

## IPHC Financial Regulations (2018)

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### PURPOSE

To provide the Commission with the opportunity to direct revisions to the IPHC Financial Regulations.

### BACKGROUND

The current IPHC [Financial Regulations](#) were adopted by the Commission in 2014. The IPHC Funds and Investment Policy was adopted at the same time as a separate document.

Paragraph 3 of Financial Regulation 18 (General Provisions) states that the regulations should be reviewed by the Finance and Administration Committee (FAC) at least biennially.

### DISCUSSION

Since 2014 a number of potential changes to the Financial Regulations have been identified to clarify and update the Commission's financial operations, including:

1. Further definition of the general and supplemental funds and how they are used, including a clearer separation of funding for core and setline survey operations.
2. Clarification of how carryover (surplus and unobligated funds) is managed.
3. Clarification of the timeline for budget approval.
4. Incorporation of investment guidance directly into the Financial Regulations, rather than maintaining it as a separate document.

The Secretariat intends to present suggested changes to the Financial Regulations 2014 for consideration by the Commission at the 94<sup>th</sup> Session of the IPHC Annual Meeting (AM094) in January 2018. [Appendix I](#) presents the text of the IPHC Financial Regulations 2014 with highlights and comments added to indicate where changes will be proposed.

### RECOMMENDATIONS

That the Commission:

- 1) **NOTE** paper IPHC-2017-IM093-18, which outlines anticipated for changes to the IPHC Financial Regulations (2014).
- 2) **DIRECT** the IPHC Secretariat regarding changes or additions to the IPHC Financial Regulations which the Commission wishes to consider at the 94<sup>th</sup> Session of the IPHC Annual Meeting in January 2018.

### APPENDICES

[APPENDIX I](#) International Pacific Halibut Commission Financial Regulations (2014): Revisions

**APPENDIX I**

**INTERNATIONAL PACIFIC HALIBUT COMMISSION**

**FINANCIAL REGULATIONS**

**Commented [DTWilson1]:** Terminology and format to be updated throughout to conform to current IPHC standards.

**Regulation 1 – Applicability**

The following Regulations shall govern the financial administration of the International Pacific Halibut Commission and are established pursuant to the Commission's Rules of Procedure. The terms "Commission," "Convention," "Contracting Parties," "Chair," and "Staff" are used in these Regulations as defined in the Rules of Procedure.

**Regulation 2 – Finance and Administration Committee**

1. The Commission shall designate a Finance and Administration Committee composed from among current Commissioners, tasked with reviewing and making recommendations on financial matters. The Committee's recommendations shall be considered and approved by the Commission subject to Article III, Paragraph 1 of the Convention.
2. In addition to general oversight of financial matters and other duties specified in these Regulations, the Finance and Administration Committee shall carry out the following duties on behalf of the Commission:
  - a. Overseeing the financial reporting style and methodology
  - b. Overseeing accounting policies and practices
  - c. Approving the hiring, performance, and independence of the external auditor
  - d. Discussing financial risk management policies and practices with Staff

**Regulation 3 – Fiscal Year and Currency**

The fiscal year shall be the period from October 1 to the following September 30, both dates inclusive. Funds may be held in either U.S. or Canadian dollars. All monetary figures in these Regulations are expressed in U.S. dollars, and all financial accounting of the Commission shall be in U.S. dollars.

**Regulation 4 – Budget**

1. Annual budget estimates shall cover income and expenditures for the fiscal year to which they relate.
2. Annual budget estimates shall be divided into categories corresponding to programs and departments. Each category shall be accompanied by such information, annexes and explanatory statements as may be requested

on behalf of the Commission, and such further annexes or statements as the Executive Director may deem necessary and useful.

3. The Executive Director shall prepare and submit to the Finance and Administration Committee, Contracting Parties, and Commissioners, no later than 20 days before the Commission's Interim Meeting, budget estimates for the next fiscal year.

