



IHO File No. FO/599/01

**FINANCE COMMITTEE
CIRCULAR LETTER 01/2022
14 April 2022**

FINANCE COMMITTEE OFFICERS' VTC MEETING - 8 April 2022

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 2021 (Finance)
- F. PWC – Independent Auditor's Report – dated 24th March 2022
- G. Council Circular Letter CCL01/2022 - IHO Annual Report for 2021 and Approval of the Finance Report for 2021

Dear Hydrographer,

1. The Finance Committee Officers' (FCO) meeting took place as a Video Telephone Conference (VTC) on 8 April 2022 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 Mr Andrew Millard (United Kingdom) as Vice Chair; Dr. Geneviève Bèchard, Chair of the IHO Council; Dr. Mathias Jonas, Secretary-General; Directors Abri Kampfer and Luigi Sinapi; Ms Ghislaine Fauchois, Manager Finance and Administration and her appointed successor Ms Sandrine Brunel from 1st July 2022. Mr Vincent Thyssen represented the external auditor Price Waterhouse Cooper.

Annual Finance Report 2021

2. The Draft Annual Finance Report 2021 as submitted by the Secretariat (Reference E) together with the 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 2021 of 229 622.32€. This result comprises a surplus of 70k€ from the budget implementation, an additional income of 150k€, an underspend of 17k€ in capital expenditure and the inclusion of the amount paid for depreciable assets of 7k€.

4. On recommendation from the auditors (see the Auditors Report attached), a provision for leave days not taken in 2021 of 36K€ has been made.

5. In order to meet the retirement obligations placed on the Secretariat by means of the Staff Regulations (Article 9.6.1), the IHO had a contract with a local insurer, NSM/Neuflyze, to provide capital or a pension by event of retirement of the locally recruited members of staff. This contract was a type of life insurance which allowed to accumulate capital with interest, but with no guarantee to pay a pension on a level equivalent to the local pension system (CAR) in place for workers in the Principality. On retirement the Staff Member could choose the

accumulated capital or a pension paid by the IHO. In the case of the choice of a pension, the accumulated capital was transferred to the Secretariat, who then paid a pension equivalent to the one provided by the CAR to the new retiree. In February 2021, NSM/Neuflize cancelled this contract without pre-warning.

6. The Secretariat has successfully managed to contract another insurance company, GAN VIE, to fully externalize the obligations set out by the Staff Regulations. The capital or the pension as required by the Staff regulations will now be paid directly by the insurer. The new contract is based on the condition that the capital needed to provide this pension for the duration of the statistic life expectancy is accounted to the insurance depot at the date of retirement of the staff member. A calculation of the provision needed to pay this capital is made and adjusted every year. At the end of 2021, this provision was estimated to be 2M€ in total until the furthest date of retirement of the current staff members within the next 35 years. A provision of 499K€ was made in 2021, which will cover the next 3 years. Further reasonable provisions will be required over the years to come. Though the need for capital is substantial, this contract is advantageous for the IHO, as it removes the uncertainty about the expected duration of payment from the IHO budget. This pension insurance contract applies to future retirees only. The current group of retirees will continue to receive payment from the old system of the Internal Retirement Fund.

Audit results for the Annual Finance Report 2021

7. Mr Thyssen 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, 2021, and its profit and loss statement for the year ended in accordance with the accounting principles selected and disclosed. Mr Thyssen finally informed that PWC wishes to terminate the contract with the IHO and therefore the audit for the fiscal year 2021 was the last of altogether four audits in sequence since 2018. The Secretary-General will now start to search in the area for a new contracting partner for external audits accredited for acknowledged audit practices.

Recommendations of the Secretary-General for the 2021 surplus

8. It should be noted that the high surplus in 2021 results from the effects of the COVID-19 pandemic on many fiscally relevant operations, as the Secretariat has been mostly on home office regime in 2021, with VTC meetings and very little travel. Recruitment to replace retired staff members was also delayed.

9. Based on the detailed elaborations given under paragraph 5 and 6, the Secretary-General states the compelling need to meet the contractual obligations towards the external retirement by amending provisions. It is therefore recommended to allocate much of the budget surplus for 2021 to the provision for the new external retirement system. This measure will safeguard the healthiness of this arrangement in current times of increasing uncertainty for the next years to come.

10. The Secretary-General proposed that the budget surplus for 2021 of 230k€ be distributed with 220k€ to the provision for external retirement and the balance should go into the capital.

11. The Finance Committee Officers endorsed the proposals of the Secretary-General which has now put forward for approval to the IHO Council members by Circular Letter (Reference G refers).

Provisional statement of accounts (March 2022)

12. The Finance Committee Officers reviewed the current financial situation, based on the monthly summary finance report for March 2022. The Secretary-General and Ms Fauchois

presented the current financial statements and indicated that all aspects of the execution of the budget for 2022 were progressing satisfactorily.

13. The actual status of Member States' contribution payments was also examined. As at the end of March 2022, the recovery of contributions, with a percentage of 50.29% is lower than last year (61.45%) and lower than the average on the last five years (54.62%). 1 Member State has not paid their 2019 and 2020 contributions: Solomon Islands. 9 Member States have not paid their 2021 contributions: Argentina, Cuba, D.P.R Korea, Ghana, Iraq, Kenya, Kuwait, Lebanon and Samoa.

Final conclusions and next Meeting

14. The Secretary-General concluded that with the positive endorsement of the Finance Committee Officers' as stated under 11, and the endorsement of the Auditor's Report (Reference F) by the participants of the meeting, all conditions are now met for the Approval of the Annual Report 2021 by Council Circular Letter (Reference G).

15. 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.

On behalf of Ms Isabelle Rosabrunetto,
Chair of the Finance Committee

Yours sincerely,



Dr Mathias JONAS
Secretary-General

Distribution: Finance Committee Officers

For information: IHO Council Members