



Agreement on the Conservation of Albatrosses and Petrels

Second Meeting of the Parties

Christchurch, New Zealand, 13 – 17 November 2006

Interim Financial Report 2006

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Interim Financial Report 2006

Purpose

To provide an interim financial report for the 2006 financial year.¹

Background

The first Meeting of Parties (MoP) approved a budget for the Agreement of US\$ 200,000 per annum for the 2005 and 2006 financial years (Resolution 1.2) based on scales of contribution set out in Resolution 1.3. MoP1 also adopted financial regulations for ACAP (Annex 5 of MoP1 report). These require, amongst other things, that:

Financial Regulation 10.2

- The Executive Secretary shall submit to the Parties annual financial statements showing for the previous financial year:
 - (a) the income and expenditure relating to all funds and accounts;
 - (b) the situation with regard to budget provisions, including:
 - (i) the original budget provisions;
 - (ii) the approved expenditure in excess of the original budget provisions;
 - (iii) any other income;
 - (iv) the amounts charged against these provisions and other income;
 - (c) the financial assets and liabilities of the Secretariat and Advisory Committee;
 - (d) details of investments; and
 - (e) losses of assets proposed in accordance with Regulation 9.3 and that;
- Parties are informed on the position of any arrears in payment of contributions (Financial Regulation 5.9).

This paper provides this information for the 2006 financial year. The financial statement for the 2005 financial year is attached to the Auditor's Report (MoP 2 Doc10).

In the two years since MoP 1 a number of efficiencies have been identified that would improve the financial management of the Agreement budget. These are put forward for the consideration of the Parties in meeting documents MoP 2 Doc 6 'Amendments to the Rules of Procedure'; MoP 2 Doc 14 'Staff Regulations for the Agreement Secretariat'; MoP 2 Doc 15 'Amendments to the Financial Regulations' and MoP 2 Doc 24 'Agreement Budget 2007-2009'.

A number of the proposed changes have been considered by the Advisory Committee. It agreed to recommend to the Meeting of Parties that:

- the budget be presented in Australian dollars rather than United States dollars;
- amendments be made to the line items in the budget;
- consideration be given to allocating extra funding for Secretariat staffing; and
- adoption of the format used in this report for the annual financial statement provided to Parties in accordance with financial regulation 10.2.

In accordance with the interim arrangements for the Secretariat all funds for the Agreement Budget are held by the Australian Government Antarctic Division (AGAD), Department of

¹ The 2006 financial report will be updated closer to the date of the meeting to reflect expenditure incurred on MoP 2. A revision of this paper will be produced at that time.

Environment and Heritage. All income and expenditure for the Agreement is processed through AGAD in accordance with its financial management and accounting procedures.

The Tasmanian Government has indicated that it would be prepared to provide this service to the Agreement, at no cost, following the permanent establishment of the Secretariat. If the Meeting of Parties decides to accept this offer it is recommended that a Memorandum of Understanding is prepared between the Tasmanian Government and the Agreement Secretariat to formalise this arrangement.

For clarity, the following report has separated annual contributions from voluntary contributions and recorded these as belonging to either the General Fund or the Special Fund, in accordance with Financial Regulation 6.

Income

Income for the 2006 financial year is presented in Table 1 (AUS\$). The table includes annual contributions and voluntary contributions. Contributions for 2006 were converted from \$US to \$AUS using the exchange rate at 7 February 2006 (\$US 1.00 - \$AUS 1.34). All receipts in currencies other than \$AUS are converted at the exchange rate of the day.

Annual contributions for the 2006 financial year have been received from Australia, France, New Zealand, and the United Kingdom. Part year contributions from new Parties, Argentina and Chile are not payable until 1 January 2007. .

Additional voluntary contributions were received from the United Kingdom and New Zealand. These contributions are designated as Special Funds, in accordance with Regulation 7 of the Financial Regulations.

Table 1. Income

ACAP INCOME STATEMENT 2006		BUDGET 2006	ACTUAL 2006
		AUS\$	AUS\$
	CONTRIBUTIONS FROM PARTIES		
	Argentina*	4,490	
	Australia	67,300	67,300
	Chile*	2,920	
	Ecuador	2,700	0
	France	67,330	67,300
	New Zealand	51,200	51,200
	Peru	3,800	0
	Spain	33,700	0
	South Africa	27,000	0
	United Kingdom	87,500	87,500
	Sub-total (contributions)	347,940	273,300

	Funds carried forward from 2005	171,361	171,361
	Total Income General Fund	519,301	444,661
	OTHER INCOME		
	Special Funds (Voluntary Contributions)		
	United Kingdom (£10,000)	24,774	24,774
	New Zealand (NZ\$10,000)	7,643	7,643
	Special Funds carried forward from 2005	107,635	107,635
	Sub-total Special Fund	140,052	140,052
	TOTAL INCOME	659,353	584,713

Expenditure

Expenditure from the General Fund for the 2006 financial year is presented below in Table 2. Allocations and expenditure are recorded against the line items agreed to at AC 1.

Expenditure in excess of the original budget provision is likely to occur against line items 1.1, 2.2, 3.2 and 5.1 due primarily to the carry forward of commitments outstanding from 2005.

