HIGH COUNCIL DECISION N. 2/13

of 7 June 2013

revising the Financial Rules

THE HIGH COUNCIL,

having regard to the Convention setting up the European University Institute, and in particular Article 6(5)(a) thereof;

Whereas it is appropriate to revise the Financial Rules to take into account the adoption of an accrual-based accounting system starting in the near future;

Whereas it is appropriate to proceed with a general revision of the text of the Financial Rules and to better define certain rules on the basis of the experience gained in the financial and treasury management at the Institute;

Whereas it is necessary to harmonize and draw up a single text consolidating all modifications to the previous Financial Rules which had previously been adopted;

HAS DECIDED AS FOLLOWS:

Article 1

The previous Financial Rules are abrogated and replaced by the attached text that is an integral part of this decision.

Article 2

The present decision enters into force as of 1 January 2014. Previous High Council decisions n. 5/06, 8/09 and 14/12 are hereby abrogated.

Done at Florence, 7 June 2013

For the High Council

The President

(signed)
Mary DOYLE

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TITLE I – GENERAL PROVISIONS

Article 1

Subject to the limits and conditions provided for in these Financial Rules, responsibility for the financial management of the Institute shall be vested in:

a) the High Council,
b) the Principal of the Institute.

Article 2

1. A Budget and Finance Committee is hereby established.
   The Committee shall be made up of representatives of the Governments of the States parties to the Convention, hereafter referred to as the "Contracting States".
2. Save as otherwise provided, Article 6 of the Convention relating to the functioning of the High Council shall apply mutatis mutandis to the Budget and Finance Committee.
3. The Principal of the Institute shall attend meetings of the Committee. He/she may be represented by the Institute's Secretary or if necessary by any other authority of the Institute.

The Institute shall provide secretarial services to the Committee.

Article 3

1. The Budget and Finance Committee shall be responsible for:
   a) delivering opinions and recommendations to the High Council on all matters with financial implications that are submitted to the High Council. To that end, the Committee shall monitor and examine all aspects of the Institute's financial management;
   b) taking decisions, on behalf of the High Council, on the financial matters set out in these Financial Rules, as authorised by the High Council in this connection.

2.The Committee is empowered to access such information and supporting documents regarding financial matters as it deems necessary.

TITLE II - Budgetary Principles

Article 4

The budget shall be established and implemented in compliance with the principles of unity, budgetary accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency as set out in these Rules.

Chapter 1 – Principles of unity and of budget accuracy

Article 5

The budget is an instrument for planning and managing the Institute's activities; it is the document that, for each financial year, forecasts and authorises all revenue and expenditure considered necessary for the Institute.

Article 6

1. No revenue shall be collected and no expenditure effected unless booked to a line in the budget.
2. No expenditure may be committed or authorised in excess of the authorised appropriations.
3. An appropriation may not be entered in the budget unless it is for an item of expenditure considered necessary.
4. Subject to the specific earmarking provided for in Article 19, interest yielded by the funds which are the property of the Institute shall be entered in the budget as miscellaneous revenue.

Chapter 2 – Principle of annuality

Article 7

The appropriations entered in the budget shall be authorised for one financial year which shall run from 1 January to 31 December.

Article 8

The revenue of a financial year shall be entered in the accounts for the financial year on the basis of the amounts collected during that financial year up to value date at 31 December. Financial contributions from Contracting States shall be entered in the accounts on the basis of the collection entitlements established.
Revenue deriving from research services or from donations, subsidies, gifts and bequests shall be entered on the basis of established entitlements.

Article 9

December..
Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December.
Payments shall be entered in the accounts for a financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest

Article 10

In accordance with the provisions of Article 20(2) of the Convention:

1. Appropriations for remuneration and allowances for members of the Institute's staff that have not been used at the close of the financial year shall be cancelled.
2. Appropriations other than those provided for in paragraph 1 corresponding to obligations duly contracted at the close of the financial year shall be carried over automatically to the following financial year.
3. Appropriations other than those provided for in paragraph 1 that are unused at the close of the financial year shall be carried over to the following financial year only.
4. Appropriations available at the close of the budget year from revenue corresponding to donations referred to in Article 16 shall be carried over automatically to the following financial years.

Article 11

a) External assigned revenue as defined in Art 19 not used at the end of the financial year shall be carried over automatically and shall be fully used by the time all the operations related to the program or action to which it is assigned have been carried out.
b) Internal assigned revenue as defined in Art 19 not used at the end of the financial year shall be carried over for one year only. It will be defined <u>in accordance with the procedures to be laid down by the Principal pursuant to Art. 95 of these Financial Regulations.</u>

Article 12

Where amounts are de-committed in the following financial year as a result of total or partial non-implementation of the actions for which they were earmarked, the appropriations concerned shall be cancelled.

Article 13

As from 15 November of each year, routine administrative expenditure chargeable to the following financial year and which by its nature takes effect at the start of that year may be committed in advance against the appropriations provided for in the budget for the following financial year. Such commitments may not, however, exceed one quarter of the appropriations authorised on the corresponding budget line for the current financial year. They may not apply to new expenditure of a kind not yet approved in principle in the budget for the current financial year.

