



## Assembly Council

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### **Eighteenth session**

Kingston, Jamaica

16-27 July 2012

## **Report of the Finance Committee**

1. During the eighteenth session of the International Seabed Authority, the Finance Committee held six meetings, between 16 and 19 July 2012. The Committee elected Olav Myklebust as Chair and Duncan Laki as Vice-Chair.

### **I. Agenda**

2. The Committee discussed and adopted its agenda, contained in document ISBA/18/FC/L.1.

### **II. Cost saving and efficiency measures**

3. The Committee took note of the report on cost saving measures implemented by the Secretary-General (ISBA/18/FC/4), and commended him for the steps taken to promote greater efficiency and accountability and to constrain, as far as possible, increases in its administrative expenses. The Committee requested the Secretary-General to continue such efforts to limit expenses and to produce a similar report next year.

### **III Audit report on the finances of the International Seabed Authority for 2011**

4. The Committee considered the report of PricewaterhouseCoopers on the audit of the accounts of the Authority for the year 2011. The Committee took note of the report and the opinion of the auditors that the financial statements of the Authority presented fairly, in all material aspects, the financial position of the Authority, as at 31 December 2011, and its financial performance and the cash flows for that year in accordance with the United Nations system accounting standards.

5. The Committee requested the Secretary-General to inquire of those auditors who might wish to audit the accounts of the Authority in subsequent years how they propose to perform an audit of the internal controls currently in place.



**IV. Status of the International Seabed Authority Endowment Fund and Voluntary Trust Fund**

6. The Committee took note of the balance of the Endowment Fund in the amount of \$3,387,038 as at 12 July 2012, including accrued interest of \$2,357 intended to be utilized to support the participation of scientists from developing countries in approved programmes.

7. The Committee expressed its gratitude to the Government of Mexico for the contribution of \$2,500 made on 7 September 2011, to the Government of Japan for the contribution of \$100,000 made on 15 September 2011 and to the Government of the United Kingdom of Great Britain and Northern Ireland for the contribution of \$20,000 made on 17 January 2012 to the Endowment Fund.

8. The Committee took note of the balance of the Voluntary Trust Fund in the amount of \$16,833, as at 16 July 2012.

9. The Committee expressed its gratitude to the Government of the United Kingdom for the contribution of \$20,000 made on 7 July 2012, to the Government of China for the contribution of \$20,000 made on 12 July 2012 and to Duncan Laki for the contribution of \$622 made on 17 July 2012 to the Voluntary Trust Fund.

**V. Investment of the capital of the Endowment Fund**

10. The Committee took note with satisfaction that, in view of the higher interest rates offered by Bank of Nova Scotia Jamaica Limited, the Secretary-General would invest the capital of the Endowment Fund in that bank in short-term time deposits in United States dollars.

11. The Committee requested that the Secretary-General prepare a report, for its meeting in 2013, on the banks in which the funds of the Authority are maintained.

**VI. Working Capital Fund**

12. The Committee took note of the status of the Working Capital Fund as at 11 July 2012, with advances of \$498,533 out of a ceiling of \$560,000.

**VII. Status of fees paid for processing of applications for approval of plans of work for exploration and related matters**

13. The Committee took note of the report of the Secretary-General (ISBA/18/FC/5) on the status of fees for the processing of applications for approval of plans of work for exploration and related matters paid by applicants for contracts in 2011. It also noted that the current level of fees for polymetallic nodules does not cover the actual cost incurred in processing such applications. Furthermore, the Committee recalled that at the present time, the costs of the administration and supervision of contracts between the Authority and the contractor are borne entirely by the general administrative fund.

14. The Committee noted that, in accordance with financial regulation 7.1, the balance of the fees paid by applicants for approval of plans of work in 2011, together with accrued interest thereon, shall be classed as miscellaneous income. It also took note of article 13 of annex III to the United Nations Convention on the Law of the Sea of 10 December 1982, read with section 8, paragraph 3, of the Agreement relating to the implementation of part XI of the United Nations

Convention on the Law of the Sea (see General Assembly resolution 48/263, annex), under which the fees for processing applications are to be reviewed from time to time by the Council.

