



2nd SESSION OF THE ASSEMBLY Monaco, 21-24 April 2020

IHO FINANCE REPORT 2017-2019

Submitted by the Secretary-General

INTRODUCTION

Preparation of the Report

1. This report on the administration of the finances of the IHO for the period 1 January 2017 to 31 December 2019 has been prepared by the IHO Secretariat for examination by the Finance Committee (FC) and subsequent recommendation for approval by the Assembly in accordance with Article 10(b) of the IHO General Regulations.

Audit of the accounts

2. The IHO's accounts for 2017 have been audited by Cabinet Morel, and by PriceWaterhouse Cooper for 2018. The annual reports of the auditor for 2017 and 2018 have been included in the Annual Report, Part 2 – Finance. Both were subsequently approved by Member States. The auditing of the IHO's accounts as annexed to this report is in the process at the time of the provision of this report.

Currency - Banks

3. The Euro was introduced on 1 January 2002 as the currency to be used for the accounting purposes of the Organization in accordance with Article 2(a) of the IHO Financial Regulations in force at that time. The Secretariat has made use of the services of CMB, SMC and CIC in Monaco for its financial and banking requirements.

Annual Financial Statements

4. Financial statements made in 2017, 2018 and 2019 have been forwarded annually to Members of the Finance Committee for comment. Upon review and any necessary action, these comments have been included in Part 2 of the Annual Report, for subsequent approval by the Council.

IHO Secretariat Monthly Finance Monitoring

5. A monthly financial reporting statement is prepared which provides detailed information on the budgetary statement of Incomes and Expenditure as well as information on financial holdings. This statement is examined by the Secretary-General and Directors (previously the Directing Committee) in order to monitor the financial situation of the Organization, monitor progress of the budget and take any necessary action as and if needed.

Finance Committee Officers' meetings

6. The Chairman and Vice-Chairman of the Finance Committee met with the Directing Committee and the Council Chair once per year to review the financial status of the Organization and the progress of the budget. Reports of these Finance Committee Officers

Meetings were circulated to Member States after every meeting and formed the basis for later decisions approved by Member States.

INCOME 2017-2019 (see Table 1)

Contributions

7. The three-year budget estimates (2017-2019) were prepared for the 1st session of the Assembly based on a number of shares calculated at the time from the tonnage reported by Member States in accordance with the Articles 4, 5 and 6(a) and 6(b) of the IHO Financial Regulations in force at the time.

Number of shares

8. During the three-year period there were several changes in the number of shares due to changes in the tonnage figures reported by Member States in accordance with Article 6(d) of the IHO Financial Regulations that were in force at the time.

9. The 779 shares calculated in 2017 progressed to 816 in 2018, 817.5 in 2019. Seychelles. with 3 shares, Bulgaria with 3 shares joined in 2018, Guyana with 3 shares, Solomon Islands with 3 shares, Ghana with 2 shares and Samoa with 2 shares joined in 2019.

Value of a share

10. The share value has remained unchanged since 2016 at 4 0.24.32 Euros.

Suspension of rights and benefits

11. In 2018 Syria, and in 2019 Vanuatu, had their rights suspended for failing to pay their annual financial contribution in accordance with Article XV of the version of the Convention on the IHO in force at the time.

Payments of contributions

12. Payments of contributions were generally satisfactory throughout the period. The status of contribution payments was provided in Part 2 of each Annual Report. For the period 2017-2019, 65% of the contributions were paid by the end of May each year, while the final amount received at the end of the years varied between 89% (in 2017) and 94% (in 2018) with an average over the five year period of 90%.

13. A cause for concern is the increasing difficulty for some Member States to forward their subscriptions because of international sanctions against the transfer of funds and the consequent refusal of banks to handle the transactions. On several occasions the Secretariat assisted in finding acceptable ways to ensure that some payments were able to be made.

Interest on bank accounts

14. The total interest earned on bank deposits in the period 2017-2019 was 279,986 Euros.

GEBCO Grant

15. Throughout the three-year period, the Government of the Principality of Monaco generously continued its annual contribution towards the running of the GEBCO project, amounting to 24,900 euros in total.

