



NAMMCO ANNUAL MEETING 29

13-15 September 2022

Grand Hotel, Oslo & Hybrid

MEETING OF THE COUNCIL

DOCUMENT 16	Proposal for Financial Rules for NAMMCO
Submitted by	FAC
Action requested	To adopt
Background	<p>At present, NAMMCO has no document giving an overview of NAMMCO Financial Rules. Adopted rules and practice are dispersed in different documents.</p> <p>The Performance Review Panel commented the absence of a document describing and collating the financial rules of NAMMCO and recommended that NAMMCO create such a document.</p> <p>The PR Panel formally recommended among others that:</p> <p>[PRP18-RC76] The Panel has no information to evaluate the efficiency with which the Secretariat manages these additional/external funds but recommends rules or guidelines for the receipt of such funds be developed for managing these types of resources.</p> <p>A document providing an overview of the financial rules presently established in NAMMCO and the practice of the Secretariat was presented to the FAC in November 2019 (NAMMCO/FAC 2019-02/07). FAC 2019-02 requested the Secretariat to consolidate the document presented, by looking at financial rules from relevant organisations and to prepare a draft of Financial Rules that it would consider at a later meeting.</p> <p>Subsequently, at the Council-HoDs meeting in March 2020, “the Council agreed with the recommendation of the FAC that the established financial</p>

rules and practices of the organisation should be collated into a single document to serve as NAMMCO's financial rules. The Secretariat should draft such a document for the consideration of the FAC, with the view to its adoption by Council at its next meeting."

Council 28 (2021) tasked the FAC to continue finalising the development of consolidated Financial Rules.

The present document includes all the rules already adopted by the Council, stipulating their origin. It is inspired by the financial rules developed by other relevant organisations, the secretariats of the two first being also hosted by Norway ACS (2021), IBS (2020), NEAFC (2021) and NEAFC Standing Financial Instructions to the Secretariat (2019), NASCO (2020), and NAFO (2019).

It also takes into account that the NAMMCO Secretariat is small with few staff members. Up to and including the present, no staff member has been specialised in finance-related matters (budgeting, accounting or auditing), and this may continue to be the case. The rules therefore need to be detailed or completed by "Standing financial instruction for the Secretariat" as is done in NEAFC for the same reason. Such instructions have also been developed and added in Annex 1.

While amending the Financial Rules shall be within the remit of the Council, the Secretariat suggests that modifying and updating the Financial Instruction be left within the remit of the FAC to allow for more flexibility and swift response to any arising issues.

NAMMCO



30 Years: 1992 - 2022

FINANCIAL RULES AND INSTRUCTION

DRAFT – September 2022

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NAMMCO

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1. SCOPE

The following rules and instructions shall govern the financial administration of the North Atlantic Marine Mammal Commission (hereinafter referred to as the “Commission”) and guide the management of the financial resources by the NAMMCO Secretariat (hereinafter referred to as the “Secretariat”).

The Financial Rules constitute the main document, they may be amended by decision of the Council. The Standing Financial Instruction for the Secretariat represents an annex to the main document, that provides more detailed information. It may be amended by the FAC.

The financial rules are formulated in accordance with and are subordinated to what is stipulated in the following documents. Along the document, the text in italics is directly copied from these documents, and references are provided.

- Agreement on Cooperation in Research, Conservation and Management of Marine Mammals in the North Atlantic (hereinafter: the Agreement)
- Host Country Agreement between the Government of Norway and the North Atlantic Marine Mammal Commission
- Applicable Norwegian Financial Regulations
- Rules of Procedures for the NAMMCO Council and Finance and Administration Committee (hereinafter referred to as FAC).

The Financial Rules become effective as from the date of approval by the Council.

The Parties (Faroe Islands, Greenland, Iceland, Norway) to the Agreement on Cooperation in Research, Conservation and Management of Marine Mammals in the North Atlantic are hereinafter referred to as the Parties.

