



OCCAR Management Procedure

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Record of changes

| Date | Issue | Changes |
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| 08/09/06 | 1 | Creation of the document, following final staffing of Issue 1 Draft 9.1 by the 27 th Finance Committee, on 06 September 06. |
| 18/03/08 | 2 | Modification of paragraphs 4.3 "Budgetary Transfer", 7.3 "FM Statements" and 13.2 "Write Off Procedure – Administrative Budget", as agreed at 32 nd Finance Committee, on 21 November 07. Consequently deletion of reference to OMP 4.5.1.3 in paragraph 1.1. |
| 25/03/09 | 3 | Incorporation of CO-PS concept within paragraphs 3.6.1, 3.8.1, 3.9 and 3.10, as agreed at 35 th Finance Committee, on 14 October 08. Additional minor editorial changes in paragraph 3.10, as discussed at 36 th FC. |
| 24/11/10 | 4 | New paragraphs 1.6 Programme financial activity, 5.14 Programme decision closure and 5.5 Cash Forecast. New budget preparation calendar (paragraph 3.2). Amendment of the sites and CO/PS screening and endorsement process. Other various changes. |
| 15/11/11 | 5 | Creation of DNE Budget. Creation of new format AFP. Additional rules where AB is not approved in sufficient time. Additional rules concerning Administrative Investments. Move to full cash IPSAS. |
| 18/12/12 | 6 | Substitution of the DNE AB area by the programme integration Budget area. Update of the CO/PS allocation formula and of the non-member contribution to CO (annex A). Deletion of the detailed BLI nomenclature (annex B). Creation of the MOE/MAE. Update of OFP to the Through Life Management (TLM) approach. Change in the format of Financial Statement (annex C). |
| 04/12/14 | 7 | Introduction of IPSAS accrual accounting. Modification on the content of the cash forecast (para. 4.5). Creation of the AMAE and AMOE. Case of short term borrowing between Nations. Clarification of the rules applicable to other receipts/revenues. Update of CO/PS 2 sharing formula. Other minor changes. |
| 14/07/17 | 8 | Simplification of the AB structure and share mechanism: optimization of CO-PS (paragraphs 3.3.1 & 3.4.1): inclusion of Programmes in integration costs, ICT costs and OCCAR-EA Growth model calculation (modifications in Annex OMP 10-A) Update of references, alignment of wording in para. 7.5 and alignment of terms used throughout the document. |
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List of acronyms

| | |
|----------|---|
| AB | Administrative Budget |
| AFM | Administrative Financial Management |
| AFP | Administrative Financial Plan |
| AMFC | Administrative Maximum Financial Commitment |
| AMAE | Aggregated Midterm Administrative Estimates |
| AMOE | Aggregated Midterm Operational Estimates |
| BLI | Budget Line Item |
| BoA | Board of Auditors |
| BoS | Board of Supervisors |
| CF | Cash Forecast |
| CFF | Call for Funds |
| CO | Central Office |
| CO-PS | Central Office – Programme Support |
| CO-PSC | Central Office – Programme Support Common share |
| CO-PSG | Central Office – Programme Support Growth |
| CO-PSICT | Central Office – Programme Support ICT |
| CO-PSInt | Central Office – Programme Support Integration |
| CPV | Common Procurement Vocabulary |
| DNE | Detached National Expert |
| FC | Finance Committee |
| FINMAS | FINAncial MANagement System |
| FOO | Forecast of Outturn |
| FS | Financial Statements |
| FY | Financial Year |
| ICT | Information Communication and Technology |
| IFAC | International Federation of Accounting Committees |
| IG | Implementation Guidance (of IPSAS) |
| IPSAS | International Public Sector Accounting Standards |
| MAE | Midterm Administrative Estimates |
| MOE | Midterm Operational Estimates |
| OFP | Operational Financial Plan |
| OMFC | Operational Maximum Financial Commitment |
| OMP | OCCAR Management Procedure |
| PB | Programme Board |
| PD | Programme Division |
| PC | Programme Committee |
| PFM | Programme Financial Management |
| POB | Programme Operational Budget |
| VAT | Value Added Tax |
| VOP | Variation of Price |

List of definitions

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| Administrative Budget (AB) | The AB is the amount of payments authorised to cover activities associated with the internal functioning of OCCAR-EA for one year. It corresponds to the "administrative section" used in article 35 of the Convention. |
| Administrative Financial Plan (AFP) | The AFP compares, for each Programme Decision, the Programme Decision Administrative Maximum Financial Commitment with the total estimated administrative cost of the programme. |
| Agent | An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services (see IG 34 of IPSAS 9 implementing guide). |
| Administrative Maximum Financial Commitment (AMFC) | For definition, see Annex OMP 2-B. |
| Aggregated Operational Budget (AOB) | The AOB shows the total amount of each Programme Operational Budget. It corresponds to the "operational section" used in article 35 of the Convention. |
| Call For Funds (CFF) | The CFF is the document prepared and issued by OCCAR-EA through which the organisation seeks from the Nations the funds which are necessary to make its estimated payments for the following months. |
| Expenses | Expenses are decreases in economic benefits or service potential paid or payable by the entity acting as a Principal during the reporting period, in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases relating in net asset/equity, other than those relating to distributions to owners. (see IPSAS 1). |
| Commitments | Commitments are either: <ul style="list-style-type: none"> - planned, when they relate to contracts or legal obligations not yet placed or to the optional and/or provisional part of placed contracts ; - or existing, when they relate to the firm part of placed contracts or undertaken legal obligations. The contractual commitments represent the total future liability of the firm part. The financial commitment(s) is/are reflecting the respective yearly share(s) of the contractual commitments against which payments will be accepted and made at a later date. |
| Contribution | The Contribution is the financial participation granted by a Nation to OCCAR-EA. Contributions are transferred to OCCAR-EA in response to CFFs. |
| Financial Statements | Financial Statements are the document prepared according to article 36 of the OCCAR Convention. They consist of a primary financial statement (principal related transactions) and of additional disclosures (agent related transactions). |
| Investment | The purchase of a good or service with an expectation of favourable future returns in the long term. |

