



**INTERNATIONAL TROPICAL  
TIMBER COUNCIL**

**COMMITTEE ON  
FINANCE AND ADMINISTRATION**

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THIRTY-SECOND SESSION  
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**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL**

**THIRTY-SECOND SESSION OF THE  
COMMITTEE ON FINANCE AND ADMINISTRATION**



**Item 1: Opening of the Session**

1. The Chairperson of the Committee on Finance and Administration (CFA), Mr. Mad Zaidi Mohd Karli of Malaysia, welcomed all delegates to the Thirty-second Session of the Committee. He briefly introduced himself as well as the Vice-Chairperson of the CFA, Mr. Luke Thompson of the USA. The Chairperson conveyed his special appreciation to Mr. Rob Busink (Netherlands) for his excellent chairing of the previous Session of the CFA in November 2016.

**Item 2: Adoption of Agenda and Organization of Work**

2. The Chairperson referred to the Provisional Agenda, as contained in document CFA(XXXII)/1. He informed the Committee that four new items were proposed to be discussed under agenda item 15 "Other Business" that were either raised by the Secretariat or from the floor at the previous session of the Committee, namely:

- (a) Overall transparency of ITTO documentation
- (b) Paper on the responsibilities of Council Officers
- (c) Increasing the special reserve from USD 1,850,000 to USD 2,500,000
- (d) Review of the work and recommendations of the Investment Oversight Panel.

3. In response to the Chairperson's request to provide more details on the above four items, the Secretariat informed the Committee of the following:

- (a) Overall transparency of ITTO documentation: Certain CFA documents are "restricted", which means they are available for members only. This issue was raised by the delegation of the USA at the Thirty-First Session of the CFA but was not discussed there due to time constraints.
- (b) Paper on the responsibilities of Council Officers: A reference paper titled "Responsibilities of Officers of the International Tropical Timber Council" was made available to Committee members. This document, which describes the responsibilities of individuals who have been elected to serve as officers of the International Tropical Timber Council, had been compiled by the Secretariat with inputs from Mr. David Brooks, a consultant who had reviewed ITTO's various rules for the previous session of the Council. The document was prepared to inform and help prepare individuals who are considering a position or have been elected as an officer of the Council because the detailed responsibilities of Council officers may not be fully understood by such individuals. It had been compiled from existing documents, such as the ITTA, Council decisions, and ITTO rules and regulations. This document could be attached as an annex to the Committee Report and be recommended to the Council for approval at this session to serve as an official reference document in the future.
- (c) Increasing the special reserve from USD 1,850,000 to USD 2,500,000: The Council, at its 52nd Session, approved the CFA recommendation to transfer USD 350,000 from the Working Capital Reserve to the Special Reserve to increase its limit from USD 1.5 million to USD 1.85 million, despite the initial request being a transfer of USD 1 million to increase its limit to USD 2.5 million. The new Financial Rules stipulate that the amount of the Special Reserve heading in the Administrative Budget should be decided on by the Council in every financial biennium, so this issue was to be revisited at the Thirty-Second Session of the CFA. The Secretariat had reviewed its assessment of the level of funds necessary should the Organization be liquidated and informed the Committee that the amount remained at USD 2.5 million. The Working Capital Reserve now has USD 4.8 million, and the recommendation would be to use some of those funds to increase the Special Reserve to USD 2.5 million.
- (d) Review the work and recommendations of the Investment Oversight Panel: The Council, at its 52nd Session, had deferred the nomination of Members of the Investment Oversight Panel to the CFA at its Thirty-Second Session. The Committee may discuss whether there is a need to convene an Investment Oversight Panel each year despite having no investments and no plans to invest funds. The Committee may recommend to Council that the Investment

Oversight Panel be convened only when the Organization has regained enough funds to invest and is ready to select its options for investment. Nevertheless, the caucuses may be requested to make nominations (one consumer and one producer) for the Investment Oversight Panel.

4. The Chairperson opened the floor for comments on the proposed agenda. The delegate of the USA requested that the item on the overall transparency of ITTO documentation be discussed earlier in the course of the week, and the Committee decided to deliberate on this item immediately after Agenda Item 5.

5. As no further issues were raised, the Committee adopted the Provisional Agenda, as contained in document CFA(XXXII)/1.

### **Item 3: Admission of Observers**

6. The Chairperson advised the Committee that the Council had admitted all applicants shown in document ITTC(LII)/Info.3, which lists states, inter-governmental and non-governmental organizations applying for Observer status. The Chairperson suggested that the CFA should be open for Members only when restricted Committee Documents are being discussed. As there were no comments from the floor, the Committee approved the Chairperson's suggestion.

