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**Preliminary Report of the Working Group on the Revision of the Financial Regulation**

**Board of Governors**

Brussels, 6th-9th December 2016

**I.- Introduction: Modifications approved by the Board of Governors at December 2014 and mandate given for further review**

**I.1. Modifications approved by the Board of Governors at December 2014.**

The Board of Governors, at its meeting of December 2014, approved a substantial review of the Financial Regulation (document 2014-10-D-21-en-2). The main lines of this review, in accordance with the mandate given by the Secretary-General to the working group on the review to address some very important recommendations issued by the Court of Auditors and the IAS, were the following:

1. the adoption of an accrual based accounting system for the accounts of the European Schools, and the clarification of the applicable accounting framework and of the responsibilities on the preparation of the financial statements.
2. revision of Procurement Rules, taking into account in particular the latest changes made in the procurement rules applicable to the European Institutions.
3. revision of the role and responsibilities of the central Financial Control Unit, implying, in particular, a shift of the function from ex ante financial control (to be decentralised to the Schools, after implementation of appropriate rules for segregation of duties on financial circuits) to ex post financial control.
4. revision and reinforcement of the Rules on Payment Procedures.

**I.2. Mandate for further review of additional matters to be analysed as from 2015.**

In addition to the approval of the above detailed modification of the Financial Regulation and its Implementing Rules, it was also agreed by the Board of Governors for the working group on the revision to get an extension of its mandate, in principle up to April 2016, in order to further analyse some remaining items, mentioned below, proposed by the consulted bodies or identified during the revision process, which it was concluded would require additional discussion. The referred to items were mainly:

-revision of the role of the Accounting Officer of the OSG.

-analysis of the role and responsibilities of the Secretary-General regarding financial management of the OSG (possible appointment as Authorising Officer etc.) and possible creation of a governing body for budgetary decisions concerning the OSG, equivalent to the Administration Boards of the Schools.

-revision of the rules related to imprest accounts.

-analysis of the different budgetary principles stated on the Financial Regulation applicable to the general budget of the European Union and their possible applicability and effects in the framework of the European Schools.

-analysis of substantive comments included in the contribution of the DG Budget of the European Commission –document Ref. Ares(2014)3662270 -04/11/2014-, mainly referring to global financial governance.

For this purpose, the following new composition of the working group was set by the Secretary-General:

- two members of the Budgetary Committee representing the Member States, being invited in practise the current and previous Presidency, (as from September 2016, Mr Maiwald/Ms Tramer, Germany -Presidency of Budgetary Committee- and Ms Lundeloft/Ms Dahl, Denmark –former Presidency-);

- a representative of the Commission (Mr De Bongnie);

- a representative of the Directors (Mr Goggins);

- a representative of the Administrator-Bursars (Mr Cattari);

-the Head of the Unit Accountancy at the OSG (Mr Escudero)

- the financial Controller (Mr Villatoro).

- the deputy financial Controller (Mr Lazaridis)

-the assistant to the financial Control unit (Mrs Georgiou), as assistant to the meetings.

The Internal Control Coordinator of the European Schools, Ms Spitzer, attended also regularly the meetings.

Members of the Internal Audit Service and the DG Budget of the European Commission were also invited to participate in the meetings of the Working Group.

**II.- The work done by the Working Group for the review as from 2015. The question of the Global Financial Governance of the European Schools as an item identified for specific additional in depth analysis.**

To analyse the mentioned subjects, the Working Group on the review met three times during 2015 (30th April, 10th September and 16th December). After the discussions held at these meetings, it considered that in order to properly analyse the full scope of the expected review, and in particular the question of the global financial governance of the European Schools (namely the detailed comparison between the models: 1 single central Authorising Officer, as in the Commission, versus 15 local Authorising Officers, as in the European Schools, and of 1 Central Accounting Officer -Commission-, versus 15 local Accounting Officers -European Schools-), taking into account the complexity of the matter and the substantial potential implications for the European Schools System, it is deemed appropriate that the working group, chaired by the financial controller, could get an extension of the mandate up to April 2017. This extended mandate would also cover a refund of the texts of the Financial Regulation, its Implementing Rules and the Internal Rules of the Budgetary Committee, as agreed in principle by the members of the working group in line with formers recommendations of the Court of Auditors in this sense. The Board of Governors at its meeting in April 2016 (document 2016-03-D-11-en-2) supported this approach and the following concrete calendar:

-the working group presents a first proposal to the Budgetary Committee (BC) at its meeting in November 2016. If the BC does not have remarks, the text is submitted for consultation to the Court of Auditors and to the European Patent Office, and to any other body considered appropriate by the Secretary-General or by the Presidency of the Working Group.

-once the Working Group receives the opinion of the abovementioned bodies, it considers the needed adjustments to the initial text, to prepare a final proposal. (this final proposal would also include the proposed additions to be made in the text of the new Financial Regulation coming from the text of the existing Implementing Rules).

-the said final proposal is submitted to the BC March 2017 for opinion, and subsequently to the Board of Governors April 2017 for final approval.

**III.- Preliminary Conclusions of the Working Group**

On the basis of the abovementioned extension of the mandate at April 2016, the Working Group has met twice, on 6th July 2016 and on 5th October 2016 (plus an additional meeting held on the 16th November, as explained below under point VI) , being the following the main lines of the agreed changes proposed in the text of the Financial Regulation, on the following 3 main blocks of the review: 1. Financial Governance; 2. Budgetary Principles; 3 Procurement. The concretion of these proposed changes in the text of the Financial Regulation is stated under annex I attached.

**III.1 Financial Governance:**

Within the Financial Governance heading, the main purpose of the review is a reinforcement of the sound financial management for the whole European Schools system via a reinforced accountability at central level (newly created functions of central Authorising Officer and Central Accounting officer), without minoring the existing responsibilities at the local level of the Schools and of the OSG. More concretely:

-Centralisation of the function of Authorising Officer for the European Schools, gradually as from 1st January 2018, on the person of the Secretary-General who would appoint authorising officers by delegation on each School and on the OSG. The Authorising Officer of the European Schools shall prepare a global Annual Activity Report for the whole European Schools System (once the centralisation of the function is completed, by 1st January 2020 –in the transitory period 1st January 2018-1st January 2020 such global annual activity report would only cover the OSG plus the Schools already included under the centralised model-). This substantially increased accountability of the Secretary-General should be accordingly supported via a reinforcement of the Internal Control function, both centrally and at the level of the Schools, so that the central Authorising Officer may have the sufficient assurance about the legality and regularity of the financial management at the Schools and at the OSG to sign a global declaration of assurance for the whole European Schools system. For this purpose of support to the central Authorising Officer it is also proposed the creation of the new position of Director of Finance and Administration who, among other functions, could assume the function of Authorising Officer by delegation for the OSG.

-Centralisation of the function of Accounting Officer for the European Schools, also gradually as from 1st January 2018, on a newly created position for that purpose, to be appointed directly by the Board of Governors to reinforce her/his independence, in line with the opinion of the Court of Auditors. This central Accounting Officer should sign the consolidated accounts of the European Schools thereby certifying that she/he has reasonable assurance about the fact that the consolidated accounts give a true and fair view of the financial situation and performance of the system on the corresponding period. This function of central Accounting Officer would be supported by accounting correspondents at the level of the Schools and of the OSG, in line with the model currently applied in the European Commission.

**III.2 Budgetary Principles:**

On this matter the purpose is the clarification and rationalisation of the existing rules and their coordination with the equivalent rules in the Financial Regulation of the European Union (e.g. introduction of the rules related to the principles of equilibrium, transparency etc). Also a proposal is included to modify the timing for the provision of the contribution of the budget of the European Union to the budget of the European Schools with a view to simplification and facilitation of treasury management at the level of the Schools (reduction of the number of tranches in the payments of the Commission).

**III.3 Procurement :**

In this field a complete alignment is proposed with the procurement rules of the European Union, without prejudice of definition of some relevant particularities (e.g. recognition of the Schools and of the OSG as the relevant contracting authorities). This change is intended to facilitate that applicable procurement rules are always in line with those of the Union, without additional period needed for the adoption at the European Schools level. It is also expected an additional support for the Schools in this field via the corresponding helpdesk of the Commission.

**IV. Financial implications**

The Working Group considers that there could be important financial implications linked with the proposed review of the Financial Regulation, which are preliminary related under annex II, without prejudice of their further concretion on the final report of the Working Group at March 2017 on the basis of the new possible available evidence on the matter (e.g. consultancy engagement on Financial Governance).

**V. Proposal**

In line with the abovementioned decision of the Board of Governors at its meeting in April 2016, it was proposed that the Budgetary Committee at its meeting on November 2016 should give its opinion on the working group’s preliminary report, which proposes determinate changes in the text of the Financial Regulation applicable to the Budget of the European Schools, stated under annex I attached.

The Annex I presents a 3 columns format, where:

-1st column: current text of the Financial Regulation (Document 2014-12-D-10);

-2nd column: proposed new text for the Financial Regulation. The amendments are indicated as follows: Deletions: **~~Deletions;~~** Insertions: **Insertions;** Only those articles where an amendment is proposed are reprinted.

-3rd column: comments/justification for the proposed changes.

**VI. Opinion of the Budgetary Committee**

The Secretary-General and the Chair of the Working Group underlined the in-depth changes that the proposed review implies in the administrative and financial structure of the European Schools system.

Concerns were raised by some delegations about the lack of parallelism between the timing for centralization of the functions of Authorising Officer and Accounting Officer (financial years 2018 and 2020, respectively, as from the proposal presented at the Budgetary Committee).

The Commission underlined the importance to reinforce the financial management at the European Schools, via reinforcement of the Financial Governance.

In the light of the discussions, the Chair of the Budgetary Committee concluded that the report as presented would be taken to a meeting of the Working Group in mid-November and subsequently sent to the Court of Auditors within ten calendar days. The version sent to the Court of Auditors would also be published on DOCEE for the benefit of the members of the Budgetary Committee.

In accordance with the above, the present document 2016-10-D-34-en-2, in particular its annex I with the proposed new text for the Financial Regulation, takes into account the further discussions had at the Working Group at the meeting held on the 16th November 2016.

This document 2016-10-D-34-en-2 is the one that has been submitted for consultation to the Court of Auditors and to the European Patent Office, as recorded in the Preamble of the Financial Regulation. Consultation is also being made to the Internal Audit Service of the European Commission and to the legal services of the Office of the Secretary-General.

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2016-10-D-34-en-2 Annex I. Proposed modifications in the text of the Financial Regulation applicable to the Budget of the European Schools

