

Submission to the Intersessional Correspondence Group on Strengthening IWC Financing regarding segmented financial reporting

The Secretariat

1 INTRODUCTION

This document has been prepared following an invitation from the Chair of the Intersessional Correspondence Group on Strengthening IWC Financing (the ICGSF) for the Secretariat to comment on proposals to adopt a system of segmented Financial Reporting.

The Commission's Financial Regulations require the Secretary to establish detailed financial procedures and accounting records such as are necessary to ensure effective financial administration¹. As part of this responsibility, the Secretary is also required to prepare annual financial statements which set out the state of the Commission's financial affairs. These statements are audited by an independent accountancy firm, and are then published in the Commission's Annual Report and through the Commission's public website.

2 PROPOSAL FOR SEGMENTED FINANCIAL REPORTING

Recommendation One of the ICGSF's report to IWC/64 proposes that the IWC should approve transition to segmented financial reporting. This recommendation further suggests that the segments should be: (1) Administration; (2) Cetacean Conservation; (3) Whaling Management; and (4) Other.

The Secretariat uses Sage accounting software as its means of maintaining accounting records. The Secretariat has made preliminary enquires as to whether this software can be used to support segmented financial reporting, and has received assurances that the Sage software is able to support the proposed change.

The Secretariat has also approached the Commission's auditors (Edwards Chartered Accountants, St. Ives, UK) to enquire as to the existence of any concerns they may have in moving towards segmented reporting. Edwards confirmed that moving to segmented reporting is acceptable, but highlighted the need for comparative figures to be supplied for the previous financial year which are consistent with figures for the year being audited. This would require either: (1) re-analysis and re-audit of the previous year's figures or (2) presentation of the current year's figures in non-segmented format to as to allow a straightforward comparison with the previous year, but with the additional inclusion of segmented figures for the current year as an appendix. This appendix would then provide the comparative segmented figures for the ensuing year. Thus the transition to full segmented reporting would be made over a two year period.

In connection with the proposal to move to segmented reporting the Secretariat has also internally reviewed its own routine work and the major sources of Commission expenditure. In light of this internal review we would like to suggest modification to the categories for the financial segments to become: (1) Administration; (2) Cetacean Conservation; (3) Whaling Management; (4) Data Archiving; and (5) Communications.

The first three categories are the same as those proposed by the ICGSF. However this paper suggests the removal of the category 'other', and replacement with segments for data archiving and communications. These are both important work areas which do not easily fit into the three original categories of administration, conservation or management.

A division into these areas is more representative of the range of work undertaken by the Secretariat on behalf of the Commission, and therefore allows greater transparency in financial reporting.

An initial proposal as to which activities should be allocated to each segment is proposed in Section 3, and Annex 1 gives an illustrative draft of the Commission's income and expenditure account in segmented form.

¹ See Financial Regulation C.4.(a)

3 BREAKDOWN OF WORK INTO EACH SEGMENT

Administration: This heading is proposed to include (1) all costs associated with arranging Commission, Scientific Committee and other subsidiary body meetings, as well as staff time spent on the organisation of meetings; (2) all costs and staff time associated with the purchase and maintenance of the Secretariat assets; (3) all costs and staff time associated with management of the Commission's financial affairs, including the costs of administering all contracts and sub-contractors (regardless of the nature of the contract) and costs associated with the independent audit process and (4) all costs associated with the establishment and maintenance of the Secretariat's administrative databases (e.g. the contacts database). It would also include the funds allocated as Provisions in the financial statements for unpaid contributions, interest due on unpaid contributions and severance pay.

Cetacean Conservation: This heading is proposed to include (1) all activities arising from the Conservation Committee plus those activities of the Scientific Committee which are solely or primarily dedicated towards cetacean conservation; (2) Those activities funded through the Research Fund which are solely or primarily aimed towards cetacean conservation; (3) all Secretariat staff time involved in supporting conservation work

Whaling Management: This heading is proposed to include (1) all activities of the Scientific Committee excepting those covered under cetacean conservation or data archiving; (2) all activities funded through the research fund other than those allocated to Conservation or Data Archiving; (3) all activities related to Aboriginal Subsistence Whaling and the ASW Sub-committee; (4) all activities arising through the Commission's working group on Whale Killing Methods and Associated Welfare Issues.

