

**NORTH AMERICAN AGREEMENT
ON ENVIRONMENTAL COOPERATION**

COMMISSION FOR ENVIRONMENTAL COOPERATION

FINANCIAL RULES

(Revised June 2018)

Rule 1:Scope

The following Rules govern the financial administration of the Commission for Environmental Cooperation ("Commission"), established by the North American Agreement on Environmental Cooperation between the Government of Canada, the Government of the United Mexican States and the Government of the United States of America ("Agreement").

Rule 2:Responsibility and Authority

- 2.1 The Executive Director of the Secretariat of the Commission shall be responsible to the Council of the Commission 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.
- 2.2 The Executive Director shall appoint a member of the staff as the financial officer of the Commission. The financial officer shall assist the Executive Director, at his or her direction, to carry out the responsibilities of the Executive Director set out in these Rules.
- 2.3 The Executive Director may, after notification to the Council, designate in writing that the Director of Administration and Finances and the Council Secretary may receive monies, incur obligations and make payments on behalf of the Commission.

Rule 3:Financial Year

The financial year shall be the period from January 1 through December 31, both dates inclusive.

Rule 4:Budget

- 4.1 The Executive Director shall prepare and submit for the approval of the Council the annual program and budget of the Commission in accordance with Article 11(6) of the Agreement. All financial commitments shall be in accordance with the budget, including the budget as modified according to this rule.

The Executive Director may reallocate funds between budget lines. Notwithstanding this authority, the Council must approve the following types of reallocations: i) reallocations

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of more than 15% from the originally approved budget line; and (ii) reallocations from a project budget line to a non-project budget line. For purposes of this rule, reallocation means any increase or decrease to a budget line.

- 4.2 The Executive Director shall submit the proposed budget to the Parties in a timely manner. The proposed budget shall cover income and expenditures for the next financial year, and shall be presented in Canadian dollars.
- 4.3 The proposed budget shall be accompanied by the following information: budget breakdown by categories for the elements that have been defined and explanations as the Parties may request or as the Executive Director may deem useful.
- 4.4 The budget shall be prepared in conjunction with the annual program of the Commission. The budget shall include provision for proposed cooperative activities.
- 4.5 The Council shall review and approve the budget for the next financial year by December 31 of the current year.
- 4.6 Each Party shall contribute an equal share of the annual budget of the Commission, subject to the availability of appropriated funds in accordance with the Party's legal procedures. No Party shall be obligated to pay more than any other Party in respect of an annual budget. The Parties' contribution is confirmed through the Council resolution signed at the annual regular session of the Council.
- 4.7 Each Party may make its contribution in its national currency to the Commission. The annual amount of a Party's contribution in its national currency shall be fixed at the bank of Canada exchange rate in effect on December 15 of the previous year.
- 4.8 The Executive Director shall provide to the Parties, on a quarterly basis, an interim financial report including an analysis of any project/activity budgetary variances of 15% or higher during the preceding quarter. If a significant budgetary variance arises, the Executive Director shall present a recommended revision to the budget for approval by the Council.

Rule 5: Funds Available to the Commission

- 5.1 No later than 30 days after the Council has approved a budget or a revision to a budget, the Executive Director shall transmit to each Party such documents and information as may be required, with a request that the funds be approved and remitted in accordance with procedures established between the Secretariat and the respective Party.
- 5.2 Funds shall remain available for two months following the end of the financial year to close-out obligations incurred during the year to which the funds relate. In addition, funds allocated for Projects in the budget will remain available for the Council-approved implementation period of the Projects.

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- 5.3 At the end of the period stated in Rule 5.2, any outstanding obligation incurred in the prior financial year shall be closed out and transferred as an obligation against the current financial year's budget. Any balance in appropriations from the previous year shall be accounted for in accordance with the provisions of Rule 6.2.
- 5.4 Funds available to the Commission may be invested in government-insured or guaranteed bank deposits or other instruments, taking into account the cash flow needs of the Commission.
- 5.5 The Commission may receive funding or in-kind contributions in excess of the annual budget to support or enhance programs approved by the Council, within the human resources capacities of the Commission.

The Council requires that the Secretariat obtain prior approval to accept any external funding . At a minimum, the request for approval shall include the following information:

- (a) the amounts;
- (b) the source; and
- (c) the intended uses.