4. At the Commission's Interim Meeting, the Finance and Administration Committee shall review income and expenses for the prior fiscal year, and review and recommend changes to the budget estimates for the next fiscal year.

5. At its regular Annual Meeting, the Commission shall review income and expenses for the prior fiscal year, review and adopt a budget for the next fiscal year, and review the budget estimates for the following two fiscal years. The Commission may amend or adjust the budgets as necessary to reflect changing priorities or contingencies.

6. In preparing budget estimates for consideration of the Commission, the Executive Director shall fully take into account any unobligated funds carried over from previous years' national contributions, and any other income, which may be available for expenditure in the year for which the budget estimates are prepared.

7. The Executive Director shall assess the Contracting Parties on the basis of the budget adopted by the Commission and in accordance with Article III, Paragraph 1 of the Convention.

8. Should either of the Contracting Parties not approve its assessment in whole or in part, the Executive Director shall forthwith notify the other Contracting Party and, after consulting with the Chair of the Commission, shall recommend revisions to the budget as may appear necessary.

9. Any revisions to a budget or supplementary estimates shall be prepared by the Executive Director and submitted to the Chair for approval. Subject to consultation with the other Commissioners, the Chair may approve the revisions, obtain the Commissioners' approval through the established procedures for interim voting, or call a special meeting to collect a vote. After approval, the estimates shall be acted upon in the same manner as regular budgets or estimates.

10. The Executive Director may, in any fiscal year, transfer funds in an amount not exceeding 1% of the total budget between categories within the budget. The Chair of the Commission may, in any fiscal year, authorize the Executive Director to transfer funds in an amount exceeding 1% of the total budget between categories.

#### **Regulation 5 – Publication of Budget**

A summary of the budget of the Commission shall be available at the Commission's website or by other electronic communication means approved by the Commission.

#### **Regulation 6 – National Contributions**

1. The receipt of national contributions from the Contracting Parties shall constitute an authorization to the Executive Director to incur obligations and make payments for the purposes and up to the amounts authorized by the Commission.

2. The Executive Director may use existing funds to incur obligations before a budget is approved or before national contributions are voted, when such obligations are necessary for the continued effective functioning of the Commission and provided such obligations do not exceed the scale of such requirements as authorized in the most recent approved budget. The Executive Director must obtain approval for significant deviations from this level of spending from the Commission.

#### **Regulation 7 – Provision of Funds**

1. The Commission operations shall be financed by national contributions in U.S. dollars made by the Contracting Parties, in accordance with Article III, Paragraph 1 of the Convention. Pending the receipt of such contributions, the operations may be financed from the General and Supplementary Accounts as described in Regulation 6.2.

2. After the Commission has adopted a budget, revisions to a budget, or a supplementary budget, the Executive Director shall:

- a) Transmit to the Contracting Parties such documents and information as may be required by the government departments responsible for approving national contributions and appropriating the funds;
- b) Request that the funds be remitted in accordance with procedures agreed upon by each of the Contracting Parties.

3. Funds shall remain available for twelve months following the end of the fiscal year to which the funds relate, to discharge obligations incurred during that fiscal year.

4. At the end of the twelve-month period, any obligation incurred in the prior year which remains unliquidated shall be cancelled, or where the obligation remains a valid charge, transferred as an obligation against current-year funds. Any balance in funds shall be accounted for in accordance with the provisions of Regulations 4.10 and 9.7.

#### **Regulation 8 – Other Income**

1. The Commission may receive revenue from the sales of fish harvested during the course of research or other scientific operations, pursuant to Article III, Paragraph 2 of the Convention. Such revenues shall be credited to the Supplemental Fund (described in Regulation 9). Revenue from the sale of fish shall be used to support the Standardized Stock Assessment (SSA) Survey and approved research.

2. The Commission may receive, on occasion, monies in addition to those received from the Contracting Parties to fund the Commission's annual budget. Such funds may be from contracted or granted research agreements or from private organizations or other government agencies for the purpose of funding Pacific halibut research or operations. Such funds will be managed in the Supplemental Fund.