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| **Financial Regulation of the European Schools** | **Proposed text Financial Regulation of the European Schools** | **Comments/Justification** |
| TITLE I  GENERAL PRINCIPLES  Article 1  1. The budget of the European Schools (hereinafter called "the budget") is the instrument which sets out forecasts of, and authorises in advance, the expected revenue and expenditure of the Schools for each year, in accordance with the structure described in Article 17.  For the purposes of this Financial Regulation, the revenue and expenditure of the Schools shall comprise:  - that of the Schools themselves  - that of the Office of the Secretary-General.  References to the Schools shall include the Office of the Secretary-General unless stated otherwise.  2. The appropriations entered in the budget shall be authorised for the duration of one financial year. They shall constitute the upper limit of expenditure which may be paid or authorised during each financial year.  Expenditure resulting from contracts which have been concluded in accordance with local usage for periods going beyond the financial year shall be charged to the budget for the financial year in which it is effected.  Article 2  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 Schools for the pursuit of their activities shall be made available in due time, in appropriate quantity and quality and at the best price.  The principle of efficiency concerns the best relationship between resources employed and results achieved.  The principle of effectiveness concerns the attainment of the specific objectives set and the achievement of the intended results.  Article 3  Where proposals submitted to the Board of Governors may have budgetary consequences and/or lead to changes in the number of posts, the Schools shall draw up a financial statement, enabling the budgetary implications of the decisions to be quantified and the Schools' activities to be regularly assessed from the angle of sound financial management.  Article 4   1. Subject to Article 26, all revenue and expenditure shall be entered in full in the budget and in the accounts, without any adjustment against each other. All revenue shall be used to cover all expenditure; revenue shall not be assigned to a specific purpose. 2. The Schools may accept donations and subsidies. Where such donations and subsidies are not included in the budget, they may be re-used in accordance with the provisions of article 26(2). 3. The Schools may accept donations which may involve some financial charge only subject to prior authorisation from the Board of Governors. 4. Notwithstanding paragraph 1, this revenue, earmarked for a specific purpose, may not be used for any other purpose.     Article 5  1. No revenue shall be collected and no expenditure effected unless credited to or charged against an article in the budget, save as otherwise provided in the implementing rules referred to in Article 105, such exceptions however remaining subject to the provisions of Title VI.  2. Without prejudice to Article 26, no expenditure may be committed or authorised in excess of the authorised appropriations.  Article 6  The financial year shall run from 1 January to 31 December.  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.  The appropriations authorised for a financial year shall be used solely to cover expenditure properly entered into and paid in the financial year for which they were granted, save as otherwise provided in Article 7, and to cover the amounts due against commitments from preceding financial years for which no appropriation was carried forward.  The commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December.  The payments of a financial year shall be entered in the accounts for that financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.  Article 7  The following rules shall govern the utilisation of appropriations:  1. Appropriations relating to remunerations and allowances of staff may not be carried over to the next financial year.  2. Appropriations in respect of payments still outstanding as at 31 December by virtue of commitments duly entered into between 1 January and 31 December shall be carried over automatically to the next financial year only.   * 1. Unused revenue available as at 31 December arising out of the donations referred to in Article 4(2) shall be carried over automatically.   4. The following appropriations shall lapse at the end of the financial year:  (a) appropriations carried over automatically which have not been paid;  (b) unused appropriations of the financial year which have not been carried over.  5. A list of automatic carryovers shall be annexed to the revenue and expenditure accounts at the end of the financial year.  6. For the purpose of implementing the budget, the utilisation of appropriations carried over shall be shown separately, according to the original nomenclature, in the accounts for the current financial year.  7. Appropriations carried over may not be transferred.  Article 8  If the budget is not finally adopted at the beginning of the financial year, the provisions below shall apply to commitment and payment of expenditure already approved in principle in the last budget duly adopted.  An item of expenditure shall be considered as having been approved in principle in the last budget duly adopted if it could have been charged to a specific budget heading under the financial year concerned.  1. Commitments may be entered into for up to one quarter of the total appropriations in respect of the relevant chapter for the preceding financial year, account being taken of all transfers, plus one twelfth for each completed month, without exceeding the appropriations provided for in the draft budget drawn up in accordance with Article 13 or, in the absence thereof, in the preliminary draft budget.  2. Payments may be made monthly in respect of any chapter up to one twelfth of the appropriations in respect of the relevant chapter for the preceding financial year, account being taken of all transfers, as long as this measure does not have the effect of placing at the disposal of the European Schools, for any month, appropriations in excess of one twelfth of those provided for in the draft budget drawn up in accordance with Article 13 or, in the absence thereof, in the preliminary draft budget.  3. At the request of the Administrative Board and/or of the Secretary-General, and without prejudice to the preceding paragraph, the Board of Governors, consulted by means of the written procedure, may, as dictated by administrative requirements, authorise the simultaneous expenditure of more than one provisional twelfth, but not exceeding the total of four provisional twelfths, except in duly justified cases, both for commitments and for payments over and above those automatically made available in accordance with paragraphs 1 and 2.  4. The decisions referred to above shall include the requisite measures in respect of revenue for the purposes of this Article.  5. The application of the measures provided for in paragraph 4 above may not, with regard to the contribution of the European Union, result in the appropriations entered in the general budget of the European Union being exceeded.  Article 9  The budget and the amending budgets, as adopted, shall be published at the instance of the Secretary-General.  Article 10  The budget shall be drawn up in EURO.  The conditions for the application of the EURO to revenue and expenditure shall be determined by the implementing rules referred to in Article 105.  TITLE II  ESTABLISHMENT AND STRUCTURE OF THE BUDGET  **SECTION I**  Establishment of the budget  Article 11  1. The Head of each School shall, each year by 15 January at the latest, draw up an estimate of its revenue and expenditure for the following year.  2. Each of the sections shall be preceded by an introduction concerning the objectives and the policy followed by the School and shall include:  - changes in appropriations from one financial year to the next  - changes in the number of staff in post, with a statement justifying such changes;  - expected changes in the number of pupils on roll;  - information available on the implementation of the budget for the preceding financial year.  3. The Administrative Board of each School shall approve the estimate by 15 February at the latest and forward it to the Secretary-General by 28 February at the latest. The Secretary-General shall draw up the estimate for his Office by 28 February at the latest.  Article 12  The Secretary-General, in the preliminary draft budget which he shall place before the Board of Governors at the latest by 31 March of each year, shall:  - consolidate, using a uniform nomenclature, the estimates referred to in Article 11(3);  - include an opinion on any differing estimates, accompanied by the reasons therefore;  - prepare a general introduction to the preliminary draft budget, containing in particular financial tables covering the entire budget.    Article 13  The Board of Governors, after examination by the Committee referred to in Article 103, shall approve the draft budget by 19 April at the latest and forward it to the European Commission and to the European Patent Office.  Article 14  1. During the week that follows the completion of their own budgetary procedures, the European Commission and the European Patent Office shall communicate the amount of their contributions.  2. If the amount of the contributions communicated by the organisations referred to in paragraph 1 above is identical with that provided for in the draft budget in accordance with Article 13 above, the budget shall be deemed to be adopted.  3. If the amount of the contributions from the organisations referred to in paragraph 1 is different from the amount entered in the draft budget, the Board of Governors, on the initiative of the Secretary-General, shall take the appropriate steps and shall adopt the budget at the latest by 15 May of the financial year concerned.  4. The adoption of the budget shall bind the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools and the organisations referred to in paragraph 1, to make over the payments and/or services due to the Schools within the requisite time period.  Article 15  1. In the event of unavoidable, exceptional or unforeseen circumstances, the Secretary-General may submit preliminary draft amending budgets.    2. These preliminary drafts shall be treated in the same form and according to the same procedure as the preliminary draft budget whose estimates they are amending. They must be substantiated by reference to the latter.  3. All amending budgets must be approved by the Board of Governors at the latest by 15 November of the financial year in question.  4. They shall be accompanied by justifications and information available on the implementation of the current budget at the time of their establishment. They shall take into account the transfers approved up to the time of their establishment.  5. The decisions referred to above shall include the requisite measures in respect of revenue for the purposes of this Article.  **SECTION II**  Structure and presentation of the budget  Article 16  1. The budget shall consist of:  - a general statement of revenue and expenditure, together with a summary showing the balance between this revenue and expenditure;  - separate sections subdivided into statements of revenue and expenditure of each School and of the Office of the Secretary-General.  2. Within each section, the items of revenue and expenditure shall be classified, according to their type or the use to which they are assigned, under chapters, articles and items.  3. Each section of the budget may include a chapter “reserve”. The appropriations entered in this chapter may be used only by means of transfer in accordance with the procedure laid down in Article 25. The appropriations in reserve may not be carried over to the next financial year.  Article 17  The budget shall show in the general statement of revenue and expenditure and in the section for each of the Schools and for the Office of the Secretary-General:  (a) as regards the statement of revenue:  - the estimated revenue for the financial year in question;  - the revenue entered in the budget for the preceding financial year and the revenue established for the last financial year for which accounts have been closed;  - appropriate remarks on each revenue item;  (b) as regards the statement of expenditure:  - the appropriations made available for the financial year in question;  - the appropriations made available for the preceding financial year and the actual expenditure in the last financial year for which the accounts have been closed;  - appropriate remarks on each item;  (c) as regards total staff:  - in an annex to the budget, a list of posts fixing the number of permanent and temporary posts full time and part time in each service and, within the service, the nature of the duties. The list of posts shall constitute an absolute limit for each School and for the Office of the Secretary-General; no appointment may be made in excess of the limit set;  - appropriate remarks.    TITLE III  IMPLEMENTATION OF THE BUDGET  **SECTION I**  General provisions  Article 18  1. The budget shall be implemented in accordance with the principle that the authorising officers and accounting officers are different individuals.  The appropriations shall be administered by the authorising officer who alone is empowered to enter into commitments regarding expenditure, establish entitlements to be collected and issue recovery orders and payment orders.  The operations of collection or payment shall be carried out by the accounting officer.  The duties of authorising officer, financial controller accounting officer and internal auditor shall be mutually exclusive.  2. All financial actors and other persons involved in budget implementation and management including acts preparatory thereto, audit or control, shall not take any action which may bring their own interests into conflict with those of the Schools or of the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools. Where such a risk exists, the person in question shall refrain from such action and refer the matter to the authorizing officer, who shall personally take any further appropriate action. If the person in question is the authorising officer, he/she shall refer the matter to the Secretary General of the European Schools, which shall act accordingly.  There is a conflict of interests where the impartial and objective exercise of the functions of a financial actor or other person, as referred to above,is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary.  Article 18 bis  Internal control of budget implementation  1. The budget shall be implemented in compliance with effective and efficient internal control.  2. For the purposes of the implementation of the budget, internal control is defined as a process applicable at all levels of management and designed to provide reasonable assurance of achieving the following objectives:  (a) effectiveness, efficiency and economy of operations;  (b) reliability of reporting;  (c) safeguarding of assets and information;  (d) prevention, detection, correction and follow-up of fraud and irregularities;  (e) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the nature of the payments concerned.  3. Effective internal control shall be based on best international practices and include, in particular, the following:  (a) segregation of tasks;  (b) an appropriate risk management and control strategy;  (c) avoidance of conflicts of interests;  (d) adequate audit trails and data integrity in data systems;  (e) procedures for monitoring of performance and for follow-up of identified internal control weaknesses and exceptions;  (f) periodic assessment of the sound functioning of the internal control system.  4. Efficient internal control shall be based on the following elements:  (a) the implementation of an appropriate risk management and control strategy; coordinated among appropriate actors involved in the control chain;  (b) the accessibility for all appropriate actors in the control chain of the results of controls carried out;  (c) the timely application of corrective measures;  (d) the elimination of multiple controls;  (e) improving the cost-benefit ratio of controls.  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 drawn up in accordance with the provisions of Article 86.  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:  the information contained in the report presents a true and fair view;  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;  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.   * + 1. 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.   1. 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 and in the implementing rules referred to in Article 105, 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.   1. 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. 2. *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. 3. Each operation shall be subject to the system of *ex ante* control, as stated in the implementing rules referred to in Article 105, 4. 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. 5. 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.   7. All staff responsible for controlling the management of financial operations must have the necessary professional skills. They shall be subject to the codes of professional standards approved by the Board of Governors in accordance with the implementing rules referred to in Article 105.  8. Any member of staff involved in the financial management and control of transactions who considers that a decision he/she is required by his/her superior to apply or to agree to is irregular or contrary to the principles of sound financial management or the professional rules he/she is required to observe shall inform the authorising officer in writing and, if the latter fails to take action, the Secretary- General. In the event of any illegal activity, fraud or corruption which may harm the interests of the Schools or of the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools, he or she shall inform the authorities and bodies designated by the applicable legislation.  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 referred to in Article 105.  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 referred to in Article 105, 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 referred to in Article 105, shall be such as to guarantee that they are independent in the performance of their duties.  Article 21  The Board of Governors shall establish an internal auditing function which must be performed in compliance with the relevant international standards with the objective of verifying the proper operation of budgetary implementation systems and procedures.  Article 22  1. The internal auditing function shall consist in advising the Board of Governors 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.  This function shall include in particular:  (a) the assessment of the suitability and effectiveness of internal management systems and the performance of the Schools and the Office of the Secretary General in implementing their activities by reference to the risks associated with them;  (b) the assessment of the suitability and quality of the internal control and audit systems applicable to every budgetary implementation operation.  2. This function shall be carried out on all the activities and departments of the Schools and the Office of the Secretary General, with full and unlimited access to all information required to perform these duties, if necessary on the spot.  3. On completion of each audit, a report shall be established for the attention of the Board of Governors setting out the findings and recommendations. The Board shall ensure that action is taken on recommendations resulting from audits.  4. An annual audit report shall be established by the end of February of the year following the financial year concerned, as specified in the implementing rules referred to in Article 105, and shall be addressed for the attention of the Board of Governors which shall communicate it to the Court of Auditors.  Article 23  1. The Board of Governors shall determine the scope of the mission of the internal auditor and shall lay down, in detail, the objectives and procedures for the exercise of the internal auditing function.  2. The Board of Governors shall appoint its internal auditor in accordance with arrangements adapted to its specific features and requirements.  Article 24  In each School, the collection of revenue and the payment of expenditure shall be carried out by an accounting officer.  Two or more Schools may appoint the same accounting officer.  Accounting officers shall be recruited on the grounds of their particular competence as evidenced by diplomas or by equivalent professional experience.  The Secretary-General shall appoint the accounting officer of the Office of the Secretary-General, who shall be responsible, in particular, for consolidation of accounts.  Subject to the third paragraph of Article 49 and to Article 50 of this Regulation, the accounting officers alone are empowered to manage the treasury and other assets. They shall be responsible for their safekeeping.  The accounting officers shall be responsible for preparing the financial statements provided for in Articles 75, 76, 77 and 78 of this Regulation. In each School, the accounting officer may be assisted in his or her duties by one or more assistant accounting officers, appointed by the Administrative Boards or by the Secretary-General in so far as the Office of the Secretary-General is concerned.  The accounting officer may, in the performance of his or her duties, delegate certain tasks to subordinate staff, where this is indispensable for the performance of his or her duties. The instrument of delegation shall lay down the tasks entrusted to the delegatees and their rights and obligations.  Article 25  1. Appropriations shall be earmarked for specific purposes by chapter, article and item.  2. Subject to article 25.3, authorising officers may effect transfers from one item to another, from one article to another and from one chapter to another within each budget section. In each school, the Administrative Board shall be informed of these transfers at its next following meeting.  3. Transfers from items relating to remuneration and allowances of staff into items relating to other types of expenditure shall be subject to the prior agreement of the Administrative Board in so far as the budgetary section of a School is concerned, and to the prior agreement of the Secretary-General in so far as the Office of the Secretary-General is concerned. These transfers are also subject to the prior agreement of the Budgetary Committee.  4. Every proposal for a transfer within a section must be duly substantiated. The Head of the school, and the Deputy Secretary-General in so far as the Office of the Secretary-General is concerned, shall certify that the appropriations are available and that the transfer is consistent with the basic principles of implementation of the budget.  Article 26  1. By way of derogation from Article 4, the following may be deducted from all payment requests, invoices or statements, which shall then be passed for payment of the net amount:  (a) fines imposed on a party to a contract;  (b) adjustment of amounts paid in error, which may be achieved by means of deduction beforehand when another validation is being effected with regard to the same third party;  (c) the value of apparatus and equipment for educational, teaching and technical purposes and the value of vehicles, equipment and installations taken in part exchange in accordance with commercial usage upon purchase of new apparatus, vehicles, equipment and installations of the same kind.  (d) Discounts, refunds and rebates on invoices and bills shall not be recorded as separate revenue.  2. By way of derogation from Articles 4 and 5, the following sums may be reused:  (a) revenue arising from the refund of amounts paid in error against budget appropriations;  (b) proceeds from the supply of goods and services to other organizations;  (c) insurance payments received;  (d) revenue from the sale of publications;  (e) refunds of taxes − incorporated in the price of the products or services provided to the Schools − effected by Member States pursuant to the agreements signed by the Member State in which one or more European Schools are located and the Board of Governors;  (f) revenue from the supply of goods and services against payment;  (g) proceeds from the sale of vehicles, equipment and installations which are being replaced;  (h) donations and subsidies other than those included in the budget.  Such sums must be re-used before the end of the financial year following that in which the revenue was collected.  The accounting plan shall include suspense accounts in order to record the re-use of sums in respect of revenue and of expenditure.  3. Notwithstanding Article 4, repayments made by third parties may be deducted from expenditure in cases where the School has effected a payment for which it is legally liable to its creditors but where all or part thereof has been paid on behalf of those third parties.  4. By way of derogation from Article 4, adjustments may be made in respect of exchange differences occurring in budget operations.  The final gain or loss shall be entered in the balance for the year.  **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:  the revenue is booked to the correct budget item;  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.  Forward proposals may be made in respect of certain items of current revenue in accordance with the implementing rules referred to in Article 105.  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 accordance with the implementing rules referred to in Article 105.  The purpose of the approval shall be to establish that:  (a) the revenue is booked to the correct budget item;  (b) the order is in order and conforms to the relevant provisions;  (c) the supporting documents are in order;  (d) the debtor is correctly described;  (e) the due date is indicated;  (f) the order conforms to sound financial management;  (g) the amount and currency of the sum to be recovered are correct.  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 thirdsubparagraph of paragraph 1 shall apply.  Article 28  1. The accounting officer shall assume responsibility for the recovery of orders duly drawn up. He shall exercise all due diligence to ensure that the resources due to the School are recovered at the due dates indicated in the recovery orders and shall ensure that its rights are safeguarded.  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.   * + - 1. If the authorising officer waives the right to recover an established debt, he shall send the corresponding approval for cancellation to the accounting officer for information.   The purpose of the approval by the Authorising Officer, and 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.  4. The implementing conditions in respect of this Article shall be determined by the implementing rules referred to in Article 105  Article 29  Payments to the Schools shall be effected through a bank account.  Article 30  Estimates of the own resources and of the contributions of the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools shall be entered in the budget. They shall be made available in accordance with the decisions taken by the Board of Governors or with articles 31 and 32 of this Regulation.  Article 31  The contribution from the European Union budget referred to in Article 14(1) of this Regulation shall be paid as follows:  - three twelfths of the amount shown in the budget not later than 15 January,  - three twelfths not later than 15 March,  - four twelfths not later than 15 July,  - the remaining twelfths not later than 15 November, account being taken of real requirements.  The last payment of this contribution shall be made on the basis of a call for funds supported by the following documents:  - a financial statement closed on the last day of the month preceding that of the request  - production of a budgetary statement, showing the consumption of appropriations, their rate of utilisation and an updated projection of this consumption.  Article 32  The contribution from the European Patent Office referred to in Article 2 of the Agreement of 7 November 1977 concluded with the Board of Governors shall be paid, pursuant to Article 3 of the said Agreement, in advance in equal quarterly instalments.  The documents referred to in article 31 shall be furnished in support of the call for this contribution.  **SECTION III**  Commitment, validation, authorization and payment of expenditure  1. Commitment of expenditure  Article 33  1. All measures which may give rise to expenditure chargeable to the budget must be preceded by a proposal for the commitment of expenditure from the relevant authorising officer. A provisional commitment may be entered into in respect of current expenditure.  2. The procedure for implementing paragraph 1 above shall be determined by the implementing rules referred to in Article 105. This procedure shall ensure that an exact account is kept of commitments and authorizations, in accordance with real requirements.  Article 34  Proposals for commitments, accompanied by the supporting documents, shall be transmitted to the authorising officer and to the accounting officer; they shall show, in particular, the purpose of the expenditure, the estimated amount involved, the budget item to which it is to be charged and also the name and description of the creditor; they shall be registered, in accordance with the implementing rules referred to in Article 105.  Article 35   * + 1. The purpose of the approval for commitments of expenditure given by the authorising officer, 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 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.  2. Approval may not be conditional.  3. The procedures for implementing this article shall be determined by the implementing rules referred to in Article 105.  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).   * 1. Validation of expenditure   Article 37  Validation of expenditure is the act whereby the authorising officer shall:  - verify the existence of the creditor's entitlement,  - determine or verify the reality and the amount of the claim,  - verify the conditions under which payment isdue.  Article 38  1. Validation of any expenditure shall be subject to the submission of supporting documents showing the creditor's entitlement and the service rendered, supplies actually delivered or works actually carried out or the existence of a document justifying payment. The implementing rules referred to in Article 105 shall lay down the nature and the contents of the supporting documents to be enclosed with the payment order.  2. Supporting documents pertaining to the accounts and the drawing up of the revenue and expenditure account and the balance sheet shall be kept for a period of five years following the date of the decision giving discharge in respect of the implementation of the budget, referred to in Article 95.  However, the documents relating to transactions not finally closed shall be kept for longer than the said period.  3. The authorising officer empowered to validate expenditure shall personally check the supporting documents or shall, on his own responsibility, ascertain that this has been done.  Article 39  Remuneration and allowances shall be validated in accordance with collective statements drawn up by the department in charge of personnel, except where individual validation is necessary.  3. Authorization of expenditure  Article 40  Authorization is the act whereby the authorising officer, by the issue of a payment order, instructs the accounting officer to pay an amount of expenditure which he has validated.  Article 41  The payment order shall state:  - the financial year against which the payment shall be charged;  - the budget article and any other subdivision that may apply;  - the amount to be paid, expressed in EURO;  - the name, address and bank account details of the payee;  - the purpose of the expenditure;  - the method of payment, wherever possible.  The payment order shall be dated and signed by the authorising officer.  Article 42  The payment order shall be accompanied by the original supporting documents, as determined by the implementing rules referred to in Article 105. These documents shall be certified or accompanied by a certificate confirming the correctness of the amounts to be paid, the receipt of the supplies and the performance of the service together with, if appropriate, the entry of the goods in the inventories referred to in Article 71.  The payment order shall show the numbers of the relevant approvals of commitment. Copies of supporting documents, certified as true copies by the authorising officer, may, in some cases, be accepted in place of the original  Article 43  For payments by instalment, the first payment order shall be accompanied by documents establishing the creditor's claim to payment of the instalment in question. Subsequent payment orders shall refer to the supporting documents already furnished, and repeat the reference number of the first payment order.  