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Background

Attached is the Audit Report (D/704/05.06.01/2021) of the National Audit Office and the Financial Statement of the Helsinki Commission with the Balance Sheet, the Statement of Accounts, and a detailed Statement of Accounts showing the status of income and expenditures vs. the budget for the accounting period from 1 July 2020 to 30 June 2021.

This year's, Audit Report, covering the financial period from 1 July 2020 to 30 June 2021, included an "emphasis of matter" concerning the modernization of the accounting system of the Secretariat. The National Audit Office of Finland recommended that the accounting and financial reporting system of the Commission should be harmonized more with generally accepted accounting standards. The Secretariat has been aware of this issue and will advance the modernization of the accounting system, as explained in document 7-3 submitted to the meeting.

Action requested

The Meeting is invited to take note of the Audit Report and the Financial Statement of the Helsinki Commission for the financial period 1 July 2020 to 30 June 2021, as well as of this explanatory memorandum, and to advise the Executive Secretary to submit them to HELCOM 43-2022 in order to have the accountables officially discharged from responsibility.

Explanatory Memorandum on the Accounts of the Commission for the Financial Period from 1 July 2020 to 30 June 2021

Financial Statement

The Financial Statement contains a description of the general operating principles of the Helsinki Commission as well as a summary of account policies. The Financial Statement follows Financial Rule 8.1. The following paragraphs complement the Financial Statement.

Income

Income amounts are presented separately as either “contributions from Contracting Parties” (regular and special contributions) or “other contributions” (grants from EU or other financing instruments).

The main sources of income were as usual the annual budgeted contributions from the Contracting Parties and the Headquarters contribution by Finland, which together amounted to 2 067 724,00 €. In addition to the annual contributions, there were special contributions by the Contracting Parties to HELCOM Projects in total of 42 000 €. Furthermore, other contributions for projects by the European Union financing instruments amounted to 1 603 483,40 €.

There was no bank interest earned, due to negative interest rates. As in the previous financial period, no transfer from the Working Capital Fund (WCF) was made to the income. The Working Capital Fund (WCF) reached the level set in Financial Rule 3.4 – 11-15 % of the total budget – during the financial period 2019-2020. The surplus from the current financial period, 9 116,53 €, was added to the WCF as stipulated in the Financial Rule. As a result, the WCF totals to 14 % of the budget.

The receivables of 294.299,97 € consist of VAT receivables and pending co-financing for various ongoing and recently completed, mainly EU-funded, projects.

Liabilities

The liabilities consist of transfers of funds for commitments extending into the following financial period. Transfers are necessary because expenditures do not always coincide with the accounting periods (e.g. project payment schedules differ from the actual implementation periods in form of e.g. pre-payments, or consultants invoice by calendar year and not following the HELCOM financial periods). In addition, there can be annual contributions from Contracting Parties paid in advance. This year, there were 46.805,67 € worth of liabilities to the Contracting Parties, due to advance annual contribution payment for the financial period 2021–2022.

Expenditures

1. Meeting expenditures

Funds in this chapter are used for organizing and participating in meetings within the HELCOM context: the annual HELCOM meeting, the HOD meetings, meetings of the HELCOM Groups and meetings related to the subsidiary groups and the mandates of the Groups. Most of these costs are travel costs of the Secretariat staff to attend the meetings. Due to the COVID-19 pandemic, the meeting expenses were significantly cut in the modified budget for 2020-2021 and there were very few physical meetings during the financial year. Nearly all of the expenses in this chapter for the financial year 2020-2021 are related to organizing the Baltic Sea Day 2021.

2. Salaries and remunerations

This allocation covers the salaries and pension fees of the personnel of the Secretariat (excluding project staff) as well as insurance premiums, occupational healthcare fees, dependency allowances, education grants and installation and separation costs for new and departing staff members.

3. Data and Consultant Services

The costs of data handling and consultants are included in this chapter. As in previous years and mentioned under Liabilities, it was necessary to carry over a part of this allocation to the next financial year, because some invoices had not been received by the end of the financial period.

4. Travel expenses

The Secretariat's participation in meetings and conferences other than those of HELCOM working groups are paid from this allocation. Meeting costs of HELCOM external projects are not paid from this chapter but are covered directly by the projects. Due to the continuation of the COVID-19 pandemic, there were basically no travel costs during this year and only refunds from cancelled travels.

5. Communications

This chapter, part of the Finnish HQ contribution, is used for phone, mail and delivery costs, as well as basic ICT related costs. Those costs include for example in-office WIFI, different licenses and software, servers and firewall systems as well as HELCOM website and services related to those. It should be noted that in addition to expenditures in this chapter there were IT expenditures related to various projects and other activities and therefore financed from other Chapters and transitory funds.

6. Rent and maintenance

This allocation, financed by the Finnish HQ contribution, covers the rent, cleaning and maintenance of the office and electricity. In 2020-2021, the cleaning and maintenance costs were lower than usual due to the remote work policy during the COVID-19 pandemic and the surplus of this chapter was separately discussed with Finland and agreed to be transferred to the following financial year.

7. Information and publicity activities

This allocation is used for information and PR material and activities such as participating in exhibitions. Also, part of the IT services and facilities such as the Meeting Portal support are paid from this Chapter.

8. Material and equipment

This chapter is the third one financed by the Finnish HQ contribution, and is used for purchases, lease and maintenance costs of office utilities and equipment necessary for the operations of the Secretariat.

9. Miscellaneous

This chapter consists of expenditures of the Annual Receptions and other hospitality and the Secretariat's staff training and seminars. It also covers bank fees and various other expenditures not falling under any other chapter. This Chapter also includes budgeted transfers to the Working Capital Fund, when applicable.

10. Meeting Support

This allocation is used for financial support to enable representatives of the Russian Federation to participate in various meetings under the HELCOM umbrella.

11. Projects

This chapter contains project expenditures, both for the projects funded from the HELCOM budget and other projects for which special contributions are received. Special contributions from the Contracting Parties and contributions for projects by the European Union financing instruments amounted to 1 645 483,40 €, which made it possible to implement a wider range of necessary actions than would have been possible within the regular HELCOM budget.