2. AUTHORITY AND APPLICABILITY

The NAMMCO Council is the highest decision-making body of the Commission. *The Council shall approve audited accounts and endorse the Commission budget for the following year at its annual meeting and approve a forecast budget for the subsequent year (RoP for the Council, VIII 31, rev 2020).*

The [Finance and Administration] Committee shall function as an advisory body for the Council with respect to financial and administrative matters. In particular the Committee develops, reviews and makes recommendations for the approval of the Council on the Commission budgets and the audited accounts (1. & 2., RoP for the FAC, rev 2020).

The financial affairs of the Commission shall be audited annually by external auditors appointed by the Council. (RoP for the Council, VIII 32, rev 2020).

The General Secretary (hereinafter referred to as the Secretary) is responsible to the Council in financial matters and shall have authority in all financial matters of the Commission, including authority to receive monies, incur obligations and make payments on behalf of the Commission.

The Secretary shall have an overall responsibility for the proper management and efficient use of the financial resources.

The Secretary may, after notification to the FAC, delegate in writing to other Staff members such power as deemed necessary to secure proper and effective management of the administration of the Secretariat. Such delegation is *inter alia* given to the Financial Officer (hereafter referred to as FiO).

3. FINANCIAL YEAR

The financial year of the Commission shall be the period from 1 January to 31 December.

4. PROVISION OF FUNDS

4.1 MEMBERS CONTRIBUTIONS

At its inaugural meeting (September 1992), the Council agreed that the proportion of funding paid by each member country should be as follows: Norway 50%, Iceland 25%, Faroe Islands and Greenland 12.5%.

All contributions shall be made in the currency of the Secretariat Host Country (Norwegian kroner, hereinafter referred to as NOK) to the NAMMCO specific account for members' contribution.

When the Council has approved the budget for a financial year, the Secretary shall send a copy thereof to all Parties requesting them to pay their contributions no later than 1 January of the financial year for which they are payable.

4.2 VOLUNTARY FUNDING FROM MEMBERS

Voluntary contributions and grants from member countries, either project-related or general donations, may be accepted, provided that the purposes for which the contributions are made conform to the principles and objectives of the Commission and are approved by the FAC

Norway reimburses the incurred employers' tax for any given year. In the budgets this is reflected by including the identical amount for employers' tax both as an income item and an expense item.

Such voluntary contribution shall

- If project-related, be deposited on a project specific account and be reflected in the project budget and accounts.
- If general, be deposited on the members' contribution account and be reflected in the General Budget and accounts.

4.3 EXTERNAL FINANCIAL SUPPORT

NAMMCO can seek and receive external funding for specific projects from external partners, provided that the purpose of such payments conforms to the principles and objectives of the Commission and are approved by the HoDs.

Such funds shall be deposited on the project specific account and be reflected in the project budget and accounts.

Recurrent fundings from any external partners shall be the object of specific separate bank accounts.

Such fund shall not be used to fund the general operations of the Commission, except for the recovery of administrative expenses associated with these projects.

Application for funds to external partners shall have been approved by the HoDs before request and/or applications are submitted to any external partner.

4.4 INTEREST AND RETURN ON INTEREST

Interest and return on interest from deposit account(s) of the Secretariat and miscellaneous income such as donations, voluntary contributions and grants from member and non-member countries and organisations, shall be accounted for within its specific account.

At the end of a project and closing of an account, any remaining funds, including incurred interest, on an account shall be credited and accounted for in the Income and Expenditure Account.

4.5 INTERNAL EMPLOYEE TAX

The Host Agreement (2000) stipulates that “officials of the Commission shall be subject to tax imposed by the Commission for its benefit on salaries and emoluments paid by the Commission. The amount of tax imposed by the Commission shall be compatible to the relevant Norwegian income tax level.” See under Item 9.2 for further agreement details.

5. GENERAL BUDGET

At each annual meeting, and upon recommendation from the FAC, the Council shall approve the audited accounts of the past year – or take such other action as it may consider appropriate, endorse a Commission budget for the following financial year, and approve a forecast budget for the subsequent year.

Budgets and accounts shall be presented in the currency of the Host Country, Norway, i.e., in Norwegian kroner (NOK).

