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## **Financial Regulation**

**Financial Regulation of 24 October 2006  
applicable to the budget of the European Schools**

***(Articles transitionally in force until 31 December 2019,  
in accordance with new Financial Regulation of  
5 September 2017)***

### **Amended by:**

Decision of the Board of Governors of 2 – 4 December 2014 – Document 2014-10-D-21-en-2

Decision of the Board of Governors – Written Procedure 2012/22 – Document 2012-11-D-11-en-1

Decision of the Board of Governors of 6 – 8 December 2011 – Document 2011-10-D-5-en-3

Decision of the Board of Governors of 12 – 14 April 2011 – Document 2011-02-D-26-en-2.

### THE BOARD OF GOVERNORS OF THE EUROPEAN SCHOOLS

Having regard to the Convention Defining the Statute of the European Schools of 1994 and in particular Articles 6, 10, 12, 13, 20, 21, 24 and 25 thereof;

Having regard to the Agreement concluded on 7 November 1977 with the European Patent Office, and in particular Articles 2, 3, 4, 8 and 10 thereof;

Whereas account should be taken of the legal and political development of the Communities;

Whereas the powers of the Court of Auditors are determined by Article 248 of the Treaty and cannot be limited by this Financial Regulation;

Whereas the effect of the principles of sound financial management resulting from this Regulation will be to provide a rigorous framework for the utilisation of financial resources;

Whereas the management of the Schools should be strengthened in a coordinated and uniform manner, given their geographical dispersion and their number;

Whereas the corollary of the management autonomy conferred by the Convention should lie in the strengthening of stricter and more permanent control;

Whereas the Court of Auditors was consulted on 15 June 2006 and delivered its Opinion on 18 October 2006;

Whereas the European Patent Office was consulted on 16 June 2006 and delivered its Opinion on 10 July 2006;

HAS ADOPTED THIS FINANCIAL REGULATION.

(.....)

### TITLE III

## IMPLEMENTATION OF THE BUDGET

### SECTION I

#### General provisions

(.....)

#### Article 19

1. The Head of each School shall implement the budget as authorising officer, in accordance with this Financial Regulation and within the limits of the authorised appropriations. He or she shall report to the Administrative Board in the form of an annual activity report, to be attached as an annex to the consolidated accounts (.....)

The annual activity report shall contain financial and management information, including the results of controls, declaring that, except as otherwise specified in any reservations related to defined areas of revenue and expenditure, he or she has reasonable assurance that:

- (a) the information contained in the report presents a true and fair view;
- (b) the resources assigned to the activities described in the report have been used for their intended purpose and in accordance with the principle of sound financial management;
- (c) the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

The activity report shall indicate the results of the operations by reference to the objectives set, the risks associated with those operations, the use made of the resources provided and the efficiency and effectiveness of the internal control systems.

- 2. The requisite powers for the implementation of the section of the budget relating to the Office of the Secretary-General shall be conferred upon the Deputy Secretary-General as authorising officer responsible.
- 3. The authorising officer 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.

4. To implement expenditure, the authorising officer shall make budgetary commitments and legal commitments, shall validate expenditure and authorise payments and shall undertake the preliminaries for the implementation of appropriations.
5. Implementation of revenue shall comprise establishing entitlements to be recovered and issuing recovery orders. It shall involve waiving established entitlements where appropriate.
6. a) The authorising officer shall put in place, in compliance with the principles set up in Article 18 bis and the minimum standards adopted by the Board of Governors 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 his/her duties. The procedures for internal control put in place by the authorising officer shall take account of the verification carried out by the financial controller and the results of his/her annual report referred to in Article 20. In any case, these procedures should include an appropriate segregation of duties of initiation and verification of an operation, as stated below (.....), that shall be validated by the financial controller. In addition, the authorising officer may put in place *ex post* controls to verify operations already approved following *ex ante* controls. Such controls may be organized on a sample basis according to risk.
  - b) Initiation of an operation shall be understood to mean all the operations which are preparatory to the adoption of the acts implementing the budget by the authorising officer responsible.
  - c) *Ex ante* verification is a system of checks put in place by the authorising officer responsible in order to verify the operational and financial aspects of operations.
  - d) Each operation shall be subject to the system of *ex ante* control (.....).
  - e) For a given transaction, the verification shall be carried out by staff other than those who initiated the operation. The staff who carry out the verification shall not be subordinate to the members of staff who initiated the operation.
  - f) The *ex ante* controls shall be carried out by staff other than those responsible for *ex post* controls. The staff responsible for the *ex post* controls shall not be subordinate to the members of staff responsible for the *ex ante* controls.

(.....)

9. Each authorising officer may delegate his or her powers in accordance with the conditions laid down by rules of procedure, approved by the Administrative Boards or by the Secretary-General in so far as the Office of the Secretary-General is concerned, and within the limits they themselves lay down in the act of delegation.

Those so empowered may act only within the limits of the powers expressly conferred upon them in accordance with the implementing rules (.....)

The acts of delegation shall be communicated to the Administrative Boards, the Secretary-General and the financial controller.