Internal Tax

16. All IHO employees paid an Internal Tax, which was 10% of their gross salary.

Extraordinary income

17. Extraordinary income of 126,155 Euros resulted mainly from an administration fee associated with certain donations to the Capacity Building Fund (25,440 Euros), and the payment of contributions in arrears (100,715 Euros) by some Member States.

Summary of income

18. The total estimated income for the period 2017-2019 was 10,421,246 Euros, whereas the actual total income received during the period was 10,571,285 Euros. The increase was mainly due to the increased number of shares described earlier, and to a better return on investments than estimated.

EXPENDITURE 2017-2019 (see Table 2)

Chapter I – Personnel costs

Salaries

19. IHO salaries increased in accordance with the cost of living index, promulgated by the Government of Monaco, and represented by the value of the index point, which went from 7.97186 Euros in January 2017 to 8.2573 Euros in December 2019. This was an overall increase of approximately 3.42 % over the three-year period, or an average 1.14% per year. Salary promotions were made in accordance with the Staff Regulations and the salary tables in force.

Medical expenses

20. The Secretariat's collective medical insurance provider, GAN Insurance, has cancelled the contract as of 31 December 2018, because it was not profitable for the provider for the two consecutive years 2017 and 2018. With the clear intention to re-establish a lasting insurance shield, the Secretariat negotiated with different insurance companies of solid reputation on a follow-up contract which guarantees comparable conditions to the previous arrangements. These negotiations have been successful for reimbursement claims for the active staff members and retirees and a new contract with CIGNA took effect in June 2019.

Summary

21. Total expenditure in Chapter I was 10,101,998 Euros compared to an approved expenditure of 10,239,900 Euros.

22. The expenditure in Chapter I represents 74% of the total operating costs.

Chapter II – Current operating costs

Maintenance

23. The cost of maintenance contracts for the premises and the IT equipment remained stable throughout the three-year period. Following negotiations with service providers, savings were achieved in both IT and building maintenance.

Post, telephone and telefax

24. Expenditure for all the communication costs of the Secretariat remained steady throughout the three-year period. This can mainly be attributed to the increased use of the IHO web site by Member States to download various documents and the use of e-mails and other electronic means by the Secretariat to send Circular Letters and other documents.

Contract support

25. During the three-year period 52,620 Euros were paid in contract support.

Travel (technical assistance and long distance travel)

26. Savings were achieved in expenditure on travel in 2018 and 2019.

Chapter III – Capital Expenditure

27. A total of 102,906 Euros was expended in the period for the purchase of office equipment, furniture and publications.

Summary: Total operating costs

28. The total operating costs during the three-year period was 9,100,398 Euros. This was 1.5% less than the approved budget of 9,238,300 Euros.

Funds

29. **GEBCO Fund.** Based on a proposal of the Nippon Foundation and the GEBCO Guiding Committee, the IHO and the IOC as parent organizations of GEBCO agreed on a joint project named SEABED 2030 aiming to increase the detail of global knowledge of the seabed topography of the seas and oceans. Within the framework of the project, the IHO Secretariat accepted to administer the project fund as donated by the Nippon Foundation.

I. H. Assembly Fund

30. At the end of 2016 the Conference fund had a balance of 373,661 Euros. The three-year budget allocated the addition of 60K Euros over the period. A total of 141,575 Euros was spent in the planning and execution of the 2017 1st session of the Assembly. At the end of 2019, 292,086 Euros is available in the Assembly Fund for the planning and execution of the subsequent IHO Assemblies.

Relocation of Directors and Assistant Directors Fund

31. The Relocation of Directors and Assistant Directors Fund covers all the obligations for the relocation of the Directors and Assistant Directors (furniture, tickets, et cetera) and their dependents when they join or leave the Secretariat.

32. The three-year budget made provision for a total of 15K Euros to be allocated to the fund. A total of 56,997 Euros was expended during the period and at the end of 2019, 241,113 Euros are available in the fund.

