



**Coral Triangle Initiative
on Coral Reefs, Fisheries and Food Security
(CTI-CFF)**

**Attachment 5-1
THE CTI-CFF FINANCIAL REGULATIONS**

**6th CTI-CFF SENIOR OFFICIALS MEETING (SOM6)
10-12 November 2010
MANADO, INDONESIA**

**Adopted 11th November 2010
By the Government of Indonesia, Malaysia, Papua New Guinea, the
Philippines, Solomon Islands, and Timor-Leste**

THE CORAL TRIANGLE INITIATIVE ON CORAL REEFS, FISHERIES AND FOOD SECURITY (CTI-CFF) FINANCIAL REGULATIONS

*In brackets []: still need resolution

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Regulation 1: Applicability

These Regulations shall govern the financial administration of the CTI-CFF Secretariat.

Regulation 2: Financial Year

The financial year shall be for twelve (12) months, commencing 1 January and ending 31 December, both dates inclusive.

Regulation 3: Budget

- (1) A draft budget comprising estimates of receipts by the Secretariat from all sources and of expenditures by the Secretariat shall be prepared by the Executive Director for the ensuing year.
- (2) The draft budget shall be divided into parts and sections. It shall be accompanied by such information, annexes and explanatory statements as may be requested by the CTI Council of Ministers (CTI COM) or CTI Committee of Senior Officials (CTI CSO), including a statement on the main changes in comparison with the budget of the previous year, and such further annexes or statements as the Executive Director may deem necessary and useful. The CTI COM or CTI CSO may establish guidelines as to the format which the draft budget is to be presented.
- (3) The draft budget shall be accompanied by details of the appropriations made for the previous year and the expenditure against those appropriations.
- (4) The draft budget shall include a statement of the significant financial implications for subsequent financial years in respect of any proposed work programmes presented in terms of administrative, recurrent and capital expenditure.
- (5) The Executive Director shall submit the draft budget for the following year to all CTI-CFF Parties at least 60 days prior to the Ministerial Meeting and the Senior Officials Meeting. At the same time, and in the same form as the draft budget, the Executive Director shall prepare and submit to all CTI-CFF Parties a forecast budget for the subsequent financial year.
- (6) The CTI COM shall decide upon the annual budget of the Secretariat. The CTI COM, where available, may take advice and receive recommendations for this purpose from the CTI CSO on matters related to the budget, finance and administration of the Secretariat.
- (7) Supplementary budget proposals may be prepared by the Executive Director if exceptional circumstances make this necessary. Supplementary budget proposals shall be prepared in a form consistent with the approved budget. The provisions of these Regulations shall be

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applicable to the proposed supplementary budget to the extent possible.

(8) The draft budget and the forecast budget shall be presented in United States dollars.

Regulation 4: Appropriations

(1) The resolution for appropriations adopted by the CTI COM or CTI CSO shall constitute an authorization for the Executive Director to incur obligations and make payments for the purposes for which the appropriations were adopted.

(2) Unless the CTI COM or CTI CSO decides to restrict this power, the Executive Director may also incur obligations against future years before appropriations are adopted when such obligations are necessary for the continued effective functioning of the Secretariat, provided such obligations are restricted to administrative requirements of a continuing nature not exceeding the scale of such requirements as authorized in the budget of the current financial year. In other circumstances the Executive Director may incur obligations against future years only as authorized by the CTI COM or CTI CSO.

(3) Appropriations shall be available for the financial year to which they relate. At the end of the financial year all appropriations for that financial year shall lapse. Commitments remaining undischarged against previous appropriations at the end of a financial year shall be carried over and be included in the budget for the next financial year, unless the CTI COM or CTI CSO decides otherwise.

(4) The Executive Director may make transfers of up to 10 per cent of budget between appropriations. All transfers must be reported by the Executive Director in the annual financial report provided to the CTI COM and CTI CSO.

(5) Should the Executive Director anticipate a shortfall in resources over the financial period as a whole, the Executive Director shall consult the CTI CSO, as to priorities for expenditure.

(6) Unforeseen and extraordinary expenses may be incurred from within existing budget appropriations, or from voluntary contributions. Approval to incur such expenses must be obtained from the CTI CSO. All approvals made by the CTI CSO must be reported to the next CTI COM Meeting.

(7) In the event an appropriation is underutilized in a given financial year, the Executive Director may expend these funds on the project in question in the subsequent financial year. In the event that the project is completed, the CTI CSO shall determine how any unexpended funds may be utilized during the subsequent financial year. The CTI COM may establish a policy for the expenditure of underutilized appropriations.

