|  |  |
| --- | --- |
|  | **European Schools**Office of the Secretary-GeneralAccountancy Unit |

Ref.: 2017-02-D-24-en-2

Original: EN

AMENDING BUDGET 1/2017

**Board of Governors**

Meeting on 4,5-6 April 2017 – Berlin

1. **Background**

The Financial Regulation of the European Schools (Art. 15.1) stipulates that “ In the event of unavoidable, exceptional or unforeseen circumstances, the Secretary General may submit preliminary draft amending budgets”.

The Working Group “Financial Regulation”, which was set up by the Board of Governors, has submitted a proposal for revision of the Financial Regulation to the Secretary General. This proposal includes a new model of financial governance for the European Schools and was discussed by the Budgetary Committee. . Accordingly, in the long run the current system of one Authorizing Officer by school would be replaced by one Authorizing Officer for the entire European School system. Similarly, one Accounting Officer would replace the existing fifteen accounting officers.

The centralization process of both functions will begin as soon as the Board of Governors approves this fundamental review of the Financial Regulation and should be concluded by 1 January 2020. The successful implementation of this new model of financial governance will require an investment already starting in 2017.

1. **Amending Budget 1 / 2017**

**2.1 Permanent Posts**

The centralization of the Authorizing Officer and Accounting Officer functions will require the creation of posts in the Office of the Secretary General. Altogether, 10.5 permanent posts are requested between 2017 and 2019. For 2017, three posts are requested:

1. *Accounting Officer (seconded)*. This new position will play a key role in the new organizational structure. He/she will be nominated by the Board of Governors and should take up the function as soon as possible in order to set up the new unit, which support him/her in this new function. The appropriation foreseen in relation to this post includes costs for the last quarter of 2017. He/she will also be responsible for the gradual implementation of this role starting in early 2018, including setting up the centralization of the automatic payment system and the central bank reconciliation system.
2. *Accountant.* One accountant post is requested in order to assist the Accounting Officer in the roll out of the initial Accounting Officer activities as described above. This post is foreseen beginning in November 2017. His main responsibilities will include central bank reconciliation and central payment execution.
3. Internal Control assistant (Advisory). This post is needed already in 2017 in order to assist the Project Manager in the alignment and documentation of financial procedures. These procedures are paramount for the successful implementation of all components of the project. This post is foreseen starting in June 2017.

**2.2 Project Manager**

A project manager will be needed from the beginning of the project until its total completion. This is not a permanent post, but a temporary contract which should begin a soon as the Board of Governors adopts the project and the resources which are necessary in order to achieve it. His /her responsibility will be to coordinate the preparation of the procedures and to supervise the implementation of each step in the process, in close coordination with the Secretary General, Accounting Officer and their staff as well as representatives from the schools.

**2.3 SAP**

The Accounting software SAP, which is in use in the European Schools since beginning of 2015, will need to be adapted to the new financial governance structure. At the moment, fifteen Accounting Officers carry out accounting operations under their own responsibility and fifteen Authorizing Officers authorize transactions. In the future, a number of operations will be centralized and will require modifications in SAP, namely:

- The **segregation of duties** will need to be adapted, as the Authorizing Officer will have to be enabled to delegate the capacity to authorize and to revoke such delegation. Delegation could be by type of transaction or by applying a specific threshold in type of transaction. In this context, approval workflows need to be redefined completely for both expenditure-related transactions as well as for revenue ones. The estimated cost for this essential element of SAP is 170 work/days.

- The centralization of the **automatic payment system** is one of the essential tasks of the Accounting Officer. Six different payment systems will need to be centralized into the OSG in order to enable the Accounting Officer to enable the efficient implementation of this responsibility. Similarly, bank statements need to be sent to one central point and bank reconciliation performed by the Accounting Officer. The estimated effort for this element is 90 work/days in 2017.

- **Reports** need to be developed in order to provide the Authorising Officer with the tool to control correct financial management in the schools. A variety of reports include improved, more detailed budget implementation reports, situation of assets and exception reports. The cost will be 50 work/days in 2017 mainly dedicated to analysis. The development phase will take place in 2018.

**2.4 Financing of this Amending Budget 1/ 2017**

Given the limited amount of appropriation needed in 2017, together with the fact that the final 2016 surplus in still unknown, it is proposed to finance this Amending Budget from that surplus. Like every year, a more precise view on financial needs will be available in September 2017. If necessary, additional resources will be requested at that stage.

1. **Opinion of the Budgetary Committee**

The Budgetary Committee expressed a favourable opinion on the principle of funding the possible amending budget from the 2016 surplus and invited the Board of Governors to approve this request. France, Germany and the European Commission entered a reservation on the amending budget as presented at the meeting, in view of the uncertainties with respect to the new financial governance concept proposed.

The BC took note of a non-paper of the European Schools concerning additional financial needs for security measures.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. **Board of Governors**

The Board of Governors is requested to adopt this Amending Budget 1/2017, thus enabling the Office of the Secretary General to begin the implementation of the new financial governance model as soon as possible. |  |  |  |  |
|  |  |  |  |  |  |  |  |

*Annex*

**Financial Implications of Draft Amending Budget 1 / 2017**

|  |
| --- |
| **Expenditure in OSG**  |
| 60 11 01 | Accounting Officer (3 months) | 21 500 |
| 60 11 03 | Accountant (2 months) | 12 500 |
| 60 11 03 | Internal Control – Advisory (7 months) | 43 750 |
| 60 11 03 | Project Manager (7 months) | 63 000 |
| 60 12 02 | SAP (310 work/days at 1500 EURO) | 465 000 |
|  | **Total**  | **605 750** |
| **Revenue in OSG** |
| 70 33 01 | Surplus from year n-1 | 605 750 |
|  | **Total** | **605 750** |