

## Report from the ACS Director to SAOs on the work of ACS for 2013

Presented at the SAO meeting in Yellowknife, Canada, 26-27 March 2014

### 1. Introduction

This report gives an account of the establishment, and the first year of operation of the standing Arctic Council Secretariat (ACS) in Tromsø, Norway. Until the end of the Swedish chairmanship of the Arctic Council on 15 May 2013, each chairmanship of the Arctic Council had been responsible for providing the necessary secretariat services for the work of the Arctic Council during its chairmanship. From the beginning of the Canadian chairmanship onward, the ACS will provide ongoing secretariat support for the Arctic Council and each chairmanship.

### 2. Establishment of the ACS

The signing of the Host Country Agreement for the standing Arctic Council Secretariat (ACS), took place in Tromsø on 21 January 2013. The Host Country Agreement was signed by **the Honorable Espen Barth Eide**, Foreign Minister of Norway, with the presence of: **the Honorable Carl Bildt**, Foreign Minister of Sweden and the outgoing chair of the Arctic Council; and **the Honourable Leona Aglukkaq**, Regional Minister for the North, Canada's Minister for Health, Minister responsible for CanNor, Minister for the Arctic Council in Canada, and the incoming chair of the Arctic Council. This was an important step in implementing the decision taken at the Arctic Council Ministerial Meeting in Nuuk in 2011 to establish the ACS in Tromsø. Following the decision in Nuuk, the Arctic Council Task Force on Institutional Issues followed up, preparing the details necessary for implementation of the decision. Those details were approved at the Arctic Council Deputy Ministerial Meeting in May 2012.

The director of the ACS started his work in Tromsø on 7 February 2013. He was charged with undertaking the practical tasks necessary to ensure that – in accordance with its terms of reference – the ACS would be operational when Canada assumed the chairmanship in May 2013. For practical reasons, it was later decided that the ACS should be fully operational from 1 June 2013. The ACS work plan and budget for 2013 were approved by the Ministers at the Kiruna meeting on 15 May 2013.

To successfully get the ACS registered with the relevant Norwegian authorities and to establish the necessary working relationship with those authorities, an important first step was the hiring of an external auditor. After a bidding process involving three recognized international audit firms, Ernst & Young was chosen as the external auditor for the ACS.

Other practical matters that had to be secured for the daily function of the ACS included:

- renting of office space
- insurance of the employees

- social security arrangements for the employees
- occupational pension arrangements for the staff

An agreement with the Norwegian Polar Institute was made on the rent of office space for the ACS until new premises are completed in a new building (planned; construction has not begun as of February 2014) adjacent to the present offices.

A pension scheme for the employees was established with Nordea Bank. Social security was arranged with the Norwegian Welfare and Labour Administration. Insurance of the employees at work was established with IF, a Norwegian insurance company. All these matters were concluded and in place before 31 May 2013.

### 3. Recruitment of Staff

Assessment of initial staff requirements, based on the Terms of Reference of the ACS, took place in February in coordination with the SAO Chair (Gustaf Lind of Sweden, at that time). Following those consultations, four positions were announced on the Arctic Council website on 1 March 2013.

- Office Manager
- Website Officer
- Communications Officer
- Russian Language Adviser

In all, 74 applications were received for the four positions. After thorough study of the applications, a short list was developed for each position. After interviews with the short-listed candidates, recruitment of employees to all four positions had been concluded by 15 May. The successful candidates were:

- André Skrivervik (Office Manager)
- Linnea Nordström (Website Officer)
- Tom Fries (Communications Officer)
- Kseniia Iartceva (Russian Language Adviser)

In addition, the Government of Norway decided to second Nina Buvang Vaaja for two years to the ACS, until 1 August 2015. Nina Buvang Vaaja, who was the head of the previous interim Secretariat, has the position of Deputy Director in the ACS. An intern – Kiira Keski-Nirva – was also brought on to the ACS team from 1 June to 31 December 2013.

In sum, for the initial operating phase of the ACS there were 7 employees who, together, represented five of the eight Arctic States. The staff is also well-balanced in terms of gender.

#### 4. Office equipment, outsourcing and financial routines.

The main emphasis in 2013 has been on making the ACS operative and able to support the AC and the current Chairmanship in the best possible manner. As outlined in the Work Plan for 2013, this includes contracting for services, establishing financial systems, and securing adequate technological platforms and tools. As of 04.03.2013, the ACS was formally and legally registered at the *Brønnøysund Register Centre*, making it a legal entity and an organization in Norway (Org.nr. 911 55 4771). This registration was necessary in order for the ACS to establish agreements with suppliers and to purchase goods and services.

##### *Office equipment*

In terms of office equipment and furniture, some of the inventory was taken over from the temporary secretariat, e.g. some computers, office furniture, lamps etc. The ACS has continued working with Kjell Arnesen AS, the firm that provided furniture to the temporary secretariat. The rationale is to buy good quality furniture that is coherent with existing furniture, and that this in due time may be moved over to the new premises in Fram II.

