



North Pacific Fisheries Commission

NPFC-2026-FAC08-WP06

Submitted by Secretariat

Consideration of the NPFC financial regulations

Abstract

Two aspects of the Financial Regulations were reviewed in some detail in the past year and are presented in this working paper:

1. Timing of the Audit (FinReg 35-38)
2. Payment by Members participating in the Transshipment Observer Program (FinReg 27 or other mechanism)

1. Timing of the Audit

As you know, the audit has not met the schedule outlined in the Financial Regulations. The current timeline allows for 30 days after the close of the fiscal year to provide the data to the auditor (i.e., 30 April). The Auditors, working with the Secretariat, then have 60 days to finalize the audit.

The ability to provide accurate data in a timely way has improved significantly with the use of commercial financial software. There are still some impediments to meeting the current time-frame:

- i. The current COM meeting schedule has the Secretariat focused on meeting preparations and report circulation in the March / April time frame
- ii. Some data for costs is variable and not known for 30 to 60 days after the close of the fiscal year

Options

- i. Continue with the current time frame and provide less accurate data to the auditor and then revise it during the time they are auditing
- ii. Provide more time to assemble the data and conduct the audit by changing the Financial Regulations as outlined in Annex 1

Context: The complexity of our audit process has intensified significantly with an increased level of Commission activities (e.g., number of SSC and related meetings and contracts, contracted work in general, use of voluntary contributions and tracking and reporting on their expenses, Transshipment Observer Program etc.). We have also looked at the process in other organizations. At WCPFC the audit process is outlined in [WCPFC Financial Regulations](#) Regulation 11 and 12. WCPFC use 3 months to assemble and provide the data and 3 months for the preparation of the audit (note that the WCPFC fiscal year concludes on 31 December).

Recommendation: That the FAC recommend to the Commission an update to the NPFC Financial Regulations as outlined in Annex 1 to this paper

2. Funding of the Transshipment Observer Program

This program is governed by CMM 2025-17 On Transshipment Observer Program. For the observer fees, paragraph 31 of the CMM specifies that:

31. The costs of implementing this program shall be financed by the flag Member or CNCP of offloading vessels wishing to engage in transshipment operations. The fee shall be calculated on the basis of the total costs of the program. This fee shall be paid into a special account of the Secretariat and the Executive Secretary shall manage the account for administering the program.

An intersessional decision making process occurred as outlined in [Circular 061-2025](#) to agree on both the contract language and the proposed budget and payment approach to launch the program in April 2026. The latter is a cost-shared formula for those Members whose fishing vessels make use of transshipment services governed by CMM 2025-17. The cost-sharing is based on both the number of offloads (weighted as 50%) and their volume (weighted at 50%) from two years earlier. Thus the 2026 program was proposed using data from 2024 (last year for which complete data was available). Similarly for the 2027 version, the data from 2025 will be used to determine the cost-sharing.

There are a number of observations to make on the financial component of the program. Members participating in the program have been responsive and have provided the necessary start-up funds (e.g, initial purchase of safety equipment and hardened tablets for reporting) as well as the anticipated operational costs for the first year of the program. These funds are held in a separate bank account. Due to the currency of the contract, we received all funds in USD into a USD account.

- i. There had been questions about whether changes to the NPFC Financial Regulations are required or not. This has been discussed with our legal analyst who has considered our internal management of the funds. Their conclusion is two-fold:
 - a. that while the financial regulations do not necessarily need to be changed as existing funds identified in the financial regulations can be used (i.e., Trust Fund established under paragraph 27 of the Financial Regulations), a small update would add clarity to differentiate mandatory from voluntary trust funds and,

- b. that there needs to be a relevant amount for the observer program included in the budget adopted by the Commission, so that the Executive Secretary can incur the expenses and make the payments to the observer services provider.

This is comparable to the approach used at IATTC.

As you know, in order to participate in the NPFC transshipment scheme after 1 April 2026, flags of the fishing vessels making use of transshipment in the Convention Area must finance the costs of their implementation based on the agreed approach. Thus the obligation is clearly stated – in order to offload onto a duly authorized carrier vessel, the Member responsible for the fishing vessel has agreed to make the necessary funds available to operate the observer scheme.

A missing element is to confirm the future operation of the program and provide regular authority to the Executive Secretary to collect and expend funds on behalf of the Members.