Regulation 5: Internal Control

(1) The Executive Director shall:

(a) establish detailed financial rules and procedures after consultation with an external Auditor appointed pursuant to Regulation 12 to ensure effective financial administration and the exercise of economy in the use of funds;

(b) cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the goods or services have been received and that payment has not been previously made;

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- (c) designate officers who may receive monies, incur obligations and make payments on behalf of the Secretariat; and
- (d) maintain and be responsible for internal financial control to ensure:
 - (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Secretariat;
 - (ii) the conformity of obligations and expenditures with the appropriations adopted by the Meeting of Parties; and
 - (iii) the economic use of the resources of the Secretariat.

(2) The Executive Director may propose to the CTI CSO the writing off of losses of assets and bad debts, provided that the external auditor so recommends. Such losses shall be included in the annual accounts.

(3) For purchases or contracts exceeding USD 15,000 written tenders for equipment, supplies and other requirements shall be invited by advertisement, or by direct requests for quotation from at least three persons or firms able to supply the equipment, supplies, or other requirements, if such exist. For amounts exceeding USD 10,000, but less than USD 15,000, competition shall be obtained either by the above means or by telephone or personal enquiry by the Executive Director or his nominee, without the need for advertisement.

(4) The foregoing Regulations, shall, however, not apply in the following cases:

- (a) where it has been ascertained that only a single supplier exists and that fact is so certified by the Executive Director;
- (b) where voluntary contributions have been provided, specifying a particular project and/or supplier;
- (c) where, on the CTI COM or CTI CSO, there are determined to be exceptional circumstances that require such deviation; and
- (d) in case of emergency, or force majeure, or where, for any other reason, these Regulations would not be in the best financial interests of the Secretariat, and that fact is so certified by the Executive Director.

(5) The Executive Director shall report in writing the circumstances of exceptions under paragraph 4 to the CTI COM and to the CTI CSO.

Regulation 6: The Accounts

(1) The Executive Director shall ensure that appropriate records and accounts are kept of the transactions and affairs of the Secretariat. The Executive shall do all things necessary to ensure that all payments out of the Secretariat's moneys are correctly made and properly authorized. The Executive Director will ensure that adequate control is maintained over the assets of the Secretariat, or any assets in the custody of the Secretariat. The Executive Director will ensure that adequate control is maintained over the incurring of liabilities by the Secretariat.

(2) The Executive Director shall submit annual financial statements to the CTI COM and the CTI CSO. The annual financial statements shall show, for the financial year to which they relate:

- (a) the income and expenditure relating to all funds and accounts;
- (b) the situation with regard to budget appropriations, including:

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- (i) the original budget appropriations;
- (ii) the approved expenditure under or in excess of the original budget appropriations;
- (iii) any other income;
- (iv) the amounts charged against these appropriations and other income;
- (c) the financial assets and liabilities of the Secretariat;
- (d) investments, where such investments shall be restricted to securities and other investments issued by financial institutions or Government bodies with current ratings, provided by a rating body approved by the Secretariat's Auditor, indicating a strong capacity to pay;
- (e) losses of assets and bad debts proposed in accordance with Regulation

The Executive Director shall also give such other information as may be appropriate to indicate the financial position of the Secretariat.

- (3) The accounts of the Secretariat shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Executive Director may deem necessary.

- (4) Appropriate separate accounts shall be kept for all Special funds and CTI-CFF funds created pursuant to Regulation 7.

- (5) The annual financial statements shall be submitted by the Executive Director to the Auditor not later than three months following the end of the financial year.

Regulation 7: Funds

- (1) (a) There shall be established a General Fund for the purpose of accounting for the income and expenditure of the Secretariat;
- (b) Contributions paid by Parties under Regulation 8 and miscellaneous income to finance general expenditure shall be credited to the General Fund;
- (c) Any cash surplus in the General Fund at the close of a financial year that is not required to meet undischarged commitments in terms of Regulation 4 (3) shall be divided in proportion to the contributions made by existing Parties under Regulation 8 in the current financial year and used to offset such Parties' contributions for the ensuing financial year. This provision shall not apply at the end of the first financial year when surplus funds other than those resulting from contributions by new Parties may be carried over into the following financial year;
- (d) Where contributions are received from new Parties after the commencement of the financial year and such funds have not been taken into account in formulating the budget, appropriate adjustment shall be made to the level of the assessed contributions of existing Parties and such adjustments recorded as advances made by such new Parties;
- (e) Advances made by Parties shall be carried to the credit of the Parties which have made such advances.

- (2) CTI-CFF and Special funds may be established by the Secretariat for the purpose of receiving funds and making payments for purposes not covered by the regular budget of the Secretariat. The CTI-CFF and Special funds shall only be used in accordance with the purposes for which and any conditions under which such funds have been provided. The CTI-CFF funds will be those funds where there are on-going monitoring and reporting obligations to the donors of the

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funds. The Special funds will be any others funds provided for specific purposes that are not CTI-CFF funds or General Fund.