Regarding technology, a needs assessment was conducted in spring 2013 and several offers were received from local and national suppliers within the fields of server leasing, computers, software and maintenance, mobile phones, printer services, general office supplies etc. For server and network leasing, computers, software and client support, the ACS signed a contract with iTet, Tromsø. For mobile phones and tablets, an agreement was signed with Telehuset, a Telenor subsidiary. After having chronic problems with the “legacy” Oki printer, an agreement was made with X-partner (Xerox) to lease a new printer/scanner/photocopier (Xerox WorkCentre 7835), including service and maintenance.

For general office supplies, the ACS has an agreement with NorEngros Markedshuset <http://www.norengros.no/tromso>. Orders are placed online and delivered to our premises a few days later.

We expect to make further purchases of furniture and office equipment due to increasing staff in 2014. In accordance with the budget for 2014, some replacement and/or upgrading of computers and mobile phones is also expected.

All in all, these agreements have been made to ensure that the ACS will be able to carry out its duties reliably and predictably while keeping within its budget.

##### *Outsourcing and financial routines*

Due to the overall workload at the ACS, payroll and accounting has been outsourced to Visma Services (<http://www.visma.no/services/>), a company which specializes in such services. Through online portals (<https://veridox.vismaservices.no/veridox/no/Account/LogOn>) the day-to-day distribution of invoices is handled professionally, with regular communications between

Visma and the ACS. An invoice can only be approved or paid by Visma when it has been approved by the ACS first. Furthermore, all invoices that exceed USD 2,500 require approval from both the Office Manager and either the Deputy Director or the Director. Visma Services also provides a technical solution for reimbursement of travel and expenses (<https://travel.myvisma.no/visma/>). As part of the internal control, original paper receipts for travel claims are delivered to Visma monthly. The travel claims are checked and signed by the ACS management and then checked again by Visma before they are finally approved. This applies to all reimbursement of expenses.

As noted earlier, Ernst & Young are the appointed auditors for the ACS. In line with the Financial Rules (Art. 9), they will perform an annual audit of the ACS. In accordance with the Financial Rules (6.1), bank accounts have been established at Nordea Bank in Tromsø, where the ACS currently has four accounts:

- a) Operating account – 6420 06 94501
- b) Capital account – 6420 57 07792
- c) Internal fee account – 6420 06 94056
- d) Tax account – 6420 86 10854

The Director and the Office Manager have access to these accounts. In addition, Visma Services (Accountant) are able to charge the operating account for invoices that have been approved by the ACS.

According to the Host Country Agreement (Art. 10-2), “*The Secretariat shall be exempt from value added tax (VAT) for such acquisitions which are necessary for carrying out official functions*”. Our experience so far, is that some suppliers comply with this requests, others don't. Hence, for 2013 the ACS has filed a claim for reimbursement of VAT from the Norwegian Government in the amount of NOK 42 666,-.

## 5. Administrative and organizational work

### Senior Arctic Officials' Meetings

Preparatory work for coordination with Canada as the incoming chairman state of the Arctic Council started in Stockholm in March 2013 with a meeting of the ACS director, the incoming SAO chair, Patrick Borbey, and the Canadian delegation. Preparations continued with a visit of the ACS director to Ottawa in early May, which was in turn followed by a visit of the SAO Chair to Tromsø in the beginning of June. Cooperation and burden-sharing between the ACS and the Canadian chairmanship in logistics and preparations for SAO and Ministerial meetings were established and routines for dealing with various administrative matters in the ACS were decided upon.

In coordination with the SAO chair, the ACS worked with the Working Group (WG) chairs to improve oversight of progress on AC projects and the WGs' work plans, as well as better cooperation between WGs on cross-cutting projects. A tracking tool for monitoring progress of AC projects was developed to strengthen implementation of this task. The template for WG

reporting to SAOs was reviewed and slightly amended. Work on guidelines on reporting on the cost and extent of AC projects (as requested by the SAOs) was undertaken in coordination with the WG chairs and secretaries. That work was not fully completed by the end of the year, and continues into 2014.

The first SAO meeting under the Canadian chairmanship was held in Whitehorse, Canada on 21-23 October 2013. The first day was reserved for an Executive SAO meeting, while the plenary session was held on the two days thereafter. In the course of the planning process for the meeting, the Summits Management Office of the Canadian Government representative visited Tromsø once, and the office manager of the ACS reciprocated with a visit to Ottawa. Regular telephone and video meetings between the Chairmanship team and the ACS were arranged in the weeks leading up to the SAO meeting.

### **Working Group Meetings**

The ACS participated in different capacities at several WG meetings.

- CAFF (Yellowknife, September 2013)
- ACAP (Reykjavik, September 2013)
- SDWG (Whitehorse, October 2013)
- EPPR (Tromsø, November 2013)

For some of the WGs, the ACS staff has assisted with practical tasks upon demand. In other meetings, ACS staff has taken part only as observers, with an eye to assisting the flow of communication between the WGs, the ACS and the Chairmanship. The ACS did not have the capacity (both human resources and financial) to attend all WG meetings in 2013, but found that participation in such meetings are both often requested, and always very helpful for the daily work at the ACS, as it is the most efficient way to make the ACS staff able to complete many of its tasks including communication, tracking tool, estimating project costs and following progress.