The authorising officer may grant advances to personnel if the staff regulations or a provision laid down by this Regulation or by rules drawn up by the Secretary-General specifically provide therefor.  The authorising officer may grant advances to cover disbursements to be effected by a member of staff on behalf of the School. The implementing conditions for this subparagraph shall be determined by the implementing rules referred to in Article 105.  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 tothe 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.  4. Payment of expenditure  Article 47  Payment is the final action whereby the School concerned is discharged of its obligations towards its creditors.  Payment shall be made by the accounting officer within the limits of the funds available.  In the event of a substantive error or of the validity of the discharge being contested or of failure to observe the formalities prescribed by this Financial Regulation, the accounting officer shall suspend the time limit for payment. The creditor concerned shall be informed in writing of the reasons for that suspension.  Article 48  If payment is suspended, the accounting officer shall give the reasons for his decision in a written statement which he shall send forthwith to the authorising officer and, for information, to the financial controller.  Except where the validity of the discharge is contested, the authorising officer may place the matter before the Administrative Board and/or the Secretary-General. This authority may require, in writing, and on its own responsibility, that payment be effected.  Article 49  Payments shall be effected as a general rule through a bank account by electronic means.  The procedure for opening, administering and using such accounts shall be determined by the implementing rules referred to in Article 105.  These rules shall, in particular, indicate expenditure the payment of which must necessarily be effected by bank transfer order, and shall receive the signature on bank transfer orders of one or more duly authorised officials, one signature necessarily being that of the accounting officer, an assistant accounting officer, or an administrator of an imprest account. In particular, until an effective link is put in place between the accounting software and the electronic banking payment systems, payment of expenditure shall receive the joint signature on bank transfer orders of two duly authorised officials.  5. Imprests  Article 50  For the payment of certain categories of expenditure, imprest accounts may be set up in accordance with the implementing rules referred to in Article 105.  Only the accounting officer may replenish the imprest accounts, save in exceptional cases defined in the implementing measures.  These measures shall contain specific provisions concerning in particular:  - the method of appointment and the responsibilities of administrators of imprest accounts;  - the nature and maximum amount of each item of expenditure to be incurred;  - the maximum amount of the imprest which may be advanced;  - the time within which supporting documents must be produced;  - the procedures for settlement.  **SECTION IV**  Management of posts  Article 51  Within each School and the Office of the Secretary-General the following shall be established:  (a) a table of staff,  (b) an organization chart with a diagram of the organization of the departments.  TITLE IV  PROCUREMENT, INVENTORIES, ACCOUNTANCY  **SECTION I**  Procurement  Article 52  1. Public contracts are contracts for pecuniary interest concluded in writing by a contracting authority within the meaning of Article 68, in order to obtain, against payment of a price paid in whole or in part from the budget, the supply of movable assets, the execution of works or the provision of services.  These contracts comprise:  (a) supply contracts;  (b) works contracts;  (c) service contracts.  2. Framework contracts are contracts concluded between one or more economic operators and one or more contracting authorities, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged. They shall be governed by the provisions of this Title concerning the award procedure, including advertising.    Article 53  1. All public contracts financed in whole or in part by the budget shall comply with the principles of transparency, proportionality, equal treatment and non-discrimination.  2. All procurement contracts shall be put out to tender on the broadest possible base, except when use is made of the negotiated procedure referred to in Article 55(1)(b).  Article 54   * + - 1. All contracts exceeding the thresholds provided for in Article 69 shall be published in the Official Journal of the European Union.   Contract notices shall be published in advance except in the cases referred to in Article 55(2) and for the service contracts covered by Annex II B to Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.  Publication of certain information after the contract has been awarded may be dropped where it would hinder application of the law, would be contrary to the public interest or would harm the legitimate business interests of public or private undertakings or could distort fair competition between them.  2. Contracts with a value below the thresholds provided for in Article 69 shall be advertised as appropriate.  Article 55  1. Procurement procedures shall take one of the following forms:  (a) the open procedure;  (b) the restricted procedure;  (c) the negotiated procedure.  2. For contracts where the value exceeds the thresholds provided for in Article 69, use of the negotiated procedure shall be authorised only in the cases provided for in the implementing rules.  3. The thresholds below which the contracting authority may use a negotiated procedure shall be determined in the implementing rules.  4. The procedures applicable to the types of procurement procedure, low value contracts and payment against invoices shall be determined in the implementing rules.  5. The estimated value of a contract may not be determined with a view to evading the requirements laid down in this Regulation, nor may a contract be split up for that purpose.  Article 56  1.A full, clear and precise description of the subject of the contract must be given in the documents relating to the call for tendersand specify the exclusion, selection and award criteria applicable to the contract.  2. The content of tender documents, including the possibility of, and the conditions for, revision of the price and the technical specifications shall be determined in the implementing rules.  Article 57  1. Candidates or tenderers shall be excluded from participation in a procurement procedure if:  (a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;  (b) they have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;  (c) they have been guilty of grave professional misconduct proven by any means which the contracting authority can justify;  (d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the contract is to be performed;  (e) they have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;  (f) following a procurement procedure financed by the Community budget, they have been declared to be in serious breach of contract for failure to comply with their contractual obligations.   * + 1. Candidates or tenderers shall certify that they are not in one of the situations listed in paragraph 1. However, the contracting authority may refrain from requiring such certification for very low value contracts.   For the purpose of the correct application of paragraph 1, the candidate or tenderer, whenever requested by the contracting authority, shall:  (a) where the candidate or tenderer is a legal person, provide information on the ownership or on the management, control and power of representation of the legal person and certify that they are not in one of the situations referred to in paragraph 1;  (b) where subcontracting is envisaged, certify that the subcontractor is not in one of the situations referred to in paragraph 1.  Article 58  Contracts may not be awarded to candidates or tenderers who, during the procurement procedure:  (a) are subject to a conflict of interest;   1. are guilty of misrepresentation in supplying the information required by the contracting authority as a condition of participation in the contract procedure or fail to supply this information.   (c) find themselves in one of the situations of exclusion, referred to in Article 57.1 for the procurement procedure.  Article 59  The European Schools and the Office of the Secretary-General shall have access to the database of the European Commission provided for by Article 108 of Council Regulation (EU, Euratom) N° 966/2012of 25 October 2012, being obliged to transmit relevant information for inclusion in the database.  Article 60  Administrative penalties may be imposed by the contracting authority on candidates or tenderers who are in one of the cases of exclusion provided for in Articles 57 and 58, after they have been given the opportunity to present their observations.  These penalties may consist in the exclusion of the candidate or tenderer concerned from contracts for a maximum period of five years.  The penalties imposed shall be in proportion to the importance of the contract and the seriousness of the misconduct.  Article 61  1. The selection criteria for evaluating the capability of candidates or tenderers and the award criteria for evaluating the content of the tenders shall be defined in advance and set out in the call for tender.   * 1. Contracts may be awarded by the automatic award procedure or by the best-value-for-money procedure.   2. The specification of the selection criteria and the award criteria, the documents that give proof of economic and financial capacity and the evidence of technical and professional capacity and detailed rules on abnormally low tenders shall be specified in the implementing rules.   Article 62   * + 1. The arrangements for submitting tenders shall ensure that there is genuine competition and that the contents of tenders remain confidential until they are all opened simultaneously.     2. With the exception of the contracts involving small amounts referred to in Article 55(3), applications and tenders shall be opened by an opening board appointed for this purpose. Any tender or application declared by the board not to satisfy the conditions laid down shall be rejected.     3. All requests to participate or tenders declared by the opening board to satisfy the conditions laid down shall be evaluated, on the basis of the selection and award criteria laid down in the documents relating to the call for tenders, by a committee appointed for this purpose with a view to proposing to whom the contract should be awarded.     4. The different methods of communication and detailed rules on the opening of tenders, on the requests to participate and on the Committee for the evaluation of tenders and requests to participate will be determined in the implementing rules.   Article 63  While the procurement procedure is under way, all contacts between the contracting authority and candidates or tenderers must satisfy conditions ensuring transparency and equal treatment. They may not lead to amendment of the conditions of the contract or the terms of the original tender.  Article 64  1. The authorising officer shall decide to whom the contract is to be awarded, in compliance with the selection and award criteria laid down in advance in the documents relating to the call for tenders and the procurement rules.  2. The contracting authority shall notify all candidates or tenderers whose applications or tenders are rejected of the grounds on which the decision was taken, and all tenderers whose tenders are admissible and who make a request in writing of the characteristics and relative advantages of the successful tender and the name of the tenderer to whom the contract is awarded.  However, certain details need not be disclosed where disclosure would hinder application of the law, would be contrary to the public interest or would harm the legitimate business interests of public or private undertakings or could distort fair competition between those undertakings.  Article 65  The contracting authority may, before the contract is signed, either abandon the procurement or cancel the award procedure without the candidates or tenderers being entitled to claim any compensation.  The decision must be substantiated and be brought to the attention of the candidates or tenderers.  Article 66  The contracting authority may and, if it deems it appropriate and proportionate on a case-by-case basis and subject to a risk-analysisin certain cases provided for in the implementing rules referred to in Article 105, must require contractors to lodge a guarantee in advance in order to:  (a) ensure full performance of the contract,  (b) limit the financial risks connected with payment of pre-financing.  Article 67  Where the award procedure proves to have been subject to substantial errors, irregularities or fraud, the Schools shall suspend the procedure and may take whatever measures are necessary, including the cancellation of the procedure.  Where, after the award of the contract, the award procedure or the performance of the contract prove to have been subject to substantial errors, irregularities or fraud, the Schools may, depending on the stage reached in the procedure, refrain from concluding the contract or suspend performance of the contract or, where appropriate, terminate the contract.  Where such errors, irregularities of fraud are attributable to the contractor, the Schools may in addition refuse to make payments, may recover amounts already paid or may terminate all the contracts concluded with this contractor, in proportion to the seriousness of the errors, irregularities or fraud.  Article 68  The Schools and the Office of the Secretary-General shall be deemed to be contracting authorities.  Article 69  1. The Directive of the European Parliament and of the Council on the coordination of procedures for the award of public supply, service and works contracts shall lay down the thresholds which determine:  (a) the publication arrangements referred to in Article 54;  (b) the choice of procedures referred to in Article 55;  (c) the corresponding time limits.  2. Subject to exceptions and conditions to be specified in implementing rules, the contracting authority shall not, in the case of contracts covered by Directive 2004/18/EC, sign the contract or framework contract with the successful tenderer until a standstill period has elapsed.  3. Detailed rules on the thresholds applicable, separate contracts and contracts with lots, estimating the value of certain contracts, and the standstill period before the signature of the contract will be specified in the implementing rules.  Article 70  The obligation of the Schools and the Office of the Secretary-General to issue invitations to tender shall not apply:  a) to contracts concluded by a governmental organisation, a public administration or a Community institution, organisation or agency or by the European Patent Office, with which the Schools and the Office of the Secretary-General have been associated as contracting authorities;  b) to contracts with a value below the thresholds provided for in Article 69 and which are concluded with the same contractors and on the same terms as a contract concluded by a governmental organisation, a public administration or a Community institution, organisation or agency or by the European Patent Office.  SECTION II  Inventories of movable and immovable property  Article 71  Permanent inventories showing the quantity and value of all movable and immovable property belonging to the School shall be kept.  Only movable property exceeding a specific value laid down in the implementing rules provided for in Article 105 shall be entered in those inventories. The School shall carry out its own inspection to ascertain that entries in the inventory correspond to the physical facts, enabling there to be centralized control every three years, a copy being forwarded to the Office of the Secretary-General.  Article 72  The sale of movable property shall be suitably advertised in accordance with the implementing rules provided for in Article 105.  Apart from sales by public auction, members of the School's staff may not acquire any movable property resold or otherwise disposed of by the said School.  Article 73  A statement or record shall be drawn up by the authorising officer whenever any property in the inventory is sold, given away free of charge, scrapped, hired out, or missing on account of loss, theft or any other reason.  The statement or record shall refer in particular to any obligation that may devolve on a member of staff, a pupil of the School or any other person to replace the item in question.  Article 74  All acquisitions of movable or immovable property as defined in Article 71 shall, before payment, be entered in the permanent inventories.  That entry shall be recorded in the corresponding invoice or annexed document drawn up with a view to payment of the expenditure.  SECTION III  Accounts  Article 75  The accounting system of the European schools shall serve to organise the budgetary and financial information in such a way that figures can be entered, filed and registered. The accounts shall be kept in EURO by the double entry method, on the basis of the calendar year.  They shall show all revenue and expenditure for the financial year. They shall be authenticated by supporting documents. The revenue and expenditure account and the balance sheet shall be drawn up in EURO.  Article 76  The accounting plan shall make a clear distinction between budgetary accounts and general accounts. It shall comprise two parts:  (a) accounts of budgetary expenditure and revenue, which show the detailed implementation of the budget;  (b) The general accounts, which shall record in chronological order all events and operations which affect the economic and financial situation and the assets and liabilities of the European Schools, under the accruals principle.  The detailed conditions for the establishment and operation of the accounting plan for operations relating both to finances and to the implementation of the budget shall be determined by the implementing rules provided for in Article 105.  The accounts shall include an annual balance of accounts and a monthly statement of revenue and expenditure by chapter, article and item.  These statements shall be forwarded to the authorising officer and may be consulted by the financial controller.  Article 77  Any advance, other than regular advances which are periodically re-examined, shall be entered in a suspense account and settled at the latest during the financial year which follows the payment of this advance.  However, the advances referred to in the second and third paragraphs of Article 43 shall be settled as a general rule within six weeks following completion of the project for which they were granted, except in duly justified circumstances.  Article 78  The accounts shall be closed at the end of the financial year to enable a balance sheet of the School and the revenue and expenditure account referred to in Title VI to be drawn up. The revenue and expenditure account shall be submitted to the Administrative Board and to the financial controller.  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 81  Accounting officers and assistant accounting officers shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation as regards payments made by them in disregard of the third paragraph of Article 47 .  They shall render themselves liable to disciplinary action and to payment of compensation as regards any loss or deterioration of the monies, assets and documents in their charge where such loss or deterioration results from an intentional mistake or serious negligence on their part.  Under the same conditions, they shall be responsible for the correct execution of orders received by them in respect of the use and the administration of bank accounts, and in particular:  (a) where the recoveries or payments made by them do not agree with the amounts on the corresponding recovery or payment orders;  (b) where they effect payment to a party other than the payee entitled.  Article 82  Administrators of imprest accounts shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation in the following cases:  (a) where they cannot show due warrant with proper documents for payments made by them;  (b) where they effect payments to parties other than entitled payees.  They shall be liable to disciplinary action and to payment of compensation in respect of any loss or deterioration of the monies, assets and documents in their charge where such loss or deterioration results from an intentional mistake or serious negligence on their part.  Article 83  The accounting officer, assistant accounting officers and administrators of imprest accounts shall insure themselves against the risks arising under Articles 81 and 82. The School shall cover the insurance costs relating thereto and shall pay the premiums direct to the insurer.    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  2. the liability to payment of compensation and disciplinary action of assistant accounting officers and administrators of imprest accounts shall be determined by the Administrative Board and/or the Secretary-General;  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.  Article 85  The School and the Office of the Secretary-General shall be allowed a period of two years from the date when the account for revenue and expenditure is submitted to take a decision on the final discharge to be given to accounting officers for the transaction relating thereto.  TITLE VI  PRESENTING AND AUDITING ACCOUNTS  Article 86  The accounts of the European schools shall present a true and fair view of the budgetary revenue and expenditure operations. They shall comprise reports on implementation of the budget and a balance sheet of assets and liabilities of all the schools as at 31 December of the preceding financial year. The accounts referred to in Article 76 shall present information in a manner that ensures it is relevant, reliable, comparable and understandable, and shall be drawn up in accordance with internationally accepted accounting standards for the public sector.  The Office of the Secretary-General shall draw up, not later than 1 June of the following year, consolidated accounts for all the Schools on the basis of information presented pursuant to Article 87. The consolidated revenue and expenditure account for all the schools shall include the following documents classified in accordance with the budget nomenclature:  1. a table of revenue including:  - estimated revenue for the financial year;  - amendments to the revenue estimates as a result of amending budgets;  - revenue collected during the financial year;  - entitlements still to be collected from the preceding financial year;  - entitlements established in the course of the financial year;  - amounts still to be collected at the end of the financial year.  Where appropriate, a statement shall be attached to these tables showing the balances and the gross payments arising from the transactions referred to in Article 26 (2).  2. tables showing the changes in appropriations for the financial year, indicating, in accordance with the budget nomenclature:  - initial appropriations;  - any changes made by means of amending budgets;  - any changes made to appropriations by means of transfers;  - final appropriations for the financial year;  - appropriations carried over under Article 7.  3. tables showing the use of the appropriations allocated for the financial year, indicating:  - commitments entered into and chargeable to the financial year;  - payments made and chargeable to the financial year;  - settlement of the commitments of the financial year and calculation of the sums still to be paid at the close of that financial year;  - payment appropriations carried over under Article 7;  - appropriations lapsing.  Where appropriate, a statement shall be attached to these tables showing separately refunds of taxes (VAT) − incorporated in the prices of products and services provided to the Schools − effected by Member States.  4. tables showing the use of the appropriations carried over from previous financial years, indicating:  - settlement of sums still to be paid at the close of the preceding financial year and calculation of the sums still to be paid at the end of the current financial year;  - the amount unused for the following financial year;  - the amount lapsing.  5. Annexed shall be a document showing the operations of the Reserve Funds.  The financial statements shall represent all assets and liabilities, the financial situation and the economic result at 31 December of the preceding year. They will be supplemented by notes commenting on the information presented and supplying all the additional information in accordance with the accounting rules referred to in paragraph 1., where such information is relevant to the European Schools.  These documents shall be submitted to the financial controller.    Article 87  The authorising officer shall provide the accounting officer of each School access to all the information necessary for the production of accounts which give a true and fair view of the school’s financial situation and of budgetary implementation. Without prejudice of the responsibilities of the accounting officer as stated in Article 24, the authorising officer shall guarantee the reliability of that information.  The accounting officer of each School shall sign off the accounts of the School, thereby certifying that the accounting officer has reasonable assurance that the accounts present a true and fair view of the financial situation of the School. The accounting officer shall submit the accounts to the Administrative Board for approval and, after it, transmit them to the Office of the Secretary General not later than 1 April.  Article 88  The revenue and expenditure account shall be preceded by an analysis of the financial management in respect of the year in question. It shall cover all revenue and expenditure transactions relating to the preceding financial year for all the Schools. It shall be submitted in the same form and following the same subdivision as the budget.  Article 89  The Office of the Secretary-General shall draw up, within the time limit provided for in Article 86, a balance sheet of assets and liabilities of all the Schools as at 31 December of the preceding financial year. A statement showing the movements and balances of the accounts, drawn up on the same date, shall be attached thereto.  These documents shall be submitted to the financial controller.  Article 90  The Secretary-General shall forward the consolidated accounts with all the supporting documents, the financial analysis and the balance sheet to the Board of Governors, the European Commission, the European Patent Office and the Court of Auditors of the European Union by 1 June at the latest.  Article 91  All the accounts of the Schools shall be submitted to the Court of Auditors.  Article 92  The Office of the Secretary-General and each School shall forward to the Court of Auditors, at the latest within the month which follows examination by the Administrative Boards, the documents concerning the financial and budgetary statements and the minutes of the deliberations of the Administrative Boards pertaining thereto.  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.  2. The comments of the Court of Auditors and the replies that have been sent to it shall be drawn to the attention of the Administrative Boards and to the Board of Governors which at its meeting of the first quarter of the calendar year shall examine them and make its own comments and recommendations.  Article 94  The Court of Auditors transmits to the authorities responsible for giving discharge, including the Board of Governors, by 30 November, its annual report accompanied by the replies.  Article 95   * + 1. The Board of Governors shall give a discharge to the Authorising Officers andto theAdministrative 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 96  1. A centralized Reserve Fund for the Office of the Secretary-General and all the Schools, with the exception of the European School, Munich, shall be maintained by the transfer, at the end of each financial year, of all or part of the balance of revenue, after carryovers have been covered, on the revenue and expenditure accounts as approved by the Secretary-General and the Administrative Boards.  2. A Reserve Fund for the European School, Munich shall be maintained by the transfer, at the end of each financial year, of all or part of the balance of revenue, after carryovers have been covered, on the revenue and expenditure account, as approved by the Administrative Board of the School.    Article 97  1. The Reserve Fund referred to in Article 96 (l) may not exceed 1% of total budget appropriations for the preceding financial year.  2. The Reserve Fund referred to in Article 96 (2) may not exceed 1% of total budget appropriations for the preceding financial year.  Article 98  Should the administrative surplus transfer result in the limits referred to in Article 97 being exceeded, the balance of these surpluses shall be entered as budget revenue for the next financial year, under the item "administrative surplus".  Article 99  1. The Reserve Funds thus constituted are designed to compensate for temporary shortages of funds.  2. By a decision of the Board of Governors these Funds may also be used to provide revenue to cover an amending budget necessitated by expenditure of an exceptional and unforeseen nature.  Article 100  1. Pursuant to Article 99 (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 referred to in Article 96 (1) 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.  Article 101  Should the Reserve Fund referred to in Article 96(1) be wound up, the remaining balance shall be transferred to the general budget of the European Union.  Should the Reserve Fund referred to at Article 96(2) be wound up, the remaining balance shall be transferred to the European Patent Office.  TITLE VIII  EXPERTS  Article 102  The implementing rules shall include a specific procedure for the selection of experts who will be authorised to offer their services to the Schools or to collaborate with them and who will be paid on the basis of a fixed amount, to be defrayed by the Schools or by a third party, for the performance of tasks in a specific area of expertise.  TITLE IX  CHECKS AND VERIFICATIONS PERFORMED BY OLAF  Article 102 bis  The European Anti-Fraud Office (OLAF) has the power to carry out administrative investigations in the European Schools, including the right of access for inspection according to the procedures laid down by Union law for the protection of the financial interests of the Union against fraud and other irregularities.  By virtue of Council Regulation (Euratom, EC) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests, Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspection carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities and Regulation (EC) No 883/2013 of the European Parliament and the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF), OLAF may also carry out on the spot checks and inspections related to fraud cases or any other irregularity detrimental to the financial interest of the European Schools or of the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools, and  in accordance with the procedures laid down by Union law for the protection of the financial interests of the Union against fraud and other irregularities. Where appropriate, the conclusions of the investigation performed by OLAF may lead to recovery by the competent authorities.  TITLE X  TRANSITIONAL AND FINAL PROVISIONS  Article 103  The Board of Governors shall be assisted by the Budgetary Committee.  Article 104  The standards referred to in article 19(6) shall be adopted no later than 31 December 2007. They shall be subject of a review whenever it proves necessary to do so, taking in particular into account relevant changes made on the text of this Financial Regulation.  Article 105  1. The Board of Governors shall adopt rules for implementing this Regulation.  2. Every three years, or whenever it proves necessary to do so, this Regulation and its implementing rules shall be the subject of a review by the Office of the Secretary-General, which shall report on the matter to the Board of Governors. Without prejudice to the particularities of the European Schools, the  necessity of a review may in particular result from the parallelism of this Regulation and its implementing rules with the relevant rules of the Financial Regulation applicable to the general budget of the European Union.  Article 106  The following shall be repealed on the date of the entry into force of this Financial Regulation:  - the Financial Regulation of the European Schools, approved by the Board of Governors on 18 October 1988, thereafter amended on 25 and 26 October 1994, 24 and 25 October 2000 and 5 and 6 November 2002, with the exception of the articles of Title IV, Section I, which are repealed with effect from 1 January 2008;  - all other provisions contrary to this Financial Regulation.  