

3 May 2007

IOTC CIRCULAR 11/07 - CIRCULAIRE CTOI 11/07

**SUBJECT: ACTIONS ARISING FROM THE 10TH SESSION OF THE COMMISSION –
DISTRIBUTION OF THE FAO AUDIT REPORT ON IOTC**

In accordance with the actions requested by the 10th Session of the Commission please find attached the requested excerpts from audit report on administrative matters concerning IOTC by the Office of the Inspector General (FAO), dated May 2005.

**OBJET : SUITES DE LA 10^{ÈME} SESSION DE LA COMMISSION – DISTRIBUTION DU
RAPPORT D'AUDIT DE LA CTOI PAR LA FAO**

Conformément aux souhaits exprimés lors de la 10^{ème} session de la Commission, veuillez trouver ci-joints les extraits requis du rapport de l'audit administratif de la CTOI par le Bureau de l'inspecteur général (FAO), daté de mai 2005.

Yours sincerely / Sincèrement

Alejandro Anganuzzi
Executive Secretary / Secrétaire exécutif

Attachments / Pièces jointes :

- Letter from Chairperson IOTC to Executive Secretary IOTC dated 19 mars 2007 / Lettre du Président de CTOI pour Secrétaire exécutif CTOI daté 19 mars 2007
- Audit report on Administrative matters concerning IOTC by the Office of the Inspector General FAO, dated May 2005 (English only / Uniquement en Anglais).

Distribution:

Members / Membres

Australia *J. Kalish*
China *Z. Liling*
Comoros *A. Soilihi*
Eritrea *A. Ghebretinsae*
EC *R. Cesari*
France *D. Leguerrier*

Guinea *I. Sylla*
India *V. Somvanshi*
Iran *A. Mojahedi*
Japan *K. Katsuyama*
Kenya *H. Ndiema*
Korea *G. Park*

Madagascar *M. Andriamiseza*
Malaysia *F. Rahman*
Mauritius *D. Norungee*
Oman *A. Al-Hosni*
Pakistan *S. Raza*
Philippines *B. Tabios Jr.*

Seychelles *F. Racombo*
Sri Lanka *G. Piyasena*
Sudan *K. Latif*
Tanzania *S. Pamba*
Thailand *W. Jantrarotai*
United Kingdom *T. Humphries*
Vanuatu *M. Amos*

IOTC Chairperson / Président de la CTOI

E. Spencer

Cooperating non contracting parties / Parties coopérantes non contractantes

Belize *A. Mouzourouopoulos*

Indonesia *P. Tambunan*

Senegal *S. Ndaw*

South Africa *T. Akkers*

This message has been transmitted by email and fax.
Ce message a été transmis par courriel et télécopie.

iotc
ctoi**Indian Ocean Tuna Commission**
Commission des Thons de l'Océan Indien

19 March 2007

Mr. Alejandro ANGANUZZI
IOTC Executive Secretary
P.O. Box 1011
Fishing Port
Victoria
SEYCHELLES

Subject: FAO internal audit on the Indian Ocean Tuna Commission

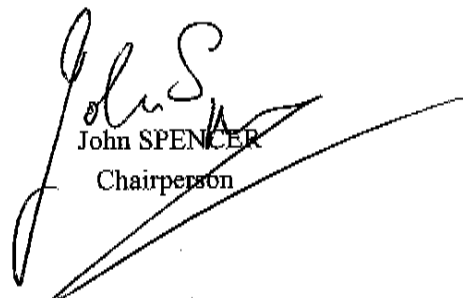
Dear Sir,

I wish to refer to the Report of the 10th Session of the Indian Ocean Tuna Commission and in particular to point 7, paragraph 30 (English version). In that regard, I have requested on behalf of the Commission on 22 December 2006, through a letter to FAO Director General, to make available to the Members the financial section from the report of the internal audit.

I have now received the requested document, which you will find here annexed and that I would kindly ask you to circulate among all IOTC Members with this cover letter.

Thank you in advance for your cooperation.

Yours sincerely,



John SPENCER
Chairperson

Note : ce qui suit est la traduction d'une télécopie en Anglais de John Spencer (président de la CTOI), reçue le 19 mars 2007 par le Secrétariat. Pour plus de détails, se reporter à l'original.

M. Alejandro Anganuzzi
Secrétaire exécutif
Commission des thons de l'océan Indien

Objet : Audit interne de la Commission des thons de l'océan Indien par la FAO

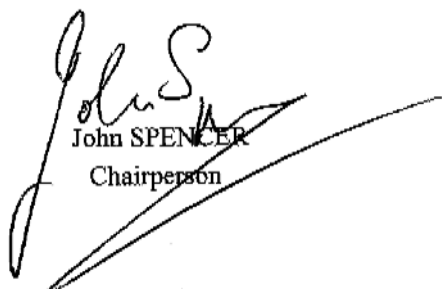
Cher Monsieur,

En référence au point 7 du paragraphe 30 (version anglaise) du rapport de la 10^{ème} session de la Commission des thons de l'océan Indien, j'ai, au nom de la Commission, demandé par écrit le 22 décembre 2006 au Directeur général de la FAO que soit mise à disposition des membres de la CTOI la section du rapport d'audit interne concernant les finances.

J'ai maintenant reçu ledit document, que vous trouverez ci-joint et que je vous demande de bien vouloir diffuser auprès de l'ensemble des membres, accompagné de la présente lettre.