### **Assistance to Task Forces (TFs)**

The Task Force for Actions on Black Carbon and Methane (TFBCM) requested secretariat support from the ACS, according to its mandate. This support includes

- preparation of TF meetings
- sending invitations and receiving registrations
- drafting meeting minutes/reports
- maintaining distribution lists for the TFBCM co-chairs

During the fall of 2013, the ACS received further requests from the co-chairs of the Scientific Coordination Task Force (SCTF) and the Task Force on Oil Pollution Prevention (TFOPP) for secretariat support. The ACS has taken on this work with great satisfaction, as the work of the TFs will be an important part of AC work in the next few years. Ensuring that the work of the TFs is well-archived and maintained at the ACS will add value and continuity to the work of

the TFs. The additional work has been divided between the ACS staff in such a way that three of the staff supports one task force each.

### **Project Costing**

At the direction of the Senior Arctic Officials, the Arctic Council Secretariat has been cooperating with Working Groups to identify a practical and manageable way to collect information about the costs of each project. This has required extensive discussion with the Working Groups, as the final form will need to collect useful information in a format that applies across the diverse projects managed by the six WGs. By the end of 2013, the first draft of the form had been completed, and it had been submitted to the six WGs with a request to complete “trial runs” of them. An update on the effort is planned for delivery at the Senior Arctic Officials’ meeting in Yellowknife in March, 2014.

### **Ecosystem-Based Management**

At the request of the Senior Arctic Officials, the Arctic Council Secretariat has been cooperating with the Working Groups AMAP, PAME, CAFF and SDWG to prepare a report on ways in which their current and future work reflects the recommendations contained in the report “Ecosystem-Based Management in the Arctic”. Requests for input on the best method of approaching this task were sent to the Working Groups shortly after the Whitehorse SAO meeting in October 2013, and requests for first-round input were sent shortly before Christmas. The final report is likely to draw heavily on input from the Ecosystem Approach Experts Group, housed under PAME. By the end of 2013, PAME had provided a short outline that will be used as a framework for the next stages of the report. An update on the effort is planned for delivery at the Senior Arctic Officials’ meeting in Yellowknife in March, 2014.

### **Permanent Participant Funding Survey**

Following discussions among the SAOs and PPs, the ACS and the Canadian Chairmanship initiated a survey regarding the resources that could facilitate the participation of Permanent Participants in the work of the Arctic Council. The Chairmanship and the ACS worked together to draft two separate survey forms; these were sent to the Member States and to the Permanent Participants, respectively. An initial overview of results was presented in the SAO meeting in Whitehorse in October 2013. As some member states had not responded to the survey by the end of the year, the work will be continued in 2014.

### **Tracking Tool of Ongoing Arctic Council Projects**

At the direction of the Chairmanship, The Arctic Council Secretariat has, in close cooperation with the working group chairs and secretaries, been developing a Tracking Tool which gives an overview over all of the active projects during the Canadian Chairmanship period. The purpose of the tool is to track ongoing projects per Working Group, identify cross-cutting efforts between the Working Groups, possible Ministerial deliverables, and project status among other information. The Tracking Tool was presented for the first time at the SAO

meeting in Whitehorse in October 2013 and the tool will be continuously updated as necessary following the biannual Working Group meetings. An update on the effort is planned for delivery at the Senior Arctic Officials' meeting in Yellowknife in March, 2014.

## 6. Implementation of the work plan

The ACS carried out its work plan for 2013 as it was adopted by Ministers at the Kiruna meeting.

### **Communication & Website**

Four particularly significant developments in this area in 2013 stand out:

First, the Arctic Council website was re-launched in a more visually appealing format which is also compatible with mobile devices. In informal conversations with many different Arctic-focused analysts and journalists, it has become clear that the redesign was an enormous improvement that greatly benefited Arctic Council outreach among target audiences as described in the Communications Strategy for the Arctic Council (CSAC).

Second, the Russian version of the website was improved in order to allow easy navigation between the English and Russian versions of a particular article or page. The menus and other layout components have also been translated into Russian in a more robust way.

Third, work began on the archiving project described in the (CSAC), including the acquisition of much of the raw data (titles, links, and electronic copies) necessary to begin to build an Open Access database of all official Arctic Council reports and assessments. The project will begin by building Open Access archives for ACAP, EPPR and SDWG, the three Working Groups that currently require assistance with their archives. The work will then continue to identify the best way to include the already-established archives of AMAP, CAFF, and PAME. Staff from the University of Tromsø Library and from Library and Archives Canada have been partners in the Open Access Project with financial support from the Norwegian Ministry of Foreign Affairs.

In addition to the Open Access archive of assessments, the ACS has begun preparatory work on the second and third sections of the archiving project as outlined in the ACS work plan for 2013-2015. These sections include a) sourcing historical Arctic Council and AEPS documents, and b) establishing archiving routines for internal working documents at the ACS and for e-mail correspondence. For these sections of the archiving work, Library and Archives Canada has been the main partner.

Fourth, the hiring of a dedicated Communications Officer added to the strength of the Arctic Council Secretariat's efforts. The Communications Officer, who joined ACS in September of 2013, has focused on relationship-building both within and outside the Arctic Council, as well as developing an implementation plan for the CSAC for 2014.