**Commented [ML2]:** Only funds related to the F.I.S. program will be managed in the Supplemental Fund. Contracts, grants and other income related to general operations, port sampling and research will be managed in the General Fund.

## Regulation 9 - Funds

1. All monetary holdings shall be subject to the Funds and Investment Policy of the Commission, which will include the approved purposes, limits, and specific rules of use for each fund. The Funds and Investment Policy shall be prepared by the Executive Director, reviewed by the Finance and Administration Committee, and approved by the Commission. The Finance and Administration Committee shall review the Funds and Investment Policy at least biennially and recommend any changes to the Commission.

**Commented [DTWilson3]:** Funds and Investment policy to be incorporated into the Financial Regulations

2. There shall be established a General Fund and a Supplemental Fund for the purposes of accounting for the income and expenditures of the Commission. Other funds may be established by the Commission as necessary.

3. The General Fund shall be a national contributions fund and shall be used to support the general operations and administrative expenditures of the Commission. (For historical purposes, note that at times in the past the General Fund was known as the "Appropriations Fund.")

**Commented [ML4]:** Will need to add a line for 'Supplemental' Fund to designate F.I.S. costs as a supported expense.

4. The following monies shall be credited to the General Fund:

- a) Contributions received from the Contracting Parties;
- b) Receipts from the sale of surplus Commission property purchased from the General Fund;
- d) Interest income earned by the General Fund.

5. The Supplemental Fund shall be a working capital fund and shall be used to support the Standardized Stock Assessment (SSA) Survey and approved research.

6. The following monies shall be credited to the Supplemental Fund:

- a) Receipts from the sale of fish;
- b) Receipts from the sales of surplus Commission property purchased from the Supplemental Fund;
- c) Interest income earned by the Supplemental Fund;
- e) Receipts from grants and contracts;
- f) Any other income not specified elsewhere in these Regulations or in the Funds and Investment Policy.

**Commented [ML5]:** Receipts split by purpose (i.e. only F.I.S. revenue to Supplemental)

**Commented [ML6]:** Receipts split by purpose (i.e. only F.I.S. revenue to Supplemental)

7. The Executive Director may transfer funds from the Supplemental Fund to the General Fund temporarily to the extent necessary to finance expenditures pending receipt of national contributions from the Contracting Parties as described in Regulation 6.2.

8. The Executive Director may transfer funds between the Supplemental Fund and other established funds as allowed by the approved budget and defined purposes, limits, and rules of use for each fund.

9. Previous year's surplus and unobligated funds shall be retained in the Supplemental Fund. Surplus and unobligated funds shall be reviewed and approved by the Finance and Administration Committee on an annual basis, in conjunction with approval of the previous year's expenses.

## Regulation 10 – Custody of Funds

The Executive Director shall designate the bank or banks in which the funds of the Commission shall be kept and shall report the identity of the bank or banks so designated to the Commission.

### **Regulation 11 – Internal Controls**

1. The Executive Director shall be accountable to the Commission for the proper management of the Commission's financial resources in accordance with the Commission's Rules of Procedure and these Regulations.
2. No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Executive Director.
3. The Executive Director shall:
  - a) Establish detailed financial procedures to ensure effective financial administration and the exercise of economy;
  - b) Sign on behalf of the Commission for all financial and ordinary business matters of the Commission;
  - c) Cause all payments to be made on the basis of supporting vouchers and other documents and ensure that services or goods contracted for have been received;
  - d) Designate in writing the members of the Commission Staff who may receive monies, incur obligations, sign on behalf of the Commission, and make payments on behalf of the Commission.
4. The Executive Director may, after full investigation, authorize the writing off of losses of cash, stores, and other assets, provided that a statement explaining the losses shall be submitted to the Commission and the Auditors with the annual accounts.
5. The Executive Director may, with the approval of the Chair of the Commission, authorize the transfer of surplus stores or assets to charitable organizations or to scientific societies associated with the Commission. The record of all such transfers shall be submitted to the Auditors with the annual accounts.
6. For the issuance of purchase orders and contracts in excess of \$50,000 and all vessel charter agreements the Executive Director shall obtain the approval of the Chair or Vice-Chair.
7. In the case of unforeseen conditions, the Executive Director may deviate from approved budgets at the discretion of the Chair.

