

INTER-AMERICAN TROPICAL TUNA COMMISSION
COMMITTEE ON ADMINISTRATION AND FINANCE
11TH MEETING
Panama City, Panama
28 August 2024

MEETING REPORT

AGENDA

	Documents
1. Opening of the meeting	
2. Adoption of the agenda	
3. Review of the financial audit report	
3a. Review of the formula for the financial calculation of contributions	
4. Review of budgets for 2025 and 2026	
5. Financial contributions of Members:	
5a. Regular budget (Resolution C-15-05)	
5b. Special Fund for promoting institutional capacity-building (Resolution C-14-03)	
5c. Program to monitor transshipments at sea	
6. Review and update of the financial regulations of the Commission	
7. Other business	
8. Recommendations to the Commission	
9. Adjournment	

APPENDICES

The 11th meeting of the Committee on Administration and Finance was held in Panama City, Panama, on 28 August 2024.

Opening of the meeting

The meeting was opened by the Chair of the Committee, Ms. Rachael Wadsworth of the United States. She gave the floor to each of the delegations so that they could introduce themselves. Present in the room were Belize, Canada, China, Chinese Taipei, Colombia, Costa Rica, Ecuador, El Salvador, the European Union, Guatemala, Japan, Korea, Mexico, Panama, Peru, the United States, and Venezuela.

Adoption of the agenda

The provisional agenda was adopted with the introduction, at Guatemala’s request, of a review of the proposed financial formula as item 3a. It was recalled that at the meeting in Victoria, Canada, in 2023, there were requests to change the application of the GNI portion for some countries, given the abrupt changes in contribution for some developing Members, which expressed their objection to the formula as a result of the fact these requests were unsuccessful. They thus consider that this formula ceased to be in effect from the time of the objection.

Several delegations (Panama, El Salvador and Guatemala) began discussion on the fact that the CAF meeting report should reflect the objections to the funding formula, and the minutes of the 101st meeting of the IATTC should be amended because the objection was raised at that meeting. There was no consensus for the CAF to recommend making amendments to the minutes of the 101st plenary meeting of the IATTC.

These countries recalled that, during the meeting in Victoria, Canada, in 2023, several Members expressed concern over the application of the current contribution formula contained in Resolution C-15-05, as some Members had jumped two GNI categories in one year, significantly increasing their annual contribution.

Review of the financial audit report

The audit results were presented by a consultant from the auditing firm Moss Adams, starting with the governance communication and the financial statements.

Guatemala noted that this was the first time an oral presentation by the consultant of the audit report was provided with an informative letter and asked whether this letter was usually part of the report. In response, it was informed that these documents were standard and this was done every year to report any important matters that should be emphasized. It was mentioned that there was a need to conduct these oral presentations by the consultant in the future highlight any relevant recommendations.

Likewise, the Guatemalan delegation asked if audit of the AIDCP financial statements was carried out separately and inquired as to the suitability of switching to a separate accounting system for proper internal control.

The consultant confirmed that the audit is comprehensive as it is a single entity of which the AIDCP is a part. He also noted that the accounting system is separate and that the same standards are applied to audit the whole entity. He offered advice if Members wished to introduce separate accounting, but this would involve additional work.

Based on the consultant's explanation, Colombia expressed concern about having two separate legal instruments and only one accounting, and also mentioned that there was no clear separation of cash management between the AIDCP and the IATTC.

The consultant explained that there are in fact two separate accountings and noted that, from an audit point of view, it is not easy to extract funds independently without having fund accounting in place.

Guatemala thanked the consultant for his presentation of the audit report, as it was the first time it had been presented at the Finance Committee meeting, and noted that it was very informative and confirmed that the AIDCP is a legal instrument with separate governance and that the Secretariat is required to keep separate accounting.