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| Liabilities | The liabilities are the present obligations of OCCAR, the settlement of which is expected to result in an outflow of financial resources. |
| Member States | Those States which are parties to the OCCAR Convention. |
| Midterm Estimates | The Midterm Estimates show, by programme decision, the expected payments for the year to come (the budget Year 1) and the three following years on an outturn basis. |
| Non-Member Participating States | Those States which participate in an OCCAR managed programme but are not party to the OCCAR Convention. |
| Operational Financial Plan (OFP) | The OFP compares, for each Programme Decision, the Programme Decision OMFC with the total estimated operational cost of the programme. |
| Operational Maximum Financial Commitment | For definition, see Annex OMP 2-B. |
| Payments | Payments are cash outflows (IPSAS cash basis), made by OCCAR-EA. Outturn and payments are synonymous. |
| Programme Operational Budget (POB) | The POB is the amount of payments authorised to cover the operational activities of a programme for one year. Payments are inclusive of VAT and VOP where this is applicable. |
| Principal | An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services (see IG 32 of IPSAS 9). |
| Programme Decision | The Programme Decision is the legal binding decision taken by the Programme Board representatives of the Participating States, which defines the scope, high level objectives, organisation and management of the programme. High-level objectives include cost, delivery schedule and performance. |
| Property | Comprise all equipments, goods and supplies purchased using Administrative Budget funds or given by Nations. |
| Receipts | Receipts are cash inflows (IPSAS cash basis), received by OCCAR-EA. |
| Revenue | Revenue is the gross inflow of economic benefits or service potential received or receivable by the entity acting as a principal during the reporting period, when those inflows result in an increase in net asset/equity, other than increases relating from contributions of owners (see IPSAS 1 and 9). |

1. Introduction

1.1 Scope and Aim

This OMP sets out the governing principles and fundamental rules under which OCCAR shall undertake the management of its financial administration, including the financial relationship between Member States and Non-Member Participating States. It has to be applied to all financial activities of the organisation and adhered to by all OCCAR-EA staff.

The principal aim of this OMP is to provide OCCAR with the financial organisation and tools that it needs to manage its programmes in the most effective way in order to successfully fulfil OCCAR's obligations to the Member States and Non-Member Participating States for those programmes. Through approval of this OMP, the BoS delegates financial powers to the OCCAR-EA Director (hereinafter referred to as "the Director"), Committees and Boards as set out below.

1.2 Authority

This OMP is established in accordance with Chapter IX (Article 34) of the Convention.

1.3 Implementation and Administration

The Director has overall responsibility for the implementation of this OMP and to ensure that it is reviewed and updated as required.

By delegation of the Director, the day-to-day implementation and administration of this OMP shall be the task of the Head of Finance Division who is the Senior Finance Officer¹. Proposals for amendments to this OMP shall be examined and assessed by the Finance Committee prior to submission to the BoS for approval.

1.4 Internal Management Documentation

Appropriate internal OCCAR-EA Procedures (IPs) and Internal Guidelines (IGs), which shall strictly comply with the provisions contained in this OMP, shall define in more detail this OMP. These IPs and IGs shall be made available to the national representatives to the Finance Committee. The financial templates mentioned in this OMP and used to report to the Nations shall be agreed by the FC (e.g. FS², FOO, MOE/MAE, OFP, ...).

1.5 Financial Year

OCCAR's financial year (FY) shall be the calendar year from 1st January to 31st December.

1.6 Programme Financial Activity

Any financial activity undertaken by OCCAR and relating to a programme, whether it is administrative or operational, such as, taking a financial commitment, setting up a budget, issuing a CFF or making a payment must be covered by a Programme Decision in force, except in specific cases of paragraphs 3.3.1 (programme

¹ The most senior (by grade) officer within OCCAR-EA with a professional finance background. This is normally the Head of Finance Division. He is the Director's prime source of financial advice to the Finance Officers in the PDs.

² Including the statements related to operational transactions.

integration budget area) and 5.1.1.1 (issuing CFFs). As a consequence, when the term of a Programme Decision gets closer, OCCAR-EA must ensure that all financial activities relating to that Programme Decision can be performed before its term. If not, an extension of the Programme Decision or any other solution must be put in place.