Data Archiving: This heading is proposed to include all work, staff time and contractor fees associated with the continued population and development of the Commission's specialist databases. These include the catch database, sightings database, markings database, ship strikes database and scientific progress report database. This proposal reflects the use of the databases to inform both conservation assessments of cetacean populations (especially assessments of trend of whale populations) as well as whaling management.

Communications: This heading is proposed to include all staff time and contractor fees associated with the drafting, proofreading, editing and publication (whether in hard copy or electronically) of (1) the Commission's annual report and Chair's report of the annual meeting; (2) the regular and special issues of the Journal of Cetacean Research and Management, including the Supplement which contains the published Annual Report of the meeting of the Scientific Committee; (3) the Commission's website and (4) the on-going process of collating, scanning and electronic publication of the Commission's historic papers and reports.

Annex 1 provides an illustrative example of how segmented reporting could be used for the IWC's Income & Expenditure statement. In this example income streams are reported only as a total figure since the ICGSF has not proposed a mechanism for adapting the budgeting process to allocate the different income streams to individual segments. However, as proposed by the ICGSF, expenditure and financial provisions are broken down to segment.

4 NOTE ON STAFF COSTS

The Commission's Secretariat employs between 15-20 staff, with most staff members engaged in more than one of the above segments. This paper proposes that staff time is allocated to segment based on an annual assessment of the average percentage time spent on each activity. This annual assessment would be made by each staff member prior to the production of the annual accounts.

5 NOTE ON RECOMMENDATION 3

Recommendation 3 proposes that the IWC Chair, Secretary and Committee Chairs should provide a brief summary statement outlining the activities undertaken by their group over the preceding year and other relevant matters.

The Secretary supports this proposal, and suggests that the summary statements plus the financial figures be placed at the beginning of the Annual Report prior to the Chair's report of the Annual Meeting.

Appendix One: Example format of segmented Income and Expenditure Statement

All figures are fictitious and included for illustrative example only

Income	Administration	Whaling	Conservation	Data Archiving	Communications	Total
Contributions from member governments						1,600,000
Interest on overdue financial contributions						8,000
Voluntary contributions for all funds						335,000
Sales of publications						8,000
Sales of sponsored publications						5,000
Observer's registration fees						50,000
UK taxes recoverable						25,000
Staff Assessments						175,000
Interest receivable						5,000
Sundry income						200
						<hr/> 2,211,200
Expenditure						
Secretariat	250,000	250,000	250,000	250,000	250,000	1,250,000
Publications	-	-	-	-	20,000	20,000
Annual Meetings	370,00	-	-	-	-	370,000
Other Meetings	40,000	-	-	-	-	40,000
Research Expenditure	-	150,000	150,000	80,000	-	380,000
Small Cetaceans	-	-	250,000	-	-	250,000
SORP (voluntary Fund)	-	-	250,000	-	-	250,000
Conservation Management fund	-	-	50,000	-	-	50,000
Operations (voluntary fund)	2,000	-	-	-	-	2,000
IWC – Other work fund	-	-	2,000	-	-	2,000
Gray whale tagging (voluntary fund)	-	-	200,000	-	-	200,000
						<hr/> 2,814,000
Provisions made for:						
Unpaid contributions	80,000					80,000
Unpaid interest on overdue contributions	4,000					4,000
Severance pay	20,000					20,000
Other doubtful debts	2,000					2,000
						<hr/> 106,000
(Deficit)/Surplus for the year before transfers						(708,800)
						<hr/>
Net transfers to/(from) Income and Expenditure Account						
Publications fund					(50,000)	(50,000)
Research fund		(80,000)	(80,000)			(160,000)
Small cetaceans fund			(50,000)			(50,000)
Annual Meeting fund	3,000					3,000
SORP fund			(100,000)			(100,000)
CMP fund			(20,000)			(20,000)
Operations fund	1,000					1,000
IWC-Other work fund	1,000					1,000
Gray whale tagging fund			(200,000)			(200,000)
						<hr/> (575,000)
Surplus/(deficit) for the year after transfers						(133,800)
						<hr/>