

IHO File No. FO/599/01

FINANCE COMMITTEE
CIRCULAR LETTER 01/2021
12 July 2021

FINANCE COMMITTEE OFFICERS' VTC MEETING - 23 June 2021

References:

- A. IHO CL26/2018 dated 5 April – *Adoption of a new IHO Resolution on the Procedure for considering the Annual Financial Statement and the Forthcoming Budget estimate and Work Programme.*
- B. Rules of Procedure of the Finance Committee, Rule 2
- C. IHO Resolution 02/2018
- D. Decision 24.c of the 1st Session of the IHO Assembly
- E. Draft IHO Annual Report for 2020 (Finance)
- F. PWC – Independent Auditor's Report – dated 4th June 2021
- G. CCL 02/2021 – dated 30 April 2021 - *IHO Annual Report for 2020 and approval of the Finance Report for 2020*

Dear Hydrographer,

1. The Finance Committee Officers' (FCO) meeting took place as a Video Telephone Conference (VTC) on 23 June 2021 in accordance with Rule 2 of the ROP of the Finance Committee. The meeting was chaired by the Chair of the Finance Committee, Ms *Isabelle Rosabrunetto* (Monaco). The participants were Dr Geneviève Bèchard, Chair of the IHO Council; Dr Mathias Jonas, Secretary-General; Directors Abri Kampfer and Liugi Sinapi; Ghislaine Fauchois, Finance Administration Officer and the External Auditor, Ms Alexia Garcia, representing Price Waterhouse Cooper.

Annual Finance Report 2020

2. The Annual Finance Report 2020 as submitted by the Secretariat (Reference E) for tentative Approval to the Council Members together with the belated External Auditors Report (Reference F) was reviewed by the participants and accepted without further comments.

3. The Secretary-General tabled the audited financial statements, which indicated a positive result for 2020 of 349 883.38 € and an effective budget surplus of 346,000 €. He explained the general conditions to work with a budget which accrues over the fiscal year based on the incoming Member States contributions and the situation with those Member States which are in arrears with their payments.

Audit results for the Annual Finance Report 2020

4. Ms Garcia reaffirmed vocally Price Waterhouse Cooper (PWC)'s opinion as given by means of the report, that the IHO's financial statements present fairly, in all material respects, the balance sheet of the Organization as at December 31, 2020, and its profit and loss statement for the year ended in accordance with the accounting principles selected and disclosed.

Recommendations of the Secretary-General for the 2020 surplus

5. The Secretary-General considers that the increase in the liability of the Internal Retirement Fund (IRF) warrants additional support, in addition to the regular annual contributions, since the interests accrued by the current investment accounts are on a historic low and do not cover the rate of inflation.

6. Considering the economic and financial impact of the COVID 19 pandemic, the Secretary-General recommends to retain part of the budget surplus in an additional reserve fund.

7. It is considered prudent to invest in further digitization of IHO Standards and the Secretariats' services to build up technical capacity for future development, provision and trial of S-1xx data services and it is recommended to retain a portion of the budget surplus in the Special Projects Fund.

8. The Secretary-General proposes that the budget surplus for 2020 of 346k€ be distributed as follows:

- a. 146k€ to the Internal Retirement Fund
- b. 100k€ in Reserve Fund
- c. 100k€ Special Projects Fund.

This proposal has already put forward for approval to the IHO Council members by Circular Letter (Reference G) and received 23 all affirmative votes with no further comments of Council Members.

Provisional statement of accounts (May 2021)

9. The Finance Committee Officers reviewed the current financial situation, based on the monthly summary finance report for May 2021. The Secretary-General and Ms Fauchois presented the current financial statements and indicated that all aspects of the execution of the budget for 2021 were progressing satisfactorily.

10. The actual status of Member States' contribution payments was also examined. As at the end of May 2021, the recovery of contributions, with a percentage of 63.40%, is lower than last year (67.74%) and lower than the average on the last five years (66.62%). Three Member States have not paid their 2019 and 2020 contributions: Argentina, Iran, and Solomon Islands. Three Member States have not paid their 2020 contributions: Guyana, Seychelles, and Trinidad & Tobago. Lebanon is a new Member State of the IHO with an annual contribution due of 12 072.96 €.

Other business

11. Some participants raised concerns as to whether the financial situation of the Organization might be affected by the global pandemic. The Secretary-General confirmed this concern. He informed the participants that the Secretariat is closely monitoring the real and possible impact on all aspects of the Secretariat's operations including the financial aspect. He reaffirmed that the Secretariat will maintain a conservative approach in budget affairs and

will act appropriately if the situation requires so. He explained that the IHO holds funding in reserve to bridge a situation of decreases in incoming contributions for a limited time. He also stressed the proper operation of the Secretariat as his main priority in the designation of budget elements.

Final conclusions and next Meeting

12. The Secretary-General concluded that with the positive approval of the Council Members (Reference G) as stated under 8 and the endorsement of the Auditor's Report (Reference F) by the participants of the meeting all conditions are now met for the publication of the Annual Report 2020 as amended.

13. It was agreed that the Secretary-General will continue to monitor the situation in view of Member States' contribution payment and will call for another meeting of the Finance Committee Officers if the evolving pandemic generates an impact on the financial situation and the budget of the IHO in the course of the year.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Mathias Jonas', with a stylized flourish at the end.

Dr Mathias JONAS
Secretary-General

Distribution: Finance Committee Officers

For information: IHO Council Members