### **Regulation 12 - Reporting**

The Executive Director shall maintain such accounting records as are necessary for each fiscal year and shall submit to the Contracting Parties annual accounting records for the fiscal year to which they relate, including the following:

- a) Outstanding obligations at the beginning and end of the year;
- b) Unobligated funds at the beginning and end of the year;

- c) Income and expenditures of all funds;
- d) The status of all funds, including:
  - i. The original budgeted funding for the year;
  - ii. The national contributions as modified by any transfers;
  - iii. Credits, if any, other than national contributions;
  - iv. The amounts charged against those national contributions and other credits;
  - v. The status of the General and Supplemental Accounts, and of all other accounts which have been established;
  - vi. Such other information as may be appropriate to indicate the current financial position of the Commission.

### **Regulation 13– External Audit**

1. The accounts of the Commission shall be audited annually by external auditors recommended by the Finance and Administration Committee and appointed by the Commission. The Auditors shall be appointed for a term of three years, and may be reappointed to multiple terms. The appointment is subject to annual Finance and Administration Committee approval within the term.
2. The annual accounts shall be submitted by the Executive Director to the Auditors appointed by the Commission not later than sixty days after the end of a fiscal year.
3. The Auditors shall perform such an audit as they deem necessary to determine:
  - 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 are in accordance with these Financial Regulations;
  - c) That the monies on deposit and on hand are vouched for by the Commission's depositories or by actual count.
  - d) Equity proportions for the Contracting Parties based on their contributions to the joint expenses shared by them under Article III, Paragraph 1 of the Convention.
4. The Auditors shall be sole judges as to the acceptance in whole or in part of certifications by the Executive Director or delegated Staff, and they may proceed to detailed examination and verifications of such financial records as they choose.
5. The Auditors, in addition to certifying the correctness of the accounts, may make such observations as they deem desirable 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.
6. The Auditors shall have no power to disallow items in the accounts, but shall draw to the attention of the Executive Director for appropriate action any transaction with respect to which they entertain doubt as to legality or propriety.
7. The Auditors shall prepare a report on the accounts certified, and shall discuss their report with the Executive Director prior to submission to the Commission. The Auditors shall submit their report to the Commission not later than six months following the end of the fiscal year to which the accounts relate.

8. The Commission may request the Auditors to perform certain specific examinations and issue separate reports on the results.

#### **Regulation 14 – Bonding**

The Executive Director and such other members of the Staff as may be deemed necessary shall be bonded in United States currency by a reputable bonding company in amounts determined by the Commission. The cost of the premiums for bonding shall be assumed by the Commission.

#### **Regulation 15 – Insurance**

The Commission may take out suitable insurance policies with reputable financial institutions against normal risks to its assets, operations, and personnel.

#### **Regulation 16 – Delegation of Authority**

The Executive Director may delegate to other members of the Staff or the Commission such of his powers as he or she considers necessary for the effective implementation of these Regulations.

#### **Regulation 17 – Interpretation**

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

#### **Regulation 18 – General Provisions**

1. These Financial Regulations were adopted September 17, 2014. They replace those adopted by the Commission in January 1972, as amended through January 2001, and shall become effective on the first day of the fiscal year beginning October 1, 2014. All previous financial rules and regulations shall become null and void at that time. Copies of previous financial rules and regulations shall be archived by the Executive Director for reference.

2. These Regulations may be amended only by the Commission.

3. These Rules should be reviewed by the Finance and Administration Committee at least biennially.