Expenditure against Special Funds is shown in Table 3.

Table 2. Expenditure – General Fund

EXPENDITURE – General Fund		Budget 2006 AUS \$	Estimated Expenditure AUS \$	Variance +/- 2006 AUS \$
Line Item	DESCRIPTION			
1	SECRETARIAT			
1.1	Staff salaries	85,150	123,517	38,367
1.2	Staff support	21,615	21,615	0
1.3	Office equipment and support	55,675	61,353	5,678
	Subtotal (1)	162,440	206,485	-44,045
2	MEETINGS OF THE PARTIES (MOP)			
2.1	Interpretation	23,580	28,000	-4,420
2.2	Venue and meeting support costs	14,410	16,800	-2,390
2.3	Sponsorship	0	0	0
	Subtotal (2)	37,990	44,800	-6,810

3	MEETINGS OF ADVISORY COMMITTEE			
3.1	Interpretation	24,130	11,100	13,030
3.2	Venue and meeting support costs	7,450	26,800	-19,350
3.3	Sponsorship	5,405	0	5,405
	Subtotal (3)	36,985	37,900	-915
5	TRANSLATION COSTS (DOCUMENTS)			
5.1	Translation costs (documents)	54,060	100,000	-45,940
	Subtotal (5)	54,060	100000	-45,940
	TOTAL EXPENDITURE (1-5)	291,475	389,185	-97,710

The estimated over-expenditures in 2006 are largely a result of undischarged commitments carried forward from 2005, as shown in Table 4 below. Income is available from the 2005 allocations to cover these over-expenditures.

Table 3. Expenditure - Special Fund

The Special Fund consists of voluntary contributions carried forward from 2005 as well as new voluntary contributions received from the United Kingdom and New Zealand for support of the second Meeting of Parties..

EXPENDITURE - Special Fund		Allocation 2006 AUS \$	Estimated Exp AUS \$
Line	DESCRIPTION		
Item			
4.1	Capacity Building Fund (Article IV)	0	0
4.2	Advisory Committee Work Programme		
	Establishment of database	20,000	0
	Analysis remote tracking data	25,000	15,000
	AC2 – Support for experts	10,000	10,000
	Staffing support – Secretariat	20,000	20,000
	Unallocated	32,000	0
4.3	Contingency Fund	0	0
4.4	UK voluntary contribution – support for delegates MoP2	24,774	24,774
	NZ voluntary contribution – meeting support	7,643	7,643
	Subtotal (4)	139,417	77,417

Undischarged Commitments

Undischarged commitments consist of financial commitments entered into in 2005 that remained undischarged at the end of that financial year. These commitments were carried over and included in the 2006 budget in accordance with financial regulation 4.3. Table 4 below shows undischarged commitments carried forward to the 2006 financial year in the General and Special Funds.

Table 4. Undischarged Commitments

UNDISCHARGED COMMITMENTS	C'FWD TO 2006 \$ AUS
GENERAL FUND	0
Staff Salaries	38,367
Computer purchases	5,678
Interpretation costs	17,528
Sub-total General Fund	61,573
SPECIAL FUND - Advisory Committee Work Programme	
Bibliographic database for Taxonomy Working Group	2,000
Analysis of remote tracking data	25,000
Subtotal Special Fund	27,000
Total Undischarged Commitments 2005	88,573

Summary of Income and Expenditure

A summary of income and expenditure for the 2006 financial year is provided in Table 5.

Table 5. Income and Expenditure 2006

Fund Description	Income	Expenditure	Balance AUD
General Fund	519,301	389,185	130,116
Special Fund	140,052	77,417	62,635
Totals	659,353	466,602	192,751

Financial Assets and Liabilities

The total financial assets of the Agreement budget consist of the cash remaining in the General and Special Funds. At the end of the 2006 financial year cash remaining in these funds is expected to be AUD 130,116 and AUD 62,635 respectively.

The total liabilities of the Agreement budget at the end of the 2006 financial year are expected to consist of undischarged commitments from the Special fund, totalling AUD 10,000.

Investments

No investments are held by the Secretariat.

Losses of Assets

The only assets owned by the Secretariat are the financial assets in the General and Special Funds. No losses of assets are anticipated in 2006, subject to Parties paying outstanding contributions.

Explanatory Notes to the 2006 Financial Statements

Expenditure in 2006 is expected to be above the budget allocation due to of the carry over of undischarged commitments from the 2005 financial year. A significant surplus is however, expected to be available at the end of the 2006 financial year due to additional funds being available from new Parties joining the Agreement and because of the operating costs of the interim Secretariat being substantially underwritten by Australia and the United Kingdom, as well as significant in-kind contributions being provided by New Zealand and the United States

The following options for the use of this surplus are provided for consideration of the Parties:

1. Allocate to the Advisory Committee Work Programme for 2007-2009
2. Place in an investment account and use the income generated to fund the Advisory Committee Work Programme

Action by the Meeting of Parties

The Meeting of Parties is asked to:

1. Urge Parties that have not yet provided their 2005 and 2006 contributions to facilitate payment as a matter of urgency;
2. Give consideration to the measures proposed in MoP2 Doc 15 to improve the financial management of the Agreement Budget.
3. Give consideration to the options proposed for use of the cash surplus