Article 107  This Financial Regulation shall enter into force on 1 January 2007.  It shall be binding in its entirety and directly applicable in all the Schools and the Office of the Secretary-General, with the exception of the articles of Title IV, Section I, which shall enter into force on 1 January 2008.  As per the rules adopted by the Board of Governors on 2014, they shall enter into force as from 1st January 2015, with the exception of the Rules related to the revision of the role and responsibilities of the central financial control unit (Articles 19, 20, 27, 28, 34, 35, 36, 43, 44, 45, 73 and 80 of this Financial Regulation and Articles 1, 25, 26, 27, 32, 33, 34, 37, 38, 39, 40, 41, 50, 57, and 60 of its Implementing Rules), which shall enter into force as from the validation of the internal control systems of the Schools is performed in accordance with Article 20 of this Regulation.  Done at Brussels, 24 October 2006 For the Board of Governors  The Preside | TITLE I  GENERAL PRINCIPLES  **Article 1**  **Scope of the budget**   * + - 1. The budget of the European Schools (hereinafter called "the budget") is the instrument which sets out forecasts of, and authorises in advance, the expected revenue and expenditure of the Schools for each year, in accordance with the structure described in Article 17.   For the purposes of this Financial Regulation, the **budget** **~~revenue and expenditure~~** of the Schools shall comprise:  **~~- that of the Schools themselves~~**  **~~- that of the Office of the Secretary-General.~~**  **(a) contributions from the Member States through the continuing payment of the remuneration for seconded or assigned teaching staff and, where appropriate, a financial contribution decided on by the Board of Governors acting unanimously;**  **(b) the contribution from the European Union, which is intended to cover the difference between the total amount of expenditure by the Schools and the total of other revenue;**  **(c) contributions from non-Union organizations with which the Board of Governors has concluded an Agreement;**  **(d) the School's own revenue, notably the school fees charged to parents by the Board of Governors;**  **(e) miscellaneous revenue;**  **(f) the expenditure of the Schools.**  References to the Schools shall include the Office of the Secretary-General unless stated otherwise.  **~~2. The appropriations entered in the budget shall be authorised for the duration of one financial year. They shall constitute the upper limit of expenditure which may be paid or authorised during each financial year.~~**  **~~Expenditure resulting from contracts which have been concluded in accordance with local usage for periods going beyond the financial year shall be charged to the budget for the financial year in which it is effected~~**.  Article 2  **Principle of sound financial management. Principles of economy, efficiency and effectiveness**  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 Schools for the pursuit of their activities shall be made available in due time, in appropriate quantity and quality and at the best price.  The principle of efficiency concerns the best relationship between resources employed and results achieved.  The principle of effectiveness concerns the attainment of the specific objectives set and the achievement of the intended results.  Article 3  **Financial statement**  Where proposals submitted to the Board of Governors may have budgetary consequences and/or lead to changes in the number of posts, the Schools shall draw up a financial statement, enabling the budgetary implications of the decisions to be quantified and the Schools' activities to be regularly assessed from the angle of sound financial management.  **Article 3 bis ~~18 bis~~**  Internal control of budget implementation    1. The budget shall be implemented in compliance with effective and efficient internal control.  2. For the purposes of the implementation of the budget, internal control is defined as a process applicable at all levels of management and designed to provide reasonable assurance of achieving the following objectives:  (a) effectiveness, efficiency and economy of operations;  (b) reliability of reporting;  (c) safeguarding of assets and information;  (d) prevention, detection, correction and follow-up of fraud and irregularities;  (e) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the nature of the payments concerned.  3. Effective internal control shall be based on best international practices and include, in particular, the following:  (a) segregation of tasks;  (b) an appropriate risk management and control strategy;  (c) avoidance of conflicts of interests;  (d) adequate audit trails and data integrity in data systems;  (e) procedures for monitoring of performance and for follow-up of identified internal control weaknesses and exceptions;  (f) periodic assessment of the sound functioning of the internal control system.  4. Efficient internal control shall be based on the following elements:  (a) the implementation of an appropriate risk management and control strategy; coordinated among appropriate actors involved in the control chain;  (b) the accessibility for all appropriate actors in the control chain of the results of controls carried out;  (c) the timely application of corrective measures;  (d) the elimination of multiple controls;  (e) improving the cost-benefit ratio of controls.  Article 4  **Principle of universality**.  **Definition and scope**   * + - * 1. **~~Subject~~Without prejudice** to Article **4 quarter ~~26~~,** all revenue and expenditure shall be entered in full **~~in the budget and in the accounts,~~** without any adjustment against each other. **Without prejudice to Article 4 bis** all revenue shall be used to cover all expenditure; revenue shall not be assigned to a specific purpose.   **~~2. The Schools may accept donations and subsidies. Where such donations and subsidies are not included in the budget, they may be re-used in accordance with the provisions of article 26(2) 4 bis.~~**  **Article 4 bis NEW ARTICLE**  **Assigned revenue**  **Assigned revenue shall be used to finance specific items of expenditure and may not be used for any other purpose. The following shall constitute assigned revenue:**  **(a)revenue arising from the repayment of amounts wrongly paid against budget appropriations;**  **(b) insurance payments received;**  **(c) revenue from the sale of publications;**  **(d) refunds arising from subsequent reimbursement of taxes − incorporated in the price of the supply of goods or services provided to the Schools − effected by Member States pursuant to the agreements signed by the Member State in which one or more European Schools are located and the Board of Governors;**  **(e) revenue from third parties in respect of the supply of goods and services against payment;**  **(f) proceeds from the sale of vehicles, equipment and installations which are being**  **replaced;**  **(g) donations and subsidies other than those**  **included in the budget.**  **Article 4 ter**  **Donations**  1. The Schools may accept donations and subsidies. Where such donations and subsidies are not included in the budget, they may be re-used in accordance with the provisions of Article **~~26(2)~~ 7(3).**  2. The Schools may accept donations which may involve some financial charge only subject to prior authorisation from the Board of Governors.  **~~Notwithstanding paragraph 1, this revenue, earmarked for a specific purpose, may not be used for any other purpose.~~**  **Article** ~~26~~**4 quater**  **Rules on deductions and exchange rate adjustments**  1. By way of derogation from Article 4, the following may be deducted from all payment requests, invoices or statements, which shall then be passed for payment of the net amount:  fines imposed on a party to a contract;  adjustment of amounts paid in error, which may be achieved by means of deduction beforehand when another validation is being effected with regard to the same third party;  the value of apparatus and equipment for educational, teaching and technical purposes and the value of vehicles, equipment and installations taken in part exchange in accordance with commercial usage upon purchase of new apparatus, vehicles, equipment and installations of the same kind.  (d) Discounts, refunds and rebates on invoices and bills shall not be recorded as separate revenue.   * + 1. **~~By way of derogation from Articles 4 and 5, the following sums may be reused:~~**   **~~(a) revenue arising from the refund of amounts paid in error against budget appropriations;~~**  **~~(b) proceeds from the supply of goods and services to other organizations;~~**  **~~(c) insurance payments received;~~**  **~~(d) revenue from the sale of publications;~~**  **~~(e) refunds of taxes − incorporated in the price of the products or services provided to the Schools − effected by Member States pursuant to the agreements signed by the Member State in which one or more European Schools are located and the Board of Governors;~~**  **~~(f) revenue from the supply of goods and services against payment;~~**  **~~(g) proceeds from the sale of vehicles, equipment and installations which are being replaced;~~**  **~~(h) donations and subsidies other than those included in the budget.~~**  **~~Such sums must be re-used before the end of the financial year following that in which the revenue was collected.~~**  **~~The accounting plan shall include suspense accounts in order to record the re-use of sums in respect of revenue and of expenditure.~~**  **2. ~~3.~~** Notwithstanding Article 4, repayments made by third parties may be deducted from expenditure in cases where the School has effected a payment for which it is legally liable to its creditors but where all or part thereof has been paid on behalf of those third parties.  **3. ~~4.~~** By way of derogation from Article 4, adjustments may be made in respect of exchange differences occurring in budget operations.  The final gain or loss shall be entered in the balance for the year.  Article ~~25~~**4 quinquies**  **Principle of specification**  **1.** Appropriations shall be earmarked for specific purposes **for the schools or for the Office of the Secretary-General, by section, class,** chapter, article and item.  **Article 4 sexies ~~25~~**  **Transfers**  1. Subject to **paragraph 2 ~~article 25.3~~**, authorising officers may ~~effect~~ **initiate** transfers from one item to another, from one article to another and from one chapter to another within each budget section. In each school, the Administrative Board shall be informed of these transfers at its next following meeting.  Transfers from items relating to remuneration and allowances of staff into items relating to other types of expenditure shall be subject to the prior agreement of the Administrative Board in so far as the budgetary section of a School is concerned, and to the prior agreement of the Secretary-General in so far as the Office of the Secretary-General is concerned. These transfers are also subject to the prior agreement of the Administrative and Financial Committee.  **3. Without prejudice to paragraph 2, the Authorising Officer of the European Schools, may implement transfers from one section of the budget to another. The Budgetary Committee shall be informed of these transfers at its next following meeting.**  **4. Appropriations corresponding to assigned revenue referred to in Article 4 bis may be transferred only if such revenue is to be used for the purpose for which it is assigned.**  5.Every proposal for a transfer **~~within a section~~** must be duly substantiated. **The responsible** **authorising officer ~~Head of the school, and the~~** **~~Deputy Secretary-General in so far as the~~** **~~Office of the Secretary-General is concerned,~~** shall certify that the appropriations are available and that the transfer is consistent with the basic principles of implementation of the budget.  Article 5  **Principle of unity and budgetary accuracy**  1. No revenue shall be collected and no expenditure effected unless credited to or charged against an article in the budget, save as otherwise provided **~~in the implementing rules referred to in Article 105,~~** such exceptions however remaining subject to the provisions of Title V~~I~~.  2 **~~Without prejudice to Article 26~~**, No expenditure may be committed or authorised in excess of the authorised appropriations.  **3. An appropriation may be entered in the budget only if it is for an item of expenditure considered necessary.**  Article 6  **Principle of Annuality. Definition and accounting for revenue and appropriations**   1. **The appropriations entered in the budget shall be authorised for the duration of one financial year.**   **~~2.~~** The financial year shall run from 1 January to 31 December  **2. ~~3.~~** 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.  **3. ~~4.~~** The appropriations authorised for a financial year shall be used solely to cover expenditure properly entered into and paid in the financial year for which they were granted, save as otherwise provided in Article 7, and to cover the amounts due against commitments from preceding financial years for which no appropriation was carried forward.  **4. ~~5.~~** The commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December.  **5. ~~6.~~** The payments of a financial year shall be entered in the accounts for that financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.  **6. ~~7.~~** **By way of derogation from paragraph 3 ~~4,~~ expenditure resulting from contracts which have been concluded in accordance with local usage for periods going beyond the financial year shall be charged to the budget for the financial year in which it is effected**  **Article 6 bis NEW ARTICLE**  **Commitment of appropriations**  **The appropriations entered in the budget of the European Schools may be committed with effect from 1 January, once the budget of the European Schools has been definitively adopted.**  Article 7  **Cancellation and carry-over of appropriations**  The following rules shall govern the utilisation of appropriations:  1. Appropriations relating to remunerations and allowances of staff may not be carried over to the next financial year.  2. Appropriations in respect of payments still outstanding as at 31 December by virtue of commitments duly entered into between 1 January and 31 December shall be carried over automatically to the next financial year only.  3. Unused revenue **referred to in Article 4 bis and** available as at 31 December **~~arising out of the donations referred to in~~** **~~Article 4(2~~)** shall be carried over automatically. **Such assigned revenue ~~sums~~ must be re-used before the end of the financial year following that in which the revenue was collected. The accounting system shall include suspense accounts in order to record the re-use of sums in respect of revenue and of expenditure.**  4. The following appropriations shall **~~lapse~~ be cancelled** at the end of the financial year:  appropriations carried over automatically which have not been paid;  (b) unused appropriations of the financial year which have not been carried over.  5. A list of automatic carryovers shall be annexed to the revenue and expenditure accounts at the end of the financial year.  6. For the purpose of implementing the budget, the utilisation of appropriations carried over shall be shown separately, according to the original nomenclature, in the accounts for the current financial year.  7. Appropriations carried over may not be transferred.  Article 8  **Rules applicable in the event of late adoption of the budget**  **1.** If the budget is not finally adopted at the beginning of the financial year, the provisions below shall apply to commitment and payment of expenditure already approved in principle in the last budget duly adopted.  **2.** An item of expenditure shall be considered as having been approved in principle in the last budget duly adopted if it could have been charged to a specific budget heading under the financial year concerned.  **3. ~~1.~~** Commitments may be entered into for up to one quarter of the total appropriations in respect of the relevant chapter for the preceding financial year, account being taken of all transfers, plus one twelfth for each completed month, without exceeding the appropriations provided for in the draft budget drawn up in accordance with Article 13 or, in the absence thereof, in the preliminary draft budget.  **4. ~~2.~~** Payments may be made monthly in respect of any chapter up to one twelfth of the appropriations in respect of the relevant chapter for the preceding financial year, account being taken of all transfers, as long as this measure does not have the effect of placing at the disposal of the European Schools, for any month, appropriations in excess of one twelfth of those provided for in the draft budget drawn up in accordance with Article 13 or, in the absence thereof, in the preliminary draft budget.  **5. ~~3.~~**At the request of the Administrative Board and/or of the Secretary-General, and without prejudice to the preceding paragraph, the Board of Governors, consulted by means of the written procedure, may, as dictated by administrative requirements, authorise the simultaneous expenditure of two or more provisional twelfths, but not exceeding the total of four provisional twelfths, except in duly justified cases, both for commitments and for payments over and above those automatically made available in accordance with paragraphs 1 and 2.  **6. ~~4.~~** The decisions referred to above shall include the requisite measures in respect of revenue for the purposes of this Article.  **7.** **~~5.~~** The application of the measures provided for in paragraph **6. ~~4~~** above may not, with regard to the contribution of the Union, result in the appropriations entered in the general budget of the Union being exceeded.  **Article 8 bis NEW ARTICLE**  **Principle of equilibrium**  **1. Revenue and expenditure shall be in balance.**  **2. Expenditure may not exceed the amount of the Union contribution, plus own revenue and any other revenue referred to in Article 1.**  **3. The Union contribution to the Schools shall constitute a balancing contribution for the budget of the Schools.**  **4. The Schools shall implement rigorous cash management, taking due account of assigned revenue, in order to ensure that its cash balances are limited to duly justified requirements.**  Article 9  **Principle of Transparency**   1. **The budget of the Schools shall be established and implemented and the accounts presented in accordance with the principle of transparency.**   **2.** The budget and the amending budgets, as adopted, shall be published at the instance of the Secretary-General**on its webpage within three months of their adoption.**  **3. The final consolidated accounts and the report on budgetary and financial management shall be published on the webpage of the Secretary-General.**  **4. The information on recipients, as well as the nature and purpose of the measure financed from the budget of the Schools as a result of public procurement procedures shall be made available on the webpage of the Secretary-General in an appropriate and timely manner and with due observance of the requirements of confidentiality and security, in particular the protection of personal data.**  **Where natural persons are concerned, the publication shall be limited to the name and locality of the recipient, the amount awarded and the purpose of the award. As far as personal data referring to natural persons are concerned, the information published shall be removed two years after the end of the financial year in which the funds were awarded.**  **The publication shall be waived if such disclosure risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union or harm the commercial interests of the recipients.**  **The information shall be published no later than 30 June of the year following the financial year in which the funds were awarded.**  Article 10  **Principle of unit of accounts**  The budget shall be drawn up **and implemented** in **euro**~~EURO~~. **The accounts shall be presented in euro.**  **~~The conditions for the application of the euroEURO to revenue and expenditure shall be determined by the implementing rules referred to in Article 105.~~**  TITLE II  ESTABLISHMENT AND STRUCTURE OF THE BUDGET  **SECTION I**  Establishment of the budget  Article 11  1.**The authorising officer of the European Schools shall each year draw up a draft budget for the schools and the Office of the Secretary-General by 28 February at the latest.**    ~~1.~~2. **For this purpose** the **~~Head of each School~~ responsible authorising officers** shall, each year by 15 January at the latest, draw up an estimate of **~~its~~** **the school’s** revenue and expenditure **of the corresponding section of the budget** for the following year **(draft budget).**  ~~2~~**.3.** Each of the sections shall be preceded by an introduction concerning the objectives and the policy followed by the School and shall include:  - changes in appropriations from one financial year to the next  - changes in the number of staff in post, with a statement justifying such changes;  - expected changes in the number of pupils on roll;  - information available on the implementation of the budget for the preceding financial year.  ~~3.~~4. The Administrative Board of each School shall approve the **corresponding** **~~estimate~~** **draft budget** by 15 February at the latest and forward it to the ~~Secretary-General~~ **authorising officer of the European Schools** **to make the final consolidation of the European Schools’ draft budget** by 28 February at the latest, **taking into account the possible revisions decided by the Administrative Boards.** **~~The Secretary-General shall draw up the estimate for his Office by 28 February at the latest.~~**  Article 12  The **~~Secretary-General, in the~~ ~~preliminary~~** draft budget **of the European Schools** ~~which he~~ shall **be presented to** ~~place before~~ the Board of Governors at the latest by 31 March of each year~~,~~ **and** shall:  - consolidate, using a uniform nomenclature, the **draft ~~estimates~~** referred to in Article 11(**~~3~~** **~~4~~**);  - include an opinion on any differing estimates, accompanied by the reasons therefore;  - prepare a general introduction to the preliminary draft budget, containing in particular financial tables covering the entire budget.  Article 13  The Board of Governors, after examination by the Committee referred to in Article 103, shall approve the draft budget **of the European Schools** by 19 April at the latest and forward it to the European Commission and to the European Patent Office.  Article 14  1. During the week that follows the completion of their own budgetary procedures, the European Commission and the European Patent Office shall communicate the amount of their contributions.   1. If the amount of the contributions communicated by the organisations referred to in paragraph 1 above is identical with that provided for in the draft budget in accordance with Article 13 above, the budget shall be deemed to be adopted.   3. If the amount of the contributions from the organisations referred to in paragraph 1 is different from the amount entered in the draft budget, the Board of Governors, on the initiative of the **~~Secretary-General~~** **authorising officer of the European Schools**, shall take the appropriate steps and shall adopt the budget at the latest by 15 May of the financial year concerned.  4. The adoption of the budget shall bind the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools and the organisations referred to in paragraph 1, to make over the payments and/or services due to the Schools within the requisite time period.  Article 15  1. In the event of unavoidable, exceptional or unforeseen circumstances, the **authorising officer of the European Schools** **~~Secretary-General~~** may submit **a ~~preliminary~~**draft amending budget**~~s.~~**  2. **~~These~~** **This ~~preliminary~~** draft**~~s~~ amending budget** shall be treated in the same form and according to the same procedure as the **~~preliminary~~** draft budget whose estimate~~s~~ **~~they are~~** **it is** amending. **~~They~~** **It** must be substantiated by reference to the latter.  3. **~~All~~** **The draft** amending budget**~~s~~** must be approved by the Board of Governors at the latest by 15 November of the financial year in question.  4. **~~They~~** **It** shall be accompanied by justifications and information available on the implementation of the current budget at the time of **~~their~~** **its** establishment. **It ~~They~~** shall take into account the transfers approved up to the time of **~~their~~** **its** establishment.  5. The decisions referred to above shall include the requisite measures in respect of revenue for the purposes of this Article.  **SECTION II**  Structure and presentation of the budget  Article 16  1. The budget shall consist of:  - a general statement of revenue and expenditure, together with a summary showing the balance between this revenue and expenditure;  - separate sections subdivided into statements of revenue and expenditure of each School and of the Office of the Secretary-General.  2. Within each section, the items of revenue and expenditure shall be classified, according to their type or the use to which they are assigned, under chapters, articles and items.  3. Each section of the budget may include a chapter “reserve”. The appropriations entered in this chapter may be used only by means of transfer in accordance with the procedure laid down in **~~Article 25~~** **Article 4 sexies**. The appropriations in reserve may not be carried over to the next financial year.  Article 17  The budget shall show in the general statement of revenue and expenditure and in the section for each of the Schools and for the Office of the Secretary-General:  (a) as regards the statement of revenue:  - the estimated revenue for the financial year in question;  - the revenue entered in the budget for the preceding financial year and the revenue established for the last financial year for which accounts have been closed;  - appropriate remarks on each revenue item;  (b) as regards the statement of expenditure:  - the appropriations made available for the financial year in question;  - the appropriations made available for the preceding financial year and the actual expenditure in the last financial year for which the accounts have been closed;  - appropriate remarks on each item;  (c) as regards total staff:  - in an annex to the budget, a list of posts fixing the number of permanent and temporary posts full time and part time in each service and, within the service, the nature of the duties. The list of posts shall constitute an absolute limit for each School and for the Office of the Secretary-General; no appointment may be made in excess of the limit set; **the list of posts shall show, next to the number of posts authorised for the financial year, the number authorised for the preceding year;**  - appropriate remarks.  TITLE III  **IMPLEMENTATION OF THE BUDGET**  **SECTION I (NEW SECTION)**  **FINANCIAL ACTORS**  **Article 17 bis** (**NEW ARTICLE)**  **Principle of segregation of duties**  **The duties of authorizing officer and accounting officer shall be segregated and mutually exclusive.**  **Article 17 ter** **NEW ARTICLE**  **Authorising officer of the European Schools**  **The role of authorising officer of the European Schools is conferred to the Secretary-General.**  **Article 17 quater** **NEW ARTICLE**  **Powers and duties of the authorising officer of the European Schools**  **1. The authorising officer of the European Schools shall be responsible for implementing revenue and expenditure in accordance with the principles of sound financial management and for ensuring compliance with the requirements of legality and regularity.**  **2. For the purpose of the above and in compliance with Article 3bis and the Internal Control Standards adopted by the Board of Governors, the authorising officer of the European Schools shall put in place the organisational structure and the internal control systems suited to the performance of his or her duties, via a charter of tasks and responsibilities to be approved by the Board of Governors. For this purpose, the authorising officer may establish in the Office of the Secretary-General a control and advice function to help him or her fulfil his or her tasks and responsibilities and control the associated risks.**  **3. To implement expenditure, the authorising officer of the European Schools shall make budgetary commitments and legal commitments, shall validate expenditure, authorise payments and shall undertake the preliminary steps for the implementation of appropriations.**  **4. Implementation of revenue shall comprise drawing estimates of amounts receivable, establishing entitlements to be recovered and issuing recovery orders. It shall involve waiving established entitlements where appropriate.**  **5. The authorising officer of the European Schools shall conserve the supporting documents relating to operations carried out for a period of five years from the date of the decision granting discharge in respect of the implementation of the budget of the European Schools. Personal data contained in supporting documents shall be deleted were possible when those data are not necessary for budgetary discharge, control and audit purposes. In any event, as regards the conservation of traffic data, Article 37(2) of Regulation (EC) No 45/2001 shall apply**  **6. Within the framework set for in this Regulation, the authorising officer of the European Schools may issue Memoranda compulsory for the Schools where necessary for clarification purposes.**  **Article 17 quinquies** **NEW ARTICLE**  **Delegation of budget implementation powers**  **The authorising officer of the European Schools may delegate the powers of implementation of the budget to one or more authorising officers by delegation in the Schools and the Office of the Secretary-General.**  **The acts of delegation shall be communicated to the Board of Governors, the Budgetary Committee, and to the Administrative Boards.**  **Within the framework of this Regulation, the respective roles and responsibilities of the authorising officer of the European Schools and authorising officers by delegation, and as the case may be authorising officers by sub-delegation, will be set in a Charter proposed by the Secretary-General and approved by the Board of Governors.**  **Article 17 sexies** **NEW ARTICLE**  **Authorising officers by delegation**  **Each school and the Office of the Secretary-General may have an authorising officer by delegation.**  **He or she shall report to the authorising officer of the European Schools, without prejudice to the obligation for him or her to report also to the corresponding Administrative Board.**  **For the authorising officers by delegation the powers and duties of the authorising officer of the European Schools defined in Article 17 quarter above shall apply mutatis mutandis, except for the paragraph 6 of that article.**  **In particular, they will be responsible to put in place in the corresponding School the organisational structure and the internal control systems suited to the performance of his or her duties, within the general framework defined by the authorising officer of the European Schools as stated under Article 17 quater.**  **Within the scope of the delegated powers the authorising officer by delegation, and as the case may be the authorising officer by sub-delegation, takes full responsibility for any authorisation granted.**  **Article 17 septies Ex-ante and ex-post controls**  **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.**  **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 prior to its execution (ex-ante verification/control).**  **Each transaction shall be subject at least to an ex-ante verification, based on a desk review of documents and on the available result of controls already carried out, relating to the operational and financial aspects of the operation. In addition, the authorising officer responsible may put in place ex-post controls to verify operations already approved following ex-ante controls. Such ex-post controls may be organized on a sample basis according to a risk analysis.**  **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.**  **The ex-ante verification/control 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.**  **All staff responsible for controlling the management of financial operations must have the necessary professional skills. In particular, the members of the staff performing the ex-ante verification function shall be subject to the codes of professional standards approved by the Board of Governors.