15. The Committee requested the Secretary-General to report, at its next meeting in 2013, on possible measures to ensure that the cost of administration and supervision of contracts between the Authority and the contractors was not borne by member States.

16. The Committee started a study to better describe and account for, in the budgetary document, the use of fees for processing of applications for approval of plans of work for exploration. The Committee will continue with this study during its next meeting in order to reach a more transparent presentation of the use of the fees.

17. The Finance Committee recommends that the Council and the Assembly of the Authority:

(a) Authorize the Secretary-General to apply such miscellaneous income to the extent necessary to meet expenditures incurred in the financial period 2011-2012, as a result of processing plans of work for exploration;

(b) Revise the current level of fees paid for processing of applications for approval of plans of work for exploration for polymetallic nodules (regulation 19 (2) of the regulations on prospecting and exploration for polymetallic nodules in the Area) to \$500,000 to ensure that the fees reflect the actual costs incurred in processing such applications.

#### **VIII. Budget performance**

18. The Committee expressed its appreciation to the Secretary-General for the report on the implementation of the budget presented to the Committee and took note of the overspending level that is attributable to the processing of the approvals of plans of work for exploration in 2011.

#### **IX. Adoption of International Public Sector Accounting Standards**

19. The Committee took note of the report of the Secretary-General on the adoption of the International Public Sector Accounting Standards (ISBA/18/FC/3).

20. For budgetary reasons, the Committee agreed that the adoption of the International Public Sector Accounting Standards (IPSAS) would be considered during the next budget process.

#### **X. United Nations common system**

21. The Committee took note of the report of the Secretary-General on the position of the Authority with respect to its participation in the United Nations common system (ISBA/18/FC/2/Rev.1).

22. The Finance Committee recommends that the Council and the Assembly of the Authority request the Secretary-General to take the necessary steps on behalf of the Authority to subscribe to the statute of the International Civil Service Commission with effect from 2013.

#### **XI. Budget for the financial period 2013-2014**

23. The Committee examined the proposed budget of the International Seabed Authority for the financial period 2013-2014 (ISBA/18/A/3-ISBA/18/C/7) in the amount of \$16,502,100, an increase of 26.8 per cent over the amount for the previous biennium. In examining the budget, the Committee considered the increase in the work of the Authority and current global economic conditions, the overall increase in the proposed budget for 2013-2014 in relation to the budget for 2011-2012 and prevailing inflation rates. It also considered proposed increases in costs related to staffing, consultants, ad hoc workshops, central data repository, official travel, communications, external printing, acquisition of furniture and equipment, miscellaneous services, information technology, building management and conference services. It also considered the addition of two new budget items, United Nations common system and IPSAS implementation.

24. Following discussions in the Committee, the Secretary-General revised the proposed budget. The Committee decided to recommend for approval the revised budget for the financial period 2013-2014 in the amount of \$14,312,948, as contained in the annex to the present report. The revised budget reflects an increase of 9.97 per cent over the amount for the previous biennium.

25. The Committee also decided to recommend that for the financial period 2013-2014, the Secretary-General be authorized to transfer between appropriation sections up to 20 per cent of the amount in each section. The details of the approved budget are set out in annex I to the present report.

26. The Committee requested the Secretary-General to report to its meeting in 2013 on the possibility of the Joint Inspection Unit or the International Civil Service Commission (ICSC) producing a report on the staffing level in the Authority, the weighting and structure of the current established posts, and the balance between the use of consultants and recruitment to established posts.

#### **XII. Scale of assessments for 2013-2014**

27. The Finance Committee recommends that, in line with article 160 (2) (e) of the United Nations Convention on the Law of the Sea, the scale of assessments relating to the administrative budget of the International Seabed Authority for 2013 and 2014 be based on the scale of assessments used for the regular budget of the United Nations for 2011 and 2012 respectively, taking into account the ceiling assessment rate of 22 per cent and the floor assessment rate of 0.01 per cent. The indicative assessed contributions for 2013 are set out in annex II.