Article 14

If the budget has not been finally adopted at the beginning of the financial year, Article 22 of the Convention shall apply to commitment and payment of expenditure which has been approved in principle in the last budget duly adopted.

- Commitments may be made per chapter up to a maximum of one quarter of the total appropriations entered in the chapter in question for the preceding financial year, plus one twelfth for each elapsed month, although they may not exceed the limit on appropriations provided for in the draft budget or, in the absence thereof, in the preliminary draft budget.
- Payments may be made monthly per chapter up to a maximum of one twelfth of the allotted appropriations in the chapter in question for the preceding financial year, although this measure may not have the effect of making available to the Institute monthly appropriations exceeding one twelfth of those provided for in the draft budget or, in the absence thereof, in the preliminary draft budget.

At the request of the Principal of the Institute, and without prejudice to the second indent, the High Council, acting by a qualified majority, may simultaneously authorise two or more provisional twelfths.

Chapter 3 – Principle of equilibrium

Article 15

Budget revenue and appropriations must be in balance.

Article 16

The Principal may accept any donation made to the Institute, such as foundations, subsidies, gifts and bequests.
Acceptance of donations which may involve some charge for the Institute shall be subject to prior authorisation by the High Council after consulting the Budget and Finance Committee.

Chapter 4 – Principle of unit of account

Article 17

The budget shall be drawn up and implemented in euro and the accounts shall be presented in euro.

Chapter 5 – Principle of universality

Article 18

All revenue and expenditure shall be entered in full without any adjustment against each other, subject to the procedures laid down by the Principal in application of Article 95 of these Financial Rules.

Article 19

Total revenue shall cover total appropriations.

By way of derogation from the previous subparagraph**,** external assigned revenue and internal assigned revenue shall be used to finance specific items of expenditure:

- External assigned revenue namely consists of:revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts, bequests and national grants;
- revenue from third parties in respect of work carried out at their request;
- appropriations earmarked by the European Union and third parties for the administration of the Historical Archives;
- appropriations allocated to the pension reserve fund and severance grant fund.

Internal assigned revenue namely consists of:

- recovery of undue payments;
- reimbursement of damages to property by insurance companies;
- photocopies paid by visitors.

Chapter 6 – Principle of specification

Article 20

Appropriations shall be earmarked for specific purposes by title, chapter, article, item and sub-item. They may be supplemented by appropriate comments which may contain mandatory clauses, in which case this shall be expressly stated.

Article 21

1. Except for transfers of appropriations relating to expenditure for staff of the academic units provided for in chapter 11 towards the articles and items of chapters 13 and 14 reserved for expenditure other than staff, which transfers shall remain the responsibility of the High Council, the Principal is empowered to make any transfers of appropriations between chapters, articles and items but solely within the same title.
   By derogation the Principal is empowered to make any transfers of appropriations concerning pension expenses from and to Title 4.
   Appropriations relating to staff expenditure must nevertheless be broken down in accordance with the limits of the organisation chart authorised by the High Council.
   In the annual accounts, the Principal shall inform the High Council of all the transfers s/he has authorised.
2. Appropriations may be transferred only to chapters, articles or items for which the High Council has authorised appropriations in the budget or which carry a token entry (p.m.).
3. Appropriations earmarked to endow the severance grant in favour of teaching staff may not be diminished by way of transfer of appropriations.

Chapter 7 – Principle of sound financial management

Article 22

1. Budget appropriations shall be used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness.
2. The principle of economy requires that the resources used by the Institute for the pursuit of its activities be made available in due time, in appropriate quantity and quality and at the best price.
   The principle of efficiency aims to achieve the optimum ratio between resources employed and results achieved.
   The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

Chapter 8 – Principle of transparency

Article 23

The budget shall be established and implemented and the accounts presented in compliance with the principle of transparency.
The Principal shall make available, to the members of the High Council, the Budget and Finance Committee and the auditors referred to in Article 87, the budget and amending budgets, as definitively adopted, as well as the annual accounts

TITLE III – Establishment and structure of the budget

Chapter 1 – Establishment of the budget and three-yearly forecasts

Article 24

The three-yearly financial forecasts shall show the financial consequences for the Institute of the decisions taken by the High Council and the proposals presented by the Principal of the Institute to the High Council.
These forecasts shall be broken down by category of expenditure.

Article 25

The three-yearly forecasts shall be presented by 31 March to the Academic Council and, accompanied by the opinion of the Budget and Finance Committee, to the High Council in due time.

Article 26

The following provisions shall apply to the establishment of the budget:
1. At the first meeting of each academic year, the Principal shall submit the draft budget to the Academic Council for an opinion.
2. The Principal shall then send the draft budget, accompanied by any observations of the Academic Council and the opinion of the Budget and Finance Committee, to the High Council.
3. The High Council shall approve the budget before the start of the financial year in accordance with Article 6(6)(b) of the Convention.

Article 27

If necessary, the Principal may present, in the same form and using the same procedures as the draft budget, supplementary or amending draft budgets. These draft budgets must be substantiated by reference to the budget whose estimates they are amending.
Any supplementary or amending draft shall be submitted to the High Council no later than the date laid down for submitting the draft budget for the following financial year.
Supplementary or amending budgets shall be approved by the High Council acting in accordance with Article 6(6)(b) of the Convention.