### **Item 4: Report of the Expert Panel for Technical Appraisal of Project Proposals**

7. The Chairperson advised the Committee that the Report of the Fifty-Second Meeting of the Expert Panel for Technical Appraisal of Project Proposals (Document ITTC/EP-52) was deliberated on and concluded at the Joint Session of the Committees convened on 29 November 2017. The Joint Session had not requested any follow-up by the CFA.

### **Item 5: Draft Biennial Administrative Budget for the Years 2018 and 2019**

8. The Secretariat presented the Draft Administrative Budget for the 2018 and 2019 Financial Biennium, as contained in Document CFA(XXXII)/2 dated 25 August 2017. This document, which contained explanatory notes for each budget heading, had been circulated to Committee Members earlier.

9. The 2018-2019 biennium budget was constructed using the United Nations official exchange rate for August 2017 of 1 USD = JPY 109.05. The budget for 2018 had been estimated at USD 7,108,547 and the budget for 2019 has been estimated at USD 7,104,341. The total budget for 2018 represents a decrease of USD 275 (0.01%) compared to the approved budget for 2017 and the total budget for 2019 represents a decrease of USD 4,481 (0.06%) compared to the approved budget for 2017. Therefore, there is no nominal increase in the 2018-2019 budget compared to the approved budget for 2017. As in previous years, however, no contingency is included in the proposed Administrative Budget for the financial year 2018 and 2019 and therefore unexpected shortfalls in the budget, such as exchange rate fluctuations, inflation and unforeseen personnel changes, would need to be financed from the Working Capital Reserve.

10. The "Basic Administrative Costs" for the 2018-2019 biennium, as shown in Table 1 (pages 3-4), indicates a decrease of USD 19,600 (0.32%) for 2018 compared to the budget of 2017, and a decrease of USD 23,806 (0.38%) for 2019 compared to the budget for 2017. Therefore, there is no significant change in the basic administrative costs compared to 2017.

11. There was a slight decrease in the budget for the 2018-2019 biennium due to changes in higher-level positions. In particular, one vacant P-5 position has been converted to a P-3 position, and estimates for previously vacant senior management positions have been revised to reflect the actual costs of the newly recruited personnel. This slight decrease has mainly been offset by the following new elements introduced into the Basic Administrative Costs component of the Budget for 2018-2019:

- The revision of ITTO's Financial Rules in November 2016 has increased the scope of its audit to include additional requirements for auditing accounts prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and to perform periodic internal audits as well as specific examinations as deemed necessary by the Council. Accordingly, the budget has been increased by USD 60,000 to accommodate these requirements (G8. Audit).

- In an effort to increase transparency and accountability, the Secretariat has been using IT solutions to enhance its internal control and outreach activities. An increase of USD 17,000 (F1. Computer Software and Servicing) and USD 24,000 (F2. Network, Hardware and Supplies) is proposed to continue these efforts.
- Additional provisions are made for 2018 in A13. Repatriation Travel; B1. Assignment Grant; and B2. Lump Sum Benefit for the recruitment of two staff in the Professional and Higher Category (i.e. Assistant Director and Projects Manager of the Division of Forest Management).

12. The “Core Operational Costs” shown in Table 2 (page 5) indicates a slight increase of USD 19,325 (2.15%) for 2018 and 2019 compared to the budget of 2017. Therefore, there is no significant change in the core operational costs compared to 2017.

13. The assessed contributions of Members for the 2018 and 2019 biennium are attached to Document CFA(XXXII)/2 as Annex III.

14. Since there were no comments, the Committee approved the budget for the financial biennium 2018-2019, as set out in the draft Document CFA(XXXII)/2 and reformatted as Document CFA(XXXII)/2 Rev.1 to indicate that it has been approved.

#### **Item 6: Review of Contributions to the Administrative Budget**

15. The Secretariat introduced document CFA (XXXII)/3 Rev.1 dated 24 November 2017. This document detailed the status of Members' contributions to the Administrative Budgets for the financial years from 1986 to 24 November 2017, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed the Committee that, in 2017, USD 2,316,385.32 had been received from Producer Members out of the total net assessment of USD 3,388,617.32; and USD 3,713,439.00 had been received from Consumer Members out of the net assessed amount of USD 3,789,899.00. The Secretariat further informed the Committee that the Government of Malaysia had recently paid its assessed contribution in the amount of USD 286,254 in advance for year 2018, which is reflected in this document.

16. The Committee noted that the arrearages in contributions to previous years' budgets from Producer Members amount to USD 5,754,569.33, and arrearages from Consumer Members amount to USD 241,262.00. Furthermore, the arrearages in contributions from former members of the Organization amount to USD 1,823,157.28, bringing the total outstanding arrearages to USD 7,818,988.61.