Capacity Building Fund

33. The Capacity Building Fund was established at the end of 2004 to meet the Capacity Building Program requirements of the Organization. During the three-year period the Fund has received 482,000 Euros from the budget, 291,000 Euros from the audited budget surplus and 2,056,534 Euros in donations from the Republic of Korea and the Nippon Foundation. During the period 2017-2019, 2,801,464 Euros were spent on authorised activities in the Capacity Building programme. At the end of 2019, 386,838.69 Euros are available in the Capacity Building Fund.

IHO Internal Retirement Fund (IRF)

34. The Internal Retirement Fund (IRF) supports the IHO's long-established independent retirement plan (pension scheme) for a number of the longer-serving and retired members of the Secretariat staff. The pensions of ten retired members and one current member of staff are covered by the IRF. The IRF is purposely maintained in low-risk investment accounts.

35. The estimated liability on the IRF is calculated and adjusted every year using an actuarial assessment. It is dependent on several factors that are very difficult to predict including the estimate of long-term interest rates, and the longevity of the pensioners in the relatively small cohort of beneficiaries of the pension scheme.

36. An ongoing allocation to the IRF of 70k Euros per year was included in the proposed budget for the triennial period 2018-2020.

37. The value of the IRF on 31 December 2019 is 3,386,152 Euros.

Special Projects Fund.

38. The Special Projects Fund was established in 2012 to cover various special projects, such as the maintenance or drafting of standards, the editing or updating of complex publications, translations, and particular requirements identified by the Committees and other bodies of the Organization. This fund supports in particular the development of the new generation of S-100 based standards. Some expenses made for the celebration of the IHO centenary were covered from this Fund too.

IBSC Fund

39. The IBSC Fund was established in 2010 to support the work of the International Board on Standards of Competence (IBSC) operated jointly by the IHO, the Fédération Internationale des Géomètres (FIG), and the International Cartographic Association (ICA). The Board maintains the Standards of Competence for Hydrographic Surveyors and Nautical Cartographers, as well as reviewing and granting recognition to suitable courses upon application. At the request of the FIG Secretariat which had administered the Fund on behalf of the Board since its establishment, the IHO as secretary of the IBSC, took over the role of treasurer of the Fund in 2015.

Operating Cash Reserve

40. An operating cash reserve has been established to ensure the financial stability of the Organization and to avoid any cash liquidity difficulties. In accordance with Article 17 of the IHO Financial Regulations the amount that the IHO shall have at its disposal, on 31 December of each year, shall not be less than three-twelfths of the total annual operating budget of the Organization. At the end of 2019 the operating cash reserve should be not less than 813,625 Euros

Emergency Reserve Fund

41. In accordance with Article 18 of the IHO Financial Regulations, the IHO shall have an emergency reserve fund, the amount of which shall be not less than one-twelfth of the total annual operating budget of the Organization, that is exclusively designated to enable the Organization to meet extraordinary expenditures. At the end of 2019 the emergency reserve fund was valued at 271,208 Euros and this amount is held in reserve by the IHO.

Summary of expenditure

42. The total expenditure, including the total operating cost and the actual expenditure in the operational funds, was 10,101,998 Euros over the three-year period. This is less (1.34%) than the total approved budget of 10,239,900 Euros for the period.

CONCLUSIONS

43. The Secretariat has striven to constrain costs such that, total income has exceeded total expenditures throughout the three-year budget period. This has provided monies which have variously been applied to increase the various Funds of the Organization, to increase the operating cash reserve and to support newly arising liabilities placed on the IRF.

44. The details of income, expenditures, net effect on capital, liabilities and the IRF are presented in the attached tables.