Chapter 2 – Structure and presentation of the budget

Article 28

The budget shall be laid out according to a decimal classification system by title, chapter, article, item and sub-item, grouping revenue and expenditure according to their purpose and financial type, and according to the nomenclature adopted by the High Council. This nomenclature may be altered if necessary in the context of the budgetary procedure.

It shall include:
- a general statement of revenue and expenditure;
- a general overview of the Contracting States' and European Commission's contributions to the budget, the pension scheme and the social security system of teaching staff.

Article 29

1. To substantiate any increases in appropriations requested, the draft budget shall show:
   a) the amount of appropriations registered in the budget of the previous year and the total of the appropriations committed in the last financial year closed;
   b) the amount of appropriations requested in the budget for the current financial year.

2. To substantiate any increases in revenue, the draft budget shall show:
   a) the amount of revenue registered in the budget of the previous year and the total of the entitlements established in the last financial year closed;
   b) the amount of revenue requested in the budget for the current financial year.

3. The following shall be annexed to the draft budget:
   a) An establishment plan for the Institute setting out the number of permanent or temporary posts for each grade and category authorised within the limits of the budget appropriations. The establishment plan shall constitute an absolute limit for the relevant financial year. No appointment or promotion may be made in excess of the limit set.
   b) One organisational chart per administrative unit of the posts authorised and the actual staff numbers at least at 1st July, broken down by category and grade.
   c) All necessary information regarding the required numbers of staff assigned to non-permanent posts.
   d) Where the staff numbers vary as compared to the previous budget, a substantiation of the new posts requested.

TITLE IV – Implementation of the budget

Chapter 1 – General Provisions

Article 30

1. The Principal shall implement the budget in accordance with these Financial Rules, on her/his own responsibility and within the limits of the appropriations authorised.
2. The Principal may delegate her/his powers of budget implementation in accordance with the conditions laid down by these Financial Rules and by the internal rules and within the limits which are laid down in the instrument of delegation

All delegations and sub-delegations of power shall be recorded, in a special register.

Chapter 2 – Financial actors

<u>Section 1 – General principles</u>

Article 31

1. All financial actors shall be prohibited from taking any measures of budgetary implementation which may bring their own interests into conflict with those of the Institute. Should such a case arise, the actor in question must refrain from such measures and refer the matter to the competent authority.

2. There is a conflict of interests where the impartial and objective exercise of the functions of an actor in the implementation of the budget or an internal auditor is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary.

Article 32

The duties of authorising officer, internal auditor and accounting officer shall be segregated and mutually incompatible.

Section 2 – Authorising officers

Article 33

The Principal shall perform the duties of authorising officer. S/he shall lay down in the internal administrative rules the appropriate level of staff to whom s/he delegates the duties of authorising officer, the scope of the powers delegated and the possibility for the persons to whom these powers are delegated to sub-delegate them.
Authorising officers by delegation may act only within the limits set by the instrument of delegation.

Article 33 bis

The authorising officers may be assisted in their duties by staff entrusted, under their responsibility, with certain operations required for the implementation of the budget and production of the financial management information. In order to prevent any conflict of interests, staff assisting authorising officers by delegation or sub-delegation shall be subject to the obligations referred to in Article 31 of these Financial Rules.

Article 34

1. Authorising officers shall be responsible for implementing revenue and expenditure in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with.
2. To implement expenditure, the authorising officer and authorising officers by delegation shall establish budgetary commitments and legal commitments, shall validate expenditure and authorise payments.
3. Implementation of revenue shall comprise establishing entitlements to be recovered and issuing recovery orders. It shall involve waiving established entitlements where appropriate.
4. Each authorising officer by delegation shall put in place, in compliance with the minimum standards to be laid down by the principal and having due regard to the risks associated with the management environment and the nature of the actions financed, the organisational structure and the internal management and control procedures suited to the performance of her/his duties.
5. The authorising officer by delegation shall report on the performance of her/his duties in the form of reports drafted in accordance with the rules laid down by the Principal pursuant to Article 95 of these Financial Rules.

Section 3 – Accounting officer

Article 35

1. The Institute shall appoint an accounting officer responsible for:

a) proper implementation of payments, collection of revenue and recovery of amounts established as being receivable;
b) preparing and presenting the accounts in accordance with Title VIII;
c) keeping the accounts in accordance with Title VIII;
d) laying down, in accordance with Title VIII, the accounting rules and methods and the chart of accounts;
e) treasury management.

2. The accounting officer shall obtain from authorising officers, who shall guarantee its reliability, all information necessary for the production of accounts which give a true and fair view of the Institute's financial situation and of its budget implementation.

3. Before their adoptionby the Principalt, the accounting officer shall sign off the accounts, thereby certifying that s/he has a reasonable assurance that they present a true and fair view of the financial situation of the Institute.

   The accounting officer shall be empowered to check the information received as well as to carry out any further checks s/he deems necessary in order to enable him/her to sign off the accounts.

   If necessary the accounting officer shall make reservations, , explaining exactly their nature and the scope.