#### **XIII. Other matters**

28. The Committee expressed its concern about the outstanding contributions from members for prior periods (1998-2012) in the amount of \$246,972 and requested the Secretary-General, at his discretion, to continue his efforts to recover those amounts.

#### **XIV. Recommendations of the Finance Committee**

29. In the light of the foregoing, the Finance Committee recommends that the Council and the Assembly of the Authority:

- (a) *Approve* the budget for the financial period 2013-2014, in the amount of \$14,312,948, as proposed by the Secretary-General;
- (b) *Authorize* the Secretary-General to establish the scale of assessments for the biennium 2013 and 2014 on the basis of the scale used for the regular budget of the expenses of the United Nations for 2011 and 2012 respectively, taking into account that the ceiling assessment rate will be 22 per cent and the floor rate 0.01 per cent;
- (c) *Authorize* the Secretary-General for each year, 2013 and 2014, to transfer between appropriation sections up to 20 per cent of the amount in each section;
- (d) *Urge* the members of the Authority to pay their assessed contributions to the budget on time and in full;
- (e) *Appeal* to the members of the Authority to pay outstanding contributions to the budget of the Authority from previous years as soon as possible and to request the Secretary-General, at his discretion, to continue his efforts to recover those amounts;
- (f) *Strongly encourage* members to make voluntary contributions to the Endowment Fund and the Voluntary Trust Fund of the Authority;
- (g) *Request* the Secretary-General to take the necessary steps on behalf of the Authority to subscribe to the statute of the International Civil Service Commission with effect from 2013;
- (h) *Authorize* the Secretary-General to apply the miscellaneous income referred to in paragraph 14 of the report of the Finance Committee to the extent necessary to meet expenditures incurred in the financial period 2011-2012 as a result of processing plans of work for exploration;
- (i) *Revise* the current level of fees paid for processing of applications for approval of plans of work for exploration for polymetallic nodules (regulation 19 (2) of the regulations on prospecting and exploration for polymetallic nodules in the Area) to \$500,000 to ensure that the fees reflect the actual costs incurred in processing such applications.

## Annex I

### Budgetary requirements, income and expenses, 2013-2014

#### Summary of budgetary requirements

(Thousands of United States dollars)

	Approved for			Total 2013-2014
	2011-2012	2013	2014	
Part 1. Administrative expenses of the secretariat				
Section 1 Established posts	5 683.2	3 011.8	3 011.8	6 023.6
General temporary assistance	30.0	14.8	15.2	30.0
Overtime	45.3	15.8	15.8	31.6
Consultants	150.0	92.5	97.5	190.0
Promotion and encouragement of the conduct of marine scientific research	100.0	50.0	50.0	100.0
Ad hoc expert groups	320.0	206.9	244.0	450.9
Central data repository	70.0	70.0	60.0	130.0
Geological model	150.0	0.0	0.0	0.0
Common staff costs	2 551.9	1 343.4	1 362.9	2 706.3
Subtotal	9 100.4	4 805.2	4 857.2	9 662.4
Section 2 Official travel	295.6	160.2	164.9	325.1
Subtotal	295.6	160.2	164.9	325.1
Section 3 Communications	145.6	78.8	81.3	160.1
External printing	100.0	49.9	50.1	100.0
Training	52.1	26.1	26.1	52.1
Library books	100.0	49.2	50.8	100.0
Official hospitality	22.0	11.0	11.0	22.0
Acquisition of furniture and equipment	56.7	30.6	30.3	60.9
Rental and maintenance of furniture and equipment	23.0	11.3	11.7	23.0
Supplies and materials	80.3	39.5	40.8	80.3
Miscellaneous services	84.2	54.0	55.6	109.6
Information technology	80.9	48.7	72.2	120.9
Audit fees	34.6	17.3	17.3	34.6
United Nations common system	0.0	83.0	83.0	166.0
Subtotal	779.4	499.4	530.2	1 029.6

