

Comments received from National members on the **draft Financial Regulations text**

Article	Draft text	Comments	By
		<p>The same comments apply to the Financial Regulations:</p> <ul style="list-style-type: none"> • Work on them after the Convention has been drafted • Replace IALA with IOMAN • Add “or Vessel Traffic Services” after “Marine Aids to Navigation” • Replace “shall” with “should” • Etc. (refer to Japanese comments on the General Regulations) <p>Provisions contained in the Convention, the General Regulations and the Financial Regulations should not be duplicated.</p> <p>Need mechanism for the use of the contributions/payments balance. As in other international organizations they should be returned to the members in proportion of their contributions/payments.</p> <p>Where relevant, include a scale relating to the tonnage of fleets for Contracting Parties.</p>	<p>Japan</p> <p>Russia</p> <p>Russia</p> <p>South Africa</p>
1 Application	These Financial Regulations shall govern the financial administration of the International Organization for Marine Aids to Navigation (IALA), <u>hereinafter referred to as the Organization.</u>	Add at the end “(hereinafter referred to as “the Organization”).	Japan
2 Financial Governance	2.1. The General Assembly, upon advice of the Council:		
	(a) shall determine and review the financial arrangements and endorse the Finance Report. The Finance Report shall cover the preceding four year period in respect of:		
	i. balance sheet;		
	ii. income statement;		
	iii. cash reserve; and		
	iv. outstanding contributions and fees and interest due.		
	(b) shall approve the outline budget, <u>including rates of Member State contributions and Member fees,</u> for the next four-year four-year period.	“...approve the outline budget, <u>including rates of contributions and Member fees,</u> for the next...”	Japan
	2.2. The Council, upon advice of the Finance and Audit Committee (“FAC”) and the external auditor, shall:		
	(a) approve the budget for the current year and review the forecast for the following three years;	Budget approval must be transferred from Council to General Assembly.	Mexico
	(b) approve the balance sheet;		
	(c) close the annual accounts;		
	{d} <u>determine rates of contributions and fees in accordance with the General Regulations Article 2.5; and</u>	Remove. Should be decided by the General Assembly.	Japan
	{e} <u>(d)</u> decide on suspension and termination of Associate and Affiliate membership for non-payment of fees.		

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	2.3. The FAC shall:		
	(a) review the audited financial statements for the previous year and advise the Council on the approval of the annual accounts;		
	(b) review the draft annual budget for the coming year for consideration by the Council;		
	(c) approve-review a four-year <u>four-year</u> budget on an annual basis for noting by the Council;	Remove (see 2.(a) above)	Mexico
	(d) provide advice to the Council and to the Secretary-General on any audit observations or findings related to finances;		
	(e) recommend the rates of contributions and fees for the next <u>four</u> years;	"...for the next <u>four</u> years".	Japan
	(f) recommend potential termination of membership, in respect of fees in arrears; and		
	(g) consider any other matters referred to it by the Council.		
	2.4. The Treasurer:		
	(a) shall examine the accounts and submit them to the FAC; and		
	(b) may authorize expenses not provided for in the budget, within approved limits.		
	2.5. The Secretariat, in accordance with the Secretariat Procedures, shall:		
	(a) maintain the accounts;		
	(b) prepare the finance report and the financial statements;		
	(c) control the financial records, including records of income and expenditure;		
	(d) manage the audit; and		
	(e) advise the Secretary-General on financial matters.		
	2.6. An external auditor must be engaged to check the financial management and a chartered accountant shall be engaged to assist the Secretariat with management accounting.		
	2.7. The operating currency shall be the Euro.		
3 The Financial Period			
	3.1. The financial year shall run from 1st January to 31st December.		
	3.2. The budget shall be drawn up on a four-year <u>four-year</u> basis. Budget estimates for each year shall be shown separately.		
4 Budget			
	4.1. The Secretary-General shall operate within the limits of the annual budget. However the Secretary-General may adjust allocations within the approved budget, especially in the case of major unplanned expenditure or substantial change in the number of members.		
	4.2. Any transfers of allocations between different categories of expenditure specified in the budget shall be reported <u>by the Secretary-General</u> , with the necessary justification, to the FAC.	The forecast should be included at the end, to be approved by Council. Don't give the Secretary-General unlimited powers. Include procedures for approval of transfers by the members of the Organization, for example go through FAC. Need more explanation.	Mexico Russia
	4.3. No further commitment to expenditure against the approved budget may be incurred after the close of the financial period. Outstanding		