   The authorising officers shall remain fully responsible for the proper use of the funds they manage as well as for the legality of the expenditure effected under their control.

4. Save as otherwise provided in these Rules, the accounting officer is alone empowered to manage cash and cash equivalents. S/he shall be responsible for their safekeeping.

Article 36

The accounting officer may, in the performance of her/his duties, delegate certain tasks to her/his hierarchical subordinates.
The instrument of delegation shall lay down the tasks entrusted to the delegates.
Such instruments of delegation shall be submitted for information to the Principal, the internal auditor and the auditors referred to in Article 82.

Article 37

Payments shall be made by bank transfer, cheque or cash equivalent.
Cheques and transfers require the signature of two empowered officers, one of which must be the accounting officer. These signatures can be ensured electronically through the accounting system.

Article 38 Termination of the duties of the accounting officer

1. A trial balance shall be drawn up without delay in the event of termination of the duties of the accounting officer.
2. The trial balance accompanied by a handing over report shall be transmitted by the accounting officer who is terminating her/his duties or, if it is not possible, by an official in her/his department to the new accounting officer.

3. The new accounting officer shall sign the trial balance in acceptance within one month from the date of transmission and s/he may make reservations.

Section 4 – Imprest administrator

Article 39

In exceptional circumstances, the Principal may, in application of Article 95 of these Financial Rules, and in agreement with the Accounting Officer, set up a temporary imprest account. The imprest account is managed under the responsibility of the designated officer.

Chapter 3 – Liability of the financial actors

Article 40

Without prejudice to any disciplinary action, authorising officers by delegation, the accounting officer and any imprest administrators may at any time be suspended from their duties by the authority that designated or appointed them.

Article 41

Without prejudice to the criminal-law liability which they may incur, authorising officers shall be liable to disciplinary action and possible payment of compensation if they commit expenditure or sign a payment order in contravention of these Financial Rules.

Article 42

Without prejudice to the criminal-law liability which S/he may incur, the accounting officer shall be liable to disciplinary action and payment of compensation. S/He may in particular render her/himself liable by any of the following forms of misconduct:

a) loss of or damage to monies, assets and documents in her/his keeping;
b) wrongful alteration of bank accounts or postal giro accounts on payment instructions;
c) recovery or payment of amounts which are not in conformity with the corresponding recovery or payment orders;
d) failure to collect revenue due;
e) payments to beneficiaries other than those entitled.

Article 43

Without prejudice to the criminal-law liability which s/he may incur, the imprest administrator shall be liable to disciplinary action and payment of compensation, notably in the cases provided for by Article 42.

Article 44

Authorising officers, the accounting officer and imprest administrators shall be liable to disciplinary action and payment of compensation as laid down by the Regulations for administrative staff, and by the rules referred to in Article 6(5) of the Convention.

Article 45

Any member of staff involved in financial management and in the control of transactions who considers that a decision they are required by their superior to apply or to agree to is irregular or contrary to the principles of sound financial management shall inform their hierarchical superior and the Principal of the Institute in writing.

Article 46

The risks incurred by the accounting officer or imprest administrator as specified under this chapter may be covered by an insurance policy entered into by the Institute.

Chapter 4 – Revenue operations

Section 1 – Establishment of amounts receivable

Article 47

1. Establishment of an amount receivable is the act by which the authorising officer:
   a) verifies that the debt exists;
   b) determines or verifies the reality and the amount of the debt;
   c) verifies the conditions in which the debt is due.
2. Any amount receivable that is identified as being certain, of a fixed amount and due must be established by a recovery order to the accounting officer followed by a debit note sent to the debtor, both drawn up by the authorising officer responsible.
3. Amounts wrongly paid shall be recovered.

Section 2 – Authorisation of recovery

Article 48

The authorisation of recovery is the act whereby the responsible authorising officer instructs the accounting officer, by issuing a recovery order, to recover an amount receivable which s/he has established.

Section 3 – Recovery

Article 49

1. The accounting officer shall act on recovery orders for amounts receivable duly established by the authorising officer responsible. She/he shall exercise due diligence to ensure that the Institute receives its revenue and shall ensure that its rights are safeguarded.
   The accounting officer shall recover amounts by offsetting them against equivalent claims that the Institute has on any debtor who her/himself has a claim on the Institute that is certain, of a fixed amount and due.

2. In cases where the authorising officer by delegation is planning to waive or to partially waive recovery of an established amount receivable he/she shall ensure that the waiver is in order and complies with the principle of sound financial management and proportionality and does not exceed the scope of powers delegated to her/him.

3. The authorising officer by delegation shall cancel an established amount receivable when the discovery of a mistake as to a point of law or fact reveals the amount had not been correctly established and provided that the amount cancelled does not exceed the scope of powers delegated to her/him.

4. The authorising officer by delegation shall adjust the amount of an established debt upwards or downwards when the discovery of a factual error entails the alteration of the amount of the debt, provided that this correction does not exceed the scope of powers delegated to her/him and does not involve the loss of the established entitlement of the Institute.

5. The decisions taken by the authorising officer by delegation referred to in paragraphs 2,3 and 4 shall be suitably substantiated and state the points of law and fact on which they are based.