Je vous remercie par avance de votre coopération.

Salutations,



John SPENCER
Chairperson

OFFICE OF THE INSPECTOR GENERAL

AUD 1805

Indian Ocean Tuna Commission:Administrative Issues

May 2005

This report contains confidential information for limited distribution to recipients designated by the Office of the Inspector-General of the FAO. Neither the report nor any of its contents should be disclosed to any other person unless such disclosure is expressly authorized by the Office of the Inspector General. The report must be safeguarded at all times to prevent unauthorized disclosure or other improper use of its contents. Unauthorized disclosure may result in legal or administrative proceedings including disciplinary action under the Staff Rules of FAO.

AUD 1805

OFFICE OF THE INSPECTOR GENERAL

Indian Ocean Tuna Commission: Administrative Issues**EXECUTIVE SUMMARY**

This is the second of two reports arising from our visit to the Indian Ocean Tuna Commission (IOTC) in November 2004. The first report, AUD 1705 (Indian Ocean Tuna Commission: Framework of Authorities), concluded that FAO had not provided sufficient support and guidance in the administration of the IOTC. This report deals with the legal agreements entered into by the IOTC, personnel issues and the system of financial controls.

Legal agreements signed by the IOTC contain obligations which could prove difficult to discharge. In future all such agreements should be referred to the competent FAO units for advice.

Recruitment procedures need further enhancement from FAO before they could provide sufficient assurance that the best available candidate has been identified and selected.

On financial matters, the new Secretary is taking steps to strengthen procedures. However much remains to be done: budgetary systems remain weak, the procedures for purchasing and processing payments are deficient and the accounting software and IT controls are highly insecure.

Urgent steps need to be taken to correct the shortcomings included in the report. The highest priority is to improve the system of financial control.

This report has been discussed with the Secretariat of the IOTC. They have agreed with the findings, and have welcomed the increased level of administrative support envisaged by the recommendations, provided that such support does not adversely affect the IOTC's functional autonomy. They also reported that they have started to take action to improve the system of financial controls.

Our recommendations are summarized in Annex 1, which also contains a timetable for implementation and comments from the relevant FAO line units and the Secretariat.

AUD 1805

OFFICE OF THE INSPECTOR GENERAL

Indian Ocean Tuna Commission: Administrative IssuesTABLE OF CONTENTS

	<u>Paragraph</u>
INTRODUCTION	1 - 4
SCOPE AND METHODOLOGY	5 - 6
AUDIT RESULTS AND RECOMMENDATIONS	
Legal agreements	7 - 12
Personnel matters	13 - 19
Financial controls	20 - 49

Annex 1: Schedule of Recommendations

Annex 2: Organigramme

Annex 3: Members of the IOTC Commission

Annex 4: 2004 IOTC Membership contributions

Annex 5: IOTC 2004 Budget and Outturn statement

AUD 1805

OFFICE OF THE INSPECTOR GENERAL

Indian Ocean Tuna Commission: Administrative Issues

INTRODUCTION

- 1 We visited the Indian Ocean Tuna Commission (IOTC) in November 2004 because of two events at the last session of the Commission in December 2003. The Commission announced the appointment of a new Secretary, using a revised procedure, which avoided FAO involvement from the evaluation of candidates. It also entered into a Memorandum of Understanding with the Indian Ocean Commission, despite advice from FAO (LEG) that the IOTC lacked legal personality outside the Seychelles. These matters were referred to the FAO Council through the Committee on Constitutional and Legal Matters (CCLM), who invited the Commission to ensure a greater role for FAO in the recruitment of the Secretary as foreseen in the statutes of the IOTC, and confirmed that the Secretary could only sign formal agreements under the authority of the Director-General.
- 2 The aim of the Indian Ocean Tuna Commission (IOTC) is to monitor and regulate the stock of tuna and tuna-like fishes. The IOTC was formed in March 1996, and is one of 16 bodies formed under Article XIV of the Basic Texts. Article XIV places the IOTC under the umbrella of the FAO, but gives it significant autonomy in determining its activities and priorities.
- 3 The budget of the IOTC, which averages around \$1m a year, is set and entirely funded by its 23 Members (listed in Annex 2). FAO is responsible for the administrative supervision of the Secretariat, and does not provide any additional direct financial support. FIPL is the budget holder, and FIPD is the main body within FAO responsible for overseeing the performance of the IOTC. The expenses of the IOTC are represented within FAO's accounts as a Trust Fund.

- 4 The IOTC is based in Mahé in the Seychelles and has a staff of 14, headed by a Secretary (see Annex 3). This is the first AUD visit to the IOTC. For the purposes of this report, we use IOTC to refer to the organization as a whole, the Commission to refer to its governing body and the Secretariat to its staff.

SCOPE AND METHODOLOGY

- 5 This is the second report on the IOTC. The previous report (AUD 1705: Indian Ocean Tuna Commission: Framework of Authorities) concluded that FAO had not provided sufficient support and guidance in the administration of the IOTC. This report examines the legal agreements entered into by the IOTC, personnel issues and the system of financial controls.
- 6 The findings in this report are derived from systems review, document examination, including a targeted sample of transactions, and interviews with staff of the IOTC and units within FAO Headquarters. The report was discussed in draft with the Secretary of the IOTC, FIPD, LEG, AFF, AFH and FAOR Madagascar, and was amended to reflect their comments.