	<i>Approved for</i>			<i>Total 2013-2014</i>
	<i>2011-2012</i>	<i>2013</i>	<i>2014</i>	
<b>Section 4 Building management</b>	749.3	382.7	394.2	776.9
<b>Subtotal</b>	<b>749.3</b>	<b>382.7</b>	<b>394.2</b>	<b>776.9</b>
<b>Subtotal, part 1</b>	<b>10 924.7</b>	<b>5 847.5</b>	<b>5 946.5</b>	<b>11 794.0</b>
<b>Part 2. Conference-servicing costs of the Authority</b>	2 090.0	1 242.8	1 276.1	2 518.9
<b>Subtotal, part 2</b>	<b>2 090.0</b>	<b>1 242.8</b>	<b>1 276.1</b>	<b>2 518.9</b>
<b>Total administrative budget</b>	<b>13 014.7</b>	<b>7 090.3</b>	<b>7 222.6</b>	<b>14 312.9</b>

### Income

(United States dollars)

Contributions from Member States	14 312 948
Miscellaneous income <sup>a</sup>	
<b>Total</b>	<b>14 312 948</b>

### Expenses

(United States dollars)

Budgetary requirements	14 312 948
<b>Total</b>	<b>14 312 948</b>

<sup>a</sup> Fees paid by applicants for approval of plans of work, together with accrued interest thereon, shall, in accordance with financial regulation 7.1, be classed as miscellaneous income for credit to the general administrative fund and shall be used to cover costs incurred in the processing of such applications, such as conference services and staff costs. Overspending of single line items will thus be balanced by additional funds on the income side.

## Annex II

### Indicative assessed contributions for 2013<sup>a</sup>

	<i>United Nations assessment (percentage)</i>	<i>International Seabed Authority assessment (percentage)</i>	<i>Amount (United States dollars)</i>
Albania	0.010	0.010	706
Algeria	0.128	0.169	11 922
Angola	0.010	0.010	706
Antigua and Barbuda	0.002	0.010	706
Argentina	0.287	0.379	26 732
Armenia	0.005	0.010	706
Australia	1.933	2.551	180 045
Austria	0.851	1.123	79 265
Bahamas	0.018	0.024	1 677
Bahrain	0.039	0.051	3 633
Bangladesh	0.010	0.010	706
Barbados	0.008	0.010	706
Belarus	0.042	0.055	3 912
Belgium	1.075	1.419	100 129
Belize	0.001	0.010	706
Benin	0.003	0.010	706
Bolivia	0.007	0.010	706
Bosnia and Herzegovina	0.014	0.018	304
Botswana	0.018	0.024	1 677
Brazil	1.611	2.126	150 053
Brunei Darussalam	0.028	0.037	2 608
Bulgaria	0.038	0.050	3 539
Burkina Faso	0.003	0.010	706
Cameroon	0.011	0.015	1 025
Canada	3.207	4.233	298 709
Cape Verde	0.001	0.010	706
Chad	0.002	0.010	706
Chile	0.236	0.312	21 982
China	3.189	4.209	297 033
Comoros	0.001	0.010	706
Congo	0.003	0.010	706
Costa Rica	0.034	0.045	3 167
Côte d'Ivoire	0.010	0.010	706
Croatia	0.097	0.128	9 035
Cuba	0.071	0.094	6 613
Cyprus	0.046	0.061	4 285

