

PURPOSE OF THIS DOCUMENT

To inform the Standing Committee on Administration and Finance (SCAF) of the financial aspects of the Commission for the 2022 financial year (1 January to 31 December 2022).

STATUS OF CONTRIBUTIONS TO THE AUTONOMOUS BUDGET IN 2022

1. The total of contributions due in 2022 for the 2022 budget was \$4,071,765. As of 31 December 2022, a total of \$5,345,493 had been received (Table 1). This represents the highest amount of contributions received in one year by the IOTC; however, this was due to the payment of arrears by Iran. Without the payment from Iran there would have been a significant shortfall between contributions due and contributions received of \$639,772.
2. The cumulative total of outstanding contribution payments (Members and Ex-Members) has decreased by around 32%, from \$3,984,835 as of 31 December 2021, to \$2,711,106 as of 31 December 2022. Details on the status of contributions are available in IOTC-2023-SCAF20-04.

It is important to pay contributions on time

3. As explained in the Contributions Outstanding report to SCAF, contributions are a central tenet of Membership of the FAO, and therefore IOTC.
4. The situation of outstanding contributions is not sustainable in the long term. It is essential to receive contributions as soon as possible after invoices are sent out because the FAO requires funds to be available from the IOTC budget at the start of each calendar year to cover all salaries and existing contracts (for consultants and other service providers) for that year. FAO will not contribute to the IOTC accounts to keep it afloat. Substantial funds must be available otherwise FAO will not renew staff contracts, enter any new contracts or commit to any procurement actions.

EXPENDITURES FOR THE YEAR 2022***The 2022 budget was underspent by \$281,744.***

5. The total budget for 2022 was \$4,071,765 and the Commission spent (actuals) \$3,790,022. The level of under expenditure from the budget amounted to a total of \$281,744 (Table 1).
6. Explanatory notes on expenditures in 2022 are as follows:

Salaries – Professional grade staff (1.1)

7. Professional Salaries were more than the budgeted figure, with an over-expenditure of approximately \$,74,911 (6%). There was a full complement of professional staff for the whole of 2022 and the post adjustment element was increased because of the higher cost-of-living and negative foreign exchange fluctuation.

General Service staff (1.2)

8. There was an over-expenditure of \$40,451 (69%) in General Service salaries. This was due to the Seychelles rupee becoming stronger against the USD in 2022 and a back-payment (to June 2021) which was made to GS staff after a UN review of local staff salaries resulted in a retro-active salary increase. Table 2 provides additional details on salary-related costs for staff.

Table 1. Comparison between actual and budgeted expenditures in 2022 (in US\$).

Budget Item Description		Budget	Actual	Variance	Percent Diff.
1	Administrative Expenditures - Staff Costs				
1.1	Professional Salaries	1,351,055	1,425,966	74,911	6%
1.2	General Service Salaries	59,037	99,488	40,451	69%
	Sub-total Salaries	1,410,092	1,525,454	115,362	8%
1.3	Employer contributions to Pension Fund and Health Insurance	411,844	423,543	11,699	3%
1.4	Employer contribution to FAO Entitlement Fund	703,368	632,563	-70,805	-10%
1.5	ICRU	73,234	75,627	2,394	3%
1.6	Adjustment staff cost variance	0	27,534	27,534	100%
1.7	Total Administrative Expenditures	2,598,537	2,684,721	86,184	3%
2	Operating Expenditures				
2.1	Capacity Building	40,000	17,885	-22,115	-55%
2.2	Co-funding Science/Data Grants	0	0	0	-
2.3	Co-funding Compliance Grants	0	0	0	-
2.4	Misc. Contingencies	0	0	0	-
2.5	Consultants / Service Providers	588,200	411,685	-176,515	-30%
2.6	Duty travel	165,000	83,794	-81,206	-49%
2.7	Meetings	145,000	182,507	37,507	26%
2.8	Interpretation	135,000	75,964	-59,036	-44%
2.9	Translation	110,000	99,412	-10,588	-10%
2.10	Equipment	25,000	18,342	-6,658	-27%
2.11	General Operating Expenses	75,000	60,290	-14,710	-20%
2.12	Printing	0	0	0	0%
2.13	Contingencies	10,000	0	-10,000	-100%
2.14	MPF*	25,000	25,000	0	0%
	Total Operating Expenditures	1,318,200	974,879	-343,321	-26%
	SUB-TOTAL	3,916,737	3,659,601	-257,137	-7%
3	Additional Contributions Seychelles	-20,100	-31,917	-11,817	59%
4	Deficit Contingency	0	0	0	0%
	TOTAL	3,896,637	3,627,684	-268,954	-7%
5	FAO Servicing Costs	175,128	162,338	-12,790	-7%
6	GRAND TOTAL	4,071,765	3,790,022	-281,744	-7%

* Actual MPF expenditures were US\$ 288,671 but only US\$ 25,000 was transferred into the fund for use in 2022.