AUDIT RESULTS AND RECOMMENDATIONS

Legal agreements

- 7 The FAO Council, under advice from the CCLM, concluded in November 2004 that the IOTC did not have legal personality to enter into agreements outside the Seychelles. It further recommended that contracts and agreements, other than informal working arrangements, "*should be reported to the Organization prior to conclusion, with a view to ascertaining any possible policy, programme or financial implications for the Organization*".¹ Our review suggests that the formal involvement of specialist FAO units would also serve to protect the interests of the IOTC.

¹ Report of the FAO Council, Part XI, paper CL 127/REP/11, November 2004, paragraph 4.

- 8 The Secretary was empowered by the Commission to sign eight Memoranda of Understanding (MOUs) with other Governmental or international institutions since December 2001
- One MOU with the Japanese agency Overseas Fishery Co-operation Foundation (OFCF) signed in 2001, to improve the collection of statistics by national authorities;
 - Six subsidiary tripartite MOUs between the OFCF, IOTC and national institutions; and
 - The eighth MOU is with the Indian Ocean Commission to collect data on tuna stocks.
- 9 All the MOUs require the Secretariat to make available staff resources for technical support, free of charge. Only one of the MOUs provides for the IOTC to receive income, as reimbursement for the return of tagged fish. The Secretary signed these MOUs in the name of the IOTC, but without having received prior clearance from FAO.
- 10 These agreements currently seem to be working satisfactorily. However, we found that they contained provisions which could prove disadvantageous to the IOTC and could have been avoided if specialist units in FAO had been consulted beforehand. For example, the MOUs involving the OFCF prohibit the recourse to a third party tribunal to resolve any dispute. This would seem contrary to generally accepted practice which would provide for disputes to be settled by an independent body.
- 11 Furthermore, under the MOU with the OFCF, the Secretariat is required to obtain exemption from local taxes for employees of the OFCF posted to the project, and from import duties on goods purchased by the OFCF to support the project in a different country. However, these staff, as they are not employed by the IOTC, would not have the immunity provided by the IOTC's Headquarters Agreement. Also, the IOTC's legal exemption from import duties does not extend to countries outside the Seychelles. In

both these cases, the MOU gives the IOTC responsibilities which it does not have powers to discharge.

- 12 **Recommendation #1. To ensure that the Secretariat is adequately advised on all future legal agreements, FIPD, with support from other units as required, should devise an appropriate procedure with the Secretariat.**

Personnel matters

Recruitment

- 13 The Secretary under the IOTC's Agreement has unique, statutory powers to recruit staff on his own authority. Although this gives him a measure of freedom in determining the procedures to be applied, such procedures, under the IOTC's Financial Regulations and the Agreement, have to be consistent with FAO rules and regulations.
- 14 Recruitment to the IOTC is handled under the field selection procedures, which have been designed to meet the particular requirements of a project. However, the IOTC is unlike a standard FAO project.
- 15 The Secretary prepares and publicises the vacancy announcement, receives the applications, draws up the shortlist, assembles the interview panel, and determines the successful candidate, but without explicit guidance from FAO. FAO staff check that the Secretary's request for a recruitment action contains sufficient information, complete the Personnel Processing Request, negotiate with the candidate on the starting salary, sign the contract and brief the new arrival on his entitlements and obligations as an FAO staff member.
- 16 In examining the approach adopted for filling three vacant posts in the Secretariat in 2004 (a P5 Deputy Secretary, a P1 tagging clerk and a G6 data management assistant), we found that it generated only eight applications for the P5 post and five for the P1, and that key documentation, such as interview notes and the unsuccessful

applications for the P1 post, had not been preserved. Furthermore, the vacancies were advertised on the IOTC's website and distributed to members of the Commission, but were not posted on FAO's website. In the case of the P5, FAO had a legitimate interest in the candidate selected as the IOTC operates under FAO's umbrella and the post has administrative responsibilities. There was no involvement from FAO on his selection. As a result, a small pool of candidates was produced for the professional posts, and the process was not fully transparent.

- 17 **Recommendation #2. FIPD should provide guidance (following consultation with AFHO) to the IOTC Secretariat on appropriate recruitment procedures to be followed. In addition, in the case of the P5, it would be preferable for FAO to have an explicit role in the selection process given that the incumbent of the post is a senior member of the Secretariat, holding important administrative responsibilities.**

Training

- 18 FAO recognizes that staff development represents an important contribution to organizational performance. The Secretariat however has funded no staff development in 2004. The Secretary informed us that the professional staff finance their own training. However, the Secretariat has not developed a systematic approach to ensuring that skills are maintained, relevant to the tasks assigned and upgraded as needed.
- 19 **Recommendation #3. FIPD should advise the Secretariat to develop a policy on training for approval by the Commission, based on AFH's guidance on establishing a Staff Development Plan.**

Financial controls

Overview

- 20 Day to day management of the IOTC's finances is entrusted to the Administrative Assistant, who, under the direct supervision of the

Secretary, places orders, receives invoices, prepares payments and undertakes accounting. She is also in charge of the petty cash. Budgetary monitoring is undertaken by the Secretary who also performs the bank reconciliations. Procurement of items over \$500 in the IOTC is rare; and tendering is usually handled by a technical officer under the direct supervision of the Secretary. The Secretary was granted delegated authority to sign Letters of Agreement up to \$25,000 by FI in August 2004. Although the IOTC has been in operation since 1996, the Secretary has received no other formal delegations in relation to the imprest accounts, procurement and personnel matters.