**  Article **~~19~~ 17 octies**    **Reporting**  1. **The authorising officers by delegation ~~The Head of each School~~** shall implement the budget **~~as authorising officer~~**, in accordance with thisFinancial Regulation and within the limits of theauthorised appropriations. **~~He or she~~ They** shallreport **in form of an annual activity report** to theAdministrative Board. **~~in the form of an annual activity report~~. After approval by the Administrative Board this report shall be submitted to the authorising officer of the European Schools at the latest by 15 February.**  **The authorising officer of the European Schoolsshall summarise the schools’ annual activityreports and prepare a global annual activityreport for the European Schools by the end of February. This summary ~~which he or she~~ shall also be attached ~~to be attached~~** ~~as~~ **~~an~~** ~~annex~~ to theconsolidated accounts drawn up in accordance withthe provisions of **~~Article 86~~**  **Section I of Title V that shall be submittedto the Board of Governors no later than 1 July ofthe following year.**  The annual activity report **of each school and of the Office of the Secretary-General** shall containfinancial and management information, including theresults of controls, declaring that, except asotherwise specified in any reservations related todefined areas of revenue and expenditure~~,~~ **~~he or she~~ the responsible authorising officer** has reasonableassurance 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 **annual** activity report **of each school and of the Office of the Secretary-General** shall indicatethe results of the operations by reference to theobjectives set, the risks associated with thoseoperations, the use made of the resources providedand the efficiency and effectiveness of the internalcontrol systems.  **The annual activity report of the European Schools shall give a summary of the annual activity reports of the Schools and of the Office of the Secretary-General. It shall conclude on the achievement of the objectives and implementation of sound financial management.**  **Without prejudice to the annual activity report, the authorising officer will provide a regular reporting to the Board of Governors, by mid of July of the corresponding financial year, on the following elements:**  **-a budgetary statement showing the real consumption of appropriations by budgetary line, their real rate of utilisation and an updated projection of this consumption till the end of the year;**  **-a synthetic report on the functioning of the internal control systems in the European Schools system and on the main findings resulting from the ex-post controls that the authorising officers may had put in place at the Schools and at the Office of the Secretary-General.**  **Any material findings resulting from other controls or audits in the European Schools system shall be reported promptly.**  Article **~~19~~ 17 nonies NEW ARTICLE**  **Protection of Schools' financial interests**  **If a member of staff, involved in the financial management and control of transactions, considers that a decision he or she is required by his or her superior to apply or to agree to is irregular or contrary to the principle of sound financial management or the professional rules which that member of staff is required to observe he or she shall inform the competent authorising officer in writing and, if the latter fails to take action or confirms the initial decision or instruction and the member of staff believes that such confirmation does not constitute a reasonable response to his or her concern, the member of staff shall inform the Secretary- General in writing.**  **In the event of any illegal activity, fraud or corruption which may harm the interests of the Schools or of the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools, the member of staff shall inform the authorities and bodies designated by the applicable legislation. An appropriate system should be established for the protection of the persons communicating the irregularities referred to under this Article.**  **Article 17 decies** **NEW ARTICLE**  **Accounting Officer**  **1. The Board of Governors shall appoint an accounting officer for the European Schools, who shall be totally independent in the performance of his or her duties.**  **2. The accounting officer shall be responsible for:**   * **properly implementing payments, collecting revenue and recovering amounts established as being receivable;** * **preparing, presenting and keeping the accounts in accordance with Title V of this regulation;** * **issuing binding accounting standards and guidance for the Schools;** * **validating the accounting systems for the production of the accounts.** * **Treasury and asset management and their safekeeping;** * **~~preparing and signing off the consolidated accounts of the European Schools, thereby certifying that he/she has reasonable assurance that the accounts present a true and fair view of the financial situation;~~**   **3. The accounting officer shall be responsible for laying down the accounting rules, procedures and the harmonised charts of accounts in accordance with Title V.**  **4. The accounting officer shall obtain from the** **responsible** authorising officer **~~shall provide the accounting officer~~ ~~of each School access to~~** all the information necessary for theproduction of accounts which give a true and fairview of the school’s financial situation and ofbudgetary implementation. **~~Without prejudice of the responsibilities of the accounting officer as stated in Article 87,~~**The **responsible** authorising officer shall guarantee the reliability of that information.  **5. Before the adoption of the accounts, the accounting office shall sign them off, thereby certifying that he/she has reasonable assurance that the accounts present a true and fair view of the financial situation.**  **For that purpose, the accounting officer shall verify that the accounts have been prepared in accordance with the accounting rules and the accounting procedures, referred to in paragraph 3 of this Article, and that all revenue and expenditure is entered in the accounts.**  **The authorising officers by delegation shall forward any information that the accounting officer needs in order to fulfil his or her duties.**  **The authorising officers by delegation shall remain fully responsible for the proper use of the funds they manage, the legality and regularity of the expenditure under their control and the completeness and accuracy of the information forwarded to the accounting officer.**  **6. The accounting officer shall be empowered to check the information received as well as to carry out any further checks he or she deems necessary in order to sign off the accounts.**  **The accounting officer shall make reservations, if necessary, explaining exactly the nature and scope of such reservations.**  **7. Except as otherwise provided for in this Regulation, only the accounting officer shall be empowered to manage cash and cash equivalents. The accounting officer shall be responsible for their safekeeping.**  **8. The accounting officer of the European Schools may, in the performance of his or her duties, delegate certain tasks to his or her subordinate staff.**  **The instrument of delegation shall lay down the tasks entrusted to the delegatees and their rights and obligations.**  **In addition, the accounting officer may be supported by the correspondents, in each School and in the Office of the Secretary-General. This shall be agreed by the respective Administrative Board and by the Secretary-General for the Office of the Secretary-General.**  **Article 17 undecies** **NEW ARTICLE**  **Administrators of Imprest accounts**  **For the payment of certain categories of expenditure, imprest accounts may be set up by the Accounting Officer upon favourable proposal of the Authorising Officer. The decision will spell out the responsibilities of the administrators of imprest accounts, under the general framework established under this Regulation.**  **Section II**  **LIABILITY OF THE FINANCIAL ACTORS**  **~~Article 79~~**  **Article 17 doudecies**  **Withdrawal of delegation and subdelegation and suspension of duties given to financial actors**   * 1. **Authorising officers by delegation and subdelegation may at any time have their delegation or subdelegation limited or withdrawn temporarily or definitely by the authority which appointed them .**   **The authorising officer of the European Schools may at any time withdraw his or her agreement to a specific subdelegation.**  **2. The accounting officer or administrator of imprest accounts, or both, may at any time be suspended temporarily or definitively from their duties by the authority which appointed them.**  **3. This Article shall be without prejudice to any disciplinary action taken in respect of the financial actors referred to in paragraphs 1 and 2.**  **~~Article 79~~ Article 17 ter decies**  **Rules applicable to authorising officers responsible**  **1. The authorising officer of the European Schools shall be liable to disciplinary action and, where appropriate, to payment of compensation, if he/she, whether intentionally or through gross negligence on his or her part**   1. **determines entitlements to be recovered or issues recovery orders, commits expenditure or signs a payment order without complying with this regulation;** 2. **omits to draw up a document establishing an amount receivable, neglects to issue a recovery order or is late in issuing it or is late in issuing a payment order, thereby rendering the School or the Office of the Secretary-General liable to civil action by third parties.**   **2. An authorising officer by delegation or subdelegation who considers that a decision, which is his or her responsibility to take, is irregular or contrary to the principle of sound financial management shall inform the delegating authority in writing. If the delegating authority then gives a reasoned instruction in writing to the authorising officer by delegation or subdelegation to take that decision, that authorising officer shall not be held liable.**  **3. In the event of delegation, the authorising officer of the European Schools shall continue to be responsible for the efficiency and effectiveness of the internal management and control system put in place and for the choice of the authorising officer by delegation.**  **Without prejudice to previous provisions ~~of this~~, the authorising officers by delegation or subdelegation, for the acts adopted within the framework of the powers conferred, shall render themselves liable to disciplinary action and, where appropriate to payment of compensation in the same way as the authorising officer of the European Schools .**  **~~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 81~~**  **Article 17 quater decies**  **Rules applicable to accounting officer**  **The** accounting officer**~~s~~, ~~and assistant accounting officers~~** shall **be ~~render themselves~~** liable to disciplinary action and, where appropriate, to payment of compensation as regards payments made by him **or her ~~them~~** in disregard of the third paragraph of Article 47 .  **He or she** **~~They~~** shall **be** **~~render themselves~~** liable to disciplinary action and to payment of compensation as regards any loss or deterioration of the monies, assets and documents in **~~their~~ ~~charge~~ his or her keeping**  where such loss or deterioration results from an intentional mistake or serious negligence on **his or her** **~~their~~**part.  Under the same conditions, **he or she** ~~they~~ shall be responsible for the correct execution of orders received by **him or her** **~~them~~** in respect of the use and the administration of bank accounts, and in particular:  (a) where the recoveries or payments made by **him or her ~~them~~** do not agree with the amounts on the corresponding recovery or payment orders;  (b) where **he or she ~~they~~** effect**s** payment to a party other than the payee entitled;  **and where he or she fails to collect revenue due.**  **~~Article 82~~ Article 17 quinquies decies**  **Rules applicable to administrators of imprest accounts**  Administrators of imprest accounts shall **be ~~render themselves~~** liable to disciplinary action and, where appropriate, to payment of compensation in the following cases:  (a) where they cannot show due warrant with proper documents for payments made by them;  (b) where they effect payments to parties other than entitled payees;  **(c) where they fail to collect revenue due**.  They shall be liable to disciplinary action and to payment of compensation in respect of any loss or deterioration of the monies, assets and documents in their charge where such loss or deterioration results from an intentional mistake or serious negligence on their part.  **~~Article 83~~**  **Article 17 sexies decies**  The accounting officer**~~s~~**~~,~~ **~~assistant accounting officers~~**and administrators of imprest accounts shall insure themselves against the risks arising under Articles **17 quater decies and 17 quinquies decies** **~~81 and 82~~**. **with the exclusion of the cases of intentional mistake.** The School**s** shall cover the insurance costs relating thereto and shall pay the premiums direct**ly** to the insurer.  **~~Article 84~~**  **Article 17 septies decies**  Pursuant to Articles **~~79 to 82~~** **17 ter decies**  to **17 quinquies decies** and in the event of clear irregularities  1. the liability to payment of compensation and disciplinary action of **the authorising officer of the European Schools,** authorising officers **by delegation or sub-delegation and the** accounting officer**~~s~~** **~~and the financial controller~~**shall be determined by the Board of Governors;  2. the liability to payment of compensation and disciplinary action of **~~assistant accounting officers~~,** ~~and~~ administrators of imprest accounts shall be determined by the Administrative Board and/or the Secretary-General;  3. furthermore, a civil or criminal action may be brought against the persons referred to in the preceding **points ~~paragraphs~~** in the courts of competent jurisdiction at the instigation of the Board of Governors or of the Administrative Board or of the Secretary-General.  **~~Article 85~~ Article 17 octies decies**  The School**s** and the Office of the Secretary-General shall be allowed a period of two years from the date when the account for revenue and expenditure is submitted to take a decision on the final discharge to be given to accounting officers for the transaction relating thereto.  **~~TITLE III~~**  **SECTION III**  IMPLEMENTATION OF THE BUDGET  **~~SECTION I~~**  General provisions  Article 18   1. **~~The budget shall be implemented in accordance with the principle that the authorising officers and accounting officers are different individuals.~~**   The appropriations shall be administered by the authorising officer**(s),** who is/**are** aloneempowered to enter into commitments regarding expenditure, establish entitlements to be collected and issue recovery orders and payment orders.  **~~The operations of collection or payment shall be carried out by the accounting officer.~~**  **~~The duties of authorising officer, financial controller accounting officer and internal auditor shall be mutually exclusive.~~**  **Article 18 bis** **NEW ARTICLE**  **Conflict of interests**  All financial actors and other persons involved in budget implementation and management including acts preparatory thereto, audit or control, shall not take any action which may bring their own interests into conflict with those of the Schools or of the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools. Where such a risk exists, the person in question shall refrain from such action and refer the matter to the **responsible** authori**~~z~~s**ing officer, who shall personally take any further appropriate action. If the person in question is **~~the~~** **an** authorising **officer by delegation**, he/she shall refer the matter to the Secretary**-**General of the European Schools, **~~which~~** **who** shall act accordingly. **In the case the person in question is the Secretary-General, the matter should be referred to the Board Governors, who shall decide on it.**  There is a conflict of interests where the impartial and objective exercise of the functions of a financial actor or other person, as referred to above, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary.  **The Secretary-General shall adopt rules on the prevention and management of conflict of interests.**  ~~Article 18 bis~~  ~~Internal control of budget implementation~~  ~~1. The budget shall be implemented in compliance with effective and efficient internal control.~~  ~~2. For the purposes of the implementation of the budget, internal control is defined as a process applicable at all levels of management and designed to provide reasonable assurance of achieving the following objectives:~~  ~~(a) effectiveness, efficiency and economy of operations;~~  ~~(b) reliability of reporting;~~  ~~(c) safeguarding of assets and information;~~  ~~(d) prevention, detection, correction and follow-up of fraud and irregularities;~~  ~~(e) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the nature of the payments concerned.~~  ~~3. Effective internal control shall be based on best international practices and include, in particular, the following:~~  ~~(a) segregation of tasks;~~  ~~(b) an appropriate risk management and control strategy;~~  ~~(c) avoidance of conflicts of interests;~~  ~~(d) adequate audit trails and data integrity in data systems;~~  ~~(e) procedures for monitoring of performance and for follow-up of identified internal control weaknesses and exceptions;~~  ~~(f) periodic assessment of the sound functioning of the internal control system.~~  ~~4. Efficient internal control shall be based on the following elements:~~  ~~(a) the implementation of an appropriate risk management and control strategy; coordinated among appropriate actors involved in the control chain;~~  ~~(b) the accessibility for all appropriate actors in the control chain of the results of controls carried out;~~  ~~(c) the timely application of corrective measures;~~  ~~(d) the elimination of multiple controls;~~  ~~(e) improving the cost-benefit ratio of controls.~~  **~~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 drawn up in accordance with the provisions of Article 86.~~**  **~~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;~~**  **~~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;~~**  **~~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.~~**   * + 1. **~~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.~~**   1. **~~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.~~**   2. **~~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.~~**   3. **~~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 and in the implementing rules referred to in Article 105, 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.~~**   1. **~~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.~~** 2. ***~~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.~~** 3. **~~Each operation shall be subject to the system of~~ *~~ex ante~~* ~~control, as stated in the implementing rules referred to in Article 105,~~** 4. **~~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.~~** 5. **~~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.~~**   **~~7.All staff responsible for controlling the management of financial operations must have the necessary professional skills. They shall be subject to the codes of professional standards approved by the Board of Governors in accordance with the implementing rules referred to in Article 105.~~**  **~~8. Any member of staff involved in the financial management and control of transactions who considers that a decision he/she is required by his/her superior to apply or to agree to is irregular or contrary to the principles of sound financial management or the professional rules he/she is required to observe shall inform the authorising officer in writing and, if the latter fails to take action, the Secretary- General. In the event of any illegal activity, fraud or corruption which may harm the interests of the Schools or of the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools, he or she shall inform the authorities and bodies designated by the applicable legislation.~~**  ~~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 referred to in Article 105.~~**  **~~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.~~**   * + 1. **~~In exceptional circumstances, in accordance with the implementing rules referred to in Article 105, 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.~~**  1. **~~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.~~**    1. **~~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 referred to in Article 105, shall be such as to guarantee that they are independent in the performance of their duties.~~**  **SECTION IV**  **INTERNAL AUDITING FUNCTION**  Article 21  The Board of Governors shall establish an internal auditing function which must be performed in compliance with the relevant international standards with the objective of verifying the proper operation of budgetary implementation systems and procedures.  Article 22  1. The internal auditing function shall consist in advising the Board of Governors 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.  This function shall include in particular:  (a) the assessment of the suitability and effectiveness of internal management systems and the performance of the Schools and the Office of the Secretary General in implementing their activities by reference to the risks associated with them;  (b) the assessment of the suitability and quality of the internal control and audit systems applicable to every budgetary implementation operation.  2. This function shall be carried out on all the activities and departments of the Schools and the Office of the Secretary General, with full and unlimited access to all information required to perform these duties, if necessary on the spot.  3. On completion of each audit, a report shall be established for the attention **of the Secretary-General and** of the Board of Governors setting out the findings and recommendations. **The Secretary-General and** The Board shall ensure that action is taken on recommendations resulting from audits.  4. An annual audit report shall be established by the end of February of the year following the financial year concerned, **~~as specified in the implementing rules referred to in Article 105~~**, and shall be addressed for the attention of the **of the Secretary-General and of the** Board of Governors which shall communicate it to the Court of Auditors.  Article 23  1. The Board of Governors shall determine the scope of the mission of the internal auditor and shall lay down, in detail, the objectives and procedures for the exercise of the internal auditing function.  2. The Board of Governors shall appoint its internal auditor in accordance with arrangements adapted to its specific features and requirements.  **~~Article 24~~**  **~~In each School, the collection of revenue and the payment of expenditure shall be carried out by an accounting officer.~~**  **~~Two or more Schools may appoint the same accounting officer.~~**  **~~Accounting officers shall be recruited on the grounds of their particular competence as evidenced by diplomas or by equivalent professional experience.~~**  **~~The Secretary-General shall appoint the accounting officer of the Office of the Secretary-General, who shall be responsible, in particular, for consolidation of accounts.~~**  **~~Subject to the third paragraph of Article 49 and to Article 50 of this Regulation, the accounting officers alone are empowered to manage the treasury and other assets. They shall be responsible for their safekeeping.~~**  **~~The accounting officers shall be responsible for preparing the financial statements provided for in Articles 75, 76, 77 and 78 of this Regulation. In each School, the accounting officer may be assisted in his or her duties by one or more assistant accounting officers, appointed by the Administrative Boards or by the Secretary-General in so far as the Office of the Secretary-General is concerned.~~**  **~~The accounting officer may, in the performance of his or her duties, delegate certain tasks to subordinate staff, where this is indispensable for the performance of his or her duties. The instrument of delegation shall lay down the tasks entrusted to the delegatees and their rights and obligations.~~**  **~~Article 25~~**  **~~1. Appropriations shall be earmarked for specific purposes, by chapter, article and item.~~**  **~~1. Subject to article 25.3, authorising officers may effect transfers from one item to another, from one article to another and from one chapter to another within each budget section. In each school, the Administrative Board shall be informed of these transfers at its next following meeting.~~**  **~~2. Transfers from items relating to remuneration and allowances of staff into items relating to other types of expenditure shall be subject to the prior agreement of the Administrative Board in so far as the budgetary section of a School is concerned, and to the prior agreement of the Secretary-General in so far as the Office of the Secretary-General is concerned. These transfers are also subject to the prior agreement of the Administrative and Financial Committee.~~**  **~~4. Every proposal for a transfer within a section must be duly substantiated. The Head of the school, and the Deputy Secretary-General in so far as the Office of the Secretary-General is concerned shall certify that the appropriations are available and that the transfer is consistent with the basic principles of implementation of the budget.~~**  ~~Article 26~~   * + 1. **~~By way of derogation from Article 4, the following may be deducted from all payment requests, invoices or statements, which shall then be passed for payment of the net amount:~~**   **~~fines imposed on a party to a contract;~~**  **~~adjustment of amounts paid in error, which may be achieved by means of deduction beforehand when another validation is being effected with regard to the same third party;~~**  **~~the value of apparatus and equipment for educational, teaching and technical purposes and the value of vehicles, equipment and installations taken in part exchange in accordance with commercial usage upon purchase of new apparatus, vehicles, equipment and installations of the same kind.~~**  **~~(d) Discounts, refunds and rebates on invoices and bills shall not be recorded as separate revenue.~~**   * + 1. **~~By way of derogation from Articles 4 and 5, the following sums may be reused:~~**   **~~(a) revenue arising from the refund of amounts paid in error against budget appropriations;~~**  **~~(b) proceeds from the supply of goods and services to other organizations;~~**  **~~(c) insurance payments received;~~**  **~~(d) revenue from the sale of publications;~~**  **~~(e) refunds of taxes − incorporated in the price of the products or services provided to the Schools − effected by Member States pursuant to the agreements signed by the Member State in which one or more European Schools are located and the Board of Governors;~~**  **~~(f) revenue from the supply of goods and services against payment;~~**  **~~(g) proceeds from the sale of vehicles, equipment and installations which are being replaced;~~**  **~~(h) donations and subsidies other than those included in the budget.~~**  **~~Such sums must be re-used before the end of the financial year following that in which the revenue was collected.~~**  **~~The accounting plan shall include suspense accounts in order to record the re-use of sums in respect of revenue and of expenditure.~~**  **~~3. Notwithstanding Article 4, repayments made by third parties may be deducted from expenditure in cases where the School has effected a payment for which it is legally liable to its creditors but where all or part thereof has been paid on behalf of those third parties.~~**  **~~4. By way of derogation from Article 4, adjustments may be made in respect of exchange differences occurring in budget operations.~~**  **~~The final gain or loss shall be entered in the balance for the year.~~**  **SECTION V**  **REVENUE OPERATIONS**  Article 27  **Estimate, establishment and approval of recovery**  1. All measures which may give rise to or modify a debt must be approved by the **~~competent~~** **responsible** 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 **responsible** 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.  Forward proposals may be made in respect of certain items of current revenue **~~in accordance~~** **~~with the implementing rules referred to in~~** **~~Article 105.~~**  **~~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~~ responsible** authorising officer shall approve, in respect of every debt established, a recovery order. Such recovery orders shall be registered by the accounting officer **~~in accordance with the implementing~~** **~~rules referred to in Article 105.~~**  The purpose of the approval shall be to establish that:  (a) the revenue is booked to the correct budget item;  (b) the order is in order and conforms to the relevant provisions;  (c) the supporting documents are in order;  (d) the debtor is correctly described;  (e) the due date is indicated;  (f) the order conforms to sound financial management;  (g) the amount and currency of the sum to be recovered are correct.  **~~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  **Rules on recovery**  1. The accounting officer shall assume responsibility for the recovery of **amounts** receivable ~~orders~~ duly **established by the authorising officer responsible**~~drawn up~~. **The accounting officer**~~He~~ shall exercise **~~all~~** due diligence to ensure that the revenue **~~resources~~** due to the School**s** are recovered at the due dates indicated in the recovery orders and shall ensure that **the** Schools' **~~its~~** rights are safeguarded.  The accounting officer shall inform the **responsible** 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 **responsible** authorising officer **plans to** waive~~s~~ **or partially waive** the **~~right to~~** recover**y of** an established **amount receivable ~~debt~~**, he shall send the corresponding approval for **waiver**~~cancellation~~ to the accounting officer for information.  The purpose of the approval by the ~~A~~**a**uthorising ~~O~~**o**fficer**, ~~and by the financial controller where~~** **~~applicable under paragraph 3 of Article 20~~*,*** shall be to **ensure ~~establish~~** that the waiver is in order and **is in accordance ~~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.~~**  **~~4. The implementing conditions in respect of this Article shall be determined by the implementing rules referred to in Article 105.~~**  Article 29  Payments to the Schools shall be effected through a bank account.  Article 30  Estimates of the own resources and of the contributions of the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools shall be entered in the budget. They shall be made available in accordance with the decisions taken by the Board of Governors or with **A**~~a~~rticles 31 and 32 of this Regulation.  Article 31  **Contribution from the European Union budget**  The contribution from the European Union budget referred to in Article 14(1) of this Regulation shall be paid as follows:  **- six  ~~three~~** twelfths of the amount shown in the budget not later than 15 January **of year N**,  **~~-~~ four twelfths not later than 15 June of year N,**  - the remaining twelfths not later than 15 November **of year N**, account being taken of real requirements.  The last payment of this contribution shall be made on the basis of a call for funds supported by the following documents:  - a financial statement closed on the **15 September of year N**  - a budgetary statement, showing the consumption of appropriations **by** **budget line**, their rate of utilisation and an updated projection of this consumption **until the end of the** **year.**  **These documents shall be provided no later than 22 September of year N.**  Article 32  **Contributions from the European Patent Office**  The contribution from the European Patent Office referred to in Article 2 of the Agreement of 7 November 1977 concluded with the Board of Governors shall be paid, pursuant to Article 3 of the said Agreement, in advance in equal quarterly instalments. The documents referred to in **A**~~a~~rticle 31 shall be furnished in support of the call for this contribution.  **SECTION VI~~II~~**    **EXPENDITURE OPERATIONS**  **~~Commitment, validation, authorization and payment of expenditure~~**  1. Commitment of expenditure  Article 33  1. All measures which may give rise to expenditure chargeable to the budget must be preceded by a proposal for the commitment of expenditure from the **responsible** authorising officer. A provisional commitment may be entered into in respect of current expenditure.  2. The procedure for implementing paragraph 1 above shall ensure that an exact account is kept of commitments and authorizations, in accordance with real requirements.  