1.7 Other Provisions

For financial matters, OMP 10 shall prevail over other OMPs.

BoS decisions which have financial consequences shall, if relevant, be incorporated into OMP 10.

2. Financial Governance

2.1 General Organisation

OMP 3 defines OCCAR Corporate organisation; the main points relevant to this OMP are below.

2.1.1 Board of Supervisors (BoS)

The BoS directs and supervises OCCAR-EA and all committees and decides all matters concerning the implementation of the OCCAR Convention including financial matters.

2.1.2 Programme Boards (PBs)

PBs perform the high level management of the programmes and make major decisions relating to them in accordance with its terms of reference defined in OMP 3 including financial matters.

2.2 Principles of Financial Management (FM) policy

2.2.1 FM Requirement

Financial Management requires OCCAR to update, monitor and control its financial commitments and the total cost of its programmes with the aim to react as soon as possible if a cost overrun of its programmes, by comparison with a Programme Decision, should appear.

In particular OCCAR-EA shall:

- Estimate the financial impact of the work, which remains to be done on the programmes in order to fulfil the High Level Objectives of the Programme Decisions,
- Estimate the amount of the financial provision intended to cover any possible future risks on the programmes,
- Update, monitor and control its administrative commitments and payments by comparison with approved AB.

Financial Management is based on commitments already made and on forecasts:

- On a annual basis for administrative domain,

- And on the duration of the programme for operational domain.

2.2.2 FM Responsibility

FM is the responsibility of the Director through the Head of Finance Division. It is the Programme Divisions, which implement it through their finance officers, except for Central Office whose FM, is implemented by the Head of Finance Division.

2.2.3 FM Statements

The Statements required and the way they are produced are detailed in the Internal Procedures. Among these Statements are the Administrative Financial Plan and the Operational Financial Plans. If required, periodic statements of expenses/payments shall be provided to all relevant Member and Programme Participating States.

2.2.4 Financial Management System (FINMAS)

The FINMAS is the OCCAR-EA ICT system made up of AFM and PFM modules. Its purpose is to provide a common, reliable and stable frame of financial management throughout the organisation. OCCAR-EA shall ensure that FINMAS is the main source of financial information.

2.3 Finance Committee (FC)

The FC shall be responsible for the direction of all financial matters in accordance with the delegated authority given by the BoS through the FC Terms of Reference defined in OMP 3. The FC shall monitor, on behalf of the BoS, the operation and effectiveness of OCCAR-EA's financial management and shall propose to the BoS the general policies on OCCAR financial matters.

2.4 Programme Committees (PCs)

The PCs shall oversee the management of the programmes, including the financial aspects, in accordance with the authority delegated to them.

2.5 Future Tasks and Policy Committee (FTPC)

The FTPC, in accordance with its terms of reference defined in OMP 3 or its delegated authority given by the BoS, may draw up specific policy that might affect indirectly financial and administrative matters within OCCAR-EA.

2.6 The Director of OCCAR-EA

The Director exercises his authority to manage all financial operations as have been delegated to him by the BoS, under Chapter V Article 21 of the Convention and the Director's ToR defined in OMP 3. In particular, the Director holds overall responsibility for financial planning, budgeting, in year management and accounting. In fulfilling his responsibilities to the BoS, the Director is entitled to formally sub-delegate, to the fullest extent possible, authority further within OCCAR-EA.

2.7 Finance Division (FD)

The Finance Division shall operate and co-ordinate all budgetary, financial planning and accounting functions within OCCAR-EA and shall support Programme Divisions

(PDs) in financial matters. The Head of the Division shall maintain the accuracy, reliability and relevancy of the financial information produced and ensures the identification of OCCAR's financial risks. Head of FD is responsible to the Director and is his primary source of advice on OCCAR's financial issues.

3. Preparation and Approval of Budgets and Financial Plans

3.1 Budget Requirement

OCCAR-EA is required, to prepare annually, under Article 35 of the Convention, an AB containing funding required to cover all activities associated with the internal functioning of OCCAR-EA and an Aggregated Operational Budget (AOB). Both shall be in accordance with the relevant Programme Decisions.

Budget figures are based upon the payments planned to honour the financial commitments to be entered into the budget financial year. They shall be used as initial reference for the expected contributions.

3.2 Budget Preparation

The budget preparation process shall consist of three phases. The process is structured as follows:

- a. Internal Phase to identify and quantify in draft the budgetary requirements. To be completed by the end of June (Year 0).
- b. External Phase to screen the draft budgets with the Nations. To be completed by the end of September (Year 0).
- c. Approval Phase. The period during which the Administrative and Programme Operational Budgets (AB and POB) approval is formally sought and obtained. To be completed by the end of October (Year 0).

3.3 Budget Structure and Nomenclatures

3.3.1 Administrative Budget (AB)

The AB structure is composed of areas, which are the individual Budgets for Central Office, Sites and Programme Divisions.

The AB structure consists of the following items:

- A CO budget "fixed" part, with sharing keys based on Member States' voting rights, a CO budget "variable" part called CO-PS, with combined sharing keys based on related Programme Shares by Nations. CO-PS Costs covers shared ICT costs and programme integration activities (such as DNEs);
- Sites budget areas with sharing keys resulting from the combined weight of the supported Programmes Shares by Nations;
- Programme AB areas with sharing keys based on the Programme Shares by Nations.