17. The Committee took note of the report.

#### **Item 7: Current Status of the Administrative Account**

18. The Secretariat introduced document CFA (XXXII)/4, dated 20 November 2017, on the current status of the Administrative Account for the financial year 2017, together with the estimated expenditures for the current year. The Secretariat informed the Committee that the estimated total expenditures for the financial year 2017 would amount to USD 5,252,424 (i.e. USD 1,856,398 less than the total amount approved in the budget for 2017 of USD 7,108,822).

19. The Secretariat further informed the Committee that the total contributions received from both Producer and Consumer members amount to USD 6,029,824.32 and, together with contributions expected to be paid by members before the end of 2017 in the amount of USD 37,104.00, it was anticipated that a surplus in the amount of USD 814,501.13 would accrue in 2017. This amount would be credited to the Working Capital Reserve.

20. The Secretariat further noted that the surplus for 2017 is mainly because certain high-level management positions (i.e. Executive Director, Assistant Director of Operations and Assistant Director of Forest Management) had not been filled for most of the year. The Executive Director assumed his duties in May, the Assistant Director of Operations was recruited in November, and the position of Assistant Director of Forest Management is yet to be filled.

21. The Secretariat drew the attention of the Committee that the current arrears in contributions for this financial year amount to USD 1,072,232.00 for producer members and USD 76,460.00 for consumer members. Arrears in contributions do not take into account estimated contributions expected to be paid by 31 December 2017 (i.e. USD 37,104.00). Total arrears for the period 1986-2016 amount to USD 4,630,766.30 for producer members, USD 164,802.00 for consumer members, and USD 1,792,113.72 for former members. The interest charges on these arrears in contribution amount to USD 82,614.59. Total outstanding contributions to the Administrative Account, including interest charges, amount to USD 7,818,988.61. If the contributions expected before 31 December 2017 in the amount of USD 37,104.00 are deducted, the total arrears, including interest charges, amount to USD 7,781,884.61.

22. The Secretariat informed the Committee that Section C of page 1 of the document shows the Special Reserve Fund of USD 1,850,000, which is to be used only on Council approval in the event of the liquidation of the Organization.

23. The Secretariat further informed the Committee that the resources of the Working Capital Reserve was estimated to increase from the year's opening balance of USD 4,157,286 at the beginning of 2017 to USD 4,846,057.11 by the end of 2017.

24. The Secretariat also informed the Committee that section E of page 1 of the document shows the Interest Income balance of USD 200,670.04 to be used by the Executive Director for hiring consultants in accordance with the Financial Rules, Rule 5(10).

25. The document also contains details of expenditure for each budget item and where savings were made.

26. The Secretariat added that Annex 1—a new section this year—contains information required by the new Financial Rules to be brought to the attention of the CFA. This includes a list of procurements greater than USD 100,000, of which there were none in 2017; sole suppliers; and bad debts that were written off.

27. The delegate of the EU asked the Secretariat why the bad debt of USD 59,413.75 for non-refundable airplane tickets had become visible only now. The Secretariat explained that the former management had asserted that the travel agent would refund this amount despite the canceled tickets being non-refundable, and the independent auditors had also been informed as such. The issue only came to light when the current management conducted a valuation of its assets in 2016 in line with the strengthened requirements of the new IPSAS accounting standards. Furthermore, the Secretariat informed the Committee that the current policy does not allow the purchase of non-refundable air tickets and thus the same issue will not occur in the future.

28. The delegate of the USA sought clarification on the interest earned in the amount of USD 189,877.00, as shown on page 1 of section E, and whether the Organization currently holds any investment that might have yielded this amount of interest. The Secretariat confirmed that the Organization does not possess any investment and said that the figure was for interest accrued over several years in a regular US dollar savings account. The Secretariat added that the interest income earned during 2017 is estimated at USD 10,796.04.

29. The delegate of the EU noted the significant amount of arrears of over USD 7 million and asked what approach the Secretariat has taken to resolve this issue. The Secretariat responded that, in accordance with the ITTA and the Financial Rules, reminders are sent three times a year to Members in arrears, and that ITTO staff on mission in those countries holds direct consultations with officials and urges them to pay. The Secretariat added that provisions in Decision 7(XXXIII) authorize the Executive Director to write off, on an annual basis, one-fifth of a Member's arrears for the period 1986-1996 for any Member which has no arrears in its contributions to the Administrative Budget in respect to its obligations related to the year 2002 and beyond. This, he said, was created as an incentive for Members to pay their assessed contributions in a timely manner. There is also a provision in the ITTA for members to ask the Council for portions of arrears to be written off.