Chapter 5 – Expenditure operations

Article 50

Every item of expenditure shall be committed, validated, authorised and paid.

<u>Section 1 – Commitment of expenditure</u>

Article 51

The budgetary commitment is the operation reserving the appropriation necessary to cover subsequent payments to honour a legal commitment.
The legal commitment is the act whereby the authorising officer enters into or establishes an obligation which results in a charge.
The budgetary commitment and the legal commitment shall be adopted by the same authorising officer.

Article 52

In respect of any measure which may give rise to expenditure chargeable to the budget, the authorising officer responsible must first make a budgetary commitment before entering into a legal obligation with third parties.

Article 53

1. When adopting a budgetary commitment, the authorising officer responsible shall ensure that:
    a) the expenditure has been charged to the correct item in the budget;
    b) the appropriations are available;
    c) the expenditure conforms to the provisions of the Convention, of the budget, of these Rules and their implementing rules;
    d) the principle of sound financial management is complied with.

2. Routine expenditure may be covered by a provisional budgetary commitment.

<u>Section 2 – Validation of expenditure</u>

Article 54

1. Validation of expenditure is the act whereby the authorising officer responsible:
    a) verifies the existence of the creditor's entitlement;
    b) determines or verifies the reality and the amount of the claim;
    c) verifies the conditions in which payment is due.

2. Any validation of expenditure is subject to the presentation of supporting documents substantiating the rights of the creditor. The validation should be expressed by the signing of a “passed for payment”, either by the authorising officer responsible or by an official technically competent.
3. The authorising officer empowered to validate the expenditure in question carries out the checks referred to in paragraph 1 or has them carried out under her/his responsibility.
4. Salaries, wages and emoluments plus allowances are validated in accordance with the collective statements drawn up by the service responsible for personnel, except where an individual validation is required.

Section 3 – Authorisation of expenditure

Article 55

1. Authorisation of expenditure is the act whereby the authorising officer responsible, having verified that the appropriations are available and by issuing a payment order, instructs the accounting officer to pay an amount of expenditure which s/he has validated.

2. Payment orders shall be accompanied by the original supporting documents or, in exceptional cases, by certified copies sent by regular mail or in an electronic format within the meaning of Article 54 and in accordance with the procedures to be laid down by the Principal, pursuant to Article 95 of these Financial Regulations.

   Copies of supporting documents other than invoices and contracts may be accepted according to the rules to be laid down by the Principal, pursuant to Article 95 of these Financial Regulations.

   They shall refer to the relevant commitment numbers.

Section 4 – Payment of expenditure

Article 56

Payment of expenditure shall be made by the accounting officer within the limits of the funds available.

Article 57

In addition to the advances foreseen by the statutory provisions the Principal is empowered to grant advances in favour of researchers and Fellows of the Institute.

In certain specific cases; defined by the Principal pursuant to art. 95 of these Financial Rules, advance payments mays also be made prior to the delivery of goods or services by the supplier.

Chapter 6 – IT systems

Article 58

Where revenue and expenditure operations are managed by means of computer systems, documents may be signed by a computerised or electronic procedure.

Chapter 7 – Internal auditor

Article 59

The internal auditor appointed by the Institute shall be answerable to the latter for verifying the proper operation of budgetary implementation systems and procedures. The internal auditor may be neither authorising officer or accounting officer.

Article 60

1. The internal auditor shall advise the Institute on dealing with risks, by issuing independent opinions on the quality of management and control systems and by issuing recommendations for improving the conditions of implementation of operations and promoting sound financial management.

She/he shall be responsible in particular for:
   a) assessing the suitability and effectiveness of internal management systems and the performance of the services;
   b) carrying out ex post checks either by sampling or by selection.

2. The internal auditor shall perform her/his duties on all the Institute's activities and departments. She/he shall enjoy full and unlimited access to all information required to perform her/his duties, if necessary on the spot.
3. The internal auditor shall report to the Institute on her/his findings and recommendations. The Institute shall ensure that action is taken on recommendations resulting from audits. The internal auditor shall also submit to the Institute an annual internal audit report.
4. Each year the Institute shall forward a report to the discharge authority summarising the number and type of internal audits carried out, the recommendations made and the action taken on those recommendations.

Article 61

Special rules applicable to the internal auditor shall be laid down by the Institute and shall be such as to guarantee that she/he is totally independent in the performance of her/his duties and to establish her/his accountability.
If the internal auditor is a member of staff, she/he shall assume responsibility as laid down in the Staff Regulations.

TITLE V - Procurement

Article 62

1. Contracts for the purchase or rental of supplies, furniture and equipment, provision of services or execution of works shall be concluded in writing. They shall be awarded by the automatic award procedure or by tender.
   However, they may be awarded by the restricted procedure in the circumstances provided for in Article 64 of these Financial Rules.
   Purchases may be made against a simple bill or invoice in accordance with the procedures laid down by the Principal pursuant to Article 95 of these Financial Rules.

2. Calls for tender shall in principle be published throughout the Contracting States and in other countries where appropriate. However, the publication of such invitations to tender may be restricted where justified by the scale or nature of certain services.
3. When entering into contracts, the Institute may not discriminate between citizens of Contracting States on the basis of nationality.