The budget of the Sites shall be presented both as stand-alone budget areas and as an integral element of the relevant CO/PD budget areas. Additional budget areas may be created through the specific approval of the FC.

Each area of the AB is divided into Chapters, Headings and Budget Line Items (BLIs), the nomenclature, shall reflect the internal functioning of OCCAR, taking into consideration:

Payments, which are:

- Chapter 1 Personnel payments
- Chapter 2 Other operating payments
- Chapter 3 Capital payments

Receipts (chapter 4), which are:

- Contributions from the Nations
- Those generated by authorised OCCAR activities
- Other funds available to OCCAR or those administered by it on behalf of the States

The AB nomenclature detailed by chapters and headings is in Annex OMP 10-B. By delegation from the BoS, amendments to Annex OMP 10-B are decided by the FC. The AB submitted to national authorities for approval shall respect that nomenclature.

The AB shall be prepared in Euro, supported by explanatory comments. New requirements and significant changes to the previous authorised budget shall be highlighted.

3.3.2 Programme Operational Budgets (POBs)

The POB shall include but not be limited to:

- The distinction between forecasted payments relating to financial commitments, resulting from current contracts, and to financial commitments expected to be entered into, based on planned contracts as at 31st May (Year 0).
- Identification of the relevant Programme Decisions and Operational Maximum Financial Commitment (OMFC).

The nomenclature is composed of payments and receipts. The POB payment nomenclature is detailed within a chapter by headings which are:

- Basic price
- Variation of price (VOP)
- VAT to be paid by OCCAR-EA.

By delegation from the relevant PB, amendments to the detailed nomenclature of each POB are approved by the relevant PC. The POB

submitted to national authorities for approval shall respect that nomenclature.

The POB shall be prepared for each Programme in Euro, supported by explanatory comments. New requirements and significant changes to the previous authorised budget shall be highlighted.

3.4 Budget Funding Keys

3.4.1 Administrative Budget (AB)

The CO budget "fixed" part costs are shared amongst Member States according to voting rights at the BoS (the latter being defined in Annex IV of the Convention). Non-Member Participating States shall also contribute to the CO costs. This contribution shall be calculated according to the formula set out in Annex OMP 10-A. Observer States may also contribute to the CO budget area costs (see Annex OMP 10-A).

The Programme Division costs shall be shared amongst Participating States according to the relevant Programme Decisions. The calculation of the share of the Site costs allocated to each budget area shall be based on the number of staff working in each area according to the formula in Annex OMP 10-A.

The programme integration budget(s) costs shall be shared amongst future Participating States according to the sharing key agreed by the national representatives leading the integration of the new programme(s) (or the new phase of the existing programme(s)).

Some ICT (Information Communication and Technology) support costs may be allocated to CO-PS and so, afterwards, reallocated on the relevant budget areas (see Annex OMP 10-A). Those ICT support costs shall be shown separately, by Chapter and BLI, for information and screening. Endorsement is done through the endorsement of the relevant budget areas.

The contribution of a new Member State to the CO Budget shall commence on the first day of the month following the date on which that State becomes an official member.

The contribution of a new Non-Member Participating State to the CO and the other relevant AB areas shall commence with effect from the date of signature of the relevant Programme Decisions.

3.4.2 Programme Operational Budgets (POBs)

The costs of Programme Operational Budgets are shared in accordance with the relevant Programme Decisions.

3.5 Budget Submission

The Director shall formally submit the first draft of the ABs and POBs to the national delegated authorities (FC, relevant PB/PC) by 1st July (Year 0). The Director shall submit the final version of the AB and POBs to the BoS or PB/PC as appropriate for the Approval Phase by 30th September (Year 0).

The draft AB shall include but not be limited to the following information:

- a. Payments: Year –1
- b. Carry Forward if applicable
- c. Current Approved Budget: Year 0
- d. Forecasted payments: Year 0 (current FOO)
- e. Submitted Budget: Year 1
- f. Difference between c) and d) (absolute amounts and percentages)

3.6 Delegation of Programme Operational Budget (POB) Approval

The BoS delegates to the existing and future PBs the authority to approve their respective POB. This delegation is given by the BoS through the approval of the present OMP. The delegation can be further delegated by the PBs to the PC.

3.7 Delegation of Approval for Investments relating to the Administrative Budget (AB)

By delegation from the BoS, administrative investments are normally screened by the FC and authorised by the FTPC through the approval of a business case including a financial projection year by year. The FTPC is also authorised to release funds on a case-by-case basis from the Unspecified Investment Budget Line of the AB.

The financial projection covers the total cost of the investment and makes the distinction between recurring and non recurring costs. When an ICT investment is below K€ 50 (non recurring costs), its authorisation can be given through the approval by Nations of the ICT plan. By exception, investments below K€ 20 (non recurring costs) can be authorized through the approval of the supporting AB only.

In the case of an investment spread over several financial years, the cumulated corresponding values in yearly ABs should not exceed the investment amount authorised through the approval of the business case.