Employer Contributions (1.3 & 1.4)

9. Employer contributions to the Pension Fund and health insurance costs were 3% above budgeted figures as a direct consequence of the overall increase in salaries. The contributions to the FAO entitlement fund were 10% below budgeted figures. These entitlement contributions are assessed by FAO for every project (including IOTC) by prorating actual costs of covering these entitlements across FAO. An additional Staff Cost Variance of \$27,534 was applied, resulting in the total of Employer Contributions being approximately 3% lower than budgeted. Table 2 provides additional details on salary costs related to employer contributions.

ICRU - Improved Cost Recovery Uplift (1.5)

10. In 2014 FAO brought in 'Improved Cost Recovery Uplift' (ICRU) charges to cover field project personnel costs (for staff and consultants). These charges are to recover the costs of central services provided for security and information technology. While the Commission has previously expressed its disagreement with the inclusion of ICRU in the IOTC budget (e.g. SCAF14), ICRU has continued to be applied by FAO hence there is an expenditure of \$75,627 in 2022 against a budget of \$73,234 (3% increase). Table 2 provides additional details on the allocation of the ICRU to staff.

Support to Capacity Building (2.1)

11. The budget line on Capacity Building shows \$17,885 of expenditures against the budgeted figure of \$40,000. This saving was a consequence of the IOTC Secretariat harnessing extra-budgetary resources and partnerships to cover some of the anticipated expenses.

Co-funding Science/Data Grants (2.2)

12. This budget line was included to cover expenditures related to the IOTC co-funding to externally funded grants for science and data activities. The line was set to \$0 in 2022 because the existing externally funded projects were concluding, and no co-funding was required.

Co-funding Compliance Grants (2.3)

13. This budget line is included to cover expenditures related to the IOTC contributions to externally funded projects. It was set to \$0 for 2022 as no compliance-related projects were being executed.

Misc. Contingences (2.4)

14. This budget line was included to cover any unforeseen expenses specifically related to account lines 2.2 and 2.3 (expenditures related to the IOTC contribution to externally funded projects) and it has been set to \$0 since 2019. Since this line is no longer used it will be removed from future budgets.

Consultants/Service Providers (2.5)

15. The total expenditure for consultants is made up of a range of expenditures relating to the support provided by consultants and service providers in undertaking workplan activities. The total expenditure for consultants and service providers in 2022 was \$411,685. This represents an under-expenditure of approximately 30%..

Duty travel (2.6)

16. Duty travel mostly includes travel of the Secretariat staff to participate in meetings of the Commission but may include some travel to relevant events hosted by other organisations. A quarterly travel plan is compulsory and is submitted to FAO for approval. The travel plan for 2022 was affected slightly by the COVID-19 travel restrictions at the start of the year but travel continued almost as normal later in 2022. Consequently, a total of \$83,794 was spent, representing an under-expenditure of approximately 49%.

Meetings (2.7)

17. The budget for meetings in 2022 was overspent by US\$37,507 (26%). This was foreseen and reported to SCAF19 in May 2022. Upon the SCAF's recommendation, the Commission approved that, should the Meetings budget line need additional funds in 2022, these funds would first be taken from savings in other budget lines, then, only if required, on an exceptional basis, from the Working Capital Fund. However, in 2002, there were sufficient savings to cover the over-expenditure in meetings. The expenditures under this category included some travel of staff to meetings, the meeting facilities used in Seychelles, transportation, and the rental of interpretation hub facilities to service the virtual meetings.

Interpretation (2.8)

18. The costs for interpretation included only the interpreter fees (\$75,964) since travel by interpreters was not required. Efforts to minimise the numbers of interpreters required, savings in travel through using interpreters all located in an interpretation hub in Bangkok led to an overall saving of \$59,036 (44%) in interpretation costs in 2022.

Translation (2.9)

19. The translation budget line was under-spent in 2022 by \$10,588 (10%). This was due, in part to the usual annual variability in the volume of documents requiring translation and efficiencies in document production.

Equipment (2.10)

20. The equipment budget was underspent by \$6,658 (-27%). This covered the procurement of some important new equipment to improve and update the security of IT equipment such as a new UPS, new laptops and hard drives. Some furniture was also purchased for the new Secretariat offices.

General operating expenses (2.11)

21. General Operating expenses include a series of expenditures related to the normal functioning of the Secretariat office. Table 3 shows a detail of the costs for 2022. The difference between budgeted (\$75,000) and actual operating costs (\$60,290) represents a 20% saving.

Printing (2.12)

22. The printing budget line was set to \$0 for 2022. Since IOTC operates with a paperless policy, the printing line will be removed from future budgets, with the provision that any small printing jobs that might be required (posters etc) would be funded from General Operating Expenses.

Contingencies (2.13)

23. As required by provisions in the Financial Regulations, a contingency budget line provides for miscellaneous expenditures that are encountered by the Secretariat and do not fit into the pre-defined account structure of the operating expenditures. These funds were not used in 2022.