In addition to the above initiatives, the Arctic Council Secretariat produced several articles on Arctic Council work for publication on the website, supported the social media efforts of the

SAO Chair, undertook comprehensive tracking of Arctic Council mentions across several channels, and was represented in a speaking role at several conferences and events.

### **Secretariat for ACAP & EPPR**

Work was undertaken to assess the implications of the ACS's assumption of secretariat functions for ACAP and for EPPR, neither of which have had a permanent secretariat. This work, which is stipulated in the ACS Terms of Reference, was carried out in good coordination with the respective WG chairs.

As part of the work plan and budget for the ACS for 2014/2015, a proposal was made to provide secretariat services for these working groups beginning in early 2014. The recruitment process for a Working Group Coordinator to take on this task was initiated in November, following decisions at the SAO meeting in Whitehorse.

### **Submission of a work plan and budget**

The ACS prepared and submitted a detailed work plan and budget for 2014/2015 to the SAO meeting in Whitehorse. Both the work plan and budget were approved in principle by the meeting.

### **Russian language services**

The Terms of Reference of the ACS (clause 2.2) make provision for translation of important Arctic Council documents, as well as communications and outreach material, to and from the Russian language.

The primary work conducted by the Russian Language Adviser is written translation. During the autumn-winter period of 2013 the following documents and materials were translated:

- Arctic Council Observer Manual for Subsidiary Bodies
- Revised Arctic Council Rules of Procedure
- SAOs' Report to Ministers (from Kiruna)
- Agenda for SAO meeting in Whitehorse
- Progress reports from Working Groups
- Project proposals from Working Groups
- Project reports from Working Groups
- Project Summary and Status Report Template (for SDWG)
- Agendas for Task Force meetings
- Discussion Guide for the TFCBF
- Proposals of the co/leads for the first meeting of the SCTF
- Framework document for the second meeting of the TFBCM

The Russian version of the Arctic Council website was updated and maintained on a regular basis. A steady increase in traffic to the Russian version of the website during the last quarter of 2013 was detected.

Another duty of the Russian Language Adviser is to keep correspondence with the Russian speaking partners within the Arctic Council and externally. There is a growing demand for interpretation services from the ACS; this demand is especially heavy from the Task Forces. The ACS Russian Translation Adviser took part in, and assisted with interpretation at the meetings of three TFs in December 2013.

## 7. Status of budget and financial contributions

The budget for 2013 in the amount of USD 797,093 was approved by the Arctic Council Ministers at the Kiruna Ministerial. In accordance with the Terms of Reference (Art. 6), calls for contributions to the administrative budget were sent out on 23 January 2013 based upon the indicative budget approved by the Deputy Ministers of the Arctic Council in May 2012, and with reference to the Financial Rules (Art. 5.3) which states that contributions “*should be made by the 31<sup>st</sup> March of each year*”.

Five of the state contributions arrived before 31<sup>st</sup> March, and three contributions were made later. Two of these were paid only as we approached 2014. This caused some operational uncertainty, since the ACS, as a responsible employer, needs a minimum of cash flow to fulfil its basic obligations such as salaries, rent, and insurance.

On the 31<sup>st</sup> December, the ACS had NOK 832 201 / USD 138 081 on the accounts. The surplus was a result of different factors. For instance, some of the new staff members took up their positions later than anticipated. The expenses for moving allowance in 2013 were lower than expected, as was the expenses for furniture and office equipment. Some of the travel expenses were also lower than expected. Finally, the uncertainty with late incoming contributions for 2013 and not knowing for sure when the contributions for 2014 would arrive, demanded a postponement of various orders, for instance furniture and decorating of new offices for the latest recruitments.

## 8. Representation of the ACS externally, and visits to the ACS

The director was frequently called upon to represent the ACS in 2013. At home, the ACS received a number of visits to the ACS offices in Tromsø from official delegations of the Arctic States, from Observers to the Arctic Council, from journalists and from study groups. The ACS was also asked to present the ACS and the ongoing work of the Arctic Council in meetings and at conferences both in Norway and in other Arctic States. A list of visits and representations is to be found at Annex 9.4 to the report.

## 9. Annexes

9.1 - Approved work plan for ACS 2013

9.2 – Approved 2013 budget for ACS

9.3 - Accounts and Auditors report for 2013

(9.3a) Financial Statements

(9.3b) Independent Auditor's report

(9.3c) Summary of ACS Audit 2013

9.4 - List of visits and representations



**Arctic Council Secretariat**  
**Proposed Work Plan for the Year 2013**  
Submitted by the Arctic Council Secretariat Director

In accordance with the Terms of Reference of the Arctic Council Secretariat this proposed work plan for the standing Arctic Council Secretariat (ACS) in its first year of operation is submitted to the Senior Arctic Officials for consideration and approval.

The ACS's activities described in the work plan support the approved functions of the ACS as set out in the Terms of Reference (see Article 2) and the Communication Strategy for the Arctic Council, and taking into account elements of the first work plan as drawn up by the Task Force for Institutional Issues (TFII) of the Arctic Council.

**A. Establishing the ACS Secretariat**

- To undertake and complete all work necessary to establish the Secretariat as a legal entity in Norway, including but not limited to: signing on behalf of the ACS the Host Country Agreement with Norway, and registering the ACS with the appropriate Norwegian authorities, including regional and local authorities, and to establish routine procedures for communicating with the relevant Norwegian authorities.
- To establish an agreement for the rent of offices for the ACS with the Norwegian Polar Institute until a new building at the Fram Center will be ready in 2015.