A Commission budget for a given year shall be endorsed at the latest in November of the previous year. If for any reasons, the Council does not hold a full annual session, budgetary issues may be dealt with by the HoDs.

Once the budget is approved by the Council it is final, although modification in appropriation might be performed under certain rules (see under Item 7).

The approval of the budget constitutes an authorisation to the Secretary to incur obligations and make payments for the purposes stated in the budget.

The Budget shall be divided into chapters by type of expenditures. The budget proposal shall encompass expense estimates by main chapters and sub-chapters and detailed explanatory notes on the allocations (such as specified by the Commission or that the Secretary may deem useful).

The draft budget shall cover income and expenditures and, *inter alia*, the following items:

- a) Staff related costs
- b) Office rent and supply
- c) Cost of meetings, incl. cost of invited experts
- d) Communication and outreach expenditures
- e) Accountants’ and auditors’ fee
- f) Expenditures of the different committees and observation activities
- g) Contributions from Parties and other provision of funds
- h) Any other substantial items of expenditure.

The Committees shall report to the FAC on anticipated work plans for the next following two years and the expenditures necessary for the conduct of their business. This should be done at the latest a month ahead of the Annual Meeting.

Unforeseen and extraordinary expenses necessary to the good conduct of the business of the Commission, but not included in the budget, may be authorised by the FAC.

5.1 GENERAL FINANCIAL PRINCIPLES ADOPTED BY THE COUNCIL

5.1.1 Budgetary planning

Council 19 (2010) adopted the following basic principles for budgetary planning and development

- In principle any budget shall be such that it generates a zero surplus or deficit.
- The membership contributions shall be such that they meet the actual needs of the Commission in any given year.

5.1.2 Protected Reserve and General Reserve

A Protected Reserve shall represent that part of the Commission’s liquid assets which are held as a contingency reserve at a minimum level to be determined by the Commission on the advice of the FAC.

Council 22 (2014) decided that NAMMCO should aim for minimum level of the Protected Reserve corresponding to 10% of operating expenses (excluding projects) – which was estimated to be NOK 600,000 in 2018. All effort should be made to keep the general reserve at this level or rebuilt it as soon as possible. The Protected Reserve is intended to cover exceptional expenses such as staff relocation.

If the Protected Reserve is at the level agreed upon, any surplus at the end of a financial year shall be allocated to the General Reserve. The General Reserve can be used to fund a yearly deficit in following years.

5.2 PREPARATION AND ADOPTION OF THE GENERAL BUDGET

The Secretary shall submit to the FAC a budget proposal for the two following calendar years, based on the proposed biennial work program, at least two weeks before the FAC meeting where it should be considered, i.e., the last FAC meeting before the Council meeting.

This proposal should be based on the biennial committees’ work plan for the two following calendar years that FAC will recommend the Council to adopt.¹ It should be accompanied by the accounts and results of the previous year and the approved budget of the current year as well as the forecast expenditures and result for that year.

The final budget and forecast proposals presented to the Council for endorsement and approval, respectively, will be based on the Secretary’s proposal, amended by the FAC to take into account the Committees’ work plans approved by the Council during the annual meeting in year X-1 (e.g., 2022) for year X (e.g., 2023) and year X+1 (e.g., 2024).

6. PROJECT-RELATED BUDGETS

Projects with supplementary contribution or external funding partners shall be treated as independent projects and presented separately from the General Budget. They shall each have a separate bank account, on which funds are deposited and expenditures paid from, as well as separated budget and accounting process.

Project-related budgets shall be approved by the FAC before any financial operation related to the project are conducted (acceptance of funds and/or payment). Project-related budgets shall follow *mutatis mutandis* the same rules as the General Budget.

¹ The budget proposal for year X (e.g., 2023) and forecast budget for year X+1 (2024) should be presented at the Annual Council of year X-1 (2022) (usually in March of April), accompanied by the result of year X-2 (2021) and forecast result for year X-1 (2022). The proposal should be based on the biennial committees’ work plan for 2023-2024 that FAC will recommend adopting.