- 21 The Secretary is taking steps to improve financial controls, but our review in the following sections suggests that they fall significantly short of FAO standards. These deficiencies can be attributed to: lack of prior experience and training among the staff of the Secretariat in financial control and Manual Section requirements; the absence of regular audit inspection; the difficulty experienced by the Secretary in finding the right source of advice within FAO; and, most importantly, insufficient oversight and support mechanisms within FAO HQ. We noted, for example, that the IOTC has not received Manual updates or key circulars since 1997.
- 22 **Recommendation #4. So that the Secretary has appropriate administrative authority to manage the Secretariat, FIPD, with input from other units as required, should ensure that he has the required range of delegations, consistent with the needs of IOTC and the mandate approved by the Council.**
- 23 **Recommendation #5. FIPD should ensure that the Secretariat is provided with the current version of FAO's Administrative Manual, and all other relevant circulars and bulletins to enable it to be adequately informed of FAO practice and procedures.**

Management level financial controls

Budgetary control

- 24 In the 2004 budget, the Commission planned for an overspend of \$44 000, representing a contribution from the accumulated reserves to its current administrative budget. The actual overspend, adjusted for coding errors, amounted to \$284 600 (see Annex 5). \$148 000 of this arose on professional salaries, mainly because this element of the budget was based on the previous year's estimate rather than actual costs. The other main reason was a shortfall in Members' contributions: the budget assumed that arrears would be maintained at the 2003 level, and that 2004 dues would be met in full. In reality, arrears rose by some \$70 600 (see Annex 5). These findings indicate that the procedures for establishing and monitoring budgets need to be strengthened.
- 25 **Recommendation #6. To ensure that IOTC budgets constitute an adequate framework for establishing and monitoring financial aspects of the activities of the Secretariat, FIPD should arrange for the Secretariat to receive advice on how to assemble, present and monitor its budget, including costing and forecasting methodologies.**

Accounting software and IT security

- 26 The accounting software used by the Secretariat was developed internally and does not represent an adequate platform for recording expenditure. The software is networked, so all staff have access to the system; there is no password protection to enter the system; and any data item (e.g. amount paid, accounting date and payee) can be changed at any time. Furthermore, the system records only cash transactions, and thus does not provide a basis for monitoring accruals such as commitments and advances. The financial information available is therefore limited and susceptible to unauthorized alteration.

- 27 The Secretary formally requested that FAS be installed in the IOTC in August 2004. AFFC replied that a version of FAS suitable for projects was awaiting final approval, and that once this stage was complete, the Secretariat would be a high priority customer. AFFC informed us (February 2005) that they will be installing FAS once they had formal approval from the Secretary to charge the cost of the visit against his budget.
- 28 **Recommendation #7. To ensure that the Secretariat's financial transactions are recorded in a secure and reliable manner, FIPD should advise the Secretariat, as a matter of priority, to improve its IT security procedures, particularly as regards IT access controls.**
- 29 **Recommendation #8. Once adequate IT security measures are in place, AFFC should install FAS in the IOTC and arrange for administrative staff to have appropriate training.**

Bank accounts

- 30 The IOTC has two bank accounts, for US Dollar and local currency transactions, both of which were opened on the authority of AFF. We found that, after inaccuracies during 2003, the bank reconciliations were now being undertaken competently. However, the process was unduly complicated by using interim bank statements, which do not contain all the transactions of the last day of the period.
- 31 **Recommendation #9. So that the bank reconciliations are performed at the correct cut-off date, FIPD should advise the Secretariat to perform them only when they have received the formal monthly bank statement from the bank.**

Petty cash

- 32 The Administrative Assistant undertakes a regular petty cash count, but the results are not formally reported to the Secretary. In reviewing petty cash transactions, we noted that some replenishments were over the limit

advised by FAO of \$500, and that some payments were over FAO's ceiling of \$50.

- 33 **Recommendation #10. To strengthen the procedures governing petty cash, FIPD should arrange for the Secretariat to receive advice on FAO's standard controls over cash payments.**

Design of financial systems

- 34 The new Secretary is making progress in improving the system of financial controls. At the time of our audit, he was in the process of completing draft processing procedures for the budgeting, finance, disbursements, procurement and other administrative procedures. He also regularly reviews local and Oracle transaction listings, budgetary performance and bank reconciliations. These latter checks are not, however, formally documented.
- 35 There were three areas where further attention was required:
- The Secretariat makes payments in Seychellois rupees, by cheque, and in US dollars, by bank letter. These letters are not individually numbered, and no separate chrono is maintained. The absence of an independent sequential record of all dollar payments makes it difficult to confirm that only valid payments have been made. These shortcomings are exacerbated by the insecure nature of bank letters².
 - The Secretariat's disbursement controls are inadequate and do not reflect required FAO practice, with the most serious deficiencies concerning the absence of a paid and date stamp on processed invoices and supporting documentation, and the allocation of only one staff member to financial functions. A standard control to prevent duplicate payments is thus not in place, and there is inadequate separation of duties and little coverage for staff absence.