**B. Financial Systems**

- To establish the necessary financial systems required for the proper management and efficient operation of the ACS as required in the Financial Rules and by the Host Country Agreement, including establishing financial accounts and internal financial controls and pay roll systems.
- To prepare and request tenders from international auditors for the SAOs to select an external auditor for the ACS.

### **C. Human Resources and Staff Rules**

- To assess the staffing requirements essential to carry out the functions of the ACS as set out in the Terms of Reference and consistent with the ACS's work plan and approved budget for 2013.
- To carry out the staffing recruitment and selection process in accordance with the Staff and Financial Rules, Budget, and in particular the requirements set out in Article 4 of the Terms of Reference and Rule 5 of the Staff Rules.
- To establish an arrangement for insurance, social security and occupational pension scheme for the ACS employees.
- To develop and implement a plan for staff professional development.

### **D. Technology/Equipment Requirements**

- Assess the ACS's technology and equipment requirements (e.g. servers and database, computer hardware and software, video conferencing, etc.) necessary to carry out the functions of the ACS.
- Based on these assessments adjust to the ACS technology/equipment requirements appropriately within the budget.
- Assess the equipment/software requirements necessary for the ACS to establish and maintain databases for archiving and making available to the public through the internet, AC reports, decisions, declarations and other documents.
- Undertake a review of all AC records, including those held by PP's, WGs, TFs and other bodies, and implement and maintain a system for collecting, indexing, archiving and electronically publishing of these records.
- Based on these assessments, develop a plan, including a budget, for archiving, maintaining and publishing AC records.

### **E. Administrative and Organizational Support**

- Provide secretariat support for the Arctic Council (AC) Canadian Chairmanship, in cooperation with and under the direction of the SAO Chair. This support will include:
  - providing logistical and planning support for AC meetings;
  - managing delegate registrations;
  - establish and maintain webpage for every AC meeting;
  - compiling documents for AC meetings;

- distributing AC documents to delegations;
  - taking minutes and preparing meeting reports;
  - attending SAO and other AC meetings; and
  - such other administrative and organizational duties as directed by the SAO Chair.
- Ensure distribution of reports and other documents as required to SAOs, Permanent Participants, Working Groups, Task Forces, Expert Groups and other subsidiary bodies, and accredited observers.
- Provide Russian translation services including:
  - translation of the main documents for the Arctic Council Ministerial meetings and SAO meeting agendas, meeting reports, key reports and report summaries;
  - translation of the Arctic Council website materials;
  - providing, as appropriate, translation of the Arctic Council communication and outreach materials, or other documents or materials;
  - providing minor language assistance to the working groups - by request, subject to approval by the Director; and
  - providing such other Russian language-related support as instructed by the Director or the SAO Chair.

#### **F. Working Groups, Task Forces, Expert Groups and other Subsidiary Bodies**

- Develop and implement a plan for providing secretariat and/or administrative support to the Arctic Contaminants Action Program (ACAP) and the Emergency Prevention, Preparedness and Response (EPPR) Working Groups and other task forces as necessary, within budget constraints. The plan will list the types of services that can be provided, including: website hosting, document distribution; meeting support and logistics; and reporting.
- Assisting the working groups with outreach activities.
- Consider practical ways and means to better coordinate meetings of working groups and other subsidiary bodies to facilitate participation of all Arctic States in close collaboration with the SAO Chair.
- In consultation with and under the direction of the SAO Chair, attend Working Group, Task Forces, expert group and other subsidiary meetings, and prepare meeting reports for the SAOs to the extent possible.

#### **G. Website, Communications and Outreach Activities**

- Develop a plan for implementation of the Arctic Council Communication Strategy in consultation

with the SAO chair and the permanent contact group for communication to be submitted to the SAOs for approval.

- Continue development of the AC website, including software and security features.
- Publishing content on the AC website in consultation with the SAO chair and the relevant AC subsidiary bodies.
- Respond to public enquiries on factual matters and forward to the SAO chair and requests on information of other nature regarding the Arctic Council work and providing contact information of the Arctic Council subsidiary bodies as appropriate.

#### **H. Biennial Work Plan, Budgets and Reporting**

- Prepare and submit a budget for 2013 to the SAOs for approval by Ministers.
- Prepare and submit to the fall 2013 SAO meeting for consideration and approval a biennial Work Plan and Budget for the years 2014 and 2015.

