

Arctic Council Secretariat

# Financial rules

Financial rules of the Arctic Council Secretariat  
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ARCTIC COUNCIL



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# FINANCIAL RULES

## of the Arctic Council Secretariat

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### **1. Scope**

**1.1** The following Rules govern the financial administration of the Secretariat.

### **2. Authority and applicability**

**2.1** The Director of the Arctic Council Secretariat (hereafter referred to as the Secretariat) shall have an overall responsibility for the proper management and efficient use of the financial and staff resources.

**2.2** The Director is responsible to the Senior Arctic Officials (hereafter referred to as SAOs) in financial matters and shall have authority in all financial matters of the Secretariat, including authority to receive monies, incur obligations and make payments on behalf of the Secretariat.

**2.3** The Director may, after notification to SAOs, delegate in writing to other Staff members such powers as deemed necessary to secure proper and effective management of the administration of the Secretariat.

### **3. Financial period**

**3.1** The financial year of the Secretariat shall be the calendar year.

### **4. Administrative budget**

**4.1** The Director shall prepare and submit for the approval of the Arctic Council a biennial work program and an administrative budget (hereafter referred to as the budget) of the Secretariat in accordance with Article 6 of the Terms of Reference of the Secretariat to cover the costs of the Secretariat.

**4.2** The Director shall submit to the SAO Chair a draft budget for the coming biennial period indicating each financial year at least 90 days before the Ministerial meeting at which the budget is to be determined. The budget proposal shall be accompanied by the approved budget for the current biennial financial period.

**4.3** The draft budget shall cover income and expenditures and shall be presented in Norwegian kroner (NOK) and USD.

**4.4** The draft budget shall be divided into chapters by type of expenditure. The draft budget shall encompass expense estimates by main chapters and sub-chapters and detailed explanatory notes on the allocations, as against the actual expenditures. It shall also include a summary statement of the proposed budget and other annexes as may be required.

## **5. Financial resources and contributions**

**5.1** The sources of the budget consist of:

- i)** The contributions of Arctic states as provided for in section 6 of the Terms of Reference of the Secretariat;
- ii)** returns on interest derived from deposit account(s) of the Secretariat and miscellaneous income such as donations, voluntary contributions and grants from the Arctic states and Permanent Participants, the Director may accept such payments provided that the purpose thereof conforms to the principles and objectives of the Arctic Council and are approved by SAOs;
- iii)** general donations shall be those made for no specific purpose and shall be added to the official account of the Secretariat; and
- iv)** specific donations shall be those made for specific purpose and managed in conformity with these Rules and the purpose prescribed, upon the authorization of the Director a separate bank account of the Secretariat may be established for managing such donations.

The Director shall submit to the last SAO meeting of the year a report on the contributions and donations to the annual budget for approval of SAOs.

**5.2** As soon as the Arctic Council has approved the budget the Director shall send a copy thereof to all Arctic states together with a call for contributions for the coming financial period. The approval of the budget constitutes an authorisation to the Director to incur obligations and make payments for the purposes stated in the budget and up to the amounts so adopted.

**5.3** Arctic state contributions to the budget are subject to parliamentary approval, are on an annual basis, and should be made by 31<sup>st</sup> March of each year. All contributions shall be made in USD.

**5.4** The use of income as mentioned in article 5.1 ii) and iii) shall be subject to the same financial controls as activities financed from regular budget appropriation.

**5.5** In cases where special necessity arises the Director may transfer funds from one chapter of the budget to another up to a limit of 15 percent. Such transfers can only be made to cover unexpected variable costs. Under no circumstances can budget funds for variable costs be reallocated to finance an increase in fixed costs. Transfers in excess of the 15 percent limit shall be made only with prior concurrence of the SAO Chair. Redistribution must be in accordance with conditions given for the contribution.

**5.6** Any cash surplus at the end of a financial year should be accounted for in the contributions of Arctic states for the following year.

## **6. Custody of deposit**

**6.1** The Director shall designate the bank or banks in which the deposits of the Secretariat shall be kept. The bank shall be registered in Norway.

## **7. Accounts**

The Director shall establish procedures:

- a) to ensure effective and prudent financial administration; and
- b) to ensure that all payments are made on the basis of invoices or other supporting documents and the services or goods contracted for have been received.

**7.2** The Director shall maintain such accounts as are necessary and shall prepare financial accounts at the end of the financial period in accordance with generally accepted accounting principles, and shall provide quarterly statements in respect of such records to the SAOs.

**7.3** The guiding financial regulations shall be those of Norway.

**7.4** The financial accounts shall be kept in NOK and presented in NOK and USD.

**7.5** The Director shall submit a Statement of Accounts for each financial period to the SAOs and the independent external auditor not later than 60 days following the end of the financial period.

**7.6** The statement shall show the income of the Secretariat and, under separate headings, expenditures and balance of accounts. The Director shall attach to the statement an explanatory memorandum.

## **8. Internal control**

**8.1** The Director is responsible for the internal control.

**8.2** The internal financial control shall provide for an effective examination and review of financial transactions in order to ensure the most efficient use of the resources of the Secretariat.

**8.3** All transfers or withdrawals from the bank dealing with expenses of the Secretariat shall be made upon authorization of the Director.

**8.4** The Director shall review financial transactions to ensure the regularity of the receipt, custody and disposal of the Secretariat's funds and other financial resources.

**8.5** The Director shall organize the operations of the Secretariat and the internal control system in such a manner that financial irregularities, including corruption, theft, embezzlement, fraud, misappropriation of funds, favouritism or nepotism are prevented.

**8.6** The Director shall, without undue delay, inform the SAOs and any suspicion of financial irregularities.

## **9. External audit**

**9.1** The accounts of the Secretariat shall be audited annually by an independent external auditor, who is registered in Norway, selected by the SAOs.

- 9.2** The auditor shall perform such audit as necessary to determine that:
- a) the financial statements are in accord with the books and records of the Secretariat;
  - b) the financial transactions reflected in the statements are in accordance with these Rules;  
and
  - c) the monies on deposit and on hand are vouched for by the Secretariat's depositories or by actual count.
- 9.3** The auditor shall prepare a report for the SAOs on the audit of the financial statements relating to the accounts for the financial year. The report shall include the auditor's conclusions on the accounting system, internal financial controls, the financial consequences of administrative practices, and any other subject relevant to the financial status of the Secretariat. The auditor shall provide its report to the Director at the time of its submission to the SAOs.
- 9.4** The auditor shall draw to the attention of the Director and the SAOs any transaction with respect to which they entertain doubt as to legality or propriety.

## **10. Interpretation**

- 10.1** The SAO Chair may rule, after consultation with SAOs, in cases of doubt as to the interpretation and application of any of the Financial rules. Consensus should apply in this decision.

## **11. Amendment of the Financial rules**

- 11.1** The Financial rules may be amended by decision of the SAOs.