Article 34  Proposals for commitments, accompanied by the supporting documents, shall be transmitted to the **responsible** authorising officer and to the accounting officer; they shall show, in particular, the purpose of the expenditure, the estimated amount involved, the budget item to which it is to be charged and also the name and description of the creditor; they shall be registered.  Article 35   * + 1. The purpose of the approval for commitments of expenditure given by the **responsible** authorising officer 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.  2. Approval may not be conditional.  **~~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).~~**  **2. Validation of expenditure**  Article 37  Validation of expenditure is the act whereby the **responsible** authorising officer shall:  - verify the existence of the creditor's entitlement,  - determine or verify the reality and the amount of the claim,  - verify the conditions under which payment isdue.  Article 38  1. Validation of any expenditure shall be subject to the submission of supporting documents showing the creditor's entitlement and the service rendered, supplies actually delivered or works actually carried out or the existence of a document justifying payment. **~~The implementing rules referred to in Article 105 shall lay down the nature and the contents of the supporting documents to be enclosed with the payment order.~~**  2. Supporting documents pertaining to the accounts and the drawing up of the revenue and expenditure account and the balance sheet shall be kept for a period of five years following the date of the decision giving discharge in respect of the implementation of the budget, referred to in Article 95.  However, the documents relating to transactions not finally closed shall be kept for longer than the said period.  3. The authorising officer empowered to validate expenditure shall personally check the supporting documents or shall, on his own responsibility, ascertain that this has been done.  Article 39  Remuneration and allowances shall be validated in accordance with collective statements drawn up by the department in charge of personnel, except where individual validation is necessary.  3. Authorization of expenditure  Article 40  Authorization **of expenditure** is the act **by which ~~whereby~~** the **responsible** authorising officer, **having verified that the appropriations are available, ~~by the issue of a payment order,~~** instructs the accounting officer, **by issuing a payment order**, to pay an amount ofexpenditure which **the authorising officer responsible ~~he~~**has validated.  Article **40bis**  **When drawing up the payment orders the authorising officer responsible shall ensure 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 41  The payment order shall state:  - the financial year against which the payment shall be charged;  - the budget article and any other subdivision that may apply;  - the amount to be paid, expressed in **euro ~~EURO~~**;  - the name, address and bank account details of the payee;  - the purpose of the expenditure;  - the method of payment, wherever possible.  The payment order shall be dated and signed by the authorising officer **responsible and then sent to the accounting officer**.  Article 42  The payment order shall be accompanied by the original supporting documents, **~~as determined by the implementing rules referred to in Article 105~~**. These documents shall be certified or accompaniedby a certificate confirming the correctness of the amounts to be paid, the receipt of the supplies and the performance of the service together with, if appropriate, the entry of the goods in the inventories referred to in Article **~~71~~ 95**.  The payment order shall show the numbers of the relevant approvals of commitment. Copies of supporting documents, certified as true copies by the **responsible** authorising officer, may, in some cases, be accepted in place of the originals.  Article 43  For payments by instalment, the first payment order shall be accompanied by documents establishing the creditor's claim to payment of the instalment in question. Subsequent payment orders shall refer to the supporting documents already furnished, and repeat the reference number of the first payment order.  The authorising officer **responsible** may grant advances to personnel if the staff regulations or a provision laid down by this Regulation or by rules drawn up by the Secretary-General specifically provide therefor.  The authorising officer **responsible** may grant advances to cover disbursements to be effected by a member of staff on behalf of the School. **~~The implementing conditions for this subparagraph shall be determined by the implementing rules referred to in Article 105.~~**  ~~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 **issuing a payment order ~~approval~~, ~~by~~**the **responsible** authori**s**~~z~~ing officer **~~and where applicable of the financial~~** **~~controller~~, shall send** the original of the payment order, together with all supporting documents, **~~shall be forwarded~~** to the accounting officer.  4. Payment of expenditure  Article 47  Payment is the final action whereby the School concerned is discharged of its obligations towards its creditors.  Payment shall be made by the accounting officer within the limits of the funds available.  In the event of a substantive error or of the validity of the discharge being contested or of failure to observe the formalities prescribed by this Financial Regulation, the accounting officer shall suspend the time limit for payment. The creditor concerned shall be informed in writing of the reasons for that suspension.  Article 48  If payment is suspended, the accounting officer shall give the reasons for his decision in a written statement which he shall send forthwith to the **responsible** authorising officer **~~and, for information, to the financial controller.~~**  Except where the validity of the discharge is contested, the **responsible** authorising officer may place the matter before the Administrative Board and/or the Secretary-General. This authority may require, in writing, and on its own responsibility, that payment be effected.  Article 49  Payments shall be effected as a general rule through a bank account by electronic means.  The **rules ~~procedure~~** for opening, administering and using such accounts **~~shall be determined by the implementing rules referred to in Article 105.~~**  **~~These rules~~** shall, in particular, indicate expenditure the payment of which must necessarily be effected by bank transfer order, and shall receive the signature on bank transfer orders of one or more duly authorised officials, one signature necessarily being that of the accounting officer, **~~an assistant accounting officer,~~** or an administrator of an imprest account. In particular, until an effective link is put in place between the accounting software and the electronic banking payment systems, payment of expenditure shall receive the joint signature on bank transfer orders of two duly authorised officials.  **Payments shall be initiated by the accounting officer in the available electronic payment system and authorised by the authorising officer responsible. These roles shall be embedded in the electronic payment system.**  Article 50  **Imprest accounts**  For the payment of certain categories of expenditure, imprest accounts may be set up. **The maximum amount which may be paid by the administrator of imprest accounts shall not exceed EUR 60 000 for each item of expenditure.**  Only the accounting officer may replenish the imprest accounts, save in **the** exceptional cases defined in **this Regulation** **~~the implementing measures.~~**  **~~These measures shall contain specific provisions concerning in particular:~~**  **~~- the method of appointment and the responsibilities of administrators of imprest accounts;~~**  **~~- the nature and maximum amount of each item of expenditure to be incurred;~~**  **~~- the maximum amount of the imprest which may be advanced;~~**  **~~- the time within which supporting documents must be produced;~~**  **~~- the procedures for settlement.~~**  **SECTION ~~I~~ VII**  Management of posts  Article 51  Within each School and the Office of the Secretary- General the following shall be established:  (a)a table of staff,  (b)an organization chart with a diagram of the organization of the departments.  TITLE IV  PROCUREMENT, **~~INVENTORIES,~~**  **~~ACCOUNTANCY~~**  **~~SECTION I~~**  **~~Procurement~~**  **Article 52 NEW ARTICLE**  **1.As regards procurement, Title V of Regulation (EU, Euratom) No 966/2012 and Delegated Regulation (EU) No 1268/2012 shall apply subject to paragraphs 2 to 6 of this Article.**  **2. The Schools and the Office of the Secretary-General shall be deemed to be contracting authorities**.  **3 .The obligation of the Schools and the Office of the Secretary-General to issue invitations to tender shall not apply to contracts with a value below the thresholds provided for in Article 4 (b) of the Directive 2014/24/ EU and which are concluded with the same contractors and on the same terms as a contract concluded by a governmental organization, a public administration or a Union institution, organization or agency or by the European Patent Office.**  **4.The European Schools may be associated, at their request, as contracting authority, in the award of Commission or interinstitutional contracts and with the award of contracts of other Union bodies.**  **5.The European Schools may conclude a contract, without having recourse to a public procurement procedure, with the Commission, the European offices and the Translation Centre for bodies of the European Union established by Council Regulation (EC) No 2965/94 for the supply of goods, provision of services or performance of work that the latter provide.**  **6.The European Schools may be associated as contracting party in joint procurement procedures with contracting authorities of the host Member State to cover its administrative needs. In such case, Article 104a of Regulation (EU, Euratom) No 966/2012 shall apply mutatis mutandis.**  **~~Article 52~~**  **~~1. Public contracts are contracts for pecuniary interest concluded in writing by a contracting authority within the meaning of Article 68, in order to obtain, against payment of a price paid in whole or in part from the budget, the supply of movable assets, the execution of works or the provision of services.~~**  **~~These contracts comprise:~~**  **~~(a) supply contracts;~~**  **~~(b) works contracts;~~**  **~~(c) service contracts.~~**  **~~2. Framework contracts are contracts concluded between one or more economic operators and one or more contracting authorities, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged. They shall be governed by the provisions of this Title concerning the award procedure, including advertising.~~**    **~~Article 53~~**  **~~1. All public contracts financed in whole or in part by the budget shall comply with the principles of transparency, proportionality, equal treatment and non-discrimination.~~**  **~~2. All procurement contracts shall be put out to tender on the broadest possible base, except when use is made of the negotiated procedure referred to in Article 55(1)(b).~~**  **~~Article 54~~**  **~~1-All contracts exceeding the thresholds provided for in Article 69 shall be published in the Official Journal of the European Union.~~**  **~~Contract notices shall be published in advance except in the cases referred to in Article 55(2) and for the service contracts covered by Annex II B to Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.~~**  **~~Publication of certain information after the contract has been awarded may be dropped where it would hinder application of the law, would be contrary to the public interest or would harm the legitimate business interests of public or private undertakings or could distort fair competition between them.~~**  **~~2. Contracts with a value below the thresholds provided for in Article 69 shall be advertised as appropriate.~~**  **~~Article 55~~**  **~~1. Procurement procedures shall take one of the following forms:~~**  **~~(a) the open procedure;~~**  **~~(b) the restricted procedure;~~**  **~~(c) the negotiated procedure.~~**  **~~2. For contracts where the value exceeds the thresholds provided for in Article 69, use of the negotiated procedure shall be authorised only in the cases provided for in the implementing rules.~~**  **~~3. The thresholds below which the contracting authority may use a negotiated procedure shall be determined in the implementing rules.~~**  **~~4. The procedures applicable to the types of procurement procedure, low value contracts and payment against invoices shall be determined in the implementing rules.~~**  **~~5. The estimated value of a contract may not be determined with a view to evading the requirements laid down in this Regulation, nor may a contract be split up for that purpose.~~**  **~~Article 56~~**  **~~1. A full, clear and precise description of the subject of the contract must be given in the documents relating to the call for tenders~~~~and specify the exclusion, selection and award criteria applicable to the contract.~~**  **~~2. The content of tender documents, including the possibility of, and the conditions for, revision of the price and the technical specifications shall be determined in the implementing rules.~~**  **~~Article 57~~**  **~~1. Candidates or tenderers shall be excluded from participation in a procurement procedure if:~~**  **~~(a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;~~**  **~~(b) they have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;~~**  **~~(c) they have been guilty of grave professional misconduct proven by any means which the contracting authority can justify;~~**  **~~(d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the contract is to be performed;~~**  **~~(e) they have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;~~**  **~~(f) following a procurement procedure financed by the Community budget, they have been declared to be in serious breach of contract for failure to comply with their contractual obligations.~~**   * + 1. **~~Candidates or tenderers shall certify that they are not in one of the situations listed in paragraph 1. However, the contracting authority may refrain from requiring such certification for very low value contracts.~~**   **~~For the purpose of the correct application of paragraph 1, the candidate or tenderer, whenever requested by the contracting authority, shall:~~**  **~~(a) where the candidate or tenderer is a legal person, provide information on the ownership or on the management, control and power of representation of the legal person and certify that they are not in one of the situations referred to in paragraph 1;~~**  **~~(b) where subcontracting is envisaged, certify that the subcontractor is not in one of the situations referred to in paragraph 1.~~**  **~~Article 58~~**  **~~Contracts may not be awarded to candidates or tenderers who, during the procurement procedure:~~**  **~~(a) are subject to a conflict of interest;~~**   * **~~are guilty of misrepresentation in supplying the information required by the contracting authority as a condition of participation in the contract procedure or fail to supply this information.~~**   **~~(c) find themselves in one of the situations of exclusion, referred to in Article 57.1 for the procurement procedure.~~**  **~~Article 59~~**  **~~The European Schools and the Office of the Secretary-General shall have access to the database of the European Commission provided for by Article 108 of Council Regulation (EU, Euratom) N° 966/2012~~~~of 25 October 2012, being obliged to transmit relevant information for inclusion in the database.~~**  **~~Article 60~~**  **~~Administrative penalties may be imposed by the contracting authority on candidates or tenderers who are in one of the cases of exclusion provided for in Articles 57 and 58, after they have been given the opportunity to present their observations.~~**  **~~These penalties may consist in the exclusion of the candidate or tenderer concerned from contracts for a maximum period of five years.~~**  **~~The penalties imposed shall be in proportion to the importance of the contract and the seriousness of the misconduct.~~**  **~~Article 61~~**  **~~1. The selection criteria for evaluating the capability of candidates or tenderers and the award criteria for evaluating the content of the tenders shall be defined in advance and set out in the call for tender.~~**   * 1. **~~Contracts may be awarded by the automatic award procedure or by the best-value-for-money procedure.~~**   2. **~~The specification of the selection criteria and the award criteria, the documents that give proof of economic and financial capacity and the evidence of technical and professional capacity and detailed rules on abnormally low tenders shall be specified in the implementing rules.~~**   **~~Article 62~~**   * + 1. **~~The arrangements for submitting tenders shall ensure that there is genuine competition and that the contents of tenders remain confidential until they are all opened simultaneously.~~**     2. **~~With the exception of the contracts involving small amounts referred to in Article 55(3), applications and tenders shall be opened by an opening board appointed for this purpose. Any tender or application declared by the board not to satisfy the conditions laid down shall be rejected.~~**     3. **~~All requests to participate or tenders declared by the opening board to satisfy the conditions laid down shall be evaluated, on the basis of the selection and award criteria laid down in the documents relating to the call for tenders, by a committee appointed for this purpose with a view to proposing to whom the contract should be awarded.~~**     4. **~~The different methods of communication and detailed rules on the opening of tenders, on the requests to participate and on the Committee for the evaluation of tenders and requests to participate will be determined in the implementing rules.~~**   **~~Article 63~~**  **~~While the procurement procedure is under way, all contacts between the contracting authority and candidates or tenderers must satisfy conditions ensuring transparency and equal treatment. They may not lead to amendment of the conditions of the contract or the terms of the original tender.~~**  **~~Article 64~~**  **~~1. The authorising officer shall decide to whom the contract is to be awarded, in compliance with the selection and award criteria laid down in advance in the documents relating to the call for tenders and the procurement rules.~~**  **~~2. The contracting authority shall notify all candidates or tenderers whose applications or tenders are rejected of the grounds on which the decision was taken, and all tenderers whose tenders are admissible and who make a request in writing of the characteristics and relative advantages of the successful tender and the name of the tenderer to whom the contract is awarded.~~**  **~~However, certain details need not be disclosed where disclosure would hinder application of the law, would be contrary to the public interest or would harm the legitimate business interests of public or private undertakings or could distort fair competition between those undertakings.~~**  **~~Article 65~~**  **~~The contracting authority may, before the contract is signed, either abandon the procurement or cancel the award procedure without the candidates or tenderers being entitled to claim any compensation.~~**  **~~The decision must be substantiated and be brought to the attention of the candidates or tenderers.~~**  **~~Article 66~~**  **~~The contracting authority may and, if it deems it appropriate and proportionate on a case-by-case basis and subject to a risk-analysis in certain cases provided for in the implementing rules referred to in Article 105, must require contractors to lodge a guarantee in advance in order to:~~**  **~~(a) ensure full performance of the contract,~~**  **~~(b) limit the financial risks connected with payment of pre-financing.~~**  **~~Article 67~~**  **~~Where the award procedure proves to have been subject to substantial errors, irregularities or fraud, the Schools shall suspend the procedure and may take whatever measures are necessary, including the cancellation of the procedure.~~**  **~~Where, after the award of the contract, the award procedure or the performance of the contract prove to have been subject to substantial errors, irregularities or fraud, the Schools may, depending on the stage reached in the procedure, refrain from concluding the contract or suspend performance of the contract or, where appropriate, terminate the contract.~~**  **~~Where such errors, irregularities of fraud are attributable to the contractor, the Schools may in addition refuse to make payments, may recover amounts already paid or may terminate all the contracts concluded with this contractor, in proportion to the seriousness of the errors, irregularities or fraud.~~**  **~~Article 68~~**  **~~The Schools and the Office of the Secretary-General shall be deemed to be contracting authorities.~~**  **~~Article 69~~**  **~~1. The Directive of the European Parliament and of the Council on the coordination of procedures for the award of public supply, service and works contracts shall lay down the thresholds which determine:~~**  **~~(a) the publication arrangements referred to in Article 54;~~**  **~~(b) the choice of procedures referred to in Article 55;~~**  **~~(c) the corresponding time limits.~~**  **~~2. Subject to exceptions and conditions to be specified in implementing rules, the contracting authority shall not, in the case of contracts covered by Directive 2004/18/EC, sign the contract or framework contract with the successful tenderer until a standstill period has elapsed.~~**  **~~3. Detailed rules on the thresholds applicable, separate contracts and contracts with lots, estimating the value of certain contracts, and the standstill period before the signature of the contract will be specified in the implementing rules.~~**  **~~Article 70~~**  **~~The obligation of the Schools and the Office of the Secretary-General to issue invitations to tender shall not apply:~~**  **~~a) to contracts concluded by a governmental organisation, a public administration or a Community institution, organisation or agency or by the European Patent Office, with which the Schools and the Office of the Secretary-General have been associated as contracting authorities;~~**  **~~b) to contracts with a value below the thresholds provided for in Article 69 and which are concluded with the same contractors and on the same terms as a contract concluded by a governmental organisation, a public administration or a Community institution, organisation or agency or by the European Patent Office.~~**  **~~Article 71~~**  **~~Permanent inventories showing the quantity and value of all movable and immovable property~~**  **~~belonging to the School shall be kept.~~**  **~~Only movable property exceeding a specific value laid down in the implementing rules provided for in Article 105 shall be entered in those inventories. The School shall carry out its own inspection to ascertain that entries in the inventory correspond to the physical facts, enabling there to be centralized control every three years, a copy being forwarded to the Office of the Secretary-General.~~**  **~~Article 72~~**  **~~The sale of movable property shall be suitably advertised in accordance with the implementing~~**  **~~rules provided for in Article 105.~~**  **~~Apart from sales by public auction, members of the School's staff may not acquire any movable property resold or otherwise disposed of by the said School.~~**  **~~Article 73~~**  **~~A statement or record shall be drawn up by the authorising officer whenever any property in the inventory is sold, given away free of charge, scrapped, hired out, or missing on account of loss, theft or any other reason.~~**  **~~The statement or record shall refer in particular to any obligation that may devolve on a member of staff, a pupil of the School or any other person to replace the item in question.~~**  **~~Article 74~~**  **~~All acquisitions of movable or immovable property as defined in Article 71 shall, before payment, be entered in the permanent inventories.~~**  **~~That entry shall be recorded in the corresponding invoice or annexed document drawn up with a view to payment of the expenditure.~~**  **~~SECTION III~~**  **~~Accounts~~**  **~~Article 75~~**  **~~The accounting system of the European schools shall serve to organise the budgetary and financial information in such a way that figures can be entered, filed and registered. The accounts shall be kept in EURO by the double entry method, on the basis of the calendar year.~~**  **~~They shall show all revenue and expenditure for the financial year. They shall be authenticated by supporting documents. The revenue and expenditure account and the balance sheet shall be drawn up in EURO.~~**  **~~Article 76~~**  **~~The accounting plan shall make a clear distinction between budgetary accounts and general accounts. It shall comprise two parts:~~**  **~~(a) accounts of budgetary expenditure and revenue, which show the detailed implementation of the~~**  **~~budget;~~**  **~~(b) The general accounts, which shall record in chronological order all events and operations which affect the economic and financial situation and the assets and liabilities of the European Schools, under the accruals principle.~~**  **~~The detailed conditions for the establishment and operation of the accounting plan for operations~~**  **~~relating both to finances and to the implementation of the budget shall be determined by the implementing rules provided for in Article 105.~~**  **~~The accounts shall include an annual balance of accounts and a monthly statement of revenue and~~**  **~~expenditure by chapter, article and item.~~**  **~~These statements shall be forwarded to the authorising officers of the European Schools, and to the authorising officer by delegation and may be consulted by the financial controller.~~**  **~~Article 77~~**  **~~Any advance, other than regular advances which are periodically re-examined, shall be entered in a suspense account and settled at the latest during the financial year which follows the payment of this advance.~~**  **~~However, the advances referred to in the second and third paragraphs of Article 43 shall be settled as a general rule within six weeks following completion of the project for which they were granted, except in duly justified circumstances.~~**  **~~Article 78~~**  **~~The accounts shall be closed at the end of the financial year to enable a balance sheet of the School and the revenue and expenditure account referred to in Title VI to be drawn up. The revenue and expenditure account shall be submitted to the Administrative Board and to the financial controller.~~**  **~~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 81~~**  **~~Accounting officers and assistant accounting officers shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation as regards payments made by them in disregard of the third paragraph of Article 47 .~~**  **~~They shall render themselves liable to disciplinary action and to payment of compensation as regards any loss or deterioration of the monies, assets and documents in their charge where such loss or deterioration results from an intentional mistake or serious negligence on their part.~~**  **~~Under the same conditions, they shall be responsible for the correct execution of orders received by them in respect of the use and the administration of bank accounts, and in particular:~~**  **~~(a) where the recoveries or payments made by them do not agree with the amounts on the corresponding recovery or payment orders;~~**  **~~(b) where they effect payment to a party other than the payee entitled.~~**  **~~Article 82~~**  **~~Administrators of imprest accounts shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation in the following cases:~~**  **~~(a) where they cannot show due warrant with proper documents for payments made by them;~~**  **~~(b) where they effect payments to parties other than entitled payees.~~**  **~~They shall be liable to disciplinary action and to payment of compensation in respect of any loss or deterioration of the monies, assets and documents in their charge where such loss or deterioration results from an intentional mistake or serious negligence on their part.~~**  **~~Article 83~~**  **~~The accounting officer, assistant accounting officers and administrators of imprest accounts shall insure themselves against the risks arising under Articles 81 and 82. The School shall cover the insurance costs relating thereto and shall pay the premiums direct to the insurer.~~**  **~~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.~~**  **~~2. the liability to payment of compensation and disciplinary action of assistant accounting officers and administrators of imprest accounts shall be determined by the Administrative Board and/or the Secretary-General;~~**  **~~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.~~**  **~~Article 85~~**  **~~The School and the Office of the Secretary-General shall be allowed a period of two years from the date when the account for revenue and expenditure is submitted to take a decision on the final discharge to be given to accounting officers for the transaction relating thereto.~~**  TITLE V**~~I~~**  **PRESENTATION OF THE ACCOUNTS AND ACCOUNTING**~~ING AND AUDITING ACCOUNTS~~  **SECTION I**  **Presentation of the accounts**  Article 86  **Structure of the accounts**  The accounts of the European Schools **~~shall present a true and fair view of the budgetary revenue and expenditure. They~~** shall comprise:  **a) the consolidated financial statements, which present the consolidation of the financial information contained in the financial statements of the Schools;**  **b) the** reports on implementation of the budget  **Article 86 bis NEW ARTICLE**  **Rules governing the accounts**  **1. The accounting officer shall adopt rules based on internationally accepted accounting standards in the public sector.**  2. **The accounts referred to in Article 86 shall respect the budgetary principles laid down in this regulation. They ~~The accounts of the European schools~~ shall** present a true and fair view of the budgetary revenue and expenditure operations **and of the financial** **situation and cash flows**.  **Article 86 ter**  **Accounting principles**  **~~and a balance sheet of assets and liabilities of all the schools as at 31 December of the preceding financial year.~~** The **financial statements ~~accounts~~** referred to in Article **86 ~~76~~** shall present information**, including information on accounting policies,** in a manner that ensures it is relevant, reliable, comparable and understandable**. The financial statements**~~,~~ **~~and~~** shall be drawn up in accordance with internationally accepted accounting standards for the public sector.  **Article 86 quater**  **Financial statements**  1. The financial statements shall **be presented in euro and shall comprise:**  **a) the balance sheet and the statement of financial performance, which** represent all assets and liabilities, the financial situation and the economic result **~~as~~** at 31 December of the preceding year**; they shall be presented in accordance with the accounting rules referred to in Article 86 bis;**  **b) the cash-flow statements showing amounts collected and disbursed during the year and the final treasury position;**  **c) the statement of changes in net assets presenting an overview of the movements during the year in reserves and accumulated results**.  2. The**~~y will be supplemented by~~** notes **to the financial statements shall supplement and** comment**~~ing~~** on the information presented **in the statements referred to in paragraph 1** and **shall** supply**~~ing~~** all the additional information **prescribed by the internationally accepted accounting practice ~~in accordance with the accounting rules referred to in paragraph 1~~.,** where such information is relevant to the European Schools.  **Article 86 quinquies**  **Budgetary implementation reports**  **1. The budgetary implementation reports shall be presented in euro. They shall consist of:**  **~~The Office of the Secretary-General The accounting officer of the European Schools shall draw up, not later than 1 June of the following year, consolidated accounts for all the Schools on the basis of information presented pursuant to Article 87.~~**  **~~The consolidated revenue and expenditure~~**  **~~account for all the schools shall include the following documents classified in accordance with the budget nomenclature:~~**   * + - 1. a table of revenue including:   - estimated revenue for the financial year;  - amendments to the revenue estimates as a result of amending budgets;  - revenue collected during the financial year;  - entitlements still to be collected from the preceding financial year;  - entitlements established in the course of the financial year;  - amounts still to be collected at the end of the  financial year.  Where appropriate, a statement shall be attached to these tables showing the balances and the gross payments arising from the transactions referred to in **~~Article 26 (2)~~ 4bis.