- (3) Funds provided by CTI Partners or other donors, unless provided for allocation to the General Fund, shall be designated as CTI-CFF funds. The CTI COM may establish such procedures as it thinks fit to provide for the receipt, reporting and appropriation of Special or CTI-CFF funds. The Executive Director shall comply with any such procedures established by the CTI COM and ensure that all on-going monitoring and reporting obligations sought by the donors of the funds are met.

Regulation 8: Provision of Funds

- (1) The funds of the Secretariat shall include:
 - (a) assessed contributions made by Parties in accordance with Schedule 1 of these Regulations ;
 - (b) voluntary contributions made by Parties, CTI Partners or other entities; and
 - (c) such other funds to which the Secretariat may become entitled or may receive, including income from investments.
- (2) Each Party shall contribute to the budget in accordance with the formula prescribed in Schedule 1 of these Regulations.
- (3) On approval of the budget for a financial year, the Executive Director shall send a copy thereof to all Parties informing them of their contributions and requesting them to remit their contributions due.
- (4) Annual contributions shall be considered as due and payable in full within 60 days of the receipt of the communication of the Executive Director referred to in paragraph 3 of this Regulation, or as of the first day of the calendar year to which they relate, whichever is the later. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears. Interest shall be payable on such unpaid contributions at such rate as may be determined by the CTI COM.
- (5) Annual contributions shall be assessed in terms of a value calculated based on the Special Drawing Rate (SDR) of the International Monetary Fund and paid in United States dollars.
- (6) The Executive Director shall submit to each CTI COM Meeting a report on the collection of annual assessed contributions from Parties, any voluntary contributions received including contributions from CTI Partners, any investment income and other income received.
Partners, any investment income and other income received.
- (7) A new Party of the Secretariat whose membership becomes effective during the first six months of the financial year shall be liable to pay the full amount of the annual contribution which would have been payable had it been a Party at the start of that financial year. A new Party whose membership becomes effective during the last six months of the financial year, shall be liable to pay half of the amount of the annual contribution referred to above

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- (8) The CTI COM may develop a policy to assist in the calculation of the value of in-kind contributions.

Regulation 9: Other Income

- (1) All income other than contributions to the budget under Regulation 8 (1)(a) and that referred to in paragraphs 2 and 3 below, shall be classified as Miscellaneous Income and credited to the General Fund. The use of Miscellaneous Income shall be subject to the same financial controls as activities financed from regular budget appropriations.

- (2) Voluntary contributions above and beyond Parties' budget contributions may be accepted by the Executive Director provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Secretariat. Voluntary contributions offered by CTI Partners and other non-Parties and entities may be accepted, subject to agreement by the Secretariat that the purposes of the contribution are consistent with the policies, aims and activities of the Secretariat.

- (3) Voluntary contributions as referred to in paragraph (2) shall be treated as CTI-CFF or Special funds under Regulation 7 (2).

Regulation 10: Custody of Funds

- (1) The Executive Director shall designate a Government bank or banks in Indonesia in which the funds of the Secretariat shall be kept and shall report the identity of the Government bank or banks so designated to the CTI COM and CTI CSO.

- (2) (a) The CTI COM or CTI CSO may give approval to the Executive Director to make short-term investments of moneys not needed for the immediate requirements of the Secretariat. Such investments shall be restricted to securities and other investments issued by financial institutions or Government bodies with current ratings, provided by a rating body approved by the Secretariat's Auditor, indicating a strong capacity to pay. The details of investment transactions and income derived shall be reported in the documents supporting the budget;

- (b) With regard to moneys held in the CTI-CFF or Special funds for which use is not required for at least 12 months, longer-term investments may be authorized by the CTI COM and the relevant CTI Partner, provided such action is consistent with the terms under which the moneys were lodged with the CTI-CFF. Such investments shall be restricted to securities and other investments issued by financial institutions or Government bodies with current ratings, provided by a rating body approved by the Secretariat's Auditor, indicating a strong capacity to pay.

- (3) Income derived from investments shall be credited to the Fund from which the investment was made.

Regulation 11: Reporting to CTI Partners

- (1) The Executive Director shall ensure reports on expenditure from funds donated by CTI Partners will be made to such CTI Partners within timeframes that meet the internal budgetary reporting cycle of those Partners.

- (2) Reports prepared for CTI Partners will be in a format that will meet the internal reporting

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requirements of the CTI Partner concerned.

- (3) Copies of reports made for CTI Partners will also be provided to the CTI CSO.

Regulation 12: External Audit

- (1) The CTI CSO shall appoint an external Auditor who shall be the Auditor-General or equivalent statutory authority from a Party or an internationally recognized independent auditor with experience in the audit of international organizations. The Auditor shall be appointed for a period of two years and may be reappointed. The CTI COM will ensure respect for the Auditor's independence of the Secretariat and the Secretariat's staff, and shall make provision for appropriate funds to the Auditor.