² We recorded a similar finding in AUD 2104: FAOR Angola Office Management.

- The Secretary first signs the cheque, and then, some days later, records his approval for the transaction on a disbursement voucher. This increases the risk of a duplicate payment, and presents the possibility that the financial records are incomplete.

- 36 **Recommendation #11. To strengthen the Secretariat's control over the disbursement cycle, FIPD, supported by AFF, should advise the Secretariat to review their financial procedures against the standards laid out in guidance notes from OCD, TC and AFF. In particular, they should introduce a paid/date stamp for processed invoices and supporting documentation and strengthen the separation of duties (as feasible). FIPO should also recommend that the Secretary (i) evidence the performance of checks that he undertakes, especially as regards the review of transaction listings and budget reports; (ii) introduce a more secure form of bank withdrawal letter for dollar payments (e.g. pre-numbered, with a watermark and multi-coloured); and (iii) include in the written procedures a requirement that disbursement vouchers are presented for approval and signed together with the cheque.**

Review of expenditure

- 37 The transactions processed by the Secretariat in 2004 fell short of FAO standards, with the result that insufficient information was available to confirm the need for the goods or services delivered, the reasonableness of the price paid, and the correct recording in the accounts:
- **Supporting documents:** some invoices contain generic, rather than specific, descriptions of the goods provided (e.g. "supplies"); purchase request forms are not used, to record that purchases have been approved; and there was extensive use of proforma invoices, which are an estimate rather than the supplier's statement of the amount due for goods or services actually delivered.
 - **Procedural errors:** salary payments were made in advance of the due date; overtime was not processed as required by MS 325, in

particular as regards evidence of management approval; and telephone bills contain large elements of international calls, without evidence of review and recovery for personal calls.

- o **Accounting:** Inconsistent approach was taken to charging to account codes. The rental of meeting rooms has, for instance, been booked to hospitality, and other expenses associated with meetings of the Commission to training. Contributions from the Government of Seychelles of \$31 320 were also classified as negative expenditure, rather than income³. In total, identified misbookings represented 4.8% of the gross expenditure of the IOTC in 2004.

- 38 **Recommendation #12. To ensure that the Secretariat has adequate measures in place to safeguard the finances of the IOTC, FIPD should request the Secretary to prepare written procedures covering purchasing and payments consistent with FAO requirements.**

Paymaster services for FAOR Madagascar

- 39 Under a written agreement with FAOR Madagascar in 2002, cleared with OCD and RAF, the Secretary acts as the paying agent for the dual accreditation in Seychelles and the other FAO projects active there. His authority to make these payments is under a Field Disbursement Request from FAOR Madagascar, and he receives some \$1 800 a year from FAOR Madagascar, as consideration for providing this service.
- 40 The Field Disbursement Request authorises the Secretariat to make payments up to a predetermined level against specified account lines. However, the Secretary has not established a system for monitoring running totals of the amount incurred against this authority.
- 41 In reviewing the items paid by the Secretariat on behalf of FAOR Madagascar, we also noted several payments for casual labour support to the National Correspondent, for which no contract existed.

- 42 **Recommendation #13. FIPD, in consultation with OCD and FAOR Madagascar, should advise the Secretary on the monitoring of payments against a Field Disbursement Request and on the nature of supporting documentation required before approving a payment from the dual accreditation, including payments for casual labour.**

Security/Health and safety

- 43 The Secretary informed us that the IOTC premises have been reviewed against the UN's Minimum Operational Security Standards (MOSS) However, a copy of the report was not available at the time of our visit. We noted two other issues requiring attention:

- A safe needed to be purchased to store cheque books, petty cash, fuel vouchers and other valuable documents;
- The IOTC premises have not been refurbished or redecorated since 1997; and the nearby fish processing plant can at times make effective working difficult.

- 44 **Recommendation #14. FIPD should advise the Secretariat to purchase a safe to store valuables, and to consult the Commission and the Government of the Seychelles on the question of the Secretariat's accommodation. FIPD should request a copy of the MOSS report.**

Review of income

Government benefits in kind

- 45 The Headquarters Agreement requires the Government of Seychelles to provide furnished residence for two senior officers of the IOTC. However, in practice, it was agreed that these officers would fund their own accommodation and that Government would pay an additional \$22 600 annually to the Commission in lieu of this commitment. Correspondence

³ We brought this to the attention of AFFC, who subsequently informed us that they have taken action to correct the disclosure of this amount.

on this amendment to the Agreement could not be traced at the time of our visit, and there is no record of this arrangement in LEG's files.

- 46 The compensation from the Government of Seychelles has not changed since 1997, which would suggest that a review of the amount is overdue. Since the officers concerned informed us that they are currently paying rent amounting to \$36 000 a year, the increase may be significant.
- 47 **Recommendation #15. So that FAO records on the Headquarters Agreement are complete, LEG should request a copy of correspondence on the accord reached regarding the Government contribution in lieu of housing for IOTC staff. In addition, LEG and FIPD should advise the Secretariat on the issues associated with a revision to the amount due.**

Exemption from VAT and customs taxes

- 48 A General Sales Tax was introduced in the Seychelles in 2003, but the Secretariat has not exercised the IOTC's rights to exemption under the Headquarters Agreement. It was not possible to estimate the amount of unrecovered sales tax, as suppliers do not record routinely whether the tax has been included in the invoiced amount, and as, in the absence of registration numbers recorded on invoices, it is not clear whether the tax was due. We also noted that the Secretariat pays a variety of smaller import and export taxes, including courier services, from which under the Headquarters Agreement it should also be exempt.
- 49 **Recommendation #16. To ensure that the IOTC's expenses are minimized, FIPD should advise the Secretariat to ascertain from the local authorities the steps necessary to take full advantage of its rights to tax exemption.**

We wish to thank the management and staff of the IOTC, FIPD, LEG, AFF, AFH and FAOR Madagascar for their courtesy and cooperation during the course of the review.