The final budget proposal presented for adoption to the Council will be based on the Secretary’s proposal, amended by the FAC to take into account the Committees’ work plans approved by the Council during the annual meeting in year X-1 (2022) for year X (2023) and year X+1 (2024).

7. APPROPRIATION

The appropriations adopted by the Commission in the budgets shall constitute an authorization to the Secretary to incur obligations and make payments for the purposes and up to the amounts so adopted.

Appropriations shall be available for the financial year to which they relate. At the end of the financial year all appropriations shall lapse. Commitments outstanding at the end of a financial year shall be carried over and included in the budget for the next financial year, unless the Council decides otherwise.

FAC March 2001 agreed that *“in general the Secretary has a certain level of freedom in administering the budget and can, if necessary, move funds between the various budget items provided that the overall budget is not exceeded”*, but without defining what *“a certain level of freedom”* corresponded to in actual money.

In cases where special necessity arises, the Secretary may perform transfer from one chapter of the budget to another. The total of such transfers shall not exceed 20% of the original appropriation of the chapter to which the transfer is made.

8. FINANCIAL-RELATED AGREEMENT WITH THE SECRETARIAT’S HOST COUNTRY

The Host Agreement with Norway was signed in 2000. This chapter relates all the engagements taken by Norway related to the hosting of the Secretariat, Host Agreement articles of relevance

Article 9

The Commission shall not engage in any commercial activity or have such activity as a purpose.

Article 10

The Commission will be accorded VAT exemption in accordance with the rules applied by the Norwegian authorities for such exemption to diplomatic missions.

Article 15

Officials of the Commission shall be subject to tax imposed by the Commission for its benefit on salaries and emoluments paid by the Commission. From the date on which this tax is applied such salaries and emoluments shall be exempt from Norwegian income tax, but the Government shall retain the right to take these salaries and emoluments into account for the purpose of assessing the amount of taxation to be applied to income from other sources.

The amount of tax imposed by the Commission shall be compatible to the relevant Norwegian income tax level.

The provisions of this Article shall not apply to the payment of pensions and annuities to the former Officials of the Commission.

The tax imposed by the Commission shall be spent exclusively to cover expenses of the official functions of the Commission and for the payment of social security and pensions to its Officials.

The accounts shall annually be subject to an independent audit by an authorised public accountant. The report of the accountant, which shall reflect the use of the tax imposed by the Commission on salaries and emoluments of its officials, shall be submitted to the Government.

9. CUSTODY OF DEPOSIT

The Secretary shall designate the bank or banks in which the deposits of the Commission shall be kept. The bank shall be registered in the Host Country, Norway.

10. ACCOUNTS

The Secretary shall establish procedures:

- i. to ensure effective and prudent financial administration
- 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.

The Secretary 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.

The guiding financial regulations shall be those of the Host Country, Norway.

The financial accounts shall be kept in NOK and presented in NOK.

The Secretary shall submit a Statement of Accounts for each financial year to the independent external auditor not later than 30 days following the end of the financial year.

The Secretary shall present the Statements of Accounts to the FAC as soon as these have been audited and no later than March 30 of the following years.

The statement shall show the income of the Commission and, under separate headings, expenditures and balance of accounts. The Secretary shall attach to the statement an explanatory memorandum. Mutatis mutandis, similar statements shall be prepared for the different projects of the Commission.

Appropriate separate accounts shall be kept for all Special Funds.

11. INTERNAL CONTROL

The Secretary is responsible for the internal control.

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 Commission.

All transfers or withdrawals from the bank dealing with expenses of the Commission and Secretariat shall be made upon authorization of the Secretary.

The Secretary shall review financial transactions to ensure the regularity of the receipt, custody and disposal of the Commission's funds and other financial resources.

The Secretary shall organize the operations of the Commission 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.

The Secretary and FiO are the only staff members with access to all bank accounts.

The Secretary shall, without undue delay, inform the FAC of suspicion of financial irregularities.