As in IATTC, it is proposed to provide estimates in the budget for the future operation that are offset by the payments into the TOP trust fund. Thus while the funds are reflected in the budget to provide authorization to the Executive Secretary, they are offset completely by the trust fund that would be replenished by the participating Members.

Two areas to be considered:

1. To consider the nature of the contributions to operate the TOP:

A range of funds are identified in the Financial Regulations paragraphs 20-27. The ability to hold funds in trust is identified in paragraph 27 though the current wording suggests that the source is voluntary contributions and not a mandatory payment as envisioned for participants in the TOP. To ensure clarity and consistency with respect to the effect of all CMMs, the best approach would be to make a small amendment to the Financial Regulations to make clear that payment of these funds is mandatory (not voluntary) for those Members who transship at sea. However, if Members do not want to make any changes to the Financial Regulations, provided it is accepted by Members that the CMM is legally binding, payment could be considered ‘voluntary’ on the basis that the Members do not have to participate in the mechanism if they don’t transship at sea, in which case no changes are needed to achieve this purpose. In this case, it would be useful to include language in the report of the FAC or the Commission to reflect this distinction.

Options:

- i. Status quo, no update to the Financial Regulations is needed
- ii. Update the Financial Regulations to outline that the trust funds under paragraph 27 are comprised of both voluntary and mandated funds that would in this case be assessed through the TOP (draft language in Annex 2).

Recommendation: Option ii would be preferable in order to provide clarity and have the Financial Regulations reflect the reality.

2. To provide authority to the Executive Secretary:

To expend funds on behalf of the Commission, the Executive Secretary receives authority through the adoption of the budget. Currently the TOP contract and payments have been agreed to outside of that process through intersessional decision that has established the mechanism to share the cost between participants, and the initial cost estimate. This process could be made more regular by taking a few steps.

Options:

- i. Include an estimate for TOP in the annual budget table, with that estimate offset from an equivalent transfer from the TOP (This is comparable to the process at IATTC).
- ii. Update to the Financial Regulations can be made to provide authority to the Executive Secretary to continue to manage costs related to the program by adding language similar to other RFMO in a new paragraph 29bis (draft language in Annex 2).
- iii. Rather than include in the budget, pursue intersessional decision making on an annual basis to agree to the contribution amount.

Recommendation:

Minimum recommended change is Option i. Ideally Option i and ii are adopted. Option i is how IATTC operates in an older version of this system and Option ii is included in addition in SPRFMO.

Annex 1: Proposed amendments to the Financial Regulations

AUDIT

35. The annual statements and accounting records of the Commission shall be presented in the currency of the country in which the Secretariat is located.

36. Annual financial statements and accounting records of the Commission shall be submitted by the Executive Secretary to external auditors for an annual audit as prescribed in Article 12, paragraph 6 of the Convention not later than ~~ninety~~^{thirty} (390) days following the end of the financial year.

37. The auditors, in addition to certifying the annual statements and accounting records, may make such observations as they deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the financial consequences of the administrative practices.

38. The auditors shall submit their report to the Commission not later than ~~three-six~~ months following the end of the financial year to which the accounts relate. The Executive Secretary shall circulate the auditor's report to all Commission members within fifteen (15) days of receipt.

Annex 2: Proposed changes related to the Transshipment Observer Program

27. In addition to the Special Purpose Fund cited in paragraph 26, the Commission may establish separate trust funds to cover ~~other voluntary~~ contributions from ~~M~~members of the Commission or from other sources. The Executive Secretary may accept ~~voluntary~~ contributions to such trust funds on behalf of the Commission provided that the purposes for which such ~~voluntary~~ contributions ~~have been established~~ are accepted are consistent with the policies, aims and activities of the Commission. The Executive Secretary shall report to the Commission on the establishment of any such trust funds and the use of any monies contributed to such funds.

AUTHORITY AND RESPONSIBILITY OF THE EXECUTIVE SECRETARY

29. The Executive Secretary is authorized to incur obligations and make payments up to the amounts appropriated in the Commission's budget as adopted by the Commission.

29bis The Executive Secretary may also enter into obligations for future financial periods when such obligations are for program activities which have been approved by the Commission and will continue beyond the end of the approved budget.