THREE YEAR REPORT 2017-2019

TABLE 1
INCOME 2017- 2019 (Euros)

	2017	2018	2019	Total of period
Number of shares of contribution	779,0	816,0	817,5	
New Member States	11,0	37,0	6,5	
Variation of tonnages				
Yearly Unit value of the share of contribution	4 024,32	4 024,32	4 024,32	
CONTRIBUTIONS FOR THE YEAR				
(a) Received	2 801 943	3 092 051	3 053 639	8 947 633
(b) Remaining due at end of year	333 003	191 794	236 242	761 039
	<u>3 134 945</u>	<u>3 283 845</u>	<u>3 289 882</u>	<u>9 708 672</u>
INTEREST ON MONIES IN BANKS	96 604	115 753	67 628	279 986
INTERNAL TAX	193 845	196 890	191 893	582 627
TOTAL INCLUDING CONTRIBUTIONS DUE	<u>3 425 394</u>	<u>3 596 488</u>	<u>3 549 403</u>	<u>10 571 285</u>
Annual budget presented	3 359 678	3 571 845	3 489 724	10 421 246
EXTRAORDINARY INCOME				
Interest on overdue contributions	2 869			2 869
Administration fees CBF	9 809	9 889	5 742	25 440
Other extraordinary income	79 019	18 523	303	97 846
	<u>3 517 091</u>	<u>3 624 901</u>	<u>3 555 448</u>	<u>10 599 594</u>

2017 **2018** **2019** **Total of period**
TABLE 2
EXPENDITURE 2017- 2019 (Euros)

I- PERSONNEL COSTS

a) Salaries - Directing Committee	493 540	484 853	494 151	1 472 544
b) Salaries - Category A	578 360	591 603	604 392	1 774 355
- Translators	209 666	213 559	217 648	640 873
- Category B	467 834	487 452	506 378	1 461 664
- Overtime	6 981	10 056	8 225	25 262
c) Annual Bonus	42 932	44 808	41 168	128 908
d) Payment to Retirement Funds	370 110	380 901	389 130	1 140 140
e) Insurances based on staff wages	13 895	14 393	15 082	43 370
f) Medical GAN premiums	111 422	112 942	200 214	424 578
g) Family Allowances	22 662	16 328	15 652	54 641
h) Education Grants	20 420	24 077	8 842	53 339
i) Medical claims paid	259 114	194 165	101 575	554 854
j) Medical claims - refunds from GAN	-209 172	-144 890	-36 307	-390 369
k) Home Rental	6 070	5 875	5 405	17 349
l) Home Leave	7 190	12 423		19 614
m) Miscellaneous Personnel Expenses	989	809	1 064	2 862
n) Salaries - Temporary staff	161	176	13 005	13 342
o) Training	0	3 598	2 509	6 107
Total Actual Chapter I	2 402 171	2 453 129	2 588 132	7 443 433
Total approved Budget for Chapter I	2 417 500	2 452 000	2 452 000	7 321 500

	2017	2018	2019	Total of period
<u>II - CURRENT OPERATING COSTS</u>				
a) Maintenance of building	37 858	39 034	40 099	116 991
b) Multirisk Insurance	3 219	3 740	3 678	10 637
c) Maintenance of IT equipments	47 284	42 388	58 671	148 342
d) Office Stationery	11 349	10 530	10 847	32 726
e) Postage, telephone, telefax	29 801	31 000	29 707	90 508
f) Local Travel	567	1 167	815	2 550
g) Bank Charges	7 360	5 241	7 429	20 029
h) Contract support	942	25 252	26 426	52 620
i) Administrative support for the Council		26 658	10 113	
i) Auditor's fees	8 000	7 400	8 500	23 900
j) Public Relations	6 072	7 054	14 663	27 789
k) Miscellaneous Operating Expenses	1 426	660	454	2 540
l) Technical Assistance	45 547			45 547
m) Long Distance Travel	244 150	264 792	229 781	738 723
n) I.H. Review	10 000	10 000	5 000	25 000
o) Other publications	1 074	895	348	2 317
p) Provision for bad debts	28 170	40 243	108 657	177 070
Total Chapter II	482 818	516 054	555 187	1 554 059
Total approved Budget for Chapter II	587 400	610 700	610 700	1 808 800
<u>III - CAPITAL EXPENDITURE</u>				
a) Purchase of IT equipments	11 852	8 642	7 101	27 595
b) Purchase of furniture & other equipments	2 316	3 796	4 119	10 231
c) Depreciation of fixed assets	21 186	24 252	19 111	64 549
d) Purchase Publications & binding	109	422		531
Total Chapter III	35 463	37 112	30 331	102 906
Total approved Budget for Chapter III	36 000	36 000	36 000	108 000
Total Operating Costs	2 920 452	3 006 295	3 173 650	9 100 398
Total approved Budget for Operating Costs	3 040 900	3 098 700	3 098 700	9 238 300