	<i>United Nations assessment (percentage)</i>	<i>International Seabed Authority assessment (percentage)</i>	<i>Amount (United States dollars)</i>
Czech Republic	0.349	0.461	32 507
Democratic Republic of the Congo	0.003	0.010	706
Denmark	0.736	0.971	68 553
Djibouti	0.001	0.010	706
Dominica	0.001	0.010	706
Dominican Republic	0.042	0.055	3 912
Egypt	0.094	0.124	8 755
Equatorial Guinea	0.008	0.010	706
Estonia	0.040	0.053	3 726
Fiji	0.004	0.010	706
Finland	0.566	0.747	52 719
France	6.123	8.082	570 314
Gabon	0.014	0.018	1 304
Gambia	0.001	0.010	706
Georgia	0.006	0.010	706
Germany	8.018	10.583	746 820
Ghana	0.006	0.010	706
Greece	0.691	0.912	64 362
Grenada	0.001	0.010	706
Guatemala	0.028	0.037	2 608
Guinea	0.002	0.010	706
Guinea-Bissau	0.001	0.010	706
Guyana	0.001	0.010	706
Haiti	0.003	0.010	706
Honduras	0.008	0.010	706
Hungary	0.291	0.384	27 105
Iceland	0.042	0.055	3 912
India	0.534	0.705	49 738
Indonesia	0.238	0.314	22 168
Iraq	0.020	0.026	1 863
Ireland	0.498	0.657	46 385
Italy	4.999	6.598	465 621
Jamaica	0.014	0.018	1 304
Japan	12.530	16.539	1 167 081
Jordan	0.014	0.018	1 304
Kenya	0.012	0.016	1 118
Kiribati	0.001	0.010	706
Kuwait	0.263	0.347	24 497
Lao People's Democratic Republic	0.001	0.010	706

	<i>United Nations assessment (percentage)</i>	<i>International Seabed Authority assessment (percentage)</i>	<i>Amount (United States dollars)</i>
Latvia	0.038	0.050	3 539
Lebanon	0.033	0.044	3 074
Lesotho	0.001	0.010	706
Liberia	0.001	0.010	706
Lithuania	0.065	0.086	6 054
Luxembourg	0.090	0.119	8 383
Madagascar	0.003	0.010	706
Malawi	0.001	0.010	706
Malaysia	0.253	0.334	23 565
Maldives	0.001	0.010	706
Mali	0.003	0.010	706
Malta	0.017	0.022	1 583
Marshall Islands	0.001	0.010	706
Mauritania	0.001	0.010	706
Mauritius	0.011	0.015	1 025
Mexico	2.356	3.110	219 445
Micronesia (Federated States of)	0.001	0.010	706
Monaco	0.003	0.010	706
Mongolia	0.002	0.010	706
Montenegro	0.004	0.010	706
Morocco	0.058	0.077	5 402
Mozambique	0.003	0.010	706
Myanmar	0.006	0.010	706
Namibia	0.008	0.010	706
Nauru	0.001	0.010	706
Nepal	0.006	0.010	706
Netherlands	1.855	2.449	172 780
New Zealand	0.273	0.360	25 428
Nicaragua	0.003	0.010	706
Nigeria	0.078	0.103	7 265
Norway	0.871	1.150	81 127
Oman	0.086	0.114	8 010
Pakistan	0.082	0.108	7 638
Palau	0.001	0.010	706
Panama	0.022	0.029	2 049
Papua New Guinea	0.002	0.010	706
Paraguay	0.007	0.010	706
Philippines	0.090	0.119	8 383
Poland	0.828	1.093	77 122

	<i>United Nations assessment (percentage)</i>	<i>International Seabed Authority assessment (percentage)</i>	<i>Amount (United States dollars)</i>
Portugal	0.511	0.675	47 596
Qatar	0.135	0.178	12 574
Republic of Korea	2.260	2.983	210 503
Republic of Moldova	0.002	0.010	706
Romania	0.177	0.234	16 486
Russian Federation	1.602	2.115	149 215
Saint Kitts and Nevis	0.001	0.010	706
Saint Lucia	0.001	0.010	706
Saint Vincent and the Grenadines	0.001	0.010	706
Samoa	0.001	0.010	706
Sao Tome and Principe	0.001	0.010	706
Saudi Arabia	0.830	1.096	77 309
Senegal	0.006	0.010	706
Serbia	0.037	0.049	3 446
Seychelles	0.002	0.010	706
Sierra Leone	0.001	0.010	706
Singapore	0.335	0.442	31 203
Slovakia	0.142	0.187	13 226
Slovenia	0.103	0.136	9 594
Solomon Islands	0.001	0.010	706
Somalia	0.001	0.010	706
South Africa	0.385	0.508	35 860
Spain	3.177	4.194	295 915
Sri Lanka	0.019	0.025	1 770
Sudan	0.010	0.010	706
Suriname	0.003	0.010	706
Sweden	1.064	1.404	99 104
Switzerland	1.130	1.492	105 251
Thailand	0.209	0.276	19 467
The former Yugoslav Republic of Macedonia	0.007	0.010	706
Togo	0.001	0.010	706
Tonga	0.001	0.010	706
Trinidad and Tobago	0.044	0.058	4 098
Tunisia	0.030	0.040	2 794
Tuvalu	0.001	0.010	706
Uganda	0.006	0.010	706
Ukraine	0.087	0.115	8 103