3.8 Budget Responsibility

The Finance Division co-ordinates the preparation and issue of AB and POBs documentation to the relevant Nations for screening or approval and ensures that all budgets have been established in a taut and realistic manner.

3.9 Financial Plans

An Operational Financial Plan (OFP) and an Administrative Financial Plan (AFP) shall be produced every year for each programme decision in force. Those plans are intended to compare, per Participating State, the last total forecasted cost of a Programme Decision to the OMFC and the AMFC.

A Financial plan shall be established at the same economic conditions as the respective Programme Decision. The financial plan shall include:

- (i) the actual payments since the Programme Decision is in force,
- (ii) the forecasted payments for the Year 0 and for the remaining period up to the end of the completion of the High Level Objectives of the programme

decision. The forecasted payments shall be shown per year from Year 0 to Year 4,

- (iii) the total estimated payments of the Programme Decision (actual plus forecasted payments), and the margin to the respective AMFC/OMFC.

The OFP shall also:

- distinguish between forecasted payments relating to financial commitments, resulting from current contracts, and to financial commitments expected to be entered into, based on planned contracts as at 31st May.
- identify, separately from the OMFC, any optional package of the Programme Decision whose commitment is aimed at covering future needs.
- be supported by explanatory comments³.

Each AFP and OFP shall be prepared by OCCAR-EA and sent to the relevant FC and PC members at least once a year in conjunction with the draft budgets. Any major risks⁴ shall be highlighted and explained. The Financial Plans are noted by the PCs at the same time as the Budgets are approved.

3.10 Midterm Estimates

Midterm Operational Estimates (MOE) and Midterm Administrative Estimates (MAE) shall be produced every year for each Programme Decision in force and per Participating State. They show the planned payments for the year to come (Year 1) and for each of the three following years (Years 2 to 4) on an outturn basis. Upon request of a Nation, the MOE makes the distinction between basic, VAT and VOP.

They shall be supported by the underlying assumptions on which they were built as well as with explanatory comments. The MAE shows the information per Budget area, showing as a minimum the variance from year to year.

MAE and MOE shall be prepared by OCCAR-EA and sent to the relevant FC and PC members at least once a year in conjunction with the draft budgets. The MAE are noted by the FC and the MOE are noted by the PCs at the same time as the budgets are approved. An Aggregated MAE (AMAE) and an Aggregated MOE (AMOE) are to be sent to the BoS for noting in conjunction with the budget approval process.

3.11 External Budget Screening

OCCAR-EA shall scrutinise the draft budgets with the finance and programme experts of the Nations in formal screening meetings. The external screening meetings are intended to answer queries and to offer any relevant clarifications or details on the budgets under review. The expected outcome is to record budget approval (OB) / endorsement (AB) or, if not achieved, to identify required actions and planned dates of completion. The AB for PDs should be screened by PCs at the same time as the POBs. CO-PS costs shall be screened by the FC only and PCs/PWGs shall be informed, during the PDs AB screening process, of the amount of the CO-PS share allocated to their programme. The Programme Integration Budget(s) shall be screened by the national representatives leading the integration of the new

³ e.g.: actualisation factors if applicable, VoP indices if applicable

⁴ e.g.: the risk of exceeding the Programme Decision financial ceiling with the expected CFF, or the completion of the High Level Objectives of the Programme Decision.

programme(s) (or of the new phase of the existing programme(s)). Site costs shall be screened by FC members whose Nation participate to at least one entity (programme or CO) supported by the site. PCs are informed, during the PDs AB screening process, of the amount of the site share allocated to their PDs AB.

3.12 Budget Approval

The BoS will approve the OCCAR-EA AB once the PD ABs have been endorsed by the PCs, the Programme Integration Budget(s) has (have) been endorsed by the national representatives leading the integration, the CO and CO-PS Budgets have been endorsed by the FC and the site budgets have been endorsed by FC members whose Nation participate to at least one entity supported by the site. The PCs note the site and CO-PS shares allocated to their programme.

The PB or PC as appropriate (see paragraph 3.4) shall approve their POBs.

In order to allow OCCAR-EA to issue CFFs on time, the Budget approval process should be concluded by the end of October.

To provide the BoS with a high level overview, the BoS shall receive the AOB, AMOE and AMAE to note. The FC members shall receive for information a copy of the OCCAR-EA approval request of the POBs to which they contribute and of the AB.

3.13 Budget Revision

Budgets shall, in normal circumstances, include the supplementary costs, if any, of future commitments, including those resulting from expected contracts or Programme Decisions.

If, due to new circumstances⁵, a revised budget is required in-year, this shall be submitted by the Director to the BoS through the FC (AB) or to the appropriate PB or PC (POB) for approval in accordance with procedures set out in paragraph 3.12. The Nation(s) who is(are) required to approve a revised budget is(are) only the one(s) whose share of the budget (POB) or budget area (AB) is revised. If appropriate, the PB shall receive operational revised Budgets for noting, in recognition of the potential programme significance, and the BoS shall receive an updated AOB.