**  2. tables showing the **expenditure, including** changes in appropriations for the financial year, indicating, in accordance with the budget nomenclature:  - initial appropriations;  - any changes made by means of amending budgets;  - any changes made to appropriations by means of transfers;  - final appropriations for the financial year;  **~~- appropriations carried over under Article 7.~~**  **~~3. tables showing the use of the appropriations allocated for the financial year, indicating:~~**  - commitments entered into and chargeable to the financial year;  - payments made and chargeable to the financial year;  - settlement of the commitments of the financial year and calculation of the sums still to be paid at the close of that financial year;  - payment appropriations carried over under Article 7;  - **cancelled** appropriations **~~lapsing~~.**  Where appropriate, a statement shall be attached tothese tables showing separately refunds of taxes (VAT) − incorporated in the prices of products and services provided to the Schools − effected by Member States.  **3. ~~4.~~** tables showing the use of the appropriations carried over from previous financial years, indicating:  - settlement of sums still to be paid at the close of the preceding financial year and calculation of the sums still to be paid at the end of the current financial year;  - the amount unused for the following financial year;  - the amount **cancelled ~~lapsing~~.**  **4.**~~5~~. **~~Annexed shall be~~**a document showing the operations of the Reserve Funds.  **2. The structure of the budgetary implementation reports shall be the same as that of the budget itself.**  **~~The financial statements shall represent all assets and liabilities, the financial situation as at 31 December and the economic result of the preceding year for the year ended at that date. They will be supplemented by notes commenting on the information presented and supplying all the additional information in accordance with the accounting rules referred to in paragraph 1., where such information is relevant to the European Schools.~~**  **~~These documents shall be submitted to the financial controller~~.**  Article 87  ~~The authorising officer shall provide the accounting officer of each School access to all the information necessary for the production of accounts which give a true and fair view of the school’s financial situation and of budgetary implementation. Without prejudice of the responsibilities of the accounting officer as stated in Article xxx, the authorising officer shall guarantee the reliability of that information.~~  **The accounting officer** shall sign off the accounts of the School**s,** **to the extent of her or his responsibilities,** thereby certifying that the accounting officer has reasonable assurance that the accounts present a true and fair view of the financial situation of the School. The accounting officer shallsubmit **in March** the accounts to the **respective** Administrative Board for approval by **~~and, after it, transmit them to the Office of the Secretary General accounting officer of the European Schools not later than~~** 1 April.  **Article 87 bis NEW ARTICLE**  **Provisional accounts**  **The accounting officer shall send the provisional accounts to the Court of Auditors, by 1 May of the following year at the latest.**  **Article 87 ter**  **Final consolidated accounts**  **1. The Court of Auditors shall, by 1 June, make its observations on the provisional accounts of the European Schools.**  **2.~~The Office of the Secretary-General~~ On receiving the Court of Auditor's observations on the provisional accounts of the European Schools, the accounting officer** shalldraw up, not later than 1 July of the following year,consolidated accounts for all the Schools on thebasis of information presented pursuant to Article **17 decies ~~87~~**. **The final consolidated accounts shall be accompanied by a note drawn up by the accounting officer, in which the latter declares that the final consolidated accounts were prepared in accordance with this Title and with the accounting principles, rules and methods set out in the notes to the financial statements.**  **~~Article 88~~**  **~~The revenue and expenditure account shall be preceded by an analysis of the financial management in respect of the year in question. It shall cover all revenue and expenditure transactions relating to the preceding financial year for all the Schools. It shall be submitted in the same form and following the same subdivision as the budget.~~**  **~~Article 89~~**  **~~The Office of the Secretary-General accounting officer of the European Schools shall draw up, within the time limit provided for in Article 86, a balance sheet of assets and liabilities of all the Schools as at 31 December of the preceding financial year. A statement showing the movements and balances of the accounts, drawn up on the same date, shall be attached thereto.~~**  **~~These documents shall be submitted to the financial controller.~~**  ~~Article 90~~  **3.** The Secretary-General shall forward the consolidated accounts with all the supporting documents, the financial analysis and the balance sheet to the Board of Governors, the European Commission, the European Patent Office and the Court of Auditors of the European Union by 1 **~~June~~** **July** at the latest.  **4. The final consolidated accounts shall be published in the web site of the European Schools and be available to the general public by 30 November.**  **~~Article 91~~**  **~~All the accounts of the Schools shall be submitted to the Court of Auditors.~~**  **~~Article 92~~  87 quater**  The Office of the Secretary-General and each School shall forward to the Court of Auditors, at the latest within the month which follows examination by the Administrative Boards, the documents concerning the financial and budgetary statements and the minutes of the deliberations of the Administrative Boards pertaining thereto.  **SECTION II Accounting~~s~~**  **~~Article 75~~ 88**  **The accounting system**  **1**. The accounting system of the European schools shall serve to organise the budgetary and financial information in such a way that figures can be entered, filed and registered.  **2**. The accounting **system ~~plan~~** shall **consist of** **~~make a clear distinction between~~** budgetary accounts and general accounts The accounts shall be kept in **euro ~~EURO~~** by the double entry method, on the basis of the calendar year.  3. **The accounts ~~They~~** shall show all revenue and expenditure for the financial year. They shall be authenticated by supporting documents. The revenue and expenditure account and the balance sheet shall be drawn up in **euro ~~EURO~~**.  **~~Article 76~~ 89**  **The general accounts**  **~~The accounting plan shall make a clear distinction between budgetary accounts and general accounts.~~ ~~It shall comprise two parts:~~**  **~~(b)~~**The general accounts **~~,which~~** shall record**,** in chronological order **using the double-entry method,** all events and operations which affect the economic and financial situation and the assets and liabilities of the European Schools, under the accruals principle.  **Article 90 NEW ARTICLE**  **Entries in the general accounts**  **1. Balances and movements in the general accounts shall be entered in the accounting ledgers.**  **2. All accounting entries, including adjustments to the accounts, shall be based on supporting documents, to which the entries shall refer.**  **3. The accounting system shall be such as to leave a clear audit trail for all accounting entries.**  **Article 91 NEW ARTICLE**  **Accounting adjustments**  **The accounting officer shall, after the close of the financial year and up to the date of presentation of the general accounts, make any adjustments which, without involving disbursement or collection in respect of that year, are necessary for a true and fair presentation of those accounts. Such adjustments shall comply with the accounting rules referred to in Article 86 ter.**  **Article ~~76~~ 92 Budgetary accounting**  **Budgetary accounting**  ~~(a)~~**The budgetary** accounts **~~of budgetary expenditure and revenue, which show the~~** **shall provide a** detailed **record of the** implementation of the budget  **of the European schools.**  **~~The detailed conditions for the establishment and operation of the accounting system plan for operations relating both to finances and to the implementation of the budget shall be determined by the implementing rules provided for in Article 105~~**.  The accounts shall include an annual balance of accounts and a **quarterly ~~monthly~~** statement of revenue and expenditure by chapter, article and item.  These statements shall be forwarded to the authorising officer**s ~~and may~~** **~~be consulted by the financial controller.~~**  Article **~~77~~ 93**  **Advances**  Any advance, other than regular advances which are periodically re-examined, shall be entered in a suspense account and settled at the latest during the financial year which follows the payment of this advance.  However, the advances referred to in the second and third paragraphs of Article 43 shall be settled as a general rule within six weeks following completion of the project for which they were granted, except in duly justified circumstances.  Article **~~78~~ 94**  **Closure of accounts**  The accounts shall be closed at the end of the financial year to enable a balance sheet of the School and the revenue and expenditure account referred to in Title V**~~I~~** to be drawn up. The revenue and expenditure account shall be submitted to the Administrative Board.  **SECTION III**  **Property inventories**  Article **~~71~~ 95**  **The inventory**  Permanent inventories showing the quantity and value of all movable and immovable property belonging to the School shall be kept.  Only movable property exceeding **~~a specific~~ the** value **of EUR 600 ~~laid down in the implementing~~**  **~~rules provided for in Article 105~~** shall be entered in those inventories. The School shall carry out its own inspection to ascertain that entries in the inventory correspond to the physical facts, enabling the**~~m~~** to be central**~~ized~~ly** control**led** every three years, a copy being forwarded to the **authorising officer of the European Schools** **~~Office of the Secretary-General.~~**  Article **~~72~~ 96**  **Procedure for sale of movable property**  The sale of movable property shall be suitably advertised **~~in accordance with the implementing~~**  **~~rules provided for in Article 105~~.**  Apart from sales by public auction, members of the School's staff may not acquire any movable property resold or otherwise disposed of by the said School.  Article **~~73~~ 97**  **Procedure for disposing of movable property**  A statement or record shall be drawn up by the **responsible** authorising officer whenever any  property in the inventory is sold, given away free of charge, scrapped, hired out, or missing on account of loss, theft or any other reason.  The statement or record shall refer in particular to any obligation that may devolve on a member of  staff, a pupil of the School or any other person to replace the item in question.  Article **~~74~~ 98**  **Entry of items in the inventory**  All acquisitions of movable or immovable property as defined in Article **~~71~~** **95** shall, before payment, be entered in the permanent inventories.  That entry shall be recorded in the corresponding invoice or annexed document drawn up with a view to payment of the expenditure.  **TITLE VI**  **EXTERNAL AUDIT AND DISCHARGE**  **SECTION I**  **External audit**  Article **~~93~~ 99**  **Annual report of the Court of Auditors**  1. The Court of Auditors **shall** transmit~~s~~ to the **authorising officer of the European Schools** **~~Secretary-General~~** and to the **~~Heads of the Schools~~** **authorising officers by delegation**, by 15 **~~July~~ September**, any **observations ~~comments~~** which are, in its opinion, **~~of~~** such **~~a nature~~** that they should appear in the annual report. **Those** **observations ~~comments must~~** **shall** remain confidential **and shall be subject to an adversarial procedure**.  The replies of the **authorising officer of the European Schools ~~Secretary-General~~** and of the **authorising officers by delegation ~~Heads of the~~ ~~Schools~~** shall be forwarded to the Court of Auditors by 31 October at the latest.  2. The **observations ~~comments~~** of the Court of Auditors and the replies that have been sent to it shall be drawn to the attention of the Administrative Boards and **of ~~to~~** the Board of Governors which at its meeting of the first quarter of the calendar year shall examine them and make its own comments and recommendations.  **3. The annual report shall contain an assessment of the soundness of financial management.**  ~~Article~~ **~~94~~  100**  The Court of Auditors **shall** transmit**~~s~~** to the authorities responsible for giving discharge, including the Board of Governors, by 30 November, its annual report accompanied by the replies.  **SECTION II**  **Discharge**  Article **~~95~~  101**  **Discharge procedure**  1. The Board of Governors shall give a discharge to the **a**~~A~~uthorising **o**~~O~~fficer **of the European** **Schools ~~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 annual activity** **report**, 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 **authorising officer of the European Schools and of the authorising officers by delegation and the Court of Auditors' statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions ~~Secretary-General~~**.  **Article 102**  **Follow-up measures**  **1.**~~3.~~ **~~The financial controller shall take account of the comments made in the decisions giving discharge~~.** The ~~Schools~~ **authorising officers bydelegation** shall take all appropriate steps to **act ~~take action~~** onthe comments appearing in thedecisions giving discharge.  **2.** At the request of **the authorising officer of the European Schools ~~the Secretary-General~~**, the **authorising officers by delegation ~~y~~** shall report on themeasures taken in the light of these commentsand, in particular, on the instructions given tothose of their departments which are responsiblefor the implementation of the budget. Suchreports shall also be submitted to the Court ofAuditors.  TITLE VII  RESERVE FUNDS  Article ~~96~~ **103**   * + - 1. A centralized Reserve Fund for the Office of the Secretary-General and all the Schools, with the exception of the European School **of** Munich, shall be maintained by the transfer, at the end of each financial year, of all or part of the balance of revenue, after carryovers have been covered, on the revenue and expenditure accounts as approved by the Secretary-General and the Administrative Boards.       2. A Reserve Fund for the European School **of** Munich shall be maintained by the transfer, at the end of each financial year, of all or part of the balance of revenue, after carryovers have been covered, on the revenue and expenditure account, as approved by the Administrative Board of the School.   Article **~~97~~ 104**   * + - * 1. The Reserve Fund referred to in Article **103** **~~96~~** (l) may not exceed 1% of total budget appropriations for the preceding financial year.   2. The Reserve Fund referred to in Article **103** **~~96~~** (2) may not exceed 1% of total budget appropriations for the preceding financial year.  Article **~~98~~  105**  Should the administrative surplus transfer result in the limits referred to in Article **~~97~~** **104** being exceeded, the balance of these surpluses shall be entered as budget revenue for the next financial year, under the item "administrative surplus".  Article **~~99~~  106**  1. The Reserve Funds thus constituted are designed to compensate for temporary shortages of funds.  2. By a decision of the Board of Governors these Funds may also be used to provide revenue to cover an amending budget necessitated by expenditure of an exceptional and unforeseen nature.  Article **~~100~~  107**  1. Pursuant to Article **106 ~~99~~** (1), use, on a written proposal by the **authorising officer by delegation ~~Head or by the Deputy Secretary-General in so far as the Office of the Secretary-General is concerned~~,** of the Reserve Fund referred to in Article **~~96~~** **103** (1) shall be subject to a duly substantiated decision by the a**uthorising officer of** **the European Schools ~~Secretary-General, with~~** **~~the approval of the financial controller~~.** **Prior to taking a decision he or she shall ensure that**  **~~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**, of** Munich, use of the Fund shall be subject to a duly substantiated decision by the **authorising officer of the** **European Schools and the** Administrative Board of the School**, ~~with the approval, on the same terms,~~** **~~of the financial controller~~.**  Article **~~101~~  108**  Should the Reserve Fund referred to in Article **103 ~~96~~**(1) be wound up, the remaining balance shall be transferred to the general budget of the European Union.  Should the Reserve Fund referred to **~~at~~ in** Article **103** **~~96~~**(2) be wound up, the remaining balance shall be transferred to the European Patent Office.  TITLE VIII  EXPERTS  Article **~~102~~  109**  **~~The implementing rules~~** **~~shall include~~** **A** specific procedure **shall be established by the Board of Governors** for the selection of experts who will be authorised to offer their services to the Schools or to collaborate with them and who will be paid on the basis of a fixed amount, to be defrayed by the Schools or by a third party, for the performance of tasks in a specific area of expertise.  TITLE IX  CHECKS AND VERIFICATIONS PERFORMED BY OLAF  Article **~~102 bis~~** **110**  The European Anti-Fraud Office (OLAF) has the power to carry out administrative investigations in the European Schools, including the right of access for inspection according to the procedures laid down by Union law for the protection of the financial interests of the Union against fraud and other irregularities.    By virtue of Council Regulation (Euratom, EC) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests, Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspection carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities and Regulation (EC) No 883/2013 of the European Parliament and the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF), OLAF may also carry out on the spot checks and inspections related to fraud cases or any other irregularity detrimental to the financial interest of the European Schools or of the Contracting Parties referred to in Article 25 of the Convention Defining the Statute of the European Schools, and in accordance with the procedures laid down by Union law for the protection of the financial interests of the Union against fraud and other irregularities. Where appropriate, the conclusions of the investigation performed by OLAF may lead to recovery by the competent authorities.  TITLE X  TRANSITIONAL AND FINAL PROVISIONS  Article **~~103~~ 111**    The Board of Governors shall be assisted by the Budgetary Committee.  Article **~~104~~  112**  The **Internal Control** **S**tandards **~~referred to in article 19(6)~~** **~~shall be adopted no later than 31 December 2007. They~~** shall be subject of a review whenever it proves necessary to do so, taking in particular into account relevant changes made on the text of this Financial Regulation.  Article **~~105~~  113**  **~~The Board of Governors shall adopt rules for implementing this Regulation.~~**  **~~2.~~**1. Every three years, or whenever it proves necessary to do so, this Regulation **~~and its implementing rules~~** shall be the subject of a review by the Office of the Secretary-General, which shall report on the matter to the Board of Governors. Without prejudice to the particularities of the European Schools, the necessity of a review may in particular result from the parallelism of this Regulation **~~and its implementing rules~~** with the relevant rules of the Financial Regulation applicable to the general budget of the European Union.  Article **~~106~~  114**  The following shall be repealed on the date of the entry into force of this Financial Regulation:  **~~- the Financial Regulation of the European Schools, approved by the Board of Governors on 18 October 1988, thereafter amended on 25 and 26 October 1994, 24 and 25 October 2000 and 5 and 6 November 2002, with the exception of the articles of Title IV, Section I, which are repealed with effect from 1 January 2008;~~**  **-the Financial regulation of 24 October 2006 applicable to the Budget of the European Schools, thereafter amended on 12-14 April 2011, 6-8 December 2011 and 2-4 December 2014.**  **-the Rules for Implementing the Financial Regulation**  - all other provisions contrary to this Financial Regulation.  Article **~~107~~** **115**  This Financial Regulation shall enter into force on 1 January ~~2007~~ **2018** **with the exceptions set on this Article.**  It shall be binding in its entirety and directly applicable in all the Schools and the Office of the Secretary-General, **~~with the exception of the articles of Title IV, Section I, which shall enter into force on 1 January 2008~~.**  **~~As per the rules adopted by the Board of Governors on 2014, they shall enter into force as from 1st January 2015, with the exception of the Rules related to the revision of the role and responsibilities of the central financial control unit (Articles 19, 20, 27, 28, 34, 35, 36, 43, 44, 45, 73 and 80 of this Financial Regulation and Articles 1, 25, 26, 27, 32, 33, 34, 37, 38, 39, 40, 41, 50, 57, and 60 of its Implementing Rules), which shall enter into force as from the validation of the internal control systems of the Schools is performed in accordance with Article 20 of this Regulation.~~**  **As per the rules related to the centralization of the functions of the Authorising Officer and of the Accounting Officer, and corresponding new reporting obligations, as stated under Articles 17ter, 17 quater, 17 quinquies, 17 sexies, 17 octies, 17 decies, 17 undecies 17 duodecies, 17 ter decies, 17 quater decies, 17 septies decies, 86, 86 bis, 87 and 87 ter, they shall gradually enter into force as from 1st January 2018 for the Office of the Secretary General and for the schools involved in the gradual centralization, as better specified in  concrete calendar and procedure, approved by the Board of Governors at the proposal of the Secretary-General. Nevertheless, the new deadlines set on Article 17 octies for the annual activity reports of the Schools, and on Articles 87 bis and 87 ter for the production of provisional and final consolidated accounts will be applicable as from 1st January 2018 for the whole European Schools system. In the same sense, the reporting foreseen under Article 17 octies on budget implementation and internal control systems will be applicable for all the Schools as from 1st January 2018.**    **In any case, the centralization of the Financial Governance will be completed not later than 1 January 2020.**    **For the transitory period the existing articles referring to the authorizing officer and accounting officer functions will remain valid and applicable to the Schools not yet included under the centralized model. Without prejudice of this, the more complete description of tasks present in the new rules stated for the Central Authorising Officer and Central Accounting Officer will be also applicable mutatis mutandis.**  Done at Brussels, **~~24 October 2006~~ xx xxxxxx 2017** | **General comment: it might be useful to consider at the time of merging the texts of FR-IR to foresee the Articles (at least the ones related to generalities of budget implementation) with titles for an easier orientation (this is already the case for some Articles of the existing IR).**  **For the sake of clarity, the different kinds of revenue are listed as per Article 25 of the Convention.**  **Article 1(2) first sentence and Article 6(1) are merged in one Article with the title "Annuality".**  **The second sentence is a repetition of Article 5(1) second sentence and is therefore deleted.**  **The third sentence is moved under Article 6.**  **This article is moved here from previous 18bis, as considered more appropriate to be under “General Principles” for parallelism with FR EU.**  **Equivalent to Article 20 of EU FR.**  **This rule about donations is moved to a separate article (4 ter).**  **For the sake of clarity, this new article specifies the possible categories of assigned revenue.**  **Included in the new Article 4 bis. Donations fall under assigned revenue, therefore also covered by the general provision.**  **Rules on deductions and exchange rates adjustments moved here for reason of coherence from former Art. 26.1 FR 2006**  **Paragraph 2 Art. 26 FR 2006 becomes a separate Article concerning assigned revenue (new Art. 4bis).**  **Former Art. 25.1 FR 2006 becomes a separate Article (4 quinquies) for reasons of clarity**  **Former Art. 25 paragraphs 2,3&4 FR 2006 become a separate Article (4 sexies) for reasons of clarity**  **In line with the new financial governance architecture and role of the Authorising Officer of the European Schools over the whole budget.**  **Transfers. A new provision regulates the transfer of assigned revenue (4.4)**  **IR to be merged with the Financial regulation in one single text**  **Specific rules on the principles of unity and budgetary accuracy**  **Article 26 referred to in the second paragraph relates to assigned revenue. This reference is deleted from Article 5, as it is in fact not an exception.**  **The third sentence of Article 1(2) FR 2006 is here incorporated.**    **This new provision will facilitate the management of resources for the opening of a budget year while respecting the principle of annuality.**  **All unused assigned revenues shall be carried over automatically.**  **Rules applicable in the event of late adoption of the budget of the European Schools**  **Re-numbering of paragraphs**  **This article encompasses the principle of equilibrium and the balancing nature of the EU contribution (Article 25 of the Convention).**  **Provisions under Article 9 relate to the principle of transparency of the Budget to put in line with equivalent provisions on EU FR.**  **IR to be merged with the FR in one single text.**  **Reinforce financial governance**  **Note: former Title V FR 2006 (Articles 79-85) related to liability of financial actors is placed also here, under the Title related to the implementation of the Budget, together with the generic regulation of the financial actors, for reasons of parallelism with the FR of the EU.**  **Deletion of Art. 20 Financial controller function, to be transformed into Internal Control Function.**  **To put in line with equivalent rules of Financial Regulation of the European Union**  **Substitutes article 24 FR 2006.**  **To put in line with equivalent rules of Financial Regulation of the European Union**  **Moved in paragraph 5 to put in line with equivalent rules of Financial Regulation of the European Union**  **As mentioned above, former Title V (Articles 79-85 FR 2006) related to liability of financial actors is placed here, together with the generic regulation of the financial actors, for reasons of parallelism with the FR of the EU.**  **Financial control function to be integrated under more generic Internal Control function.**  **For reasons of clarity and to underline the importance of the absence of conflict of interest, it is proposed to dedicate a separate Article to this matter.**  **Former Art. 18 bis FR 2006 moved to new Art. 3 bis under General Principles of Budget Implementation for reason of systematic**  **Annual Activity report regulated under specific Article on reporting (Art. 17 octies)**  **Since this provision (Art. 19.7) is referred in particular to the role of verificator: that shall be subject to the Code of Professional Standards approved by the BoG, it is considered appropriate to move it to the specific Article related to Segregation of Duties**  **Separate article on protection of European School’s financial interests**  **Financial control to be integrated under more generic Internal Control function.**  **To put in line reporting of the Internal Audit function with the new architecture of Financial Governance (proposal of the IAS).**  **Rules related to the Accounting Officer under section related to financial actors (Section I of Title III)**  **Transfer of appropriations regulated under new Article 4 sexies.**  **Article moved to Article 4 quarter**  **Article not relevant under the new architecture of financial governance where current financial control function is to be integrated under the new Internal Control function.**  **Financial Control function to be integrated under more generic Internal Control Function.**  **Implementing Rules to be merged with the Financial Regulation**  **It is considered that this change would facilitate the treasury management of the schools enormously and would simplify the Commission’s administrative work**    **Article not relevant under the new architecture of financial governance where current financial control function is to be integrated under the new Internal Control function.**    **This new Article. 40 bis. substantially reproduces the content of former Article 44 of the FR 2006.**  **Implementing Rules to be merged with the Financial Regulation.**  **Content of this Article under new Art. 40 bis.**  **Article not relevant under the new architecture of financial governance where current financial control function is to be integrated under the new Internal Control function.**  **Provisions for Imprest Accounts to be completed when merging IR with the FR.**  **To align with the rules laid**  **down in the Financial Regulation**  **No 966/2012 and with the**  **Commission Delegated Regulation**  **No 1268/2012, as far as**  **the implementing provisions are concerned.**  **This alignment will allow**  **immediate follow up and direct**  **applicability of the rules on**  **procurement procedures**  **whenever the modification is**  **taken place at the EU level.**  **Furthermore the full alignment**  **and direct applicability will offer**  **the Schools the possibility to use**  **the Commission’s Help Desk and**  **the subsequent services in**  **interpreting and applying properly**  **the relevant rules on tendering**  **procedures.**  **Nevertheless a possibility of the**  **Schools not to issue invitation to**  **tender for middle value contracts,**  **not covered by the Directive**  **No 2014/24/EU, namely up to**  **134.000 euros, contracts which**  **are concluded with the same**  **contractors and on the same**  **terms as a contract concluded**  **by a governmental organization,**  **a public administration or a**  **Community institution or agency**  **or by the European Patent Office,**  **is proposed to be kept in the text.**  **The provisions on the inventories have been moved as last section at the end of Title V concerning presentation of the accounts and accounting**  **This section is moved under new second section of title V on the presentation of accounts and accounting for reasons of parallelism with the FR EU.**  **These provisions are moved under new section related to financial actors, for reasons of parallelism with the FR EU.**    **This provision is moved under Article 86 quarter related to financial statements.**  **Provision moved under new rules for Financial actors, in line with FR EU.**  **In line with FR EU which foresees preparation of provisional accounts and its remission to the Court of Auditors.**  **Requirements stated under this Article are considered to be covered under other Articles of this Regulation, in particular by the provisions related to the Annual activity report (Art. 17 octies) and Budgetary implementation reports (Art. 86 quinquies).**  **Requirements stated under this Article are considered to be covered under other Articles of this Title V “Presentation of the Accounts and Accounting”.**  **Provisions under this Article are considered to better fit under Article 87 ter above.**  **Requirements stated under this Article are considered to be covered under other Articles of this Title V “Presentation of the Accounts and Accounting”, in particular by Articles 87 bis and 87 ter above.**  **Note: under discussion whether this requirement of Art. 92 FR 2006 should be kept under the new framework of Financial Governance.**  **IR to be merged with the FR.**  **Deadline for the issuance of the provisional report of the Court of Auditors modified, taking into account the new rules on provisional accounts set on Title V.**  **In line with the new architecture for Financial Governance**  **Note: It was under discussion whether reference to the Administrative Boards should be kept, as they adopt some financial decisions (i.e. see Article 100 requiring decision of the Administration Board of Munich for the use of its Reserve Fund)**  **Note: provision to be completed when merging rules of the existing IR.**  **Transitory rules introduced on 2014 that will be no longer relevant at the date of entry into force of the new Financial Regulation (2018)** |