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	obligations against the approved budget must be met within ninety calendar days of the close of the financial year.		
5 Income and Expenditure	5.1. Details of income and expenditure shall be shown separately in the financial records of the Organization.		
	The Organization shall primarily be funded from contributions and fees.	Include other income such as voluntary contributions, donations, bank interests, etc. Included in Convention Article 10.1.	Mexico
	5.2. The expenses shall be comprised of budget headings, as follows:		
	(a) Personnel costs;	Specify additional costs for international organizations (medical expenses, education, repatriation, pension, etc.) Will be covered by personnel costs.	Mexico
	(b) Operating costs; and		
	(c) Capital costs.		
	Each heading may be further subdivided, as necessary.		
	5.3. The Secretary-General shall arrange for Full and accurate records of all income and expenditure, including supporting documentation for expenditure, shall to be kept retained . These records shall conform to standard accounting practices. The Secretariat shall maintain an archive of financial records for production to the Secretary-General, the FAC or an auditor.	Add necessity to prepare and submit accounting documents in accordance with the international accounting standards IPSAS (International Public Sector Accounting Standards). Need a bit more study on IPSAS. Perhaps Russia can help. Another system is International Financial Reporting Standards (IFRS) apparently used by IHO, but not mentioned in the General Regulations.	Russia
	5.4. No payment greater than permitted by the law of the Member State in which the seat of the Organization is located Host Nation shall be accepted in cash.	"No payment greater than permitted by the law of the Contracting Party of the State in which the seat of the Organization is located ("Host Nation") <u>should</u> be accepted in cash.	Japan
6 Procurement	6.1. All funds shall be under the operational control of the Secretary-General.	Make reference to the procurement process (eg. Procurement declarations, anti-fraud policies) Procurement process is covered by the internal Staff Regulations.	Mexico
	6.2. The Secretary-General may designate, in writing, members of the Secretariat as line managers for the purpose of these Financial Regulations.		
7 Financial Statements	7.1. The financial statements shall be the budget, the income and expenditure accounts and the balance sheet.	Include review of financial statements by the external auditor and mechanism for their approval. Covered by 7.3.	Mexico
	7.2. The financial statements of the Organization shall cover the Secretariat including the Academy. They shall be presented in a consolidated form and separately.		
	7.3. The Treasurer Secretariat shall submit the financial statements to the FAC, not later than two weeks prior to a FAC meeting for approval by the Council .	According to 2.4 and 2.5 the financial statements are prepared by the Secretariat. So replace "Treasurer" with "Secretariat". If the Treasurer submits the financial statements, then 2.4 and 2.5 should be modified.	Japan
8 Cash Reserve	To ensure the financial stability of the Organization and to avoid any financial difficulties, the Organization shall maintain a cash reserve according to the financial requirements as approved by the Secretary-General and the FAC. The value of the cash reserve shall be no less than four months of the annual budget.		

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9 Annual Contributions and Fees	9.1. Annual contributions and fees represent the main source of income for the functioning of the Organization.	Need to know how much should be paid to the Organization to be created. No extra contribution is anticipated for the creation of IALA as an IGO.	Argentina
	9.2. The FAC should take the following matters into account when recommending the rates of contribution and fees:	Incorporate the principles for calculating the members' contributions, which should be based on objective indicators. Covered by the Convention Article 4.4.	Russia
	(a) the requirement that the revenue and the expenditure in the budget should be balanced;		
	(b) the percentage of invoices for contributions and fees likely to be settled on time;		
	(c) the global economic situation;		
	(d) the rate of inflation in the Host Nation; and		
	(e) the planned or anticipated exceptional expenditure.		
	9.3. The Secretariat, in accordance with the Secretariat Procedures, after the Council General Assembly has approved the rate and no later than 31st October each year, shall send an invoice for annual contributions or fees for the following year to each Contracting Party Member State and M member.	"... after the General Assembly Council has approved the rate..." Quote: "Regarding the contribution, it should be considered whether the Mexican State is a Contracting Party or an Associate Member, since the deadline for the payment of the annuity depends on the specificity (articles 9 and 10). " (?)	Japan Mexico
	9.4. For new Contracting Parties Member States and M members the following rates of contribution or fee shall apply:		
	(a) A Contracting Party Member State shall be required to pay a full annual contribution regardless of the date on which the Convention enters into force for that Contracting Party Member State .		
	(b) Associate and A affiliate M members shall pay:		
	i. a full annual fee for applications approved by the Council between 1 st January and 30 th June; or	"... approved by the General Assembly Council ..." Applications for Members are approved by Council.	Japan
	ii. half the annual fee for applications approved by the Council between 1 st July and 31 st December.	"... approved by the General Assembly Council ..." Applications for Members are approved by Council.	Japan
	9.5. In the event of the resignation of a M member the fee shall not be due if a letter of resignation is received before 31st March of the current year.		
10 Unpaid Contributions and Fees	10.1. In the case of unpaid contributions or fees the Secretariat, in accordance with the relevant Secretariat Procedures, shall apply the following arrangements:		
	(a) For Contracting Parties Member States:		
	i. charge a 3% per annum interest rate on contributions remaining unpaid on 31st July of the financial year;	3% needs to be discussed. Unacceptable. Remove.	Japan Mexico + Russia
	ii.i. in the event of paragraph i. request payment by 1 st October of the financial year; If no payment is received by 1 st November the Secretary-General shall contact the Contracting Party Member State , requesting payment and inviting the Contracting Party Member	Make second part of ii. A new sub-paragraph iii. Remove specific dates.	Japan Russia