## Article 20

1. The Board of Governors shall appoint a financial controller, responsible for financial control on the expenditure and revenue of the Schools in accordance with the conditions and arrangements specified in this Article.

2. The financial controller shall carry out ex-post controls on the basis of an annual plan, based on a risk analysis, which is coherent with the intended objectives, with the priorities set for each financial year and with the available resources. The annual plan will be submitted for approval to the Board of Governors before its implementation.

3. In exceptional circumstances, in accordance with the implementing rules (.....), the approval of the financial controller may be required, as an ex-ante financial control, for the commitment and authorisation of expenditure and for the establishment and collection of revenue. An ex-ante centralised financial control shall only apply for duly justified reasons on proposal of the financial controller and shall be subject to the prior consent of the Secretary-General, or of the President of the Board of Governors for the budget of the Office of the Secretary-General. The decision to implement this procedure shall be communicated to the respective Administrative Board, Budgetary Committee and to the Board of Governors.

4. The financial controller shall propose to the Board of Governors the general internal control framework, namely Internal Control Standards and Code of Professional Standards, and its adaptations, and shall validate the internal control systems put in place by the Authorising Officers in order to provide reasonable assurance that financial transactions are authorised following appropriate segregation of duties of initiation and verification as referred to in Article 19.6.

5. The financial controller, by the end of February of the year following the financial year concerned, shall make an annual report which shall be communicated to the Court of Auditors and to the Board of Governors. Without prejudice to the annual report, in case of material findings resulting from the execution of the controls included in the annual plan referred to above, or from the analysis of the internal control systems of the Schools, they shall be timely communicated to the Board of Governors.

6. The financial controller shall be consulted on the application of all accounting systems. He/she shall have access at all times to the information contained in these systems.

7. The financial controller may issue recommendations on best practice and advice on financial and administrative procedures.

8. The financial controller may be assisted, if necessary, in his/her duties by one or more assistant financial controllers, who shall also be appointed by the Board of Governors.

9. The special rules applicable to the financial controller and the assistant financial controllers , which shall be laid down in the implementing rules (.....), shall be such as to guarantee that they are independent in the performance of their duties.

(.....)

## **SECTION II**

### **Budgetary revenue and management of available funds**

#### **Article 27**

1. All measures which may give rise to or modify a debt must be approved by the competent authorising officer. Such transactions, once approved, shall be forwarded to the accounting officer for provisional registration. They shall mention, in particular, the type of revenue, the estimated amount thereof, the budget heading to which it is to be booked and the name and description of the debtor. The purpose of the approval by the authorising officer shall be to establish that:

(a) The revenue is booked to the correct budget item;

(b) The proposal is in order and conforms to the relevant provisions, in particular of the budget and of the regulations and also of all acts made in implementation of the Statutes, Protocols and Agreements concluded, and to the principles of sound financial management

(.....)

In the cases as referred to in paragraph 3 of Article 20, where the approval of the financial controller is needed, the financial controller may withhold his approval if he or she considers that the conditions referred to in points (a) and (b) above are not met. The Administrative Board of the School, and the Secretary-General with regard to the Office of the Secretary-General, may, by a decision stating the full reasons therefor and on their sole responsibility, overrule this refusal. This decision shall be enforceable; it shall be communicated for information to the financial controller. The Administrative Board and the Secretary-General shall inform the Board of Governors and the Court of Auditors of all such decisions quarterly.

2. The competent authorising officer shall approve, in respect of every debt established, a recovery order. Such recovery orders shall be registered by the accounting officer (....).

In the cases as referred to in paragraph 3 of Article 20, where the approval of the financial controller is needed, if approval is withheld, the third subparagraph of paragraph 1 shall apply.

Article 28

1. (.....)

The accounting officer shall inform the authorising officer and the financial controller of any revenue not recovered within the time limits laid down in the specific applicable rules for each particular case. If necessary, he shall initiate the recovery procedure.

2. If the authorising officer waives the right to recover an established debt (.....)

The purpose of the approval by (.....) the financial controller where applicable under paragraph 3 of Article 20, shall be to establish that the waiver is in order and conforms with the principles of sound financial management. The proposal concerned shall be registered by the accounting officer. If approval by the financial controller is withheld, the procedure laid down in the third subparagraph of Article 27 (1) shall apply.

3. When the financial controller finds that a document establishing a debt has not been drawn up, or that a sum has not been recovered, he shall inform the Administrative Board and/or the Secretary-General thereof.

(.....)

**SECTION III**Commitment, validation, authorization and payment of expenditure1. Commitment of expenditure

(.....)

Article 35

1. The purpose of the approval for commitments of expenditure given by (.....) the ex-ante control of the financial controller where applicable under paragraph 3 of Article 20, shall be to establish that:

(a) the expenditure has been charged to the correct item in the budget;

(b) the appropriations are available;

(c) the expenditure is in order and conforms to the relevant provisions, in particular of the budget and the regulations, and of all acts made in implementation of the Agreements and Statutes;

(d) the principle of sound financial management is respected.