	<i>United Nations assessment (percentage)</i>	<i>International Seabed Authority assessment (percentage)</i>	<i>Amount (United States dollars)</i>
United Kingdom of Great Britain and Northern Ireland	6.604	8.717	615 116
United Republic of Tanzania	0.008	0.010	706
Uruguay	0.027	0.036	2 515
Vanuatu	0.001	0.010	706
Viet Nam	0.033	0.044	3 074
Yemen	0.010	0.010	706
Zambia	0.004	0.010	706
Zimbabwe	0.003	0.010	706
Cook Islands	0.000	0.010	706
Niue	0.000	0.010	706
<b>Subtotal</b>	<b>75.43</b>	<b>100.00</b>	<b>7 056 474</b>
European Union <sup>b</sup>			100 000
<b>Total</b>			<b>7 156 474</b>

<sup>a</sup> Based on the scale of assessments for the apportionment of the expenses of the United Nations for 2011.

<sup>b</sup> To be reviewed and determined from time to time by the Authority, taking into consideration the total amount of the budget.

## Annex III

## Staffing table of the secretariat of the International Seabed Authority

<i>Functional title</i>	<i>Professional</i>	<i>General Service</i>
<b>Office of the Secretary-General</b>		
Secretary-General	1 (USG)	
Associate Protocol Officer	1 (P-2)	
Executive Assistant		1
Protocol/Administrative Assistant		1
Administrative Assistant (New York office)		1
<b>Office of Legal Affairs</b>		
Legal Adviser/Deputy to the Secretary-General	1 (D-2)	
Senior Legal Officer	1 (P-5)	
Legal Officer	1 (P-4)	
Legal Officer <sup>a</sup>	1 (P-4)	
Librarian	1 (P-3)	
Administrative Assistant		1
Administrative Assistant <sup>b</sup>		1
<b>Office of Resources and Environmental Monitoring</b>		
Head of the Office	1 (D-1)	
Senior Scientific Officer	1 (P-5)	
Scientific Officer (Marine Geologist)	1 (P-5)	
Scientific Officer (Marine Biologist)	1 (P-4)	
Scientific Officer (Mineral Economist) <sup>c</sup>	1 (P-4)	
Scientific Officer (Geographic Information System)	1 (P-3)	
Marine Science Assistant		1
Information and Communications Technology Officer	1 (P-4)	
Webmaster/Publications Officer	1 (P-3)	
Information Technology Assistant		1
<b>Office of Administration and Management</b>		
Executive Officer	1 (P-5)	
Administrative Assistant		1
Budget/Internal Oversight Officer	1 (P-4)	
Finance Officer	1 (P-4)	
Human Resources Officer	1 (P-3)	
Human Resources Assistant		1
Procurement Assistant		1
Budget and Treasury Assistant		1
Finance Assistant		1
Senior Security Officer	1 (P-2)	

<i>Functional title</i>	<i>Professional</i>	<i>General Service</i>
Security Officer		2
Driver		3
<b>Total</b>	<b>20</b>	<b>17</b>

<sup>a</sup> Recommended new position.

<sup>b</sup> Restoration of one out of two frozen General Service staff posts.

<sup>c</sup> Against a Scientific Officer (Geostatistician) (P-4) position.

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