30. The delegate of the EU suggested that the CFA report could include a recommendation for an appeal to Members with arrears that the implementation of the Biennial Work Programme for the years 2018-2019 could be impeded if their Assessed Contributions are not paid in time.

31. The Committee took note of the report.

#### **Item 8: Resources of the Special Account and the Bali Partnership Fund**

32. The Secretariat presented document CFA (XXXII)/5 Rev.1 dated 24 November 2017, on “Resources of the Special Account and the Bali Partnership Fund”, which captures the current balance of funds under the Special Account and the Bali Partnership Fund. This document was revised to reflect funds in the amount of USD 100,000 received recently from the Government of China as unallocated funds.

33. The Secretariat indicated that, in accordance with the Terms of Reference of the CFA, as contained in Decision 7(LII), the CFA shall “review the assets and liabilities of the Organization and make recommendations to the Council on prudent asset and cash flow management and levels of reserves needed to carry out its work.” Document CFA(XXXII)/4 serves as a reference to review the assets and liabilities of the Administrative Account, and this document was prepared as a reference to review the assets and liabilities of the Special Account and the Bali Partnership Fund.

34. The figures presented in this statement are rounded for ease of reference, except for the donor’s funds, which are presented in accurate figures. The Secretariat noted that most of the funds under the Special Account and the Bali Partnership Fund that are not committed to specific projects or activities were depleted in order to address the financial impairment, and the current balance amounts to a total of USD 1.2 million, of which over USD 1 million are funds belonging to specific donors. The document was submitted for the consideration of the Committee.

35. The delegate of the USA inquired why there had been a dramatic increase in the balance of funds committed to/safeguarded for projects/activities, from USD 2.6 million in 2016 to USD 10.2 million in 2017. The Secretariat explained that when the same document had been prepared in 2016, the Council had not yet reached a decision on how to deal with the shortfall in project funds due to the impairment. Therefore, the amount shown as “safeguarded” represented mainly the new cash received after the Fifty-First Session of the Council, when the Council was first informed about the impairment issue. With the adoption of Decision 6 (LII) in November 2016, however, measures have been implemented to secure project funds by using various internal reserves, thus significantly increasing the balance committed/safeguarded for projects and activities.

36. The delegate of Japan inquired whether the funds requested to be returned to donors in the amount of USD 18,057 belonged to Denmark. The Secretariat confirmed that formal communication had been received recently from the Government of Denmark requesting that the entire amount of funds belonging to that country be returned. Therefore, the funds had been separated from other donor funds.

37. The Committee took note of the report.

#### **Item 9: Auditor’s Reports for the Financial Year 2016**

38. The Secretariat introduced document CFA (XXXII)/6 on the “Financial Reports Prepared in Accordance with ITTO Financial Rules and Procedures (Annex 4)”. This document contained two reports required to be submitted by the ITTO Auditing Standard: The Executive Summary of ITTO’s Financial Statements for the year ended 31 December 2016 prepared by the ITTO Management; and ITTO’s Financial Statements for the year ended 31 December 2016, audited by the Independent Auditors.

39. The audit was carried out by BDO Toyo, Tokyo, which was appointed by the Council in November 2016 to audit the Accounts of the Organization for the financial year 2016 as an exceptional extension of audit. BDO Toyo carried out its financial audit for the period ending 2016 in March–June 2017.

40. The audited financial statements provided information on the financial position and performance of ITTO for the fiscal year ended 31 December 2016 (FY2016). Due to the impairment of investments amounting to USD 18 million, ITTO had a deficiency in funds available to meet its financial obligations at the beginning of FY2016. Due to Council decisions adopted in November 2016 to address the financial shortfall, however, ITTO was able to reorganize its finances to achieve a sufficient level of funds to fully meet its

financial obligations and resume its regular operations by the end of FY2016. Additional measures to strengthen internal controls and accountability were implemented at the same time through the revised Financial Rules and Procedures and the adoption of IPSAS.

41. As a result, the following changes in reporting, among others, had been made compared to previous years:

- Reclassification of liability and net asset items were made in accordance with their obligations. A total of USD 3.2 million was moved from liability to net asset, and an amount of USD 16.9 million was moved from net asset to liability. Project funds received in advance from donors are now shown as a liability to reflect ITTO's obligation to donors.
- USD 4.8 million of assessed contributions receivable (arrears) were written off based on the ageing method. It should be noted that this is only an accounting treatment to re-evaluate the value of the receivables as an asset and does not free members from their legal obligations to pay arrears.
- Employee benefits, such as annual leave, home leave and repatriation benefits, which ITTO has an obligation to provide to its staff, are now recognized as a liability. The amount of the allowance for FY2016 was USD 0.8 million. Under IPSAS, all long-term liabilities must be recognized and transparently disclosed.
- A budget comparison table has been added to the financial statements comparing the administrative budget with actual amounts, which are explained in detail in its corresponding notes.