## Arctic Council Secretariat - Approved Budget for 2013

(Rate 12/4, USD/NOK: 5,7568)

<b>EXPENSES</b>	<b>NOK</b>	<b>USD</b>
<b>STAFF</b>		
Salaries/Social benefits	1 918 000	333 171
Est. allowance	401 000	69 657
Mov. allowance	327 400	56 879
Insurance	14 400	2 501
Training and development	60 000	10 468
<b>Staff:</b>	<b>2 720 800</b>	<b>472 676</b>
<b>RENT</b>		
Rent of offices	335 000	58 192
<b>Rent:</b>	<b>335 000</b>	<b>58 192</b>
<b>PROF. SERVICES</b>		
Audit, annual fee	30 000	5 211
Accounting/Payroll	49 333	8 570
IT	88 312	15 340
Consultants	15 300	2 658
Miscellaneous	30 000	5 211
<b>Prof. services:</b>	<b>212 945</b>	<b>36 990</b>
<b>TRAVEL EXPENSES</b>		
Travel	693 500	120 466
<b>Travel:</b>	<b>693 500</b>	<b>120 466</b>
<b>OVERHEAD/OFFICE</b>		
PC/phone/web tc.	139 000	24 173
Furn./equip./suppl.	137 000	23 798
Print/freight	77 000	13 375
Recruit./advert.	100 000	17 371
Meetings	30 000	5 217
Miscellaneous	143 463	24 920
<b>Overh./office:</b>	<b>626 463</b>	<b>108 854</b>
<b>Total expenses</b>	<b>4 588 708</b>	<b>797 178</b>

<b>INCOME</b>	<b>NOK</b>	<b>USD</b>
Internal fee	56 258	9 772
<b>CONTRIBUTIONS</b>		
Denmark	331 760	58 000
Canada	333 894	58 000
Finland	337 734	58 000
Iceland	317 873	58 000
Norway	319 614	58 000
Russia	333 894	58 000
Sweden	333 894	58 000
USA	333 894	58 000
Host country contribution	1 889 893	328 288
<b>Total income</b>	<b>4 588 708</b>	<b>802 060</b>



## Revenue Statement

Arctic Council Secretariat

<b>Operating income and operating expenses</b>	<b>Notes</b>	<b>2013</b>	<b>USD</b>
Other operating income	1	4 583 255	751 353
<b>Operating Income</b>		<b>4 583 255</b>	<b>751 353</b>
Payroll expenses	2	2 499 349	409 729
Depreciation and amortisation expense	3	1 700	279
Other operating expenses	4	1 274 403	208 919
<b>Operating expenses</b>		<b>3 775 453</b>	<b>618 927</b>
<b>Operating profit</b>		<b>807 802</b>	<b>132 427</b>
<b>Financial income and expenses</b>			
Other interest income		46 961	7 699
Other Interest expenses		4 967	814
<b>Net financial income and expenses</b>		<b>41 995</b>	<b>6 884</b>
<b>Extraordinary income and expense</b>			
<b>Annual net profit</b>		<b>849 797</b>	<b>139 311</b>
<b>Brought forward</b>			
To other equity		849 797	139 311
<b>Net brought forward</b>		<b>849 797</b>	<b>139 311</b>

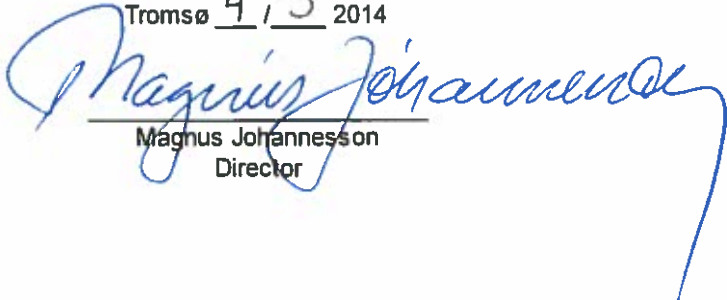
**Balance sheet****Arctic Council Secretariat**

<b>Assets</b>	<b>Notes</b>	<b>2013</b>	<b>USD</b>
<b>Tangible fixed assets</b>			
Equipment and other movables	3	15 301	2 508
<b>Total tangible fixed assets</b>		<b>15 301</b>	<b>2 508</b>
<b>Financial fixed assets</b>			
<b>Total fixed assets</b>		<b>15 301</b>	<b>2 508</b>
 <b>Current assets</b>			
<b>Debtors</b>			
Other receivables	1	364 445	59 745
<b>Total debtors</b>		<b>364 445</b>	<b>59 745</b>
<b>Investments</b>			
Cash and bank deposits	5	847 188	138 883
<b>Total current assets</b>		<b>1 211 633</b>	<b>198 628</b>
<b>Total assets</b>		<b>1 226 935</b>	<b>201 137</b>

**Balance sheet**

Arctic Council Secretariat

<b>Equity</b>	<b>Notes</b>	<b>2013</b>	<b>USD</b>
<b>Retained earnings</b>			
Other equity	6	849 797	139 311
<b>Total retained earnings</b>		<b>849 797</b>	<b>139 311</b>
<b>Total equity</b>		<b>849 797</b>	<b>139 311</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade creditors		209 118	34 282
Public duties payable		168 020	27 544
<b>Total short term liabilities</b>		<b>377 138</b>	<b>61 826</b>
<b>Total liabilities</b>		<b>377 138</b>	<b>61 826</b>
<b>Total equity and liabilities</b>		<b>1 226 935</b>	<b>201 137</b>

Tromsø 4/3 2014


Magnus Johannesson  
Director

## Arctic Council Secretariat

NOTES PR. 31.12.2013.

### Accounting Principles and the effect of changes to these principles

The annual accounts have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practices for small businesses. The following accounting principles are applicable.

#### Operating revenues

Public subsidies revenues are recognized on the date of subscription.