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	<u>state</u> to discuss any difficulties that would justify the Organization considering a payment plan; and		
	iii.ii. if the contribution remains unpaid and an agreement has not been reached with the Contracting Party <u>Member State</u> regarding payment, suspend membership rights and benefits with effect from twenty-four months after the due date for payment, in accordance with the Convention.	Replace “agreement” with “consensus”. <i>Japan may have not understood that the “agreement” refers to a payment schedule by instalments.</i>	Japan
	(b) For Associate and aA affiliate members, the Organization shall:		
	charge a 3% per annum interest rate on fees remaining unpaid on 1st May of the financial year; i.	It is also suggested to remove interest rates for Members.	
	ii.i. on approval by the Council, suspend membership rights in accordance with the table at Annex B of the General Regulations if no payment is received by 1 st July of the financial year;		
	iii.ii. advise the Council, at its second annual session, of unpaid fees; and		
	iv-iii. on approval by the Council, after notification, terminate membership if fees remain unpaid after membership rights have been suspended for six months and the member has not agreed-submitted a payment schedule.	Replace “agreed a payment schedule” with “submitted a payment schedule”.	Japan
	10.2. Outstanding contributions and fees and interest due will be shown in tables annexed to the financial statements. Provision for bad debts arising from non-payment of contributions and fees shall be made in the annual balance sheet.		
11 Dedicated Funds	11.1. Dedicated funds may be established by the Secretary-General for the execution of specific programmes or projects, provided that the purposes are consistent with the aim and functions-objectives of the Organization. The purpose and limits of each dedicated fund shall be clearly reported to the Council.	Replace “aims” with “objectives” Quote: “No control or approval mechanisms are contemplated by governing or governing bodies, and they can only be created under the authority of the Secretary General. Procedures must be considered for the authorization of membership.” <u>Membership is authorized/approved by the Council, GR article 2.3.</u>	Japan Mexico
	11.2. The financial resources needed to establish a dedicated fund may come from grants, donations, bequests, gifts or other sources as approved by the Secretary-General. The precise terms and conditions governing such income shall be formalized.		
	11.3. Any monies remaining unused when a programme or project is terminated should be used as stipulated, and if not so stipulated, for the general purposes of the Organization unless the Secretary-General determines otherwise.	Replace “aims” with “objectives” <u>“Aims” does not appear.</u>	Japan
	11.4. A specific budget should be prepared for each fund for approval of the Council and the final result for the year for each dedicated fund should be shown separately in the financial statements.		
	11.5. Any dedicated funds should be audited in accordance with the relevant provisions in Article 12.		

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12 External Audit	12.1. An external auditor shall be appointed by the FAC <u>Council</u> and carry out such work as required by applicable accounting practices.		
	12.2. The appointment is for a period of six (6) years and may be renewed.		
	12.3. The external auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and financial management of the Organization.		
	12.4. In addition to the above, the Council may request the external auditor to perform specific investigations and issue separate reports on the results.		
	12.5. Draft final accounts will be submitted by the external auditor to the first Council meeting each year.		
	12.6. The Council may close the accounts after examination of particular Contracting Party <u>Member State</u> and M member situations and after decision to authorize the writing-off of arrears of contributions and fees or other bad debts as required.	If the paragraph relates to the external audit, it should be moved to a different clause. <u>More explanation needed.</u>	Japan
	12.7. The audit report shall be made available to Contracting Parties <u>Member States</u> and M members via the annual report and the website <u>of the Organization</u> .	Add at the end "of the Organization" for clarity.	Japan
13 Termination	In the event of termination of the Organization, the balance of the accounts (credit or debit) shall be divided amongst the Contracting Parties <u>Member States</u> and M members on the day when the Convention ceases to have effect, in proportion to their last annual contribution and fee.		