Annex 1: Schedule of recommendations

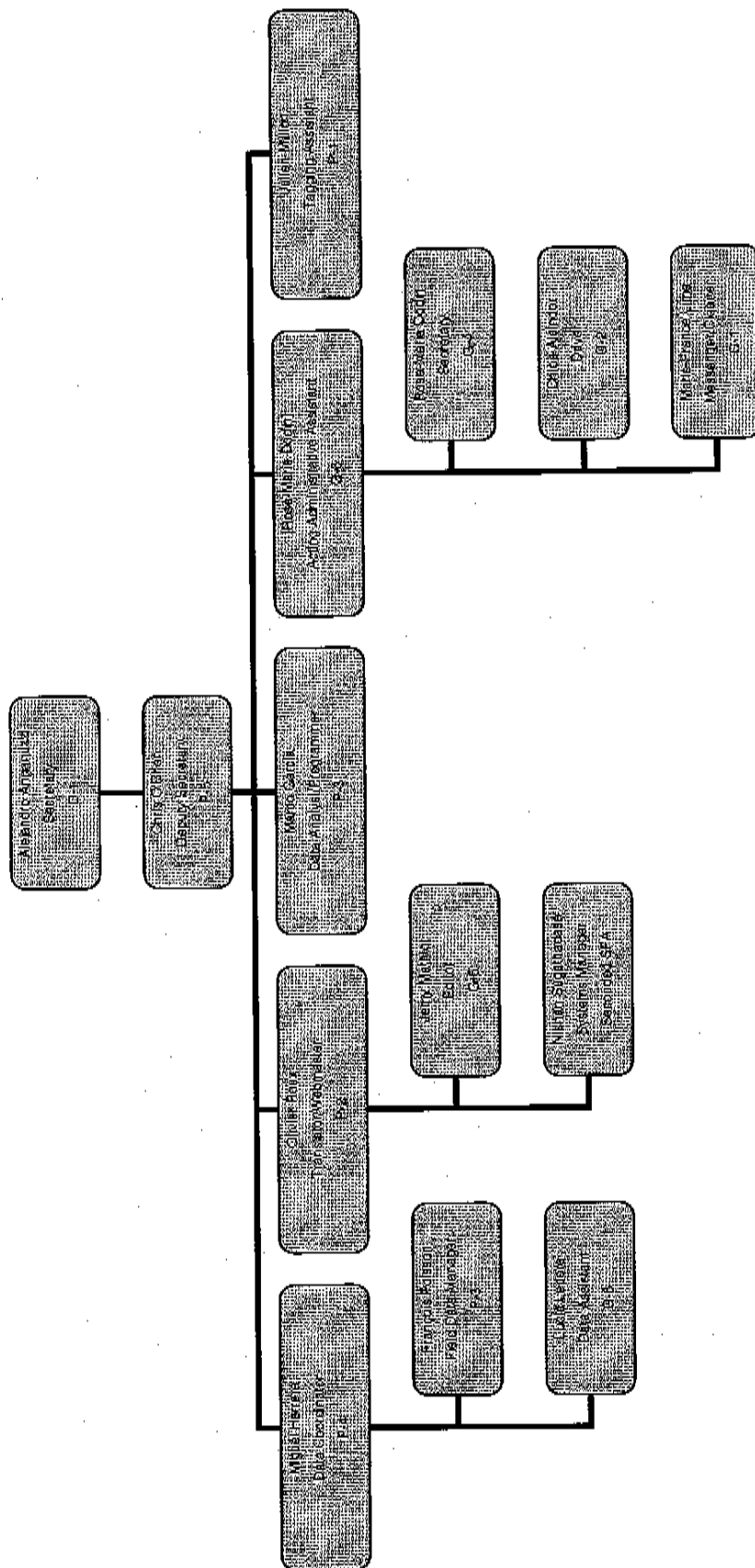
	Recommendation	Priority	Responsible Unit	Timeframe	Management comments
1.	To ensure that the Secretariat is adequately advised on the potential implications of legal agreements, FIPD, with support from other units as required, should devise a protocol for the Secretariat to receive timely specialist advice and clearance as required from relevant units within FAO.	High	FIPD	September 2005	FIPD: It is important also to ensure an early reporting by the Secretary of the foreseen agreements and projects in order to ensure the possibility of meaningful and timely inputs in the process of their development, if needed or requested, before the reaching of the "approval" phase itself. IOTC: It is our experience that LEG can take several months to clear an MOU, to the detriment of the image of the IOTC.
2.	FIPD should provide guidance (following consultation with AFHO) to the IOTC Secretariat on appropriate recruitment procedures to be followed. In addition, in the case of the P5, it would be preferable for FAO to have an explicit role in the selection process given that the incumbent of the post is a senior member of the Secretariat, holding important administrative responsibilities.	Medium	FIPD	September 2005	FIPD: Acknowledged. IOTC: Acknowledged, providing that the procedure does not adversely affect the functional autonomy of the Secretary.
3.	FIPD should advise the Secretariat to develop a policy on training for approval by the Commission, based on AFH's guidance on establishing a Staff Development Plan.	High	FIPD	September 2005	FIPD: Acknowledged. It would be important however, to take into account the special characteristics and circumstances of the Secretariat, so as to ensure that training is adjusted to those characteristics and circumstances and respond to the mandate of the Secretariat and the outputs expected by the Members of the Commission. IOTC: We would particularly welcome training from FAO on administrative matters.