#### Current assets/Short-term liabilities

Current assets and short-term liabilities normally include items that fall due for payment within one year after balance sheet date. Current assets are assessed at lowest value of procurement cost and the assumed fair value.

#### Fixed assets/Long-term liabilities

Fixed assets include assets planned for long-term ownership and use. Fixed assets are assessed at procurement cost. Tangible fixed assets are recognized in the balance sheet and depreciated over the asset's economic lifetime. Tangible fixed assets are depreciated to fair value in cases where the reduction in value is not expected to be temporary. The depreciation is reversed when the basis for the depreciation no longer exists.

#### Receivables

Other receivables are recorded at nominal value.

The company was founded 31.01.13, and registered in Enhetsregisteret 04.03.13.

## Arctic Council Secretariat

NOTES PR. 31.12.2013.

### Note - 1 Other operating income and other receivables

#### Other operating income

Consists of contributions from

	NOK	USD
Iceland	317 874	58 000
Norway	319 614	58 000
Denmark	331 760	58 000
Finland	336 922	58 000
Sweden	332 398	58 000
USA	346 112	58 000
Russia	356 022	57 985
Canada	352 658	58 000
Norway, host country contribution	1 889 894	328 288
<b>Total</b>	<b>4 583 255</b>	<b>792 273</b>

#### Other receivables

Consist of contributions not payed by balance date

	2013
Canada	352 658

### Note - 2 Employees, Remunerations, Loans to employees etc.

Labour costs consist of the following items:

	NOK	USD
Salaries and wages	1 825 703	299 296
Employers' contribution	103 449	16 959
Pension costs	333 888	54 736
Other personnel costs	236 310	38 739
<b>Total cost of labour:</b>	<b>2 499 349</b>	<b>409 729</b>

Average number of full-time man-years 3

	Director	
Salary	789 013	129 346
Other remunerations	4 096	671
Establishment allowance	145 366	23 830

#### Pensions

The company's pension scheme is based on the Norwegian Mandatory Occupational Pensions Act. Pension obligations are not recognized in the balance sheet, and the annual pension premium is considered the year's pension costs.

#### Auditor

Auditor's fees are charged as an expense, as remuneration for the audit, amounting to NOK 0.00. But the expected auditor's fees for 2013 is 30 000 NOK.

**Arctic Council Secretariat**

NOTES PR. 31.12.2013.

**Note - 3 Fixed assets**

		<b>Total</b>
+ Inflow purchased fixed assets	17 002	17 002
= <b>Purchase cost 31.12.13</b>	<b>17 002</b>	<b>17 002</b>
Accumulated depreciation 31.12.13	1 700	1 700
= <b>Book value 31.12.13</b>	<b>15 301</b>	<b>15 301</b>
This year's ordinary depreciations	1 700	1 700

**In USD:**

		<b>Total</b>
+ Inflow purchased fixed assets	2 822	2 833
= <b>Purchase cost 31.12.13</b>	<b>2 833</b>	<b>2 833</b>
Accumulated depreciation 31.12.13	283	283
= <b>Book value 31.12.13</b>	<b>2 550</b>	<b>2 550</b>
This year's ordinary depreciations	283	283

**Note 4 - Other operating expences**

Labour costs consist of the following items:

	<b>NOK</b>	<b>USD</b>
Rent	300 625	49 283
Professional Services	193 828	31 775
Overhead/office	344 169	56 421
Travel Expences	435 782	71 440
<b>Total other operating expences:</b>	<b>1 274 403</b>	<b>208 919</b>

**Note 5 - Bank Deposits**

This item includes restricted bank deposits amounting to NOK 87 607, USD 14 362 .

## Arctic Council Secretariat

NOTES PR. 31.12.2013.

### Note 6 - Equity

In NOK:

	Share capital	Share premium account	Other equity	TOTAL
As at 01.012013.	0	0	0	0
Changes during the year	0	0	0	0
Profit/loss for the year	0	0	849 797	849 797
Provisions for dividends	0	0	0	0
<b>Capital as at 31.12.2013.</b>	<b>0</b>	<b>0</b>	<b>849 797</b>	<b>849 797</b>

In USD:

	Share capital	Share premium account	Other equity	TOTAL
As at 01.012013.	0	0	0	0
Changes during the year	0	0	0	0
Profit/loss for the year	0	0	139 311	139 311
Provisions for dividends	0	0	0	0
<b>Capital as at 31.12.2013.</b>	<b>0</b>	<b>0</b>	<b>139 311</b>	<b>139 311</b>



Statsautoriserte revisorer  
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To the Arctic Council Secretariat

## INDEPENDENT AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Arctic Council Secretariat, which comprise the balance sheet as at 31 December 2013, the statement of income for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Financial Rules of the Arctic Council Secretariat Section 7, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements of the Arctic Council Secretariat for the year ended December 31, 2013 are prepared, in all material respects, in accordance with the financial reporting provisions of the Financial Rules of the Arctic Council Secretariat Section 7.

**Restriction on Distribution and Use**

The financial statements are prepared to assist Arctic Council Secretariat to comply with the financial reporting provisions of the Financial Rules of the Arctic Council Secretariat referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Arctic Council and should not be distributed to or used by parties other than Arctic Council.