The Secretariat shall similarly notify the General Standing Committee of any plan to accept an in-kind contribution with a monetary value greater than C\$25,000 provided by a contributor for a particular event, program, or administrative function of the Commission, at least 15 working days prior to its acceptance. At a minimum, the notification to the General Standing Committee will include the following information:

- (a) the estimated value of the in-kind contribution
- (b) the source; and
- (c) the intended use.

Any Party may obtain an extension of the 15-working day notification period to allow the necessary time to duly examine the nature and scope of the funding or in-kind contribution.

Any Party may decide to object to the Commission accepting the funding or in-kind contribution. Any such decision shall be conveyed to the Secretariat which will inform the proposed contributor that the contribution will not be accepted. If no opposition is expressed by the Parties, the Secretariat may accept the funding or in-kind contribution at the end of the notification period.

Funding or in-kind contributions with a monetary value of C\$25,000 or less, provided by a contributor for a particular event, program, or administrative function of the Commission, will be handled at the discretion of the Secretariat, on a case-by-case basis, in compliance with the scope and the objectives of the Agreement.

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For the purpose of this article, "in-kind contribution" means any contribution in furtherance of the programs approved by the Council, other than direct financial support. Such in-kind contributions may be made in the form of resources, goods, or services, including personnel, equipment, facilities, or supplies.

Rule 6: General Fund

- 6.1 A General Fund shall be established for purposes of accounting for the expenditures of the Commission.
- 6.2 The following monies shall be credited to the General Fund:
 - (a) contributions received from the Parties;
 - (b) funds made available in accordance with Rule 5.3; and
 - (c) miscellaneous income, including income from interest.
- 6.3 The Executive Director shall maintain the funds of the Commission in accounts in the name of the Commission in a CDIC ("Canada Deposit Insurance Corporation") or similarly insured financial institution.

Rule 7: Accounts

- 7.1 The Executive Director shall establish procedures:
 - (a) to ensure effective and prudent financial administration; and
 - (b) to ensure that all payments are made on the basis of invoices or other supporting documents and that services or goods contracted for have been received.
- 7.2 The Executive Director shall maintain accounting records for each financial year in accordance with Generally Accepted Accounting Principles, and shall provide statements in respect of such records to the Parties quarterly.
- 7.3 The annual accounts and accounting records of the Commission shall be kept in Canadian dollars.
- 7.4 The Executive Director shall submit the annual accounts to the Parties and to the external auditors no later than 60 days after the end of each financial year, together with such other information as may be appropriate.

Rule 8: External Audit

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- 8.1 The accounts of the Commission shall be audited annually by external auditors selected by the Council.
- 8.2 The auditors shall perform such audit as they deem necessary to determine that:
- (a) the financial statements are in accord with the books and records of the Commission;
 - (b) the financial transactions reflected in the statements are in accordance with these Rules; and
 - (c) the monies on deposit and on hand are vouched for by the Commission's depositories or by actual count.
- 8.3 The auditors shall prepare a report for the Council on the audit of the financial statements relating to the accounts for the financial year. The report shall include the auditors' 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 Commission. The auditors shall provide their report to the Executive Director at the time of its submission to the Council.
- 8.4 The auditors shall draw to the attention of the Executive Director and the Council any transaction with respect to which they entertain doubt as to legality or propriety.
- 8.5 The auditors shall be the sole judges as to the acceptability in whole or in part of payments authorized by the Executive Director. They may carry out such detailed examination and verification of all financial records as they choose. The Executive Director and the staff of the Secretariat shall provide the auditors with the facilities the auditors may require in the performance of the audit.

Rule 9: Additional Expenditures

Before a proposal involving the additional expenditure of funds is approved by the Council at a special session, or a regular session subsequent to the session at which the budget was adopted, the Executive Director shall prepare and provide to the Council an estimate of the budget implications of implementing the proposal.

Rule 10: Interpretation

In the event of any inconsistency between these Rules and the Agreement, the Agreement shall prevail to the extent of the inconsistency. Any uncertainty or dispute as to the interpretation or applicability of any of these Rules shall be resolved by the Council.

Rule 11: Amendment of Rules

These Rules may be amended by the Council only.

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Rule 12: Authentic Texts

The English, French, and Spanish texts of these Rules are equally authentic.