



CCSBT-EC/0810/07

Amendments to Financial Regulations

Purpose

To propose amendments to the Financial Regulations to make the regulations consistent with current Extended Commission practice.

Discussion

Financial Management

The audit report of the 2007 financial statements drew attention to the fact that long standing financial management arrangements are inconsistent with the explicit provisions of the Financial Regulations and Rules.

The Financial Regulations of the Extended Commission were approved in September 1995. At this time a Secretariat was not in place and an analysis of the relevant documentation suggests members were inclined to place very restrictive rules on the Extended Commission's financial administration. With hindsight it is easy to conclude that the rules were never practical leading directly to them not being observed.

For example, as identified in the audit, expenditure above \$5,000 requires the Chair or Vice-chair to approve expenditure. Apart from the fact that the Chair or Vice-chair may not exist or be unavailable, expenditure items over \$5,000 comprised 60% of expenditure in 2007 and mainly represented expenditure already directly approved in the approved budget.

To make the Financial Regulations and Rules relevant and consistent with current practice the Secretariat recommends:

- Sections 4 and 9 of the Financial Regulations be amended as shown in **Attachment A**
- the Financial Rules adopted at CCSBT3, which are at **Attachment B**, be extinguished

In proposing these amendments, the Secretariat notes:

- the changes are the minimum necessary
- the changes are consistent with the existing arrangements where no concern has been expressed by any member at any time
- the existing arrangements are completely impractical
- the Extended Commission already approves the expenditure pattern in the annual budget and significant variations only occur by decision of the

Extended Commission – eg the resignation of the Executive Secretary and a CPUE Working Group meeting not being convened

Credit Cards

The audit report also identified insufficient controls over the use of the Secretariat's credit card in 2007. It was recommended that control procedures be prepared and issued by the Executive Secretary.

Apart from 2007, the use of credit cards by the Secretariat was tightly controlled and these measures have been reinstated:

- Only one corporate credit account in the name of the Extended Commission is opened
- Cards operating on this account are only issued to the Executive Secretary and the Deputy Executive Secretary
- All expenditure is approved by Executive Secretary
- Full reconciliation and sign off by the Executive Secretary of credit card transactions is done monthly and fully documented in Secretariat records
- Expenditure is confined to official purposes consistent with the agreed budget
- A cash card is issued to the Executive Secretary to allow withdrawal of cash from the Secretariat's trading account – this card is rarely used and its main purpose is to obtain funds for petty cash

Mid-year Reporting

In 2007 Members became concerned about the management of Extended Commission funds and its cash position. Discussions at CCSBT14 led to a decision to introduce out-of-session quarterly reporting. The Executive Secretary believes that such reporting is not necessary now that confidence in Secretariat management has been restored. As proposed to the informal meeting of Commissioners, the Executive Secretary recommends an alternative arrangement comprising:

- before 15 July in each year the Executive Secretary will provide a mid-year financial report to Members out-of-session including expenditure at 30 June and estimates of expenditure for the balance of the year
- an analysis of contributions paid and the likely end of year cash position
- a report on any anomalies

Recommendation

It is recommended that the Extended Commission:

- Adopt the amendments proposed in this paper
- Endorse the arrangements maintained in the Secretariat for controls over credit and cash cards.
- Endorse the mid-year reporting proposal

Prepared by the Secretariat

**FINANCIAL REGULATIONS
PROPOSED AMENDMENTS**

REGULATION 4**APPROPRIATIONS**

4.1 The appropriations adopted by the Commission shall constitute an authorisation for the Executive Secretary to incur obligations and make payments for the purposes for which the appropriations were adopted.

4.2 Unless the Commission decides otherwise, the Executive Secretary may also incur obligations against future years before appropriations are adopted when such obligations are necessary for the continued effective functioning of the Commission, provided such obligations are restricted to administrative requirements of a continuing nature not exceeding the scale of such requirements as authorised in the budget of the current financial year. In other circumstances the Executive Secretary may incur obligations against future years only as authorised by the Commission.

