

**AGREEMENT
ON ENVIRONMENTAL COOPERATION**

COMMISSION FOR ENVIRONMENTAL COOPERATION

FINANCIAL RULES

Rule 1:Scope

The following Rules govern the financial administration of the Commission for Environmental Cooperation ("Commission"). The Commission was established under the 1994 North American Agreement on Environmental Cooperation (NAAEC) and continues to operate under the Agreement on Environmental Cooperation among the Governments of the United States of America, the United Mexican States, and Canada, (ECA), which entered into force on July 1, 2020.

Rule 2:Responsibility and Authority

- 2.1 The Executive Director of the Secretariat of the Commission shall be chosen by and will be responsible to the Council of the Commission and will have authority in all financial matters of the Commission, including authority to receive monies, incur obligations and enter into contracts 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 will 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 Finance and the Director of Government Relations, Strategy and Performance may receive monies, incur obligations and enter into contracts 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 budget of the Commission, including provision for proposed cooperative activities and for the Secretariat to respond to contingencies, in accordance with Article 5(6) of the ECA. All financial commitments shall be in accordance with the budget, including budget modifications. The Council shall develop, define and approve a Work Program. The Council may seek the support and expertise of the Secretariat in developing the Work Program, which will meet the approved annual budget, in accordance with the strategic priorities as provided in Articles 4.1(h) and 10(2) of the ECA.

- 4.2 The Executive Director may reallocate funds between budget lines. Notwithstanding this authority, the Council must approve the following types of reallocations: i) reallocations 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.
- 4.3 The proposed annual budget will cover income and expenditures and address the use of surplus funds under Rule 7 for the next financial year and shall be presented in Canadian dollars.
- 4.4 The proposed annual budget will be accompanied by the following information: budget breakdown by category and explanations as the Parties may request or as the Executive Director may deem useful.
- 4.5 The annual budget will be prepared in conjunction with the Work Program of the Commission. The budget shall include provision for proposed cooperative projects and other mandated activities.
- 4.6 The Council shall review and approve the budget for the next financial year. This will take place by December 31 of the current year. In considering the proposed annual budget, the Council will address the use of surplus funds available under Rule 7.
- 4.7 In accordance with Article 12 of the ECA, each Party shall contribute an equal share of the annual budget of the Commission subject to the availability of appropriated funds in accordance with each Party's legal procedures. Unless the Council otherwise decides, the annual budget may be supplemented through funding or in-kind contribution from the Parties subject to these rules. No Party will be obligated to pay more than its equal share of the annual budget as a result of supplemental funding or in-kind contributions from other Parties. The Parties' contributions are confirmed through the Council resolution on funding of the Commission signed every year.
- 4.8 Each Party may make its contribution to the Commission under Rule 4.7 in its national currency. 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.
- 4.9 The Executive Director will provide to the Parties, on a quarterly basis, an interim financial report no later than 90 days following the end of the report period. The report will include 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 will present a recommended revision to the budget for approval by the Council. The interim financial report may also include other information as defined by the Parties.
- 4.10 With the exception of additional funds or in-kind contributions received under Rule 6, before a proposal involving the reallocation of funds under Rule 4.2 is approved by the Council, the

Executive Director will prepare and provide to the Council an estimate of the budget implications of implementing the proposal.

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 will 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 will remain available for two months following the end of the financial year to close-out contractual obligations and financial commitments incurred during the year to which the funds relate. In addition, funds allocated for projects or grants in the budget will remain available for the Council-approved implementation period of the project or grant.
- 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 (i.e. surplus funds) shall be accounted for in accordance with the provisions of Rule 7.2. The Council may extend by resolution any balance in appropriations from previous years (i.e. budget extension).
- 5.4 Any surplus funds available to the Commission that are invested must be invested in government-insured or guaranteed bank deposits or other instruments, taking into account the cash flow needs of the Commission.

