

Arctic Council Secretariat

Financial Rules

Financial Rules of the Arctic Council Secretariat



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FINANCIAL RULES

of the Arctic Council Secretariat

1. Scope

- 1.1** The following Rules govern the financial administration of the Arctic Council Secretariat (hereafter referred to as the ACS), including the Arctic Council Indigenous Peoples Secretariat (IPS) which is an entity within the ACS with its own Board and a designated budget as set forth in Rule 5 below.

2. Authority and applicability

- 2.1** The Director of the ACS (hereafter referred to as the Director) 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 ACS, including authority to receive monies, incur obligations and make payments on behalf of the ACS.
- 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 ACS.

3. Financial year

- 3.1** The financial year of the ACS shall be the calendar year.

4. Arctic Council Secretariat Budget

- 4.1** The Director shall prepare and submit for the approval of the Arctic Council a biennial work program and the budget of the ACS (hereafter referred to as the ACS budget) in accordance with Article 7 of the Terms of Reference of the Arctic Council Secretariat to cover the costs of the ACS.
- 4.2** The Director shall submit to the SAO Chair an ACS budget proposal for the coming biennial period indicating each financial year at least 90 days before the Ministerial meeting at which the ACS budget is to be determined. The ACS budget proposal shall be accompanied by the approved ACS budget for the current biennial financial period.

- 4.3** The ACS budget proposal shall cover income and expenditures and shall be presented in Norwegian Kroner (hereafter referred to as NOK) and United States Dollars (hereafter referred to as USD).
- 4.4** The ACS budget proposal shall be divided into chapters by type of expenditure. The ACS budget proposal 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 ACS annual budget proposal and other annexes as may be required.
- 4.5** The sources of the ACS budget consist of:
- i)** the contributions of Arctic States as provided for in section 7 of the Terms of Reference of the Arctic Council Secretariat;
 - ii)** returns on interest derived from deposit account(s) of the ACS and miscellaneous income such as donations, voluntary contributions and grants from the Arctic States and Permanent Participants which the Director may accept provided that the purpose of such payments 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 ACS; 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 ACS may be established for managing such donations.
- 4.6** 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.
- 4.7** The Director shall send a copy of the approved ACS budget to all Arctic States together with a call for contributions for the financial year by no later than February 28. The approval of the ACS budget constitutes an authorisation to the Director to incur obligations and make payments for the purposes stated in the ACS budget and up to the amounts so adopted.
- 4.8** Arctic State contributions to the ACS budget are subject to parliamentary approval, are on an annual basis, and should be made by 31st March of each year. All contributions shall be made in NOK, or equivalent amount in USD. Based on a separate call for contributions, the Host Country contribution should be made by 10th January of each financial year.
- 4.9** The use of income as mentioned in article 4.5 ii), iii) and iv) shall be subject to the same financial controls as activities financed from regular ACS budget contributions.
- 4.10** In cases where special necessity arises, the Director may transfer funds from one chapter of the ACS 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 ACS 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.

- 4.11** Any cash surplus at the end of a financial year should be accounted for in the contributions of Arctic States for the following year. The call for contributions, as described in article 4.7, shall credit the surplus of the previous financial year, as determined by the audit, to each State. The determined surplus shall be pro-rated for each State and shall be subtracted from the annual contribution.

5. Arctic Council Indigenous Peoples' Secretariat Budget

- 5.1** The Arctic Council Indigenous Peoples' Secretariat (hereafter referred to as the IPS) has its own designated budget (hereafter referred to as the IPS budget) and its own Procedural Guidelines.
- 5.2** The Executive Secretary of IPS prepares the budget proposal in consultation with the funding states and the ACS. The Chair of the IPS Board participates in these consultations. The Board of IPS approves the budget proposal for submission to the SAOs and subsequently to the Ministerial meeting for approval.
- 5.3** The Executive Secretary of the IPS shall submit to the SAO Chair an IPS budget proposal for the coming biennial period indicating each financial year at least 90 days before the Ministerial meeting at which the IPS budget is to be determined. The IPS budget proposal shall be accompanied by the approved IPS budget for the current biennial period.
- 5.4** The IPS budget proposal shall in the main follow the same rules as the ACS. Particulars to the IPS budget differing from the ACS are subject to consultations with the funders of the IPS, to IPS Board approval, and SAO confirmation.
- 5.5** The funding of the IPS shall be reviewed by the SAOs at least every two years.

6. Custody of deposit

- 6.1** The Director shall designate the bank or banks in which the deposits of the ACS and IPS shall be kept. The bank shall be registered in Norway.

7. Accounts

- 7.1** The Director shall establish procedures:
- i) to ensure effective and prudent financial administration; and
 - ii) 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 year 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 year to the SAOs and the independent external auditor not later than 60 days following the end of the financial year.
- 7.6** The statement shall show the income of the ACS and, under separate headings, expenditures and balance of accounts. The Director shall attach to the statement an explanatory memorandum. The statement shall provide an appendix or similar chart of accounts to outline expenditures specific to the operations of the ACS and those specific to the IPS.

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 ACS.
- 8.3** All transfers or withdrawals from the bank dealing with expenses of the ACS 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 ACS's funds and other financial resources.
- 8.5** The Director shall organize the operations of the ACS 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 of suspicion of financial irregularities. In the case of any suspicion of financial irregularities on the accounts of the IPS, the Director shall, without undue delay, inform the SAOs and the board of the IPS.

9. External audit

- 9.1** The accounts of the ACS and IPS 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:
- i) the financial statements are in accord with the books and records of the ACS;
 - ii) the financial transactions reflected in the statements are in accordance with these Rules;
and
 - iii) the monies on deposit and on hand are vouched for by the ACS'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 ACS. 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.

Overview of amendments

1. Approved at the SAOX meeting in Anchorage, US, 2015:
The amendment of Rule 4.5 concerning the IPS and the IPS budget.
2. Approved at the SAOX meeting on 11 November 2020:
 - a) Amendment of Rule 1 “Scope” to include the IPS.
 - b) Alignment of the language when referring to budgets to clearly distinguish between the ACS budget and the IPS budget.
 - c) Replacement of “Secretariat” with “ACS” and other non-substantial language amendments throughout the document for the purpose of consistency with the other governing documents of the ACS.
 - d) Changed the heading of Rule 3 from “Financial period” to “Financial year”.
 - e) Update and correction of references throughout the document
 - f) Correction of wrong numbering in the table of contents.
3. Intersessionally approved on 27 April 2021:
 - a) Amendment and renaming of Rule 4 from “Administrative budget” to “Arctic Council Secretariat Budget”. The new rule 4 encompasses the old rule 5 (Financial resources and contributions). Intersessionally approved on 27 April 2021.
 - b) Added a new Rule 5 “Arctic Council Indigenous Peoples’ Secretariat Budget. Intersessionally approved on 27 April 2021.