4.3 Appropriations shall be available for the financial year to which they relate. At the end of the financial year all appropriations shall lapse. Commitments remaining undischarged against previous appropriations at the end of a financial year shall be carried over and be included in the budget for the next financial year, unless the Commission otherwise decides.

4.4 ~~The Chair may authorise~~ The Executive Secretary is authorised to make transfers of up to 10 per cent of appropriations between items. ~~The Executive Secretary may authorise the transfer of up to 10 per cent of appropriations between sub-items of an item.~~ All such transfers must be reported by the Executive Secretary to the next annual meeting of the Commission in the revised budget submitted to the Commission each year.

4.5 The Commission shall prescribe the conditions under which unforeseen and extraordinary expenses may be incurred.

REGULATION 9**INTERNAL CONTROL**

9.1 The Executive Secretary shall:

- (a) establish detailed financial rules and procedures ~~after consultation with the external auditor~~ to ensure effective financial administration and the exercise of economy in the use of funds – the rules and procedures to be notified to the Commission at each annual meeting;

- (b) cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the goods or services have been received and that payment has not previously been made;
- (c) designate officers who may receive moneys, incur obligations and make payments on behalf of the Commission; and
- (d) maintain and be responsible for internal financial control to ensure:
 - (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Commission;
 - (ii) the conformity of obligations and expenditures with the appropriations adopted by the annual meeting; and
 - (iii) the economic use of the resources of the Commission.

9.2 No obligations shall be incurred until allotments or other appropriate authorisations have been made in writing under the authority of the Executive Secretary.

9.3 The Executive Secretary may propose to the Commission, after full investigation by him, the writing off of losses of assets, provided that the external auditor so recommends. Such losses shall be included in the annual accounts.

9.4 Tenders in writing for equipment, supplies and other requirements shall be invited by advertisement, or by direct requests for quotation from at least three persons or firms able to supply the equipment, supplies, or other requirements, if such exist, in connection with all purchases or contracts, the amounts of which exceed A\$~~1000~~ 80,000 (Australian dollars). ~~For amounts exceeding A\$500, but up to A\$1000, competition shall be obtained either by the above means or by telephone or personal enquiry. The foregoing rules~~ This rule, shall, however, not apply in the following cases:

- (a) where it has been ascertained that only a single supplier exists and that fact is so certified by the Executive Secretary;
- (b) in case of emergency, or where, for any other reason, these rules would not be in the best financial interests of the Commission, and that fact is so certified by the Executive Secretary.

9.5 For expenditure items less than \$80,000 it is generally expected that the Executive Secretary will follow the principle of value for money unless the expenditure has already been identified in the approved budget.

FINANCIAL RULE

GENERAL BUDGET CONTROL

1. During a financial year, the Executive Secretary shall refer to the Chair of the CCSBT or, if the Chair is not available, the Vice Chair, any variations between budget items up to 10% of the item being increased, or \$500.00, whichever is the greater, for approval provided there is no overall increase in the estimates of total expenditure for that year. Any variation between items above that level or any increase in total expenditure require approval of the Commission.

STAFF AND CONSULTANT/CONTRACTOR ARRANGEMENTS

2. The Commission shall approve staff numbers (temporary and permanent) and the relative levels of remuneration in the budget approved at the Annual Meeting or out-of-session as the occasion arises.

3. The Executive Secretary shall determine the actual remuneration for local staff within levels approved by the Commission.

4. The Commission shall approve the employment of contract personnel and consultants where the cost is in excess of \$10,000 for each contract, noting that quotes or similar inquiries need to be obtained for expenditure over \$1,000.

TRAVEL

5. The Commission shall approve overseas travel for Commission staff, noting that travel conditions are set by the Staff Regulations (ie. economy air travel) and allowances determined in accordance with UN rates.

6. The Chair of the CCSBT or if the Chair is not available the Vice Chair shall approve domestic travel for Commission staff.

OTHER EXPENDITURE

7. The Chair of the CCSBT or if the Chair is not available the Vice Chair shall; approve expenditure on an individual item in excess of \$5,000 but which is within budget estimates.

20 February 1997

Adopted at the Resumed Third Annual Meeting of the Commission

Canberra, 18 – 22 February 1997