The consultant proceeded to present the communication on internal control where he pointed out the following deficiencies and recommendations:

- The Senior Administrator has administrator rights to the accounting software and recommend that they be limited so that only IT has administrator rights, and all requests for user access level changes go through written authorization process.
- We recommend management develop a process in which they compare its revenue recognition journal entries to the cumulative balance in contractual revenue, per contract, alongside its tracking of the required match. We understand management has already corrected the matter as of the date of this letter.
- The Commission does not currently have written policies for controls over the key cycles in the financial close and reporting process (Accounting Manual) that document procedures and controls including the review by the Director of the Commission of the monthly financial statements and bank statements. We recommend that all policies be documented in writing.

- We recommend that the Commission review its current policies and provide any suggested changes to the Commissioners for their review and consideration. We believe it is in the Commission's best interest to formalize its policy covering transactions and relationships that could involve potential conflicts-of-interest. Included should be a policy in which the Commissioners avoid situations where their personal interests could conflict with, or appear to conflict with, the interest of the Commission. The policy should provide for annual statements for Commissioners certifying their compliances with the policy. These annual statements should be reviewed by top-level management and the Commissioners.

Guatemala thanked the consultant for the report and asked about the recommendations presented and whether they were new or had been reported previously; and then asked about the accounting manual and requested an explanation of the type of manual provided.

The consultant replied that several were repetitive, but not considered a material weakness. The auditor noted that the last financial regulations were received in 2008.

Belize also expressed appreciation for the audit report, noting that on page 14 it was stated that there was an outstanding balance of contributions of approximately US\$5.6 million, of which, for example, in the case of Venezuela, there was an outstanding balance from 2017, and requested clarification on the updated status of these payments.

The consultant mentioned that the Commission would be the appropriate body to answer this question.

The United States brought to the consultant's attention within the Internal Control Letter within the IT section and requested clarification of the statement *"...In addition, the Commission is a smaller organization with a limited number of transactions which increases the likelihood that unauthorized transactions would go undetected through other mitigating controls such as review of the financial statements..."*

The consultant confirmed that there was an error within the text, noting that the number of transactions would *decrease*, not *increase*, the likelihood of unauthorized transactions would go undetected and would provide the Commission with a corrected version of the report.

Guatemala requested to receive the corrected document.

The Director interceded by stating that management has taken steps toward resolving the recommendations listed within the internal control memo by:

- 1) Revoking the Senior Administrator's access as an administrator within the accounting system, limiting it to the IT staff.
- 2) Although a formal written accounting manual is not available, a series of written documentation of accounting procedures to be utilized in compiling the manual.
- 3) Finally, there is a written conflict of interest policy that we have discussed with our scientists.

The Chair pointed out the necessity and importance of following up on the audit recommendations and the lunch break took place.

Guatemala accepted the auditor's report and mentioned that it wanted to initiate the discussion on the preparation of the financial statements. It also accepted the recommendations in the report on internal controls and proposed that the Committee endorse it, mentioning that the most important thing is to ensure that the IATTC and AIDCP accounts are accounted for separately and that the Director provide an update on the status of the recommendations made by this audit.

Guatemala also asked for clarification on the responsibility of the IATTC in regard to the International Pension Fund deficit of approximately US\$ 2.475 million.

The Director explained that the AIDCP accounting is handled separately but using the same accounting

system, and that the bank accounts are kept independently and with different banks.

The Director asked Ms. Roa, Senior Administrator Officer, to explain how the cash is handled and she gave a presentation detailing the various accounts and the staff who handles each one.

She also explained the status of the Pension Fund, presented the actuarial report and indicated that the report prepared by the Chair of the Pension Fund would be translated and sent out after the meetings.

Guatemala noted that it would be positive to follow the progress made by AIDCP members in creating an *Ad Hoc* Working Group, which determined the terms of reference for hiring a specialist and invited the Chair of the AIDCP to convene the CAF to work jointly to strengthen the finances of this organization.

The Chair asked Ms. Roa, Senior Administrator Officer, to present the proposals of the four auditors for consideration by the Members.