42. Attention was also drawn to document CFA (XXXII)/CRP-1, "Management letter prepared by the independent auditors for ITTO management". This management letter was submitted to the CFA meeting in accordance with the ITTO Auditing Standard and contains information on matters affecting the completeness or accuracy of the accounts and other matters that should be brought to the notice of the CFA that the auditors identified during their audit. No significant items were identified in ITTO's latest audit. The Secretariat summarized that, overall, the auditors had provided their satisfactory opinion on ITTO's financial statements, noting that the financial statements were prepared in accordance with IPSAS with no material misstatements or issues.

43. In addition to the explanation given by the Secretariat, the Vice-Chairperson of the Committee highlighted that this is the first financial statement prepared based on IPSAS and that it was an achievement to obtain a clean audit. He emphasized that the CFA and the Council are responsible for closely reviewing the document.

44. As there were no further comments, the Committee decided to recommend to the Council that it adopt the "Financial Reports Prepared in Accordance with ITTO Financial Rules and Procedures (Annex 4)" on the Accounts of the Organization for the financial year 2016, as contained in document CFA (XXXII)/6.

#### **Item 10: Appointment of Auditor**

45. The Secretariat introduced document CFA(XXXII)/7 "Appointment of Auditor for the Financial Years 2017 – 2019."

46. In accordance with Article 23 of the International Tropical Timber Agreement, 2006, as well as Rule 19 of the Financial Rules and Rules relating to Projects of ITTO, the Council shall appoint an independent auditor of recognized standing for a term of not more than three consecutive years from among firms incorporated in a member country of the Organization that are qualified to conduct audits in Japan.

47. The audit firm BDO Toyo had audited the Accounts of the Organization for three consecutive years (2013, 2014 and 2015) and was further approved by Council at its 52nd Session to audit the Accounts of the Organization for financial year 2016 as an exceptional extension of appointment. Accordingly, the Council, at this Session, needed to appoint a new Auditor to audit the Accounts of the Organization for the following term of three consecutive years (2017-2019).

48. In accordance with the guidelines provided in the ITTO Auditing Standards, the Secretariat contacted ten medium- to large-sized audit firms of recognized standing and invited them to submit

estimates of fees for the three consecutive years 2017-2019. The list of audit firms contacted was shown in the annex of this document. Two audit firms responded to the invitation to submit proposals, whose estimated fees are shown on page 2 of the document.

49. Following the ITTO Auditing Standards, the Secretariat applied the selective competitive tender framework in accordance with the ITTO Tender and Procurement Policy that was adopted at the 52nd Session of the Council. Accordingly, the Bid and Award Committee was formed, consisting of the Acting Assistant Director of Operations; the Finance/Administrative Officer; and the Senior Finance/Administrative Assistant. After careful evaluation, the Bid and Award Committee concluded that Gyosei & Co and Ernst & Young ShinNihon LLC would be included in the shortlist to be submitted to the Committee.

50. The Secretariat further informed the Committee that although there are differences in size, experience and strength in international affiliations, both candidates are capable of conducting the auditing service in accordance with ITTO's Auditing Standards.

51. The delegate of Japan inquired whether the quoted fees included any additional services other than the audit requirements as provided in the ITTO Auditing Standards. The Secretariat informed the Committee that the quote only covered the regular external financial statement audit in accordance with International Standards on Audit (ISA), but additional services could be added upon request.

52. The delegate of New Zealand asked how the two quotes compared with fees quoted by the other audit firms approached. The Secretariat explained that, of the ten audit firms contacted and invited to submit quotes, these were the only two quotes received. The Secretariat noted that the quote received from BDO Toyo for the previous year was JPY 8,500,000.

53. The delegate of the EU asked whether the Secretariat had conducted research on audit firms that had conducted IPSAS-based financial audits of other UN organizations and whether references were obtained from such organizations. The Secretariat responded that it had not conducted such research.

54. The delegate of the USA said that the bid chosen should offer the best value for money and that the Committee should consider the savings to be made in selecting the audit firm. The Chairperson commented that the cheapest bid does not necessarily provide the best value.