	Recommendation	Priority	Responsible Unit	Timeframe	Management comments
4.	So that the Secretary has appropriate administrative authority to manage the Secretariat, FIPD, with input from other units as required, should ensure that he has the required range of delegations, consistent with the needs of IOTC and the mandate approved by the Council.	High	FIPD	September 2005	FIPD: Acknowledged. Delegation should be as comprehensive as possible, particularly when taking into account the suggested actions for improving the operations of the Secretariat and its monitoring and control of administrative activities. IOTC: Noted.
5.	FIPD should ensure that the Secretariat is provided with the current version of FAO's Administrative Manual, and all other relevant circulars and bulletins to enable it to be adequately informed of FAO practice and procedures.	High	FIPD	September 2005	FIPD: Acknowledged. No comments. IOTC: This support would be welcomed.
6.	To ensure that IOTC budgets constitute an adequate framework for establishing and monitoring financial aspects of the activities of the Secretariat, FIPD should arrange for the Secretariat to receive advice on how to assemble, present and monitor its budget, including costing and forecasting methodologies.	High	FIPD	September 2005	FIPD: Acknowledged. No comments. IOTC: FIPD should also make available to the Secretariat, in a timely manner, the necessary information, such as estimates of salary costs and accurate estimates of additional costs to be recovered by FAO.
7.	To ensure that the Secretariat's financial transactions are recorded in a secure and reliable manner, FIPD should advise the Secretariat, as a matter of priority, to improve its IT security procedures, particularly as regards IT access controls.	High	FIPD	September 2005	FIPD: IOTC: Noted.
8.	Once adequate IT security measures are in place, AFFC should install FAS in the IOTC and arrange for administrative staff to have appropriate training.	High	AFFC	September 2005	AFF: The unit has advised the secretariat IOTC that FAS may be deployed and training provided on their written request and agreement to fund the costs of the exercise. IOTC advised AFF that the decision is pending the return of the secretary of the IOTC in April and will advise at that time. IOTC: This initiative would be welcomed.

	Recommendation	Priority	Responsible Unit	Timeframe	Management comments
9.	So that the bank reconciliations are performed at the correct cut-off date, FIPD should advise the Secretariat to perform them only when they have received the formal monthly bank statement from the bank.	High	FIPD	September 2005	FIPD: Acknowledged. No comments. IOTC: The bank reconciliations are being done in this way now.
10.	To strengthen the procedures governing petty cash, FIPD should arrange for the Secretariat to receive advice on FAO's standard controls over cash payments.	Medium	FIPD	September 2005	FIPD: Acknowledged. No comments. IOTC: Noted.
11.	To strengthen the Secretariat's control over the disbursement cycle, FIPD, supported by AFF, should advise the Secretariat to review their financial procedures against the standards laid out in guidance notes from OCD, TC and AFF. In particular, they should introduce a paid/date stamp for processed invoices and supporting documentation and strengthen the separation of duties (as feasible). FIPD should also recommend that the Secretary (i) evidence the performance of checks that he undertakes, especially as regards the review of transaction listings and budget reports; (ii) introduce a more secure form of bank withdrawal letter for dollar payments (e.g. pre-numbered, with a watermark and multi-coloured); and (iii) include in the written procedures a requirement that disbursement vouchers are presented for approval and signed together with the cheque.	High	FIPD	September 2005	FIPD: Acknowledged. No comments. IOTC: Action has already been taken to address the points raised by the internal auditor.
12.	To ensure that the Secretariat has adequate measures in place to safeguard the finances of the IOTC, FIPD should request the Secretary to prepare written procedures covering purchasing and payments consistent with FAO requirements.	High	FIPD	September 2005	FIPD: Acknowledged. No comments. IOTC: Noted.

	Recommendation	Priority	Responsible Unit	Timeframe	Management comments
13.	FIPD, in consultation with OCD and FAOR Madagascar, should advise the Secretary on the monitoring of payments against a Field Disbursement Request and on the level of supporting documentation that he should expect before approving a payment from the dual accreditation, in particular as regards casual labour contracts.	High	FIPD	September 2005	FIPD: Acknowledged. No comments. FAOR Madagascar: We fully agree with your comment that casual labour payment should be based on a contract agreement and we will not fail to remind our National Correspondent of this requirement as per Immediate. IOTC: Noted.
14.	FIPD should advise the Secretariat to purchase a safe to store valuables, and to consult the Commission and the Government of the Seychelles on the question of the Secretariat's accommodation. FIPD should request a copy of the MOSS report.	Medium	FIPD	September 2005	FIPD: Acknowledged. No comments. IOTC: Noted.
15.	So that FAO records on the Headquarters Agreement are complete, LEG should request a copy of correspondence on the accord reached regarding the Government contribution in lieu of housing for IOTC staff. In addition, LEG and FIPD should advise the Secretariat on the issues associated with a revision to the amount due.	Medium	LEG	September 2005	FIPD: The recommendation is accepted. However, it is unlikely that an amendment to the Headquarters Agreement would be feasible in practice. Such amendments require the consent of the other party, and our experience clearly indicates that, in the absence of a strong political support by concerned Member Nations, host countries are very reluctant to accept increases to their contributions. IOTC: Noted.
16.	To ensure that the IOTC's expenses are minimized, FIPD should advise the Secretariat to ascertain from the local authorities the steps necessary to take full advantage of its rights to tax exemption.	Medium	FIPD	September 2005	FIPD: Acknowledged. No comments. IOTC: Noted.