Article 63

1. The award of contracts shall be an administrative procedure prior to the letting of a contract following an invitation to competitive tender. Its effect shall be to confer publicly on the tenderer whose tender is the lowest - out of all those which are entered in due and proper form, meet the conditions laid down, and are comparable with each other - the right to the final award of the contract, after approval by the authorising officer responsible.
   The award of contract shall be termed public or open where it is open to all comers to submit a tender; it shall be termed restricted where tenders may be entered only by those whom it has been decided to consult because of their special qualifications.

2. A contract following an invitation to tender is a contract entered into by the contracting parties following an invitation to competitive tender. In this case, the bid considered the most attractive may be freely chosen, taking into account the cost of performance, operating costs involved, technical merit, the time for performance, together with the financial guarantees and the guarantees of professional competence put forward by each of the tenderers.
   An invitation to tender shall be termed public or open where a general invitation to competitive tender is involved; it shall be termed restricted where it is addressed only to those whom it has been decided to consult because of their special qualifications.

Article 64

A contract may be entered into by restricted procedure:

a) where the amount of the contract does not exceed the limits to be laid down by the Principal pursuant to Article 95 of these Financial Rules;

b) where the services are so urgently needed that it is not possible to wait for one of the tendering procedures specified in Article 63 to be carried out; in this case, this shall be reported as quickly as possible to the Budget and Finance Committee;

c) where the award of contract procedure or invitations to tender do not give any result or where the prices quoted are not acceptable;

d) where for technical, practical or legal reasons, the supply of goods and services can be carried out only by a particular contractor or supplier.

Article 65

1. Before the authorising officer makes a decision, contracts exceeding an amount to be determined by the Principal pursuant to Article 95 of these Financial Rules shall be submitted to an advisory committee on procurements and contracts for an opinion.
2. The advisory committee referred to in paragraph 1 shall comprise at least the Secretary-General, the head of the service concerned and a representative of the administration. Its functioning is laid down by the Principal pursuant to Article 95 of these Financial Rules.
3. The committee shall deliver an opinion as to whether the proper procedure has been followed, on the choice of supplier and, in general, on the conditions adopted for the award of the contract.

4. The committee may be consulted for its opinion on any other procurement or contracting issue.

Article 66

By way of guarantee of the performance of the contracts, suppliers or contractors may be required to make a preliminary deposit.
This security deposit shall be retained until final acceptance of delivery by the Institute.

TITLE VI - Contracting States' financial contributions to the Institute

Article 67

1. The Contracting States' financial contributions set in the budget shall be expressed in euro.
2. The Contracting States shall make their financial contributions available to the Institute, in accordance with the scale set out in the Convention and within the deadlines laid down in paragraphs 3 and 4.
3. Each Contracting State shall pay the annual contributions as follows:
   - 7/12 no later than 15 January;
   - the balance no later than 15 July.

4. As an alternative to the terms of payment set out in paragraph 3, Contracting States may pay the annual contribution in full by 20 March of the year concerned.
   However, where the budget is adopted after 20 February, the contribution shall be paid within 30 days of the adoption date.
   Contracting States may change from one payment method to another. In this case, the Institute must be notified no later than 30 November of the preceding financial year.
5. The Institute is entitled to charge interest, on any portion of a Contracting State's contribution that is unpaid on the deadlines laid down in paragraphs 3 and 4 with a 15-day grace period

The interest rate for late payments on Contracting States contributions not paid on the deadlines referred to in paragraphs 3 and 4 shall be the rates applied by the European Central Bank to its principal refinancing operations as, published in the C series of the Official Journal of the European Union in force during the period of delay.

6. The accounting officer may invest any funds that exceed the Institute's immediate requirements in short term deposit accounts. S/he shall report and comment the results on the annual accounts.The accounting officer shall draw up a quarterly statement of finances and a statement of Contracting States' payments of their financial contributions and make these available to the members of the Budget and Financial Committee.

Article 68

Article 67 shall apply for the advance of contributions pursuant to the third indent of Article 22 of the Convention.
These advances shall be paid before the 1st of the month to which they apply, except in the case of January, where the payment shall be made by the 20 January.

Article 69

If the closure of the budget accounts for a financial year shows a surplus of revenue over expenditure, taking account of the appropriations carried forward to the new financial year, the surplus shall be allocated to the Pension Reserve Fund and the severance funds up to the amount of the Institute’s liabilities for pensions.and severance allowances .

Article 70

If a supplementary budget is adopted during the financial year, the Contracting States shall make any additional contribution available to the Institute, within 30 days of adoption. Where applicable, Article 67 shall apply.

TITLE VII - Provisions applicable to the pension reserve fund and severance grant fund

Article 71

The Institute’s budget shall be accompanied by two annexes concerning:

- the pension reserve fund, for the administrative staff,
- the severance grant fund, for the academic staff.

Each of these annexes forecasts revenue and expenditure for the year concerned.

