals to be submitted by the Secretary-General, the purpose and limit of a special account to which the resources were transferred from the special trust fund under the provision of paragraph 7 (a) of resolution II of the Final Act of the Third United Nations Conference on the Law of the Sea.