12. EXTERNAL AUDIT

The financial affairs of the Commission shall be audited annually by an external auditors appointed by the Council (VIII 32., RoP for the Council, rev 2020).

The independent external auditor shall be a certified public auditor in the Host Country, Norway.

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 Secretariat
- ii. the financial transactions reflected in the statements are in accordance with these Rules
- III. the monies on deposit and on hand are vouched for by the Secretariat's depositories or by actual count.

The Auditor shall prepare a report for the FAC and Council on the audit of the financial statements relating to the accounts for the financial year before 10 March of the following year.

The Auditor shall draw to the attention of the Secretary and the FAC any transaction with respect to which they entertain doubt as to legality or propriety.

The auditor may be consulted on the introduction or amendment of any financial regulations and on detailed accounting methods, as well as on all matters affecting auditing procedures and methods.

13. INTERPRETATION

The FAC Chair may rule, after consultation with the FAC members, in case of doubt as to the interpretation and application of any of the Financial Rules. Consensus should apply in this decision.

14. AMENDMENTS OF THE FINANCIAL RULES

The Financial Rules may be amended, on proposition of the FAC, by decision of the Council.

APPENDIX 1. ADOPTION AND OVERVIEW OF AMENDMENTS

1. ADOPTION

The NAMMCO Financial Rules were adopted by at the XXth meeting of the Council in 202X, XXX, XXXX.

2. AMENDMENTS

To come when relevant

ANNEX 1. STANDING FINANCIAL INSTRUCTION FOR THE SECRETARIAT

1. SEPARATION OF DUTIES

It is a fundamental principle of financial control that the authorisation and recording of transactions should be carried out by different people. The custody of assets, wherever practicable, should be separated from both the authorisation and the recording functions.

Due to the small number of people in the NAMMCO Secretariat this separation of duties may not be practicable. To compensate for this lack of separation, all bank instructions or transfers for amounts exceeding NOK 100,000 will be signed by both GS and FiO or by using the equivalent authorisation in electronic transactions

In NAMMCO the accountant is external, carried out by an external accounting firm² and not instrumental in authorising or effecting any transactions. The audit function is separated from the Secretariat and from the accountants. The internal audit function is carried out by the FAC.

2. AUTHORISATION OF PAYMENTS

Non-planned or unexpected expenses shall be authorised by the Secretary before being contracted.

All paper and electronic payment instruments (e.g., cheques, bank instructions, credit transfers based on an electronic payment order) will be signed or electronically authorised by the Secretary or the FiO. Travel, subsistence, and other expense claims will be authorised by the Secretary or the FiO.

No payment shall be authorised unless supported by valid supporting documentation, e.g., a supplier's invoice or a properly completed claim form followed by all justification for claims.

Claims for the reimbursement of travel and subsistence expenses and incidental expenses shall be made on standard expense claim forms, specifying the date on which expenses were incurred and the nature of those expenses. Only expenses which are incurred on official duties shall be eligible for reimbursement.

3. SECURITY

All economical transactions shall be made as bank transfers through secure electronic means.

The use of cash should be avoided whenever possible. In the case where this is not possible (e.g., with invited participants from specific countries), documentation for cash withdrawal by the authorised Secretariat Staff should be documented and a paper documenting the cash reimbursement should be signed by the receiver and the Secretariat Staff. These two documents should be archived together.

The Commission's bank accounts shall not be used as a repository for any third party's funds.

Unless specific circumstances dictate otherwise and in approval with the Secretary, the total amount available on the visa account, and therefore on the debit credit cards, should not exceed NOK 100 000 in Total.

4. TREATMENT OF FUNDS

To facilitate the management of the Commission's finances, several accounts have been established

² These instructions thus do not encompass principles of standard accounting.