3.14 Provisional Budget Authorisation

3.14.1 Administrative Budget (AB)

If the annual AB (Year 1) is not approved by 1st January of Year 1, a Provisional Budget is put in place. The Provisional Budget is equal to 25% of the draft next year's budget as endorsed by the relevant committees or, in the absence of an endorsed budget, to 25% of the previous year's budget. This process may continue every three months to cover the OCCAR-EA obligations as required.

3.14.2 Programme Operational Budgets (POBs)

If an annual POB (Year 1) is not approved by 1st January of Year 1 a Provisional Budget is put in place. The Provisional Budget is equal to the expected payments due in the first quarter of Year 1 in respect of contracts

⁵ E.g. the signature of a ProgD not yet considered in the approved Budgets.

already signed at the 31st of December (Year 0). The relevant PC can decide beforehand on an alternate rule for the calculation of the Provisional Budget. This process shall continue every three months as required.

3.14.3 BoS Information

Where a Provisional Budget is settled under paragraph 3.14.1 or 3.14.2 above, the Director shall immediately inform the BoS and relevant PB and provide a copy to the FC and the relevant PC. The BoS or PB may give instructions with regard to the management of the Provisional Budget.

3.15 New Programme Divisions

The approval of a new Programme Decision allows the establishment of the related PD in accordance with OMP 2.

In order to cover the immediate costs linked to the new Programme, the Finance Division will coordinate the preparation of the budgets (for the current year, and the following one if the budget external phase is already completed) to be presented and approved in conjunction with the Programme Decision.

4. Management of Budgets and Commitments

4.1 Commitments

4.1.1 Commitment Requirement

An internal commitment procedure shall be established to ensure that commitments are only made with appropriate prior financial authorisation. The duties of the authorising officer for commitments shall be performed in accordance with the principles of sound financial management, in particular those of efficiency, effectiveness and economy.

All commitments⁶ are to be recorded in order to control the commitments for the respective Financial Years and the commitments against the ceiling of the respective Programme Decisions.

4.1.2 Commitment on Administrative Budget (AB)

Contractual and Financial commitments shall be entered into only for purposes provided for in the current Budget/Provisional Budget.

For an existing contractual commitment, the resulting financial commitment must be recorded, the full amount of which being split between the relevant Financial Years, in order that OCCAR-EA is able:

- To know the total of all commitments made.
- To control the expected commitments to ensure that the total administrative commitments of OCCAR-EA for each year shall not exceed the latest approved or provisional in year budget and, possibly, approved or drafted future year's budget.

⁶ Including staff related payments for the Administrative Budget.

4.1.3 Commitment on Programme Operational Budgets (POBs)

Financial commitments can be made only for the purposes provided for in the latest approved Programme Decisions.

When a contractual commitment is undertaken (i.e. when a contract or an order is placed), the resulting financial commitment must be recorded in the relevant Financial Year for its total value in order that OCCAR-EA is able:

- To know the total commitments for each Programme Decisions until the end of the contracts,
- To control the expected financial commitments to ensure that the total operational commitments of OCCAR-EA on each Programme shall not exceed the financial ceilings of the relevant Programme Decisions,
- To control if payments induced by those financial commitments are compatible with the latest approved or provisional in year budget and possibly approved or drafted future year budgets.

4.2 Application of Carry Forward (AB) and Carry Over (POB)

For the AB: At the close of the financial year, the unpaid part of the yearly financial commitment, for which a legal obligation to make a payment exists, shall be carried forward and a separate carry forward budget created. The uncommitted part of the budget shall be cancelled. Carry forward budgets can only be used during the following FY to cover the original commitment. Extended duration can be granted by the FC on a case by case basis.

For the POBs: Any unspent part of the budgeted funds may be carried over into a separate carry over budget. This carry over budget shall be decided on a case by case basis, in time to make a last CFF if necessary, and can be used from the beginning of the following financial year under the relevant Programme Manager's authority. Carry over budgets can only be used during the following FY to cover the original commitment, unless otherwise decided by the relevant Participating States.

The carry over budgets can only be established against funds remaining on OCCAR's bank accounts at the end of the year (or against funds received by the 31st January of the following year) and not linked to following years, upon decision by the relevant Nation.

4.3 Budgetary Transfer

4.3.1 Inter-Chapter Transfers

The Director can authorise budget transfers between chapters inside each area of the AB, with two exceptions:

- no possibility to make inter-chapter transfers from the three BLIs contingencies,
- if an intra chapter transfer is done from a BLI contingency, any subsequent possible surplus in that chapter can only be transferred to another chapter if the BLI contingency is first reconstituted at its original level.

Inter-chapter-transfers which are not under the Director's authority are to be submitted to the FC for approval.

4.3.2 Intra-Chapter Transfers

The Director is authorised to make all intra-chapter transfers within each area of both AB and POBs, including from the BLIs contingencies.

By exception, if an inter-chapter transfer is done (on the AB), any subsequent intra chapter transfer envisaged from the BLI contingency of the chapter originally in excess must be submitted to FC for approval.

4.3.3 Reporting

The Director shall, at least once a year, provide an incremental report to the FC on any transfers falling under paragraph 4.3.1 or 4.3.2 above.