55. The delegate of the EU requested the Secretariat to provide more information on the two candidate firms, particularly their expertise in IPSAS. The Secretariat provided a document summarizing the features of the two firms, with the audit proposals attached. The Secretariat informed the Committee that Gyosei & Co had experience with the International Financial Reporting Standards, which IPSAS is based on and was part of a global network of independent auditors, and that a Japanese partner of Ernst and Young ShinNihon LLC was on the IPSAS board and would be available as technical advisor. Globally, Ernst and Young ShinNihon LLC also has experience with audits of EU agencies and IPSAS-related consultancies.

56. The delegate of the EU requested information on the tendering procedure, and the Secretariat explained that the procurement process was conducted in accordance with the new ITTO Auditing Standards. The Executive Director had sent a letter to ten selected audit firms inviting them to submit proposals. The letter had clearly stated that other firms were being approached.

57. The CFA took note of document CFA(XXXII)/7 and decided to recommend to Council at this Session the appointment of Ernst & Young ShinNihon LLC as independent auditor to audit the Organization's Accounts for three consecutive years, beginning with the Accounts for the financial year 2017. The re-engagement of the same auditor to audit the Accounts for the following two years would be subject to an annual review of its performance.

#### **Item 11: Biennial Work Programme of the Committee for 2018-2019**

58. The delegate of the EU suggested that the working group mentioned in a draft Council decision at this session to examine the Organization's financial architecture could clarify the ongoing responsibilities of the CFA in reviewing the Biennial Work Programme.

59. The Committee took note of the report.

#### **Item 12: Request by the Central African Republic for 'Relief from Obligations'**

60. The Secretariat informed the Committee of the request made by the Central African Republic to consider the write-off of its arrears in line with Article 30 of the ITTA, 2006, on "Relief from Obligations". The Secretariat confirmed that the Central African Republic was not represented at this session of the Council.

61. The delegate of New Zealand indicated that her delegation was supportive of the request to write off arrears. The delegate of the Japan indicated that Japan was ready to support the consensus on this matter.

62. The delegate of the EU suggested that a Council decision on this matter should note that the decision was made in light of the exceptional circumstances of the Central African Republic and did not imply that similar decisions would be made in other cases or the restoration of voting rights; and urge the Central African Republic to pay its assessed contributions as soon as possible.

63. After an adjournment, the Secretariat presented the text of a draft Council decision for the consideration of the Committee.

64. The Secretariat also clarified that the Secretariat had received the letter requesting the writing off of arrears from the Central African Republic in 2015 and that the representative of the Central African Republic had subsequently attended the 51st Session of the Council in November 2015. However, the Central African Republic had not been represented at the 52nd Session of the Council and was absent from the current Session.

65. The delegate of the USA noted that the Council had the ability to restore voting rights to members in arrears without writing off those arrears.

66. The Secretariat informed the Committee that there was also a clause in the ITTA, 2006 stating that members that were in arrears for two consecutive years would lose their eligibility to submit project proposals. This clause was separate from the restoration of voting rights.

67. The delegate of the EU noted that the draft decision should include the remarks made previously that the decision was made in light of the exceptional circumstances of the Central African Republic and did not imply that similar decisions would be made in other cases or the restoration of voting rights. Moreover, the decision should urge the Central African Republic to pay its assessed contributions as soon as possible.

68. The Vice-chairperson requested guidance from the Committee on whether the draft decision should be sent to the Chairperson's Open-ended Drafting Group, or should be further discussed in the Committee.

69. The delegate of the USA responded that the position of the USA was that writing off arrears is not common practice in other organizations and should not become common practice in ITTO. She further responded that it should be included in the report that such writing off would be in light of the truly extraordinary circumstances in the Central African Republic and did not set a precedent.

70. The Committee decided, therefore, to recommend to the Council that it positively consider the request submitted by the Central African Republic to write off its arrears of assessed contributions to ITTO for the period 2005–2011, in accordance with Article 30 of the ITTA, 2006 and IPSAS requirements.

#### **Item 13: Election of Chairperson and Vice-Chairperson for 2018**

71. The Vice-Chairperson of the Committee for 2017, Mr. Luke Thompson of USA, was elected Chairperson of the Committee for 2018 and Mr. Marcel Holland Oseida de Leon of Guatemala was elected Vice-Chairperson of the Committee for 2018.

#### **Item 14: Dates and Venue of the Thirty-Third and Thirty-Fourth Sessions**

72. The Committee agreed that its Sessions may be held on the same dates and at the same venues as the Fifty-fourth and Fifty-fifth Sessions of the Council.

