



Assembly Council

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Report of the Finance Committee

I. Introduction

1. During the eleventh session of the International Seabed Authority, the Finance Committee held four meetings, on 18 and 19 August 2005. The Committee elected Hasjim Djalal Chairman.

II. Agenda

2. The Committee adopted the agenda, noting that under the item “Other matters” there would be a discussion of the fund proposed in the Secretary-General’s report for participation of personnel from developing countries in marine scientific research in the Area.

III. Audit report for 2004

3. The Committee examined the audit report for 2004 and the accompanying financial statements. In order to obtain clarification, the Committee met with the independent auditor to discuss the following issues:

- (a) The need for a management audit;
- (b) The use of the updated United Nations system accounting standards and common audit methods;
- (c) Adjustments to be made under financial regulation 6.3;
- (d) The status of the fund for fees paid by the pioneer investors.

IV. Appointment of an independent auditor for 2005 and 2006

4. The Committee considered the four proposals received for the provision of audit services for 2005 (see ISBA/11/FC/1). It was noted that financial regulation

12.1 indicated that the appointment of an independent auditor should be for a period of four years and that the independent auditor may be reappointed for one term.

5. Following discussion, the Committee agreed to recommend Deloitte & Touche as independent auditor for 2005 and 2006.

V. Contributions of members

6. The Committee noted the status of contributions to the administrative budget and expressed concern about the number of member States in arrears for multiple years and the effect of that situation, including on the voting process.

7. The Committee recommended that the Assembly urge members to pay their assessed contributions on time and in full.

8. The Committee recommended that Denmark, which became a member of the Authority in 2004, and Latvia and Burkina Faso, which became members of the Authority in 2005, contribute the following amounts towards the administrative budget of the Authority and the Working Capital Fund for 2004 and 2005.

Recommended contributions

(United States dollars)

New member State	Date of membership	United Nations scale of assessments (percentage)		Adjusted International Seabed Authority scale (percentage)		Contributions to		
		2004	2005	2004	2005	General Administrative Fund		Working Capital Fund
						2004	2005	
Denmark	16 December 2004	0.749	0.718	1.105	1.026	1 450	36 399	4 840
Latvia	22 January 2005		0.015		0.21		702	92
Burkina Faso	24 February 2005		0.002		0.10		391	44
Total						1 450	37 492	4 976

VI. Voluntary trust fund

9. The Committee took note of document ISBA/11/FC/3. The Committee reaffirmed that requests to defray the costs of attendance at meetings of the Legal and Technical Commission and the Finance Committee should be made by a member's Government, and that economy-class travel would remain the standard for assistance with fares.

10. Noting the residual balance of the advance made by the Secretary-General to the voluntary trust fund, the Committee decided to recommend that, to supplement the voluntary contributions, the Secretary-General be authorized to advance, to the extent necessary, up to \$60,000 for the operation of the voluntary fund in 2006 from the interest from the fund for fees paid by the pioneer investors.

11. The Committee noted with appreciation Nigeria's pledge of \$5,000 to the voluntary fund and requested that the secretariat continue to seek further donations from members of the Authority and other sources.

VII. Other matters

12. The Finance Committee discussed the status of the fund for fees paid by the pioneer investors. In this regard, the Secretary-General proposed, as an exceptional measure, that the existing balance available in the fund be transferred to a special endowment fund account, the income from which could be utilized for appropriate purposes, as decided from time to time by the Assembly on the recommendation of the Council and the Finance Committee, including to supplement the voluntary trust fund established by the Assembly. The Committee recommends to the Council and the Assembly that the Secretary-General be requested to make a detailed proposal with terms of reference on the establishment and use of the proposed endowment fund in accordance with financial regulation 5.6 for the consideration of the Committee. The Secretary-General also informed the Committee that he would consult with the contractors regarding the status and use of the fund consisting of the fees from pioneer investors before making his proposal. In this regard, he will also provide a certification, as appropriate, on the fulfilment of the original purpose of this fund.

VIII. Recommendations

13. In the light of the foregoing, the Committee recommends that the Council and the Assembly:

- (a) Appoint Deloitte & Touche as independent auditor for 2005 and 2006;
 - (b) Urge the members of the Authority to pay their assessed contributions to the budget on time and in full and to contribute to the voluntary trust fund;
 - (c) Approve the contributions of Denmark, Latvia and Burkina Faso, which became new members in 2004 and 2005, as set out in the table contained in the present report, towards the administrative budget of the Authority and the Working Capital Fund for 2004 and 2005; and
 - (d) Approve the recommendations contained in paragraph 12 of the Committee's report.
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