Colombia asked to have the information on the proposals from audit firms in both languages and in a comparative table, which was seconded by Guatemala and Ecuador. After a long discussion, the CAF was unable to reach a consensus to continue using the existing auditor, Moss Adams, or to select one of the four auditors based on the proposals provided by the Secretariat. Further information was requested about the cost of a new audit by Moss Adams for 2025, in order to compare this with the other auditors' proposals.

3a. Review of the formula for the financial calculation of contributions

This agenda item began with a presentation by the Director of proposals IATTC-102 F-1(VAR) and IATTC-102 F-2 (CAN).

It was recalled that two proposals had been submitted to amend the existing formula:

Proposal by Canada. This proposal recognizes the financial pressures that significant jumps in contributions from year to year can have on Members and offers an alternative to the GNI “categories” to apply a Member’s GNI in the contribution formula: the use of a factor model. The factor model method could mitigate significant increases in Member contributions from year to year, such as those experienced in recent years using the GNI category model.

Proposal by Belize, Colombia, Costa Rica, El Salvador, Guatemala, Nicaragua, Panama, and Peru.

This proposes a change in the formula with variations in a) broadening the factors, increasing the categories to 7, to ensure an appropriately proportional contribution to the country indexes, b) revising the figures that determine the limits of the ranges, and c) using a five-year average of GNI instead of an annual update. In terms of validity, the measure is assumed to be stable for 3 years with automatic extensions under the same scheme as the measure being amended.

No progress was made in consensus agreements for this formula, so the Committee decided to refer it to the meeting of the Commission.

Various scenarios requested by Members were presented, including the original formula, with examples showing how these proposals would be applied and how they would be reflected in each Member’s contributions.

Review of budgets for 2025 and 2026

Senior Administrator Ms. Nora Roa presented the budget for 2025, explaining the accounting system in detail and indicating that all expenses were recorded by category, project, and source of funds. After careful review of the requested budget for 2025, the anticipated necessary budget is **US\$ 9,656,897**, reflecting a 1.8% increase over the approved budget for 2024. Similarly, the projected budget for 2026 is US\$ 9,257,691.

Mexico and Panama spoke to stress that they were unable to accept contributions greater than those of 2024. Guatemala asked Mexico if it was unable to increase its contribution with respect to the previous year’s amount or the amount resulting from the new formula. Mexico clarified that it could not increase the 2024

amount. The main comments made in this part of the discussion on the budget were as follows:

- An explanation of the pension fund is needed in a clear document.
- Consideration should be given to the possibility of holding mostly virtual meetings to save resources.
- To use the 2024 budget for 2025, plus inflation.
- To clearly identify the items that would be left out of this budget, which would be equivalent to that of 2024, in the implementation of the projects already identified.
- To identify additional funding for the budget.
- The budget proposed by the Secretariat is acceptable, but the problem is seeing how this funding will be raised. It is concerning that the Committee on Administration and Finance has not found another avenue to obtain this funding.
- A request was made to the Secretariat for a monthly exercise or report to track spending.

Considering the above comments, the Chair noted that she had so far recorded support for the requested budget amount, and the pending issue would be to determine how contributions would be split between Members to cover this budget.

After intense discussion and with no agreement reached, the Working Group decided to submit the requested budget amount (**US\$ 9,656,897**) for the consideration of the Commission.

5. Financial contributions of Members

a) Regular budget (Resolution [C-15-05](#))

Ms. Nora Roa, of the IATTC staff, reported that as of 31 July 2024, there were outstanding contributions totaling US\$ 6,979,201. This amount includes arrears owed by Venezuela (US\$ 1,930,325), Panama (US\$ 1,811,132), Ecuador (US\$ 1,679,744), Mexico (US\$ 1,155,833), Colombia (US\$ 282,309), Guatemala (US\$ 75,356), and Kiribati (US\$ 44,452).

Colombia stated that the outstanding payment was the result of a delay due to processing issues and that it would pay soon. Panama indicated that it was in the process of making payments in accordance with the established schedule. Ecuador reported that payment was being processed.

b) Special Fund for promoting institutional capacity-building (Resolution [C-14-03](#))

Mr. Ricardo Belmontes, of the Commission staff, presented Document CAF-11-02, [Special Fund for promoting institutional capacity-building](#), established by Resolution C-14-03. He reported that the balance of the fund stood at US\$ 522,159 as of 31 July 2024.