- *Protected Reserve Account:*
- *Income and Expenditure Account:*

The Income and Expenditure Account shall be used to finance the running of the Commission. All expenditures, projects excluded, shall be charged to this account
- *Contribution Account:*

The annual contribution and any other miscellaneous general donation from the Parties shall be credited to this account. Money from this account is directed into the Income and Expenditure account
- *Visa Account:*

Account designated to staff debit cards. The debit cards are used exclusively in relation to staff members carrying out their functions for the Commission, such as paying travel and accommodations. The total amount on this account should not exceed NOK 100,000
- *Tax account:*

Norwegian law regulates that tax deducted from employee income must be transferred to a specially protected account. Withdrawals from this account can only be made to Norwegian tax authorities
- *Project account(s):*

Temporary accounts set up for projects. Project funding shall be credited on the project account
- *Recurrent funding account(s):*

Temporary separate accounts shall be set up for any recurrent fundings from external partners. Such funding may feed project funds. Appropriate separate accountings shall be kept for the contributions and disbursements of such funds.

The Secretary authorised to transfer from the Contribution Account to the Income and Expenditure Account:

- Such sums as may be necessary to finance approved budgetary expenditure
- Such sums as the FAC may have authorised the Secretary to withdraw.

The Secretary is authorised to transfer from the General Reserve Account to the Income and Expenditure Account:

- Such sums relating to unforeseen and extraordinary expenses as may arise and which have been authorised by the Chair of the Commission, see under Item 5.1.2 of the Financial Rules. Sums so advanced shall be reimbursed to the General Reserve as soon as possible.

Where necessary the Secretary shall make provision in the budget estimates for reimbursing the General Reserve in respect of such transfers.

5. PREPARATION OF BUDGETS

5.1 MEMBERS' CONTRIBUTION

Council 12 (2003) adopted that member contributions be adjusted for inflation annually in accordance with official Norwegian inflation figures.

In the preparation of the budget proposal, the practice is to increase members' contribution of 2% each year.

5.2 STAFF RELATED COST

In the preparation of the budget proposal, the practice is to increase salary cost by 5% each year.

Increment in salary for the staff or attribution of bonus is pending a satisfactory appraisal meeting. Appraisal meetings should be held at the latest in January of year X, so any increment in salary can take effect in that year.

5.2.1 Employee Tax

5.2.1.1 Internal tax

The internal employee tax is deducted every month from the gross salaries at a % based on estimations calculated by the Norwegian tax authorities.

The calculation of the actual tax is calculated by the relevant **Norwegian Authorities, Skattemeldingen**, following the terms of the Host Agreement and Norwegian rules pertaining to residents with income that is not taxable to Norway. The level of the tax is released in the Norwegian tax settlements available approximately in June - October the following year. The final settlement calculation between NAMMCO and each staff member is done by the accountant, Sparebanken Nord-Norge Regnskapshuset.

On a budget, it shall appear as a negative expense under the item Staff-Related Costs.

5.2.1.2 Tax on salaries for employees not covered by the Host Agreement

The employer is obliged to make employee tax deductions in salaries and keep these funds in a secure manner until maturity. The funds are deposited into a separate bank account. The account must be reserved for employees' tax deductions and be registered with the bank as an employees' tax deduction account. Payment to the employees' tax deduction account must be made no later than the first working day after salary payments.

5.2.2 Social security

The cost represents 8 % of the gross salary. It is paid to Norway for inclusion in the Norwegian **National Insurance Scheme, Folketrygden**, e.g., gives pension rights, payment when on sick leave or paternity leave etc.

5.2.3 Employer tax refund from Norway

The cost represents 7.9 % of gross salary and pension. It is paid in advance to Norway upon claim from **the Norwegian Labour and Welfare Administration, NAV, specifically from "NAV utlandet"** every quarter. This expense is reimbursed by Norway the following year, based on the audits of the income and expenditure and balance for that year.

5.2.4 Staff travel

Staff are reimbursed of expenses and receive per diem corresponding to the place of the meeting following the Norwegian State Rates³. See in the Staff Rules under item 12. Meals directly provided by NAMMCO, or another organisation, should be subtracted from the per diem according to the Norwegian rules. To be receivable, travel claims shall be submitted within two weeks of return to the office, accompanied of all justification for claims, and accompanied by an observer memo for participation to external meetings.