	2017	2018	2019	Total of period
- GEBCO	8 200	38 200	38 200	84 600
- I.H.O ASSEMBLY FUND	20 000	20 000	20 000	60 000
- RELOCATION OF DIRECTORS ALLOCATION	5 000	5 000	5 000	15 000
- SPECIAL PROJECTS FUND	30 000	50 000	60 000	140 000
- IBSC FUND		10 000	5 000	
- CAPACITY BUILDING ALLOCATION	160 000	206 000	116 000	482 000
- INTERNAL RETIREMENT FUND	65 000	70 000	70 000	205 000
	3 208 652	3 405 495	3 487 850	10 101 998
Total approved Budget per year	3 329 100	3 497 900	3 412 900	10 239 900
EXTRA EXPENDITURES AND LOSSES	21 887	5 796	3	27 686
GRAND TOTAL	3 230 539	3 411 292	3 487 853	10 129 684

	2017	2018	2019	Total of period
TABLE 3				
<u>NET EFFECT ON CAPITAL 2017- 2019 (Euros)</u>				
APPROVED EXPENDITURE LEVEL	3 329 100	3 497 900	3 412 900	10 239 900
TOTAL EXPENDITURE	-3 230 539	-3 411 292	-3 487 853	-10 129 684
TOTAL INCOME	3 517 091	3 624 901	3 555 448	10 697 440
Surplus on yearly Budget	286 552	213 609	67 595	567 756
WORKING CAPITAL AT YEAR'S END	2 402 379	2 800 574	2 724 899	
EMERGENCY RESERVE FUND	259 725	264 517	271 208	
TOTAL FUNDING AT YEAR'S END	2 662 104	3 065 090	2 996 108	

2017 2018 2019 Total of period
TABLE 4
COMPARISON OF BALANCE SHEETS
(as of 31st December 2017 - 2019)

	I - ASSETS (Euros)		
	2017	2018	2019
CASH INVESTED FOR RETIREMENT FUND			
- Retirement Cash invested (IRF)	2 886 213	2 721 956	2 573 030
- Long term guaranty from IHO funds	844 745	603 352	813 123
- Retirement Cash invested (External Pension Plans)	374 629	519 375	634 568
	<u>4 105 588</u>	<u>3 844 683</u>	<u>4 020 720</u>
VARIOUS DEBTORS			
- Purchases made in advance	5 766	7 145	6 417
- Outstanding bills	30 561	43 783	
- Advance to staff	31 147	46 795	45 289
- Interest to be received	69 287	88 004	8 833
- Claim for refunding of VAT	61 666	36 213	38 448
- Various debtors			
	<u>198 427</u>	<u>221 940</u>	<u>98 987</u>
OUTSTANDING CONTRIBUTIONS			
- Contributions for the year	344 706	171 672	236 242
- Contributions for previous years	72 961	38 276	34 306
- Contributions for suspended Member States	32 748	93 113	201 769
- Interest due	-1 132	-1 132	-1 132
	<u>449 283</u>	<u>301 929</u>	<u>471 186</u>
FURNITURES AND INSTRUMENTS			
- Value of purchases	325 094	353 694	361 598
- Depreciation	-281 384	-305 636	-324 747
- Library	36 664	36 664	36 664
	<u>80 374</u>	<u>84 722</u>	<u>73 515</u>
CASH IN BANK AND ON HAND			
- Bank current accounts	1 685 706	1 071 078	1 441 837
- Bank deposit accounts	4 975 492	5 555 162	5 164 996
- Petty cash	5 278	960	2 557
	<u>6 666 477</u>	<u>6 627 200</u>	<u>6 609 390</u>
ASSETS GRAND TOTAL	<u><u>11 500 149</u></u>	<u><u>11 080 474</u></u>	<u><u>11 273 798</u></u>