The activities planned and approved to be carried out with resources from the Fund for 2023 and 2024 were only partially implemented due to workloads and the number of meetings held in 2023 and 2024. For the remainder of 2024 and for 2025, the following activities are planned to be carried out using resources from the Fund:

- Second training workshop: Introduction to methods used in tropical tuna stock assessments. (A first workshop will be carried out following the annual meeting of the IATTC in Panama. Similarly, a second workshop is planned in 2025.)
- Training seminar/workshop on sea turtle mitigation techniques pursuant to Resolution C-19-04.
- Training seminars for port inspections pursuant to Resolution C-21-07.
- Annual IATTC scholarship for scientific capacity building in developing CPCs (three-month visit to the IATTC offices).

- Participation of representatives of developing Members in the annual meeting of the IATTC and its subsidiary bodies.

The Committee agreed to recommend to the Commission the approval of these activities.

c) Program to monitor transshipments at sea (Resolution C-22-03)

Mr. Ricardo Belmontes, of the Commission staff, presented the document [Regional observer program for transshipments at sea](#). His presentation was focused on the financial component of the program, since all operational aspects had been presented at the meeting of the Scientific Advisory Committee, while the compliance component would be submitted for the consideration of the Review Committee.

He reported that a budget of US\$ 1,000,000 was requested for 2025, to be divided as follows: a contribution of US\$ 800,000 payable by the participants in the program and split between them according to the agreed formula; the remainder (US\$ 200,000) would be covered with the accumulated surplus, thus maintaining a contingency fund of approximately US\$ 400,000.

The Committee agreed to recommend that the IATTC approve the requested budget, with the division of contributions and use of the existing surplus as described.

6. Review and update of the financial regulations of the Commission

This agenda item to review the financial regulations was deferred due to a lack of time to review or discuss the document. The CAF felt that this agenda item was too important to rush for lack of time, so it was deferred.

7. Other business

No other business was discussed.

8. Recommendations to the Commission

The Committee agreed to submit the following recommendations to the Commission:

1. To consider and adopt the recommendations made by the auditing firm Moss Adams, contained in the letters addressed to the Commissioners “Communications on matters related to internal control issues” and “Communications to those charged with governance,” both dated 12 August 2024, taking note that the conflict-of-interest recommendation should be applicable to the employees of the Commission and not the Commissioners.
2. To charge the Director with implementing, as the Commission considers feasible and appropriate, the recommendations issued by the auditor, listed in the preceding paragraph, and to report back to the Commissioners and the Chair on progress. When appropriate, call intersessional meetings of the Committee on Administration and Finance (CAF) to analyze these recommendations and related matters and advise the Commission.
3. To instruct the CAF to evaluate, in coordination with the *Ad Hoc* Working Group on the Financial Strengthening of the AIDCP, the findings and recommendations of the “Consultancy to Evaluate the Budgetary and Financial Instruments, Rules, Tools and Financial, Accountancy and Budgetary Practices Observed in the AIDCP,” including the IATTC in the scope of this evaluation and advise the Commission on appropriate actions in response to these findings and recommendations.
4. To request that the Director include, in the Annual Results and Budgets Report to the CAF, the allocation table showing the proportion of Secretariat work time allocated to the AIDCP and IATTC, an explanation of how these allocations were made and how this informed the preparation of the line items for the corresponding budgets for this staff work time.
5. To submit for the consideration of the IATTC a 2025 budget for US\$ 9,656,897.

6. On the special fund to support developing countries, it was agreed to recommend implementation of the activities contained in Section 5b) of this report for 2024-2025.
7. With respect to the observer program for transshipments at sea, to adopt for 2025 the budget contained in Section 5c) of this report.

9. Adjournment

The meeting was adjourned at 5:00 p.m., Panama City time, on 6 September 2024.

DRAFT