4.4 Forecast of Outturn (FOO)

OCCAR-EA shall provide the concerned Member States and Participating States a minimum of three FOOs during each FY for the AB, POBs and carry over budgets. The FOOs, which are established at the same conditions as the budgets in the area of VAT and VoP shall be produced for each Programme Decision, at the following closing dates:

- 31st January
- 31st May
- 30th September

By delegation from the BoS, amendments to these dates are decided by the FC.

FOO shall include, but not be limited to:

- a. payments of the previous FYs
- b. payments of the current FY
- c. Forecasted payments for the whole current FY. The FOO for the POB shall be showing the respective shares for Basic Price, VOP and VAT.

The operational FOOs shall be produced against the approved budgets and the carry over budgets.

Administrative FOOs, by Nation, area and BLI shall be issued to all Nations contributing to the AB. For the POBs each Nation shall receive FOO by Nation for each Programme in which it participates. All FOOs shall be distributed by the end of the month following FOO closing date and supported by explanatory comments.

4.5 Cash Forecast (CF)

OCCAR-EA shall produce a minimum of three CFs each FY for the AB and POBs. The Cash Forecasts shall be produced for each Programme Decision, at the following closing dates:

- 31st January

- 31st May
- 30th September

By delegation from the BoS, amendments to these dates are decided by the FC.

Cash Forecasts shall include, but not be limited to:

- a. Actual cash balance at the closing date
- b. Estimated cash inflows until the end of the budget year: pending contributions, CFFs to be issued, any other expected cash inflow.
- c. Estimated cash outflows until the end of the budget year: estimated payments to industry in line with the FOO, any other expected cash outflow (e.g. reimbursement of borrowings, interests for late payments...).
- d. Estimated cash balance at the end of the budget year ($d=a+b-c$).

The CF shall be sent in conjunction with the FOO.

5. Management of Funds

5.1 Receipts

5.1.1 Contributions

5.1.1.1 Issuing Call for Funds (CFF)

The general financial obligation taken by Nations through the budgets approval is normally covered through the CFF process. But it may also be covered using already available national funds⁷.

CFF can only be made against the existence of an approved budget, or as provided for in the exceptional circumstances below:

- In the event that an operational budget has not been approved before the 31st October, OCCAR-EA is authorised to issue a CFF on the basis of the provisions in paragraph 3.14 or upon a formal request from a Nation. Nevertheless, the funds paid by the Nations in response to the above CFF shall not be spent by OCCAR-EA until the budget is approved or the provisional budget is established. In either event, OCCAR-EA shall issue the first CFF for a FY no later than 15th November of the previous FY.
- In the event that the AB has not been approved before the 31st October, OCCAR-EA is authorised to issue a CFF on the basis of 25% of the draft next year's budget. Nevertheless, the funds paid by the Nations in response to the above CFF shall not be spent by OCCAR-EA until the budget is approved or the provisional budget is established. In either event, OCCAR-EA shall issue the first CFF for a FY no later than 15th November of the previous FY.
- In the case where a Programme Decision is expected to be signed, OCCAR-EA is authorised to issue an administrative and or an operational

⁷ E.g. bank interests, transfers, funds remaining from previous years

CFF in advance of its signature, subject to a formal request from the relevant national representative(s) leading the integration.

CFFs are issued in Euros for the AB. CFFs are issued in the currency specified in the Programme Decisions for the POBs or as otherwise agreed between OCCAR-EA and a Nation in respect of its own CFF. The Finance Division shall call the contributions from Nations and deposit the funds received in interest bearing bank accounts.

Calls for Funds for the AB shall be made at least twice and normally no more than four times a year. For the POBs, they shall cover OCCAR operational cash need for the following months.

A CFF related to the budget for a current specific FY shall be issued no later than 15th November in the same year (or another date agreed by the relevant Nation(s)). Any part of the budget not called by that time is lost for OCCAR.

A CFF shall be issued at least 60 days before its payment due date unless otherwise specified in the Programme Decision or decided by the Nation.

5.1.1.2 Information Attached to a Call for Funds (CFF)

Each CFF shall state the amount required in € (or the currency specified by the Programme Decision), details of the bank account to which the funds are to be credited, the date by which the funds should be credited to the account and the reference of the associated approved budget or provisional budget.

An estimate for each of the remaining CFF for that year shall be provided according to a common format, except for the last CFF of the year. The last bank account balance available is also to be attached to the CFF.

5.1.1.3 Amount of a Call for Funds (CFF)

The amount of a CFF related to a Nation shall be calculated in accordance with the agreed cost sharing formulas (see paragraph 3.4). The CFF shall take into account the actual cash requirement and should be calculated on the basis of:

- The budget or last FOO projection available for the FY,
- The other receipts expected,
- The cash available in bank.

The total amount of the CFFs related to a budget cannot exceed the amount of this budget.

Advanced CFFs may be issued to cover payments for the period from the 1st January to the due date of the 1st CFF.

5.1.1.4 Cancelling a Call for Funds (CFF)

If OCCAR-EA and the Nation involved agree that a CFF already issued does not need to be paid – in totality or partially – OCCAR-EA shall formally cancel it or replace it.