- (2) The Auditor shall be completely independent and solely responsible for the conduct of the audit.

- (3) The Auditor or a person or persons authorized by him or her shall be entitled at all reasonable times to full and free access to all accounts and records of the Secretariat relating directly or indirectly to the receipt or payment of moneys by the Secretariat or to the acquisition, receipt, custody or disposal of assets by the Secretariat and may make copies of, or take extracts from any such accounts or records.

- (4) The Auditor shall conduct his or her examination of the financial statements in conformity with generally accepted auditing standards and shall report on all relevant matters, including:
- (a) whether, in his or her opinion, the statements are based on proper accounts and records;
 - (b) whether the statements are in agreement with the accounts and the records;
 - (c) whether, in his or her opinion, the income, expenditure and the acquisition and disposal of assets by the Secretariat during the year have been in accordance with these Regulations; and
 - (d) observations with respect to the efficiency and economy of the financial procedures

- (5) The Executive Director shall provide the Auditor with the facilities he or she may require in the performance of the audit.

- (6) The Auditor shall, within 90 days of the date upon which the annual financial statements are submitted by the Executive Director, issue a report on the audit of the financial statements and relevant schedules relating to the accounts for the financial period, which shall include such information as the Auditor deems necessary with regard to matters referred to in paragraph 4 as appropriate. The Executive Director shall provide to the Chairs of the CTI-COM and CTI CSO a copy of the audit report and the audited financial statements within 30 days of their receipt, for the consideration of both Meetings.

- (7) The CTI CSO may request the Auditor to perform certain specific examinations and issue separate reports on the results.

Regulation 13: Acceptance of Financial Statements

- (1) The CTI CSO shall, following consideration of the audited annual financial statements and audit report submitted to it under Regulation 6 of these Regulations, signify its acceptance of the audited annual financial statements or take such other action as it may consider

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appropriate.

- (2) The CTI CSO may direct the Executive Director to take such actions as it thinks fit based on the external Auditor's report.

Regulation 14: Insurance

- (1) The Secretariat may take out suitable insurance with a reputable financial institution against normal risks to its assets.

- (2) The Secretariat may take out personal accident insurance with a reputable financial institution to provide for 24 hours a day cover for its staff, and other individuals to whom it owes a duty of care.

- (3) A staff member may take out additional personal accident insurance cover at his or her own cost.

- (4) All staff and their dependents will have all reasonable medical, dental and optical expenses, depending on available schemes and reasonable costs, met by the Secretariat through any medical scheme it adopts. The level of this medical scheme is at the Executive Director's discretion.

- (5) A staff member may take out additional medical insurance cover for themselves and their dependents at his or her own cost.

- (6) The Secretariat will obtain travel insurance with a reputable financial institution to cover all official staff travel. This may be separate travel insurance, or be part of any personal accident and life insurance policy obtained the Secretariat.

- (7) All staff and their dependents are covered by the Secretariat's travel insurance during home leave travel and on recruitment and repatriation.

- (8) A staff member may take out additional travel insurance cover for themselves and their dependents at his or her own cost.

- (9) The Secretariat may take out term life insurance with a reputable financial institution to provide cover for the death of staff members.

- (10) A staff member may take out additional term life insurance cover at his or her own cost.

Schedule 1: Assessed Contribution Formulae

[ALTERNATIVE 1

Parties will contribute to the General Fund of the Secretariat on the following basis:

- (a) The total amount to be contributed will be determined by the Parties at the Ministerial Meeting, based on draft the budget provided by the Secretariat;
- (b) Sixty percent (60%) of the amount identified in paragraph (a) of this Schedule will be contributed by each of the Parties in equal shares; and
- (c) The remainder of the total amount identified in paragraph (a) of this Schedule will be divided between the Parties based upon the relative size of their gross domestic product (GDP) as

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calculated by the most recent year for which GDP figures are available for all Parties.

ALTERNATIVE 2

Parties will contribute to the General Fund of the Secretariat on the following basis:

- (a) The total amount to be contributed will be determined by the Parties at the Ministerial Meeting, based on draft the budget provided by the Secretariat;
- (b) One hundred percent (100%) of the amount identified in paragraph (a) of this Schedule will be contributed by each of the Parties in equal shares.]

ALTERNATIVE 3

Member States will contribute to the General Fund of the Secretariat on the following basis:

- (a) The total amount to be contributed will be determined by the Member States at the Ministerial Meeting, based on draft the budget provided by the Secretariat;
- (b) One hundred percent (100%) of the amount identified in paragraph (a) of this Schedule will be contributed by each of the Member States to be divided between the Member States based upon the relative size of their gross domestic product (GDP) as calculated by the most recent year for which GDP figures are available for all Member States.]