**Item 15: Other Business:**

## (a) Overall transparency of ITTO documentation

73. The delegate of the USA explained to the Committee that the background for raising the issue of the overall transparency of ITTO documents is that most international organizations now normally post all their meeting documents on the web in a timely manner and have adopted information disclosure policies, which include public access to governing body documentation. ITTO, on the other hand, does not post all its documents, and there had been instances where documents had been made available to Members only shortly before the start of Council sessions. The delegate pointed out three areas related to transparency that would enhance member engagement: (1) post all Council/Committee documents on the publicly available website; (2) post the documents in a timely manner, at least 30 days before the first day of the Council; and (3) publish all previous Council documents, including CFA documents, on the ITTO website. The delegate of the USA sought advice on whether this change should be made in a Council decision or through an administrative procedure.

74. The Secretariat advised the Committee that the Rules of Procedure specify that documents should be distributed at least three weeks before the start of Council sessions and that documents should be made publicly available to all parties unless restricted. Given that the rules are already established, it may be sufficient to include text in the report of the CFA to supplement those rules, for example to clarify the method of distribution and to identify how to distribute restricted documents, such as by information portal or protected link.

75. The delegate of the USA sought clarification on the cost implications of distributing restricted documents through a website portal. The Secretariat informed the Committee that the portal already existed but was unused, and therefore there would be no budgetary implications.

76. The delegate of the EU sought clarification on the criteria used to determine whether documents were classified as restricted or unrestricted. The Secretariat informed the Committee that the Council initially decided the status, which was inherited in future sessions, but the Council may decide at any time to change the status.

77. The delegate of the USA proposed that all Council documents, including CFA documents, should be published on a publicly available website at least 30 days in advance of Council sessions to ensure transparency and to demonstrate a commitment to improving institutional decision-making.

78. The delegate of the EU supported the proposal of the USA in principle and requested an overview of which documents are currently restricted.

79. The delegate of Japan indicated support for the approach proposed by the USA.

80. After an adjournment, the Secretariat presented a list of standard Council and Committee documents in which those determined to be restricted were identified. Of the restricted documents, one was a document of the Council, the report of the Credentials Committee (ITTC/3). All other restricted documents were CFA documents – CFA/2 “Administrative Budget”, CFA/3 “Contributions to the Administrative Budget”, CFA/4 “Status of the Administrative Account”, CFA/5 “Resources of the Special Account”, CFA/6 “Audited Financial Statements” and CFA/7 “Appointment of Auditor”. Of those, the Financial Rules specified that CFA/2 and CFA/6 were to be made publicly available after Council adoption.

81. The Chairperson invited comments from the floor on whether the other restricted documents should be made publicly available.

82. The Vice-chairperson indicated that ITTC/3, the report of the Credentials Committee, was restricted for use at Council sessions and historically had not been published, even after Council sessions. He invited the Committee members to indicate any objection to continuing this practice for this document. There was consensus that this document should remain restricted.

83. Concerning the remaining CFA documents, the delegate of the USA drew the attention of Council to the document her delegation had tabled which lists various international organizations that provide access to their financial documents to varying degrees. The point to be noted, she said, was the high level of transparency regarding all financial and accounting documents. The delegate made the further point that, for

a full understanding of the financial status and health of the Organization, CFA documents 2, 3, 4, 5 and 6 should be considered together. Her suggestion, therefore, was to release those documents after their approval by the Council.

84. The delegate of Togo stressed that, to ensure that members can fully analyse the documents before Council sessions, they should be made available well in advance.

85. The delegate of Japan informed the Committee that, among the environmental conventions, there was a range of disclosure levels. Mostly, documents were made available through a web portal. Some financial documents are publicly available and some are restricted to members only. In all cases the method of distribution was the same – through web portals. The delegate also informed the Committee that it is commonplace among environmental conventions that the list of countries in arrears is placed directly on the organizations' websites as a means to reduce arrears.

86. The delegate of the EU indicated that it favoured the approach advocated by the USA to ensure maximum public access to documents.

87. The delegate of the USA suggested that CFA/7 on the appointment of the auditor might be considered procurement sensitive and perhaps should not be made publicly available.

88. After further discussion, it was decided to recommend to Council that CFA documents 3, 4 and 5 should also, on approval of those documents by the Council, be made publicly available and that CFA/7, on the appointment of the auditor, should remain restricted. Moreover, all documents for upcoming Council sessions should be made available to members via a web portal at least 30 days in advance of the start of the Council session and also made available to the public, except where restrictions apply.

89. After discussion on the matter of making archival documents of the Council and the committees publicly available via the ITTO website, the Committee decided to recommend that the previous three years of CFA documents should be made publicly available on the ITTO website, except for those documents that should remain restricted as per the previous recommendation, and all other documents of the Council and committees should be made publicly available upon request.