Article 72

1. The pension reserve fund shall be endowed by:

- the balance between the total of the annual revenue coming from:
  - employee contributions
  - institutional contributions
  - contributions charged to externally financed subventions and activities
  - the surplus as defined in Art 69

  and

  - the annual pensions charges

- any other revenue recorded in Title 4 of the budget
- interest, dividends and any other return on investment of the capital of the Fund

2. The severance grant fund in favour of teaching staff is endowed by:

- individual contributions of staff opting for the Institute’s scheme, as entered in the budget;
- employer’s contributions;
- any other revenue allocated by High Council decision, taking account of the provisions of Article 46(1) of the Regulations for the academic staff;
- interest on the bank account where the funds are kept;
- transfers decided by the Principal on available budget appropriations.
- the surplus as defined in Art 69

Article 73

1. The pension reserve fund shall cover the part of expenses not financed by the annual employee and employer contributions concerning:

- pension charges;
- the equivalent actuarial transfers referred to in Article 11(1) of Annex VIII of the Regulations for administrative staff;
- payment of severance allowances referred to in Article 12 a) of Annex VIII of the Regulations for administrative staff;
- the direct costs of managing the fund.

2. The severance grant fund in favour of teaching staff shall cover:

- expenditure incurred pursuant to the provisions of Articles 38 to 45a and Article 47(3) of the scheme for academic staff;
- any direct costs of managing the fund.

TITLE VIII – Presentation of the accounts and accounting

Chapter 1 – Presentation of the accounts

Article 74

1. Within two months of the end of the period of implementation of the budget the annual accounts of the Institute, drawn up by the Principal and certified by the Accounting Officer, shall be presented by the Principal to the auditors and the members of the Budget Committee and High Council. They will be included in the documentation of their respective spring meetings.

They shall comprise:

a) The financial statements of the Institute;
b) The report on implementation of the budget of the Institute.

The accounts of the Institute shall be accompanied by a report on budgetary and financial management.

2. The report referred to in paragraph 1 shall provide details inter alia, of the rate of implementation of the appropriations, together with summary information on the transfers of appropriations among various budget items.

Article 75

The accounts shall comply with these Financial Rules, be accurate and comprehensive and present a true and fair view:

a) as regards the financial statements, of the assets and liabilities, charges and income, entitlements and obligations not shown as assets or liabilities and cash flow;
b) as regards the report on budgetary implementation, of revenue and expenditure operations.

Article 76

The financial statements shall be drawn up in accordance with the generally accepted accounting principles namely:

a) going concern basis;
b) prudence;
c) consistent accounting methods;
d) comparability of information;
e) materiality;
f) no netting;
g) reality over appearance;
h) accrual-based accounting.

Article 77

1. In accordance with the principle of accrual-based accounting, the financial statements shall show the charges and income of the financial year, regardless of the date of payment of expenditure or collection of revenue.

2. The value of assets and liabilities shall be determined in accordance with the valuation rules laid down by the accounting methods provided for in Article 81.

Article 78

1. The financial statements shall be presented in euro and shall comprise:

a) the balance sheet and the economic outturn account, which represent the assets and liabilities and financial situation and the economic outturn at 31 December of the previous financial year;

b) the cash-flow table showing amounts collected and paid during the financial year and the opening and closing treasury position;

c) the statement of changes in capital presenting in detail the increases and decreases during the financial year in each item of the capital accounts.

2. The annex to the financial statements shall supplement and comment on the information presented in the statements referred to in paragraph 1 and shall supply all the additional information prescribed by internationally accepted accounting practice where such information is relevant to the Institute's activities.

3. The supporting documents regarding the financial statements shall be kept for 10 years from the date of the discharge decision for the implementation of the budget.

However, any documents relating to operations not definitively closed shall be kept beyond that period until the end of the year following that in which the operations are closed.

Article 79

The budgetary implementation report shall be presented in Euro. It shall comprise:

a) the budgetary outturn account, which sets out all budget operations for the financial year in terms of revenue and expenditure; the structure in which it is presented shall be the same as that of the budget itself;

b) the annex to the budgetary outturn account, which shall supplement and comment on the information given in that account.

The budgetary implementation report shall contain:

a) information on revenue comprising:

- changes in the revenue estimates in the budget;
- entitlements established and remaining to be collected
- the revenue outturn including a statement of donations accepted and a breakdown of the amounts still to be recovered from Member states at the end of the financial year.

b) information showing changes in the appropriations available including a statement on transfers of appropriations between budget items.;

c) information showing the use made of the appropriations available;

d) information showing outstanding commitments,, those carried over from the previous year and those made during the year.

Chapter 2 – Accounting

Section 1- Common provisions

Article 80

1. The Institute's accounting system is the system serving to organise the budgetary and financial information in such a way that figures can be input, filed and registered.
2. The accounts shall consist of general accounts and budgetary accounts. These accounts shall be kept in euro on the basis of the calendar year.
3. The amounts in the general accounts and the budgetary accounts shall be finalised at the close of the budgetary year so that the accounts referred to in Article 74 of these Financial Rules can be drawn up.

Article 81

The accounting officer shall adopt the accounting rules and methods and the chart of accounts to be applied by the Institute in accordance with the applicable provisions of these Financial Rules

Section 2 – General accounts

Article 82

The general accounts shall record, in chronological order using the double entry method, in accordance with the chart of accounts referred to in Article 81 of these Financial Rules, all events and operations which affect the economic and financial situation and the assets and liabilities of the Institute.

