

Process for changing the Commission’s Financial Year

Background

At IWC64 in Panama in 2012 the Commission endorsed a Finance and Administration Committee recommendation to change the timing of the financial year to run from 1 January to 31 December. This decision will:

- 1) allow the Commission to approve a budget for the forthcoming financial year when it meets biennially in September or October;

and

- 2) mean that the Commission’s financial year will be the same as the financial year of the majority of Contracting Parties. This is expected to assist the collection of payments as invoices can be issued at the start of the year.

The process for changing the Commission’s financial year was discussed by the Bureau at its 2013 in person meeting. Two decisions are required at IWC64, these being (1) changes to the Rules of Procedure and Financial Regulations to change the financial year dates and payment due dates; and (2) agreement on the process for providing invoices for the ‘bridge’ period between the end of the current financial year and the start of the new one.

Timeline

Financial Year	Time Period (months)	Status of Budget	Invoices issued:
1 Sept 2012 to 31 Aug 2013	12	Budget agreed IWC64	September 2012
1 Sept 2013 to 31 Aug 2014	12	Budget agreed IWC64	September 2013
1 Sept 2014 to 31 Dec 2014	4 ‘Bridge Period’	IWC65 will set budget	After IWC65
1 Jan 2015 to 31 Dec 2015	12	IWC65 will set budget	After IWC65
1 Jan 2016 to 31 Dec 2016	12	IWC65 will set budget	Jan 2015

Changes Required to Rules of Procedure

Changes are required to three rules of procedure to reflect the different timings:

Rule of Procedure K.1:

1. The financial year of the Commission shall be from 1st ~~September~~ **January** to 31st ~~August~~ **December**.

Financial Regulation B.1

1. The financial year of the Commission shall be from 1st ~~September~~ **January** to 31st ~~August~~ **December** (Rules of Procedure, Rule K.1).

Financial Regulation E.2:

2. Payment shall be in pounds sterling, drafts being made payable to the International Whaling Commission and shall be payable within 90 days of the said request from the Secretary or by the following ~~28 February~~ **30 June**, the 'due date' whichever is the later. It shall be open to any Contracting Government to postpone the payment of any increased portion of the amount which shall be payable in full by the following ~~31 August~~ **December**, which then becomes the 'due date'. Payment shall be by bank transfer from an account belonging to the Contracting Government or to a state institution of that Government.

Process for Providing Invoices for the Bridge Period

A four month bridge period exists following the end of the 2013-2014 financial year on 31 August 2014, and the start of the new financial year on 1 January 2015.

During this four month period operating costs will be minimal. The total fees due from Contracting Governments to maintain operations during this period will be £377k

Advice from the Bureau was that two invoices should be issued simultaneously after IWC65. One should be a 12 month period covering 1 January 2015 to 31 December 2015 payable within six months in accordance with current Rules of Procedure.

The other invoice should be for the 4 month bridging period payable by 30 June 2018 (i.e. four years from date of issue). The Bureau advised that this would allow some governments to pay the full amount associated with the bridging period immediately, while others may wish to pay a certain amount each year while still others may wish to defer payment until 2018.

Application of Suspension of Voting Rights for non-payment of the bridge period invoice

Financial Regulation F.2 states 'If a Contracting Government's annual payments, including any interest due, have not been received by the Commission by the earliest of these dates:

- 3 months following the due date; or
- The day before the first day of the next Biennial or Special Meeting of the Commission or Meeting of the Bureau if such a meeting is held within 3 months following the due date; or,
- In the case of a vote by postal or other means, the date upon which votes must be received if this falls within 3 months following the due date,

the right to vote of the Contracting Government concerned shall be suspended as provided under Rule of Procedure E.2 of the Rules of Procedure'.

Under the Bureau's suggestion, the 'due date' for the invoice arising from the bridging period will be 30 June 2018. Thus applying Financial Regulation F.2 means that votes would be suspended three months later, i.e. on **30 September 2018** for non-payment of the invoice associated with the bridging period.

Effect on the Commission's Financial Reserve

The provisional financial statement anticipates the level of the General Fund will be £1,032k as of 31 August 2014. The total contributions due from Contracting Governments for this time will be £377k (see description above).

Any failure to pay will cause a decrease in the level of the General Fund. The minimum balance (if no Contracting Governments pay) will be £1032 - £377 = £655k

A balance of £655k is substantially below the Commission's designated reserve level, but still adequate to avoid any immediate issues with insolvency through cash flow problems.