90. The Committee considered whether these changes to the Rules of Procedure and Financial Rules should be made through a decision by Council or as recommendations in the CFA report. To ensure high visibility for these changes, the Committee decided to recommend that the Council specify these changes via a decision. The Secretariat agreed to amend the existing proposal to include the necessary cross-references to the Rules of Procedure and Financial Rules, for the consideration of the Chairperson's Open-ended Drafting Group.

#### (b) Responsibilities of Council officers

91. A paper describing the responsibilities of Officers of the International Tropical Timber Council was circulated to members of the Committee. The Secretariat gave a brief explanation of the origin and purpose of this paper.

92. The delegate of New Zealand supported the formalization of the paper as a Council document by including a note to that effect in the CFA report. She also supported the translation of the paper into the working languages of the Council.

93. The Secretariat informed the Committee that provisions can be made from Programme Support to cover the translations costs.

94. In response to a question from the delegate of the USA, the Secretariat proposed making the document publicly available on the ITTO website and distributing it to all incoming officers of the Council.

#### (c) Increasing the special reserve from USD 1,850,000 to USD 2,500,000

95. The Secretariat confirmed that, currently, the funds in the Special Reserve amounted to USD 1,850,000, and a recent assessment had indicated that the amount should be increased to USD 2.5 million.

96. The delegate of the EU inquired about the method by which the required amount in the Special Reserve was calculated. The Secretariat explained that the assessment involved calculating the actual costs associated with terminating staff contracts and repatriating international staff, which the Organization would be obliged to pay in the event of liquidation of the Organization. He clarified that if sufficient funds were not reserved, this could be in violation of ITTO rules.

97. The Secretariat further clarified that Rule 5, paragraph 7 of the Financial Rules specify that the amount in the Special Reserve should be decided by the Council for each financial biennium. The rules also specify the elements that should be included, and the method that should be used, in determining the amount. The Secretariat had used this method to calculate the amount, and the calculations had been checked by the auditor. Moreover, any change made by the Council to the amount in the Special Reserve would be checked in the next audit. The amount of funds required to increase the Special Reserve to USD 2.5 million was USD 650 000, and the Working Capital Reserve had a balance of about USD 4.8 million. The adoption of the 2018–2019 Biennial Work Programme might have cost implications for the Working Capital Reserve, but there would still be sufficient funds available to increase the Special Reserve to the specified amount.

98. The CFA took note and decided to recommend to Council at this Session to transfer USD 650,000 from the Working Capital Reserve to increase the amount of the Special Reserve to USD 2.5 million.

(d) Review the work and recommendations of the Investment Oversight Panel

99. The Vice-chairperson suggested that the Committee request each of the caucuses to nominate one member for the Investment Oversight Panel so that those nominations could be included in the Committee's recommendations to the Council.

#### **Item 16: Recommendations to the International Tropical Timber Council**

100. The Committee decided to make the following recommendations to the Council:

(1) To approve the Biennial Administrative Budget for the Financial Years 2018 and 2019, as contained in document CFA(XXXII)/2 Rev.1, in the amount of USD 7,108,547 and USD 7,104,341, respectively;

(2) To approve the Financial Reports Prepared in Accordance with ITTO Financial Rules and Procedures (Annex 4) for the Financial Year 2016, as contained in document CFA(XXXII)/6;

(3) To approve the appointment of Ernst & Young Shin Nihon LLC to audit the Accounts of the Organization for the financial year 2017 and beyond, subject to satisfactory performance;

(4) To formalize the paper "Responsibilities of Officers of the International Tropical Timber Council" as an official document entailing the responsibilities of Officers of the International Tropical Timber Council, translate it into three working languages, distribute it to all incoming officers of the Council, and make it available publicly on the ITTO website;

(5) To approve the transfer of USD 650,000 from the Working Capital Reserve to increase the amount of Special Reserve to USD 2.5 million;

(6) To positively consider the request submitted by the Central African Republic to write off its arrears of assessed contributions to ITTO for the period 2005–2011, in accordance with Article 30 of the ITTA, 2006 and IPSAS requirements;

(7) To appeal to Members with arrears that the implementation of the Biennial Work Programme for the years 2018-2019 could be impeded if their Assessed Contributions are not paid in time;

(8) To endorse the list of sole providers and approve the bad debt write-offs as contained in Annex 1 of CFA(XXXII)/4;

(9) To form the Investment Oversight Panel by nominating a representative of the Government of Japan and a representative of the Government of Cameroon as panel members, and to commence the work of the panel at such time as the Council deems appropriate for ITTO to resume investing the Organization's funds;

(10) To examine and take actions to secure the needed resources to achieve the objectives of the Organization.

**Item 17: Report of the Session**

101. The Committee adopted this report as amended.

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