Article 83

1. Movements on the accounts and the balances shall be entered in the accounting ledgers.
2. All accounting entries, including adjustments to the accounts, shall be based on supporting documents, to which they shall refer.
3. The accounting system must be such as to leave a trail for all accounting entries.

Article 84

The accounting officer shall, after the close of the budgetary year and up to the date of presentation of the accounts, make any adjustments which, without involving disbursement or collection in respect of that year, are necessary for a true and fair presentation of the accounts which complies with the rules.

Section 3 – Budgetary accounts

Article 85

1. The budgetary accounts provide a detailed record of budgetary implementation.
2. For the purposes of applying paragraph 1, the budgetary accounts shall record all budgetary revenue and expenditure operations.
3. Entries relating to budgetary accounting and to commitments and established entitlements accounts shall be made on the basis of a chart of accounts comprising a nomenclature of items which makes a clear distinction between the balance sheet accounts and the budgetary expenditure and revenue accounts. These entries shall be recorded in books or on cards. These shall make it possible to draw up a general monthly statement of accounts, and a statement by title, chapter, article, item and sub-item of budgetary revenue and expenditure.

Chapter 3 – Property inventories

Article 86

The Institute shall keep inventories showing the quantity and value of all the tangible, intangible and financial assets constituting the Institute's property. The Budget and Finance Committee shall determine the type and the minimum value of moveable property to be entered in the inventory. Any such moveable property purchased shall be entered, before payment, in the inventory. The entry shall be mentioned on the invoice drawn-up for payment of the expenditure.

The sale of movable property shall be suitably advertised to ensure that it can be sold under optimum conditions.

TITLE IX – External audit and discharge

Chapter 1 – External audit

Article 87

1. The High Council shall appoint the auditors under the conditions provided for in Article 23(1) of the Convention on the basis of the Institute's proposals.

2. The auditors shall take part in the meetings of the Budget and Finance Committee dealing with the examination of their report.
3. The audit of the accounts provided for in Article 23(1) of the Convention shall be carried out by the auditors under the conditions laid down in these Financial Rules.

Article 88

1. The Principal shall provide the auditors with the revenue and expenditure account and balance sheet as indicated in Article 74(1).

2. The Principal shall inform the auditors of the following as quickly as possible:
   a) all decisions and all acts adopted in implementation of Articles 10, 14, 16 and 21.
   b) internal audit measures, systems and procedures, the appointment of the accounting officer and the powers delegated under these Financial Rules;
   c) the implementing rules adopted pursuant to Article 95 of these Financial Rules.

Article 89

The on-site examination by the auditors shall aim to ensure that all revenue has been received and all expenditure incurred in a lawful and proper manner in accordance with the Convention, the budget and these Financial Rules, and with sound financial management.

Article 90

The Principal shall afford the auditors all the facilities they consider necessary for the performance of their duties. In particular, s/he shall place at their disposal all accounts of cash or materials, all accounting records or supporting documents, and all inventories that the auditors consider necessary for auditing the revenue and expenditure account. The auditors shall have personal access to all the Institute's premises and shall have the power to make enquiries of the Principal or any head of service and their subordinates responsible for a revenue or expenditure operation.

Article 91

1. In addition to auditing the accounts for which they are responsible, the auditors shall make any appropriate observations on the accounting methods applied and, in general, on the financial consequences of the administrative practices in use. They shall draw attention to any operation of questionable regularity or advisability.
2. Any observations which, in the view of the auditors, must appear in the report provided for in Article 23(1) of the Convention shall be communicated to the Principal. She/he shall reply to the auditors' observations.

Article 92

The auditors shall draw up a report on the accounts for the preceding financial year, no later than 31 May.

The report shall mention the extent and nature of their checks, their observations on the accounts and balance sheet, and a summary assessment of the Institute's financial management.

The revenue and expenditure account, balance sheet and auditors' report, to which the Principal's replies to the auditors' observations shall be annexed, shall be submitted to the High Council, no later than 15 July.

Chapter 2 – Discharge

Article 93

On the basis of the opinion delivered by the Budget and Finance Committee, the High Council shall take a decision discharging the Principal for the implementation of the budget. The Principal shall take all appropriate steps to act on the observations in the discharge decision.
The discharge decision shall cover the accounts of all the Institute's revenue and expenditure, the resulting balance and the assets and liabilities of the Institute shown in the balance sheet.

TITLE X - Final provisions

Article 94

1. Each Contracting State shall bear the travel and subsistence expenses incurred by its representatives when taking part in the work of the Institute's bodies and committees.
2. Travel and subsistence expenses incurred by Contracting States' representatives for special duties assigned to them by the Institute shall be refunded to them on the basis of the regulations governing the reimbursement of travel and per diem costs for visiting professors; travel expenses shall not be refunded by the Institute if the mission immediately precedes or follows a meeting held by one of the bodies of committees of the Institute at the same location, which the persons concerned are attending as representatives of their Contracting States.

Article 95

The Principal shall be responsible for implementing these Financial Rules; s/he shall adopt their implementing rules and communicate these to the High Council for information.