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**2016-10-D-34-en-2 Annex II. Revision of the Financial Regulation. Preliminary estimation of possible financial implications connected with the review of the model of financial governance**

1. **Introduction**

The envisaged review of the Financial Governance of the European Schools will have – depending on the final text of the revised Financial Regulations – budgetary implications.

In particular ,the centralisation of the task of the authorising officer and the possible centralisation of the function and tasks of the accounting officer will cause the need of additional staffing in the Office of the Secretary-General and, most probably, also at the level of the Schools.

This document shall give a first overview concerning this additional needs as from 1 January 2018 linked to

1. the centralised model for the Authorising Officer Function
2. the centralised model for the Accounting Officer Function
3. **Centralised model for the Authorising Officer function. Future tasks of Director of Finance and Administration and of Internal Control Capability** (where the current structure of Financial control and Internal Control Coordination will be integrated)

Given the severe fraud cases and a series of negative audit reports, the European Schools need to strengthen their financial governance structure. They have therefore foreseen to give more responsibility to the Secretary-General by assigning to him/her the role of Central-AO.

In order to get the support and assurance necessary for this role, the Secretary-General needs, on the one hand, support in the form of a new function of Director of Finance and Administration, and on the other hand a reinforced central Internal Control Function to support and advise him/her. In addition, the internal control systems should also be reinforced at the local level.

Below is a first estimation of the tasks and duties that these functions would need to fulfil.

|  |  |  |
| --- | --- | --- |
| **Tasks** | **Covered by existing team** | **Who will execute these tasks/ Additional resources needed/when** |
| New function of **DIRECTOR OF FINANCE AND ADMINISTRATION** in the Central Office, in order to:   * assume by Delegation the function of Authorising Officer for the BSGEE. * management of the non-pedagogical units/services of the BSGEE (HR, Accountancy, etc). | No | **1 full time newly created position of *Director*.** As from 1.1.2018 |
| **ADVISORY ROLE OF THE INTERNAL CONTROL FUNCTION** |  |  |
| \*Support implementation of Internal Control Standards (ICS) in the Schools and OSG, in particular:  - guidance, workshops, explanations  - documentation of processes,  - review documentations,  - link objectives – risks - controls  - evaluate effectiveness of controls  - harmonize implementation across schools  -development of check-lists for the different processes (e.g recruitments, replacement of teachers, implementation of the budget etc)  -development and implementation of Memorandums and Guidelines  \*Support and validation of documentation to be discussed and transmitted to the Administration Boards  \*Develop a monthly reporting package from the schools to the SG | No  (guidance and workshops yes)  No  No | current Internal Control Coordinator+**1 new full time position *assistant of HoU*. As from 1.1.2018** |
| Develop action plans to immediately remediate findings of CoA, IAS and internal ex-post controls, check implementation of action plan | Partially (implementation not checked) | -(current Internal Control Coordinator) |
| **CONTROL ROLE OF THE INTERNAL CONTROL FUNCTION** |  |  |
| Performance of ex-post controls (1 week visit to a number of selected schools per year + OSG), including:  - anti-fraud related controls  - Review reconciliation accounting system – bank, analyse monthly payments, certain budget lines and accounts  -review of implementation of objectives | No, currently still performing ex-ante control until the full implementation of the segregation of duties at the level of the Schools and OSG | Current 3 members of the existing Financial Control Unit. It should be nevertheless noted that with current structure only a limited number of schools/processes could be included in a plan for ex-posts controls, it would be therefore, **recommendable** **to increase also the control part of the Internal control function.** |
| Validate centrally the creation/change of master data considered as higher risk (i.e. bank account of vendors and of staff). | No | **To be determined whether this task should be finally centralised and the concrete implications in terms of additional resources** |
| Re-establish ex-ante control (if necessary) | Yes | -(current members of the existing FC Unit) |
| Establishing/keep update/check compliance with an integrated Antifraud, Compliance and Ethics Program. Contact point with the OLAF | no | -(current FC current members of the existing FC Unit) |

Therefore, summarizing, for the appropriate implementation of the Centralised model for the Authorising Officer function a new post of Director of Finance and Administration +1new post of the professional category ‘Assistant of Head of Unit’ to reinforce the Internal Control Capability **at the** **centralized level**+ would be needed. It would be also recommendable to increase the capacity of the control role of the said Internal Control Capability.

In addition to the above, it would be highly recommendable to also reinforce the internal Control Capability **at decentralized level (Schools),** to execute at the corresponding level similar tasks to the ones above described (both advisory and control parts). A first estimation of the additional resources needed for this purpose could be 0,5 additional positions/School of a professional category equivalent to “accountant”, as from the beginning of the gradual centralization process, without prejudice of possible reallocation of resources and/or externalization of some of the tasks involved.

1. **Centralised model for the Accounting Officer function.**

It is considered that the centralisation of the function of the Authorising Officer should be normally accompanied by a correlative centralisation of the Accounting Officer function.

In this case, **a first estimation of** **the additional resources needed at centralised level is** an average of **0,5 positions per School. Concretely, a new post for the Central Accounting Officer function (seconded, Head of Unit) and 6 new posts corresponding to the professional category “Accountant”** in order for the functions inherent to the Accounting Officer function ex Article 24 of the Financial Regulation (execution of payments, preparation of financial statements etc) to be executed centrally).

It may be nevertheless mentioned that it is the intention of the BSGEE to contract a consultancy engagement about the practical implications of the implementation of the said centralised model for the function of Accounting Officer (possibly with the company PWC, making use as a reference of a framework contract that will be in place between this company and the Commission). In the light of this advisory engagement, which cost is estimated to be in the region of 60.000 euro, the above estimation of additional resources needed could be adjusted.

Taking into account the expected date of entry into force for the centralised Accounting Officer model (gradually as from 01.01. 2018 until 01.01.2020), the following timing could be proposed for the additional resources needed:

* 3 additional posts as from 01.01.2018 (including the post of central Accounting Officer, seconded category equivalent to Head of an Administrative Unit at the OSG).
* 2 additional posts as from 01.01.2019
* 2 additional posts as from 01.01.2020