Meeting Participation Fund (MPF) (2.14)

24. The approved MPF budget for 2022 of \$25,000 was fully spent. Details on the status of the MPF are provided in IOTC-2023-SCAF-05.

Additional Contributions by Seychelles (3)

25. The additional contribution from the Government of Seychelles has been negotiated under the IOTC Headquarters Agreement. This contribution is intended to defray some of the costs of operating the Secretariat, including costs of the Secretariat's Information Technology consultant. In 2022, IOTC received a total of \$31,917 from Seychelles.

Deficit Contingency (4)

26. The deficit contingency was set to \$0 in 2022.

FAO Project Service Cost (5)

27. The FAO Project Servicing Cost in 2022 was \$162,338, representing a reduction of 7% compared to the budgeted amount. The reduction in servicing costs was proportional to the total savings of the project in 2022.

Table 2. Detail of Staff-Related Costs During 2022 (in US\$)

	General Service Staff	Professional Staff
Base Salary Actual	98,243	885,990
Overtime / Secondment	1,245	-
Basic Medical Insurance Plan	27,973	59,779
Contribution to FAO entitlement fund	49,918	582,646
Pension plan	19,049	316,742
Post Adjustment	-	539,975
ICRU	5,842	69,785
Adjustment Staff Cost Variance	6,278	21,256
Total	208,548	2,476,173
Grand Total		2,684,721

Table 3. Detail of General Operating Expenditures in 2022 (in US\$)

Category	Actual Costs
Telephone	3,724
Internet	37,940
Postage	541
Office Supplies	7,743
Water	588
Cleaning	1,224
Vehicle operating and maintenance	2,979
Website hosting and development	6,792
Photocopier and printer	3,004
TOTAL	64,534
VAT Refund	-4,243.77
TOTAL GOE	60,290

SUMMARY OF FINANCIAL STATUS – AS OF 31 DECEMBER 2022

28. An overview of IOTC’s financial status as of 31 December 2022 is provided in Table 4.

Overall, the 2022 budget was underspent by 7%.

29. A total of \$3,790,022 was spent in 2022 against the budget of \$4,071,765 (7% lower than budgeted).

The total of outstanding contributions has decreased by around 32% to \$2,711,107

30. The cumulative total of outstanding contribution payments decreased from \$3,984,835 as of 31 December 2021, to \$2,711,107 as of 31 December 2022 (a decrease of around 32%). This was due to the receipt of arrears payments received from Iran.

31. The IOTC Secretariat continues to pursue payment of outstanding arrears and has been taking action in the form of generic reminder circulars and letters addressed directly to CPCs.

The Working Capital Fund

32. The [IOTC Financial Regulations \(2019\)](#) established a ‘working capital fund’ to provide a transparent and strategic mechanism for the Commission to manage the use of any accumulated funds into the future. The arrears payment from Iran in 2022 added a significant amount to the fund.

33. As of 31 December 2022 the WCF had a balance of \$5,570,632, which is an increase of \$1,222,939 from the balance at the end of 2021.

34. A draft Rules of Procedure for the use of the Working Capital Fund is provided in IOTC-2023-SCAF20-10.

Meeting Participation Fund

35. In 2022, the IOTC Meeting Participation Fund (MPF) was augmented by a transfer of \$25,000 from the 2022 regular budget and \$18,000 of extra-budgetary contributions received from China. As of 31 December 2022 the MPF had a balance of funds of \$69,097.

36. Details on the MPF are provided in IOTC–2023–SCAF20–05.

Regional Observer Programme

37. The Regional Observer Programme (ROP) continued in 2022. The ROP contract underpinning this programme is managed on a May to April calendar cycle. Contributions, based on estimates of activities in 2022-23, amounting to \$591,152 were received from seven ROP participants in 2022; in addition, \$8,157 was received as interest. A contract for ROP services in 2022-23 valued at \$554,444 was placed with the service provider. As of 31 December 2022, the ROP had a balance of \$145,537.

38. Details on the ROP are provided in IOTC–2023–CoC20–04a.

Table 4. Overview of IOTC's financial status as of 31 December 2022 (in US\$)

	2022 Budget / Proposed Usage	2022 Actual Expenditure	Balance as of 31 December 2022	Comments
2022 budget	\$4,071,765	\$3,790,022	\$281,744	
Working Capital Fund	\$0	\$0	\$5,570,632	A payment of \$1,913,500 for contributions in arrears received from Iran
Meeting Participation Fund	\$250,000	\$288,671	\$69,097	An extra-budgetary contribution to the MPF of \$18,000 was received from China
Regional Observer Programme	N/A	\$858,981	\$145,537	The contract underpinning this programme is managed on an April to May cycle
Contributions outstanding			(\$2,711,107)	

SUGGESTED ACTION BY THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE

That the SCAF:

- a) **NOTE** paper IOTC-2023-SCAF20-06 which includes the Financial Statement and supporting documentation for the financial period 1 January to 31 December 2022.