	2017	2018	2019	Total of period
II - LIABILITIES (Euros)				
STAFF INTERNAL RETIREMENT FUND				
- Internal Retirement fund	1 308 006	1 277 982	1 237 250	
- Provision to ensure pensions to retired staff	2 422 953	2 047 326	2 148 903	
Net IRF Liability	<u>3 730 959</u>	<u>3 325 308</u>	<u>3 386 153</u>	
- Rights for External Pension Plans	373 659	539 806	640 821	
VARIOUS CREDITORS				
- Guaranty to the IRF	844 745	603 352	813 123	
- Pension plans NSM				
- Provision for doubtful contributions	70 073	96 969	205 626	
- A.M.R.R Complementary Retirement Scheme	16 550	17 254	19 282	
- Accruals (outstanding bills...)	96 281	118 635	206 483	
- Travel claims & wages	130	636	925	
- Deposits received for Conference (stand)		9 335	16 325	
- Various creditors		5 393		
I.H.O FUNDS				
- Organization of IH Assemblies	252 085	272 085	292 085	
- Relocation of Directors and Ads	231 114	236 114	241 114	
- Ablos Conference fund	8 424	8 424	17 106	
- GEBCO fund	881 154	664 716	747 740	
- Capacity Building fund	1 145 818	862 581	386 839	
- Special Projects Fund	90 512	42 783	122 278	
- Renovation Fund	79 292	64 908	60 993	
- Presentation Library Fund	40 002	45 502	48 002	
- IBSC Fund	24 676	63 357	58 346	
CONTRIBUTIONS RECEIVED IN ADVANCE				
- Received in advance or in excess	952 572	1 038 227	1 014 450	
	<u>5 107 087</u>	<u>4 690 076</u>	<u>4 891 538</u>	

	2017	2018	2019	Total of period
II - LIABILITIES (Continuation)				
CAPITAL				
- Emergency Reserve Fund	259 725	264 517	271 208	
- Reserves to be distributed			110 000	
- Provisions for risks (IRF & suspended MS)	-2 460 308	-2 083 930	-2 185 508	
- Net yearly result	286 552	213 609	67 595	
- Net Members States funds	4 576 134	4 670 895	4 732 812	
Permanent funding	2 662 104	3 065 090	2 996 108	
LIABILITIES GRAND TOTAL	11 500 149	11 080 474	11 273 798	
Cash reserve to continue operations (Fin. Regs Art 18)				
- IHO Cash balances	6 666 477	6 627 200	6 609 390	
- Advance contributions for next year	-952 572	-1 038 227	-1 014 450	
- Emergency reserve fund	-259 725	-264 517	-271 208	
- Special purpose reserves and funds	-2 753 077	-2 260 471	-2 084 502	
- Guaranty to the IRF	-844 745	-603 352	-813 123	
Operating Cash Reserve	1 856 357	2 460 635	2 426 106	
Total Actual Operation costs	2 920 452	3 006 295	3 173 650	
Total Budget for future operations	3 116 700	3 098 700	3 254 500	
Number of weeks of operations	33,1	42,6	39,8	
Minimal Requirements (3 months - 13 weeks)	779 175	774 675	813 625	

	2017	2018	2019	Total of period
TABLE 5				
INTERNAL RETIREMENT FUND (IRF) EVOLUTION				
Situation of the fund on 1st January	3 726 557	3 730 959	3 325 308	
Contributions received (Secretariat & Staff)	13 350	13 619	17 378	
Interest received on investments	43 827	42 133	68 588	
Pensions paid	-203 914	-205 775	-196 699	
Support from previous year's result	50 000	50 000		
Provision	65 000	70 000	70 000	
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Sub-total	3 694 820	3 700 935	3 284 575	
Provision for liability				
- at 1st January of the year	-2 386 814	-2 422 953	-2 047 326	
- at 31 December of the year	2 422 953	2 047 326	2 148 903	
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Net variation for the year	36 139	-375 627	101 577	
Situation of the fund on 31st December	3 730 959	3 325 308	3 386 153	