Rule 6: Contributions from External Sources and Additional Party Funding

- 6.1 Unless the Council otherwise decides, the Commission may seek and receive funding or in-kind contributions from any source in excess of the annual budget to support or enhance projects and initiatives approved by the Council, consistent with human resources capacity and availability in accordance with the Strategic Plan and Operational Program, and the mission and mandate of the Commission.
- 6.2 The Secretariat will inform the General Standing Committee of any plan to accept external funding to the CEC Parties and will seek approval from the Council, as per the following:
 - 6.2.1 For monetary contributions greater than C\$5,000 but less than C\$25,000, the General Standing Committee will be informed at least three (3) working days prior to its acceptance—in the form agreed with the GSC—, after which the Secretariat may accept the contribution;
 - 6.2.2 For monetary contributions greater than C\$25,000, the Secretariat will inform the General Standing Committee and will seek approval from Council at least fifteen (15) working days prior to its acceptance. At a minimum, the request for approval shall include the following information:
 - (a) the amounts;

- (b) the source;
 - (c) the intended uses; and
 - (d) a declaration that such contribution is free from conflicts of interest.
- 6.3 The Secretariat will inform the General Standing Committee of in-kind contributions provided by an external contributor to the CEC Parties for a particular event, program, or administrative function of the Commission outside of approved project partners, as per the following:
- 6.3.1 For in-kind contributions with a monetary value greater than C\$5,000 but less than C\$25,000, the General Standing Committee will be informed at least three (3) working days prior to its acceptance—in the form agreed with the GSC—, after which the Secretariat may accept the contribution.
- 6.3.2 For in-kind contributions with a monetary value greater than C\$25,000, the General Standing Committee will be informed at least fifteen (15) working days prior to its acceptance, after which the Secretariat may accept the contribution. 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;
 - (c) the intended use; and
 - (d) a declaration that such contribution is free from conflicts of interest.
- 6.4 In exceptional cases, any Party may request a 15-day extension of the notification period under Rules 6.2 and 6.3 to allow the necessary time to duly examine the nature and scope of the funding or in-kind contribution.
- 6.5 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.
- 6.6 Funding or in-kind contributions with a monetary value of C\$5,000 or less, provided by an external contributor to the CEC Parties 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 ECA.
- 6.7 For the purpose of this article, "in-kind contribution" means any external contribution to the CEC Parties in furtherance of the Work Program 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.
- 6.8 Regardless of the amounts involved, prior to acceptance, the Secretariat will review whether there is an actual or potential conflict of interest.

Rule 7:General Fund

- 7.1 A General Fund will be established for purposes of accounting for the expenditures of the Commission.
- 7.2 The following monies will be credited to the General Fund:
- (a) contributions received from the Parties;
 - (b) funds made available in accordance with Rule 5.3 (i.e. surplus funds) and Rule 6; and
 - (c) miscellaneous income, including income from interest.
- 7.3 The Executive Director will 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.
- 7.4 The Council will address in the annual budget, the use of surplus funds available to the Commission on a yearly basis.

Rule 8:Accounts

- 8.1 The Executive Director shall establish procedures:
- (a) to ensure effective, prudent and transparent financial administration; and
 - (b) to ensure that all payments are made on the basis of auditable invoices or other supporting documents and that services or goods contracted for have been received.
- 8.2 The Executive Director will maintain accounting records for each financial year in accordance with Canadian Accepted Accounting Standards for Not-For-Profit Organizations
- 8.3 The annual accounts and accounting records of the Commission will be kept in Canadian dollars.
- 8.4 The Executive Director will submit the annual accounts to the Parties and to the external auditors no later than 90 days after the end of each financial year, together with such other information as may be appropriate.

Rule 9:External Audit

- 9.1 The accounts of the Commission will be audited annually by external auditors selected by the Council, under conditions that do not create a conflict of interest.
- 9.2 The auditors will be required to 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;
 - (c) the monies on deposit and on hand are vouched for by the Commission's depositories or by actual count, and
 - (d) applicable investment commissions are backed by corresponding documents.
- 9.3 The auditors will be required to prepare a report for the Council on the audit of the financial statements relating to the accounts for the financial year. The report will 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 will be required to provide their report to the Executive Director at the time of its submission to the Council
- 9.4 The auditors will be required to 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.
- 9.5 The auditors will be required to 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 will provide the auditors with the facilities the auditors may require in the performance of the audit.

Rule 10:Interpretation and Relation to the ECA

These Rules will be read in conjunction with the ECA. In the event of any inconsistency between these Rules and the ECA, the ECA shall prevail to the extent of the inconsistency.

Rule 11:Amendment of Rules

These Rules may be amended by the Council only.

Rule 12:Authentic Texts

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