



IHO File No. FO/599/01

FINANCE COMMITTEE
CIRCULAR LETTER 01/2019
29 April 2019

FINANCE COMMITTEE OFFICERS' MEETING - 16 April 2019

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

Dear Hydrographer,

1. The Finance Committee Officers' (FCO) meeting took place at the IHO Secretariat in Monaco on 16 April in accordance with Rule 2 of the ROP of the Finance Committee. The meeting comprised the Chair of the Finance Committee, Ms Muriel Natali-Laure (Monaco); Rear Admiral Shepard Smith, Chair of the IHO Council (by video conference); Dr Mathias Jonas, Secretary-General; Directors Abri Kampfner and Mustafa Iptes; and the External Auditor, Mr Quentin Maliverney, representing Price Waterhouse Cooper. Ms Ghislaine Fauchois, Manager Finance and Administration also attended the meeting. The Vice-Chair, Mr Andrew Millard (United Kingdom) was absent. The following topics were presented and considered at the meeting.

2. **Audit results for the Annual Finance Report 2018 and recommendations of the Secretary-General for the 2018 surplus:**

The Secretary-General tabled the audited financial statements, which indicated a positive result for 2018 of 213,609.25 € and an effective budget surplus of 145,000 €.

Mr Quentin Maliverney confirmed that the provided audited accounts 2018 are consistent, unambiguous and in full accordance with the regulations set by the IHO Member States. The main deviations from the Monaco accounting standards are specified in the notes to the audited accounts. He pointed out that international accounting standards are mostly applied to commercial companies, but not mandatory to audit the IHO Finance Report. Since the application of the Monaco accounting standards are obviously fully adequate for IHO purposes, the Secretary General proposed to keep this audit scheme, instead of the costly transition to the usual international accounting standard scheme without compelling need and benefit. This proposal was jointly agreed and PWC will therefore apply the same procedural approach for the upcoming financial year 2019 in spring 2020.

After discussion on the matter of unforeseen costs for a new insurance contract covering medical expenses of active and retired staff according to the IHO Staff Regulations in place, the Finance Committee Officers endorsed the proposals of the Secretary-General that the effective budget surplus for 2018 of 145 k€ shall be allocated as follows:

- a. 110 k€ to cover premiums of the medical insurance contract for the running year
- b. 35 k€ to the Special Projects Fund

This proposal will now be put forward for approval to the IHO Council members by Circular Letter.

3. Provisional statement of accounts (February 2019)

The Finance Committee Officers reviewed the current financial situation, based on the monthly summary finance report for February 2019. The Secretary-General and Ms Fauchois presented the current financial statements and indicated that all aspects of the execution of the budget for 2019 were progressing satisfactorily, apart from the additional expenditure to cover the premiums of the new medical insurance which is not covered in the budget approved by the Council for 2019.

The actual status of Member States' contribution payments was examined. As at the end of March 2019, the recovery of contributions, with a percentage of 57.02%, is higher than 2018 (45.54%) and higher than the average of the past 5 years (50.90%).

Ten Member States had failed to pay their contributions for 2018 during the calendar year. The Secretariat sends individual reminders to these Member States.

4. Document on medical cover for retirees

The Secretary General presented a document that provided details of the coverage of medical costs for active staff and retirees under revised insurance conditions.

Following the cancellation of the IHO Secretariat's medical insurance contract by GAN at the end of 2018, another insurance (GENERALI) was considered for the medical cover of both groups - active staff and retirees. However, the proposed premiums for the retirees being extremely high, it was considered to insure the active staff only, to reimburse the retirees out of the IHO operational budget and setting up a fund (Internal Medical Fund) similar to the Internal Retirement Fund to be fed by the yearly surplus and/or a budget allocation.

The Chair of the Council did not agree with the proposal that only active staff have medical insurance due to the exposure of the IHO to risk and that very expensive, unplanned medical reimbursements may occur for retirees with unbearable risk on the operational budget. He recommended that insurance be taken out for the retirees too. It was agreed that the IHO Secretariat's medical insurance should continue to include both groups - active staff and retirees.

It was noted that the inclusion of retirees in the medical insurance will result in an increase of at least 200K€ per year on the medical budget, which will have an important impact on the activities and operational budget of the Secretariat. The Secretary-General announced that an in-depth analysis of the situation and the development of options will be prepared for consideration by the Council in October 2019.

5. Other business

It was noted that the Vice-Chair, Mr Andrew Millard, was not present, and it was reported that he may not be available anymore. Upon confirmation of his unavailability, consideration should be given to advertise for and elect a new Vice-Chair by FCCL, mainly to bridge the time until the next meeting of the Finance Committee during the Assembly-2 in 2020.

6. Next Meeting

It was agreed that the next meeting of the Finance Committee Officers will take place at the IHO Secretariat in Monaco, in March or early April 2020, before the next regular Finance Committee Meeting as part of the preliminaries of the Second Session of the Assembly end of April 2020.

Yours sincerely,



Dr Mathias JONAS
Secretary-General

Distribution: Finance Committee Officers

For information: IHO Council Members