Tromsø, 4<sup>th</sup> March 2014

ERNST & YOUNG AS



John Giæver

State Authorised Public Accountant (Norway)

# Arctic Council Secretariat

February 26th 2014



Summary of the 2013 audit



Building a better  
working world

Ernst & Young AS,  
P.O.Box 1212  
NO-9262 TROMSØ  
www.ey.no

To Arctic Council Secretariat

Tromsø, February 26th.

Our responsibility is to carry out an audit of the financial statements with the view to confirm that they have been prepared in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. We have conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing.

This report is intended solely for the use of Arctic Council and is not intended to be and should not be used by others. The content complies with the requirements in ISA 260 – Communication of audit matters with those charged with governance.

In accordance with professional standards, we obtained a sufficient understanding of internal controls to plan the audit and to determine the nature, timing and extent of our audit procedures. Those internal control observations that are commented upon relate mainly to controls over financial reporting and are limited to the observations Ernst & Young have made during the audit. The observations may be subjective and based on incomplete or incorrect information.






Very truly yours  
Ernst & Young AS

A handwritten signature in blue ink, appearing to read 'John Gustav', is written over a light blue horizontal line.

We have carried out the audit procedures required by generally accepted auditing principles and those agreed with Arctic Council Secretariat. No other audit procedures specifically addressing internal controls or the financial statement close process have been performed.

Partner/ State Authorized Public Accountant (Norway)

# Internal control observations

Process	Accuracy and documentation	Comments
Monitoring		<ul style="list-style-type: none"> <li>▶ The Director is responsible for the internal control</li> <li>▶ Budget is determined by the Ministerial meeting and the accountant reports to management every other month</li> </ul>
Contributions		<ul style="list-style-type: none"> <li>▶ Reconciliation and follow up of contributions are performed.</li> <li>▶ As of December 31th. 2013 there were TNOK 335 in outstanding contributions. The outstanding contribution was paid in full January 2nd. 2014</li> </ul>
Purchases		<ul style="list-style-type: none"> <li>▶ Invoices are approved by management before payment</li> <li>▶ Travel expenses are the largest cost in the financial statement and is approved by management</li> <li>▶ Purchases has been made in accordance to internal guidelines</li> </ul>
Salary		<ul style="list-style-type: none"> <li>▶ Proper reconciliations are performed regularly</li> <li>▶ The Director hire and manage the Secretariat staff. Salaries shall be in accordance with the budget</li> <li>▶ Salaries has been made in accordance to internal guidelines</li> </ul>
Bank/Finance		<ul style="list-style-type: none"> <li>▶ Reconciliations are performed regularly</li> <li>▶ All transfers or withdrawls from the bank shall be made upon authorization of the Director</li> <li>▶ Transfers or withdrawls from the bank has been made in accordance to internal guidelines</li> </ul>

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#### Om Ernst & Young

Ernst & Young er en ledende global aktør innen revisjon, skatt og avgift, transaksjoner og rådgivning. Våre 167 000 ansatte verden over - 1 650 i Norge - har et sterkt fellesskap bygget på felles verdier og et kontinuerlig fokus på kvalitet. Vi bidrar til at våre medarbeidere, kunder og samfunnet rundt oss realiserer sitt potensial.

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#### ANNEX 9.4

The ACS Director represented the ACS at the following events:

- Barents Council 20 years anniversary (Kirkenes, June)
- Meeting with Foreign Ministers of Norway and India at the Fram Centre (June)
- Public meeting in Tromsø (June)
- Presentation at the University of Tromsø for Rector and deans (June)
- Presentation for the Royal Couples of Norway and Sweden in Tromsø (June)
- Presentation with the Finnish SAO on Conference in Finland and a meeting the Arctic Committee of the Finnish Parliament (September)
- Meeting of the Four Councils (Copenhagen, September)
- Visit to the IPS office in Copenhagen (September)
- Presentation for Ambassadors of Arctic States in Copenhagen (September)
- Presentation at Polar Law workshop in Akureyri (October)
- Presentation for students at Tromsø University (November)

Visits to the ACS Office during 2013 (in most cases visit included short, general talk/introduction about the AC):

- Visit by the Ambassador of South-Korea to Norway (July)
- Visit by Helga Schmid, Deputy Secretary general for the External Action Service, European Union (July)
- Group from Swedish Ministry of Environment (August)
- Group from Institute for Defense Studies and Analyses (IDSA) Delhi, India (August)
- Dr. Manfred Reinke, Executive Secretary of the Antarctic Treaty (September)
- Group of Chinese academics (September)
- Visit by/meeting with Canadian Ambassador to Norway (October)
- Visit by the Italian Ambassador to Norway (October)
- Senior editor, China Xinhua News Agency; Mr Yang Yuanhua (October)
- Press visit from Austria (organized by Norwegian MFA) (November)
- Press visit from China (organized by Norwegian MFA) (November)
- Group of Academics from Akureyri, Iceland (November)
- Researcher from China's Shanghai Institutes of International Studies (SIIS) (November)
- Visit by WWF to discuss their Arctic projects (ARCGis) (November)
- Group of Norwegian civil servants in Health field working on Arctic Barents region issues (November)
- Chief Commissioner of Tromsø Municipality (December)