

Proposal for Consideration by the Council
Consideration of an Appropriate Methodology and Timetable
to Deal with the Annual Financial Statement and Recommendations,
and the Forthcoming Budget Estimate and Work Programme

Submitted by:	Secretary-General
Executive Summary:	This proposal invites the Council to consider approving the annual financial statement and its associated recommendations by correspondence, so as to avoid an undesirable delay and to maintain a similar decision-making timetable to that which existed prior to the establishment of the Council.
Related Documents:	IHO Publication M-1 - <i>Basic Documents of the IHO</i> - Edition 2.1.0 - June 2017

Introduction

1. In considering the financial aspects of the Organization, the first session of the IHO Assembly acknowledged that it is not clear how the Council will fulfil its function of reviewing the annual financial statements of the Organization. As a result, Decision 24.c of the first session of the IHO Assembly ... *confirmed that the Council is empowered to approve the financial statements and any recommendations for the previous year and the budget estimates and the associated annual work programme for each forthcoming year.*
2. The Assembly further acknowledged that the financial statements and any associated recommendations for each year's audited accounts are normally published in April of the following year, but the Council is not scheduled to meet until October – ten months after the audited accounts have been closed. As a result, Decision 24.d ... *directed the Council at its first meeting to consider an appropriate methodology and timetable to deal with each year's subsequent financial statements and to propose any adjustments to the relevant basic documents if required.*

Discussion

3. The annual financial statement and recommendations result from the audited accounts of the previous year. The annual income of the Organization is based on the voluntary financial contributions of existing Member States. This may be supplemented by the unexpected membership of new Member States or reduced by non-payment from existing Member States. As a result, the final income for any particular year is inherently unpredictable. This means that, together with fluctuations in such things as investment rates, and variations in medical expenses, the audited accounts rarely result in a balanced result - there is either a shortfall or a surplus. Recommendations therefore accompany the annual financial statement to address any shortfall or to disburse any audited surplus as quickly as possible and avoid any longer term impacts.
4. In the past, prior to the establishment of the Council, each year's financial statement and any recommendations from the Secretariat were firstly reviewed and endorsed by the Finance Committee Officers (the Chair and the Vice-Chair of the Finance Committee) and subsequently presented to the Member States for their consideration and the approval of any recommendations by correspondence. This meant that any necessary adjustments could be agreed and put in place by no later than the middle of the year.
5. In accordance with Decision 24.c of the first session of the Assembly, it is now the responsibility of the Council to consider and approve the annual financial statement and any accompanying recommendations. However, as described earlier, the Council will not normally meet until October each

year, which means that unless another mechanism is used, the previous year's financial statement and recommendations would not be considered until at least ten months after the event. This is not considered to be desirable.

6. In the past, the forthcoming annual budget estimate and associated work programme was developed in the second half of the year and submitted to the members of the Finance Committee for comment prior to being circulated to Member States for their approval by correspondence.

7. In accordance with Decision 24.c of the first session of the Assembly, it is now the responsibility of the Council to consider and approve the forthcoming annual budget estimate and associated work programme. Given the timing of the annual meeting of the Council in October, this means that a very similar timetable for the approval of the budget and work programme can be maintained as in the past.

Proposals

8. It is proposed that the Council follows the previously successful practice for the consideration and approval of the annual financial statement and its recommendations by approving the statement and its recommendations by correspondence.

9. Consideration of the forthcoming annual budget estimate and work programme should be undertaken as part of the agenda of the Council meeting, as is currently indicated in the relevant Basic Documents.

10. This proposed procedure will avoid an undesirable delay and maintain a similar decision-making timetable to that which existed prior to the establishment of the Council.

Impact

11. The proposals described above can be put in place with no requirement to amend the existing Basic Documents. However, it is proposed that a short IHO Resolution be introduced in order to provide a clear reference statement of the methodology to be used by the Council in its procedure for considering the annual financial statement and the forthcoming budget estimate and work programme.

12. A proposed text for an IHO Resolution on the procedure for considering the annual financial statement and its recommendations, and the forthcoming budget estimate and work programme is set out in Annex A to this submission.

Action required of the Council

13. The Council is invited to:

- a. **adopt** the procedure described in this submission and in the proposed IHO Resolution set out in Annex A;
- b. **instruct** the Secretary-General to seek the adoption by Member States of the new IHO Resolution through voting by correspondence; and
- c. **take any other actions** that may be appropriate.

**Proposed IHO Resolution on the
Procedure for Considering the Annual Financial Statement and the Forthcoming Budget
Estimate**

PROCEDURE FOR CONSIDERING THE ANNUAL FINANCIAL STATEMENT AND RECOMMENDATIONS, AND THE FORTHCOMING BUDGET ESTIMATE AND WORK PROGRAMME	?/201?	xx/20xx	
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1 Decision 24.c of the first session of the IHO Assembly ... *confirmed that the Council is empowered to approve the financial statements and any recommendations for the previous year and the budget estimates and the associated annual work programme for each forthcoming year.*

2 This Resolution lays down the procedure to be observed by the Council when considering and approving the annual financial statement and any associated recommendations for the previous year, as well as the budget estimates and the associated annual work programme for each forthcoming year.

Budget Estimates and Associated Annual Work Programme for Forthcoming Year

3 The budget estimates and the associated annual work programme for each forthcoming year shall be provided by the Secretary-General and included in the agenda of the relevant meeting of the Council and considered and decided upon at that meeting.

4 Prior to the meeting of the Council, the Secretary-General shall submit the budget estimates for the following financial year to the Members of the Finance Committee by correspondence for their information, in accordance with Article 8 (b) of the Financial Regulations.

Annual Financial Statement and Associated Recommendations for Previous Year

5 The audited financial statement and any recommendations for the previous year's accounts shall be provided by the Secretary-General to the Chairs of the Council and of the Finance Committee as soon as practicable after the end of the relevant year. This will normally be not later than the end of March of the following year.

6 As soon as is practicable, the Secretary-General shall chair a meeting of the Chairs of the Council and of the Finance Committee, accompanied by the external auditor and relevant Secretariat staff, to review the previous year's financial statement and any associated recommendations.

7 Upon completion of the meeting of the Secretary-General and the Chairs of the Council and of the Finance Committee, the Secretary-General shall circulate the financial statement for the previous year and any associated recommendations to the Members of the Council, and to the Members of the Finance Committee for their information, together with any particular comments of the Chairs of the Council and of the Finance Committee that they feel should be brought to the attention of the Members of the Council.

8 The Members of the Council shall be invited to approve the financial statement and any recommendations through voting by correspondence, following the principles set out in Article IX of the Convention on the IHO. This means that for a decision to be taken, the number of affirmative votes shall be at least one third of the total membership of the Council and at least two thirds of the votes cast shall be in the affirmative. In accordance with IHO Resolution 1/1969 as amended¹, the period of time allowed for voting shall be two months.

¹ Subject to the approval by the Council of the proposed revised Resolution 1/1969 (see submission C1-2-2)

9 The Secretary-General shall inform all Member States of the outcome of the consultation by Circular Letter. If the number of affirmative votes is insufficient, the matter shall be included in the agenda of the next meeting of the Council.