³ https://www.regjeringen.no/no/tema/arbeidsliv/Statlig-arbeidsgiverpolitikk/statens_reiseregulativ/id965/

If the Secretariat's staff is asked to participate to a dinner being held in conjunction with an external meeting locally (distance less than 15 km from office) NAMMCO reimburses the set menu if a set menu has been ordered for the participants or reimburses up to the equivalent of a meal per diem on the presentation of the bill.

5.3 MEETINGS COST

Meeting costs shall cover all the cost encompassed with meeting venues. Often lunch will be provided for convenience. In conjunction with meetings of subsidiary bodies of the commission a dinner will be offered. The cost of it should be kept reasonable and the serving of alcohol should be limited to 2 glasses of wine per person, except for special festive circumstances.

Travel and accommodation of invited experts are covered and there is a fixed honorarium for retired invited participants acting as chairs to compensate their specific responsibility with preparing and running of the meeting and the delivery of the report.

5.4 BUDGET ITEM "OTHER EXPENSES"

The budget item "Other expenses" should be kept high (NOK 70 000 – 100 000), with the understanding that it represents a buffer for unexpected expenses arriving during a budget year.

6. ACCOUNTING

The FiO is responsible for the day-to-day accounting. On a monthly basis the FiO controls the accounts including redraws related to the use of NAMMCO credit cards.

NAMMCO has an independent external accountant- **Sparebanken Nord-Norge Regnskapshuset**. The accounts shall be reviewed by the accountant on a quarterly basis.

The FiO is responsible for preparing, reviewing and following up the quarterly reporting of the accounts. The FiO shall provide quarterly statements in respect of such records to the Secretary.

An income and expenditure account and balance sheet for the year before the previous financial year and statement of payments and receipts for the previous financial year shall be presented to the Commission at the Annual Meeting.

The Secretary shall provide to the members of the Council a copy of the audit report and the audited financial statements within 15 days of their receipt.

NAMMCO external auditor is **PricewaterhouseCoopers AS**, Muségata 1, Postboks 6128, NO-9291 Tromsø, www.pwc.no.

7. VAT EXEMPTION

The Commission is accorded VAT exemption in accordance with the rules applied by the Norwegian authorities for such exemption to diplomatic missions.

In praxis, when preparing the quarterly accounts for the external accountant, the FiO will identify the various costs eligible for VAT exemption. Based on the quarterly accounting report the claim will be forwarded to the Norwegian authorities by the FiO.

8. VERIFICATION OF ASSETS

Duplicate bank statements will be sent directly by the bank to the accountants or external auditors on request. The FiO will reconcile the accounting records to the bank statement on a quarterly basis and send a reconciliation statement and supporting documents to the accountants.

9. DOCUMENTATION

To facilitate sound financial control, the maintenance of complete accounting records, and the preparation and audit of the accounts, it is very important that the following documents are retained and kept in good order:

- cheque book counterfoils as applicable
- copies of bank payment authorities
- copies of miscellaneous payment authorities (including staff expense claims)
- bank statements
- cash withdrawal slips
- paying-in slips
- invoices and statements from suppliers (including utilities, and pension costs);
- the electronic petty cash log and signed reconciliations
- letters and/or invoices concerning contributions from Parties
- VAT refund claims
- correspondence with the bank, the accountants and the auditors
- bank reconciliation statements
- the audited accounts.

To update and otherwise ensure the completeness and accuracy of the accounting records, the accountants will, on a quarterly basis, inspect the invoices bank and miscellaneous payment authorities, bank statements and the accounting system, and any other documentation (including but not limited to the items listed in paragraph above) which they may consider necessary for that purpose. To facilitate the accountants' work, the Secretariat will keep documents in good order and make them available for inspection according to agreed timescales.

The Secretariat shall co-operate with accountants and auditors, providing such information and explanations as the latter may reasonably consider necessary.

10. AMENDMENT OF THE FINANCIAL INSTRUCTION

This Standing Instruction is considered a live document that can be revised and amended by the Finance and Administration Committee as necessary.