(.....)

### Article 36

In the cases where the approval of the financial controller is needed under paragraph 3 of Article 20, he/she may withhold his/her approval if he/she considers that the conditions laid down in Article 35 are not met. If he/she withholds his/her approval he/she shall make a written statement, stating the full reasons therefor. The authorising officer shall be notified accordingly. If approval is withheld and the authorising officer maintains his/her proposal, this refusal shall be referred for a decision to the Administrative Board or the Secretary-General. Except where the availability of the appropriations is in doubt, the Administrative Board or the Secretary-General may proceed in accordance with the third subparagraph of Article 27 (1).

(.....)

### 3. Authorization of expenditure

(.....)

### Article 44

Payment orders shall be sent for approval to the authorising officer. The purpose of this approval, and of the ex-ante control of the financial controller where applicable under paragraph 3 of Article 20, shall be to establish that:

- (a) the payment order has been properly issued;
- (b) the payment order corresponds to the commitment of expenditure and the amount thereof is correct;
- (c) the expenditure is charged to the correct item in the budget;
- (d) the appropriations are available;
- (e) the supporting documents are in order;
- (f) the payee is correctly named and described.

### Article 45

Should approval be refused by the financial controller, where applicable under paragraph 3 of Article 20, Article 36 shall apply.

Article 46

After approval, by the authorizing officer and where applicable of the financial controller, the original of the payment order, together with all supporting documents, shall be forwarded to the accounting officer.

(.....)

TITLE V

LIABILITY OF AUTHORISING OFFICERS, FINANCIAL CONTROLLERS,  
ACCOUNTING OFFICERS AND ADMINISTRATORS OF IMPREST ACCOUNTS

Article 79

Authorising officers who, by intentional mistake or serious negligence on their part, when establishing entitlements to be recovered or issuing recovery orders, entering into a commitment of expenditure or signing a payment order do so without complying with this Financial Regulation and the rules for its implementation, shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation. The same shall apply if, under the abovementioned conditions, they omit to draw up a document establishing a debt or if they neglect to issue recovery or payment orders or are, without justification, late in issuing them, thereby rendering the School or the Office of the Secretary-General liable to civil action by third parties.

Article 80

Financial controllers shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation for any action taken during their term of office, in particular, by granting their approval in excess of the budgetary appropriations, where applicable under paragraph 3 of Article 20.

(.....)

Article 84

Pursuant to Articles 79 to 82 and in the event of clear irregularities

1. the liability to payment of compensation and disciplinary action of authorising officers, accounting officers and the financial controller shall be determined by the Board of Governors

(.....)

3. furthermore, a civil or criminal action may be brought against the persons referred to in the preceding paragraph in the courts of competent jurisdiction at the instigation of the Board of Governors or of the Administrative Board or of the Secretary-General.

(.....)

## TITLE VI

### PRESENTING AND AUDITING ACCOUNTS

(.....)

#### Article 93

1. The Court of Auditors transmits to the Secretary-General and to the Heads of the Schools, by 15 July, any comments which are, in its opinion, of such a nature that they should appear in the annual report. The comments must remain confidential.

The replies of the Secretary-General and of the Heads of the Schools shall be forwarded to the Court of Auditors by 31 October at the latest.

(.....)

#### Article 95

1. The Board of Governors shall give a discharge to the Authorising Officers and to the Administrative Boards of the Schools, for their respective responsibilities, and, in so far as the budgetary section of the Office is concerned, to the Authorising Officer and to the Secretary-General, for their respective responsibilities, in respect of the implementation of the budget, normally before 30 April of the year following the submission of the Court of Auditor's report.
2. With a view to granting the discharge, the Board of Governors shall examine the accounts and the financial statements of the European Schools. It shall also examine the annual report made by the Court of Auditors, together with the replies of the Secretary-General.
3. The financial controller shall take account of the comments made in the decisions giving discharge. The Schools shall take all appropriate steps to take action on the comments appearing in the decisions giving discharge. At the request of the Secretary-General, they shall report on the measures taken in the light of these comments and, in particular, on the instructions given to those of their departments which are responsible for the implementation of the budget. Such reports shall also be submitted to the Court of Auditors.

TITLE VII  
RESERVE FUNDS

(.....)

Article 100

1. (.....) use, on a written proposal by the Head or by the Deputy Secretary-General in so far as the Office of the Secretary-General is concerned, of the Reserve Fund (.....) shall be subject to a duly substantiated decision by the Secretary-General, with the approval of the financial controller.

The purpose of the prior approval of the financial controller shall be to establish that:

- (a) funds are available in the Reserve Fund,
  - (b) the temporary shortage of funds is genuine,
  - (c) the shortage is due to circumstances beyond the control of the Schools and the Office of the Secretary-General.
2. In the event of the same circumstances arising in respect of the European School, Munich, use of the Fund shall be subject to a duly substantiated decision by the Administrative Board of the School, with the approval, on the same terms, of the financial controller.

(.....)

Done at Brussels, 24 October 2006

For the Board of Governors

The President