Annex 2: IOTC Organigramme



Annex 3:

Members of the IOTC Commission

As at February 2004

Australia
China
Comoros
Eritrea
European Community (Chair)
France
India
Islamic Republic of Iran
Japan
Kenya
Republic of Korea
Sultanate of Oman
Madagascar
Malaysia
Mauritius
Pakistan
Philippines
Seychelles
Sri Lanka
Sudan
Thailand
United Kingdom
Vanuatu

Annex 4:

2004 IOTC Membership contributions

Member Governments	Outstanding 31/12/03	Contribution due for 2004	Received up to 31/12/04	Outstanding 31/12/04
AUSTRALIA	7.27	75,879.00	75,877.81	8.46
CHINA	25,634.00	49,243.00	42,500.00	32,377.00
COMOROS	7.86	12,880.00	0.00	12,887.86
EUROPEAN COMMUNITY	0.00	305,220.00	305,171.80	48.20
ERITREA	45,554.42	5,094.00	0.00	50,648.42
FRANCE	0.00	66,087.00	66,087.00	0.00
INDIA	7.11	34,199.00	34,192.78	13.33
IRAN	89,412.00	45,495.00	44,746.23	90,160.77
JAPAN	0.00	107,818.00	107,818.00	0.00
KOREA, Republic of	8.34	67,050.00	67,058.34	0.00
MADAGASCAR	29,285.47	13,593.00	41,108.45	1,770.02
MALAYSIA	0.00	26,760.00	26,760.00	0.00
MAURITIUS	0.00	24,510.00	24,496.69	13.31
OMAN	36.25	28,298.00	28,310.75	23.50
PAKISTAN	19,463.55	18,083.00	19,463.55	18,083.00
SEYCHELLES ⁽²⁾	0.00	31,320.00	31,320.00	0.00
SUDAN	48,340.42	5,094.00	0.00	53,434.42
SRI LANKA	2,270.00	44,806.00	0.00	47,076.00
THAILAND	0.00	27,180.00	27,180.00	0.00
UNITED KINGDOM	0.00	56,959.00	56,959.00	0.00
VANUATU	32,741.00	24,153.00	0.00	56,894.00
<u>Other Sources:</u>				
JAPAN (Extra-budgetary contr. for tuna tagging)	0.00	81,620.00	81,620.00	0.00
TOTALS	292,787.69	1,151,341.00	1,086,670.40	363,438.29

Source: AFFC, updated by AUD

Notes: (1) All amounts shown in US Dollars.

(2) Contribution paid in local currency, with the approval of the Commission.

Annex 5:

IOTC 2004 Budget and Outturn statement

Administrative Budget	Budget USD	Outturn USD	Variance USD	%
Income				
Membership contributions	1,069,721	999,050	(70,671)	(7%)
Contribution from the Seychelles	22,599	22,458	(141)	(1%)
Govt in lieu of housing for senior staff				
Trust Fund Interest		13,965	13,965	-
Other		1,862	1,862	-
Total Income	1,092,320	1,037,335	(54,985)	(5%)
Expenditure				
Professional Salaries	752,992	900,927	(147,935)	(20%)
General Service Salaries	82,415	84,936	(2,521)	(3%)
Consultants	25,000	25,419	(419)	(2%)
Travel	70,000	90,829	(20,829)	(30%)
Interpretation	33,000	17,500	15,500	47%
Equipment	15,000	54,739	(39,739)	(265%)
Operating expenses	45,000	60,921	(15,921)	(35%)
Meetings	40,000	16,126	23,874	60%
Miscellaneous	25,000	12,242	12,758	51%
FAO Service charges	47,961	58,303	(10,342)	(22%)
Total expenses	1,136,368	1,321,942	(185,574)	(16%)
Surplus/(deficit)	(44,048)	(284,607)	(240,559)	
Special budgets	Budget USD	Actual USD	Variance USD	%
Income				
Membership contributions	81,620	81,620	-	-
Total Income	81,620	81,620	-	-
Contracts	81,620	87,563	(5,943)	(7%)
Surplus/(deficit)	0	(5,943)		
Members contributions	Budget USD	Actual USD	Variance USD	%
Arrears of contributions	292,767	363,438	70,671	24%

Source: AUD

Notes: (1) Income from the Seychelles Government has been reclassified from negative expenditure in operating expenses to income.

(2) Excess of actual over budget is shown as positive income variance and a negative expenditure variance.

(3) Miscellaneous covers locally contracted labour; and under Meetings are costs originally booked by the IOTC to hospitality and training.