5.1.1.5 Payment of Contributions

Nations are required to ensure that their contributions are transferred to the relevant OCCAR-EA bank account(s) by the specified date. The Finance Division shall advise the Nations as soon as possible if the funds available to OCCAR-EA are insufficient to meet its financial commitments.

5.1.1.6 Delayed Contributions

As soon as OCCAR-EA foresees that a delayed contribution, or any other reason, is likely to cause a failure to meet financial obligations, OCCAR-EA shall consult with the Nation concerned to determine the appropriate course of action to be taken to resolve the problem.

In the event that the procedure above has not succeeded and that by 15 working days after the required payment date OCCAR-EA has not received from the relevant Nation the required funds, it is empowered to effect the Credit Facility Agreement with the bank in order to meet such financial commitments; payments of this shall fall alone to the Nation concerned. The relevant PC representative and the FC shall be informed in advance by the Director of the conditions that apply to this Credit Facility Agreement.

5.1.2 Other Receipts

Beside Contributions, which represent the main source of OCCAR receipts, the organisation is permitted to have several other receipts, which shall include, but not be restricted to:

- Interests,
- Entrance fees, levies and royalties,
- Definitive penalties and liquidated damages⁸.

Every year, in conjunction with the issue of the FS or in relation with the closure of a Programme or Programme phase, FC and PC representatives shall be informed by OCCAR-EA of the total value of each of the other receipts attached to the previous year and the amount as at 31st December of the previous year.

Nations shall inform OCCAR-EA of their requirements for the allocation and the use of those other receipts as necessary. However, other receipts cannot be utilised to commit and to pay in excess of the AMFC/OMFC.

5.2 Administrative Revenues

Beside Contributions, which represent the main source of OCCAR receipts, the organisation is permitted to have several other revenues, which shall include, but not be restricted to:

- Interests,

⁸ The application of definitive penalties or liquidated damages to the contractor leads OCCAR-EA to hold cash that does not incur payments as initially foreseen in the contract.

- Sale of assets,
- Penalties and liquidated damages,
- Other contractual deductions⁹.

Every year, in conjunction with the issue of the FS or in relation with the closure of a Programme or Programme phase, FC and PC representatives shall be informed by OCCAR-EA of the total value of each administrative revenue attached to the previous year and the amount as at 31st December of the previous year.

Nations shall inform OCCAR-EA of their requirements for the allocation and the use of those other revenues as necessary. However, other revenues cannot be utilised to commit and to pay in excess of the AMFC/OMFC.

5.3 Management of Cash Holdings

5.3.1 Bank Accounts

Funds shall be kept in banks of good financial standing, which shall be designated by the Director. The selection of the OCCAR-EA bank(s) shall be determined by competitive tender action applying best practice of OCCAR's procurement strategy for administrative service contracts. The Director is empowered to open or to close OCCAR-EA bank accounts, after prior Nations' notice and supporting information.

5.3.2 Deposits

Funds not immediately required may be placed on interest bearing term bank deposit bearing non-risk financial deposit with the aim to optimise the interest return and to mitigate the risk of bank default.

5.3.3 Placement Policy

In accordance with Article 10 Annex 1 of the OCCAR Convention, OCCAR-EA is permitted to hold governmental securities. The rules governing this activity shall be agreed beforehand by the FC.

5.4 Return of Funds

In the case that OCCAR-EA and the relevant Nations agree that funds available in bank exceed known requirements, OCCAR shall refund the nation(s) concerned if they request it. The refund may be managed through a deduction on a future CFF or through a cash transfer.

5.5 Borrowings

5.5.1 Short Term Borrowing

In this paragraph, short term is considered to be a period of no more than one year.

⁹ e.g. forfeit clause, indemnities, price reduction, contract termination (see OMP 6) could lead OCCAR-EA to manage deductions that are either provisional or definitive.

5.5.1.1 Borrowing between Programmes

Following a formal request expressed by a Participating State, in the event that OCCAR-EA is not able to make a payment in due time against a POB because of a lack of cash from this Participating State, OCCAR-EA will use the relevant Participating State's funds originally provided for another OCCAR Programme to which that Participating State contributes, provided that, in the view of the relevant Programme Manager, there is no adverse impact in terms of cost, time or performance to the Programme providing the money.

5.5.1.2 Borrowing between Participating States

Following a formal arrangement between the Participating States involved in the borrowing, in the event that OCCAR-EA is not able to make a payment in due time against a POB because of a lack of cash from one or several Participating States, OCCAR-EA will use the cash available from another Participating State in accordance with the arrangement.

5.5.1.3 Borrowing from a Bank

Following a formal request expressed by a Participating State, OCCAR-EA is empowered to obtain the necessary funds to meet its full payment obligations under the terms of the OCCAR Credit Facility Agreement with the bank. Interest charges that arise from this short-term borrowing shall fall to the Nation responsible for the payment delay.

5.5.1.4 Payment Delay

Following a formal request expressed by a Nation, OCCAR-EA is empowered to obtain from the supplier an additional payment delay and/or a borrowing. Financial interest charges that may arise from the borrowing shall fall to the Nation responsible for the payment delay.

5.5.2 Long Term Borrowing

In this paragraph, long term is to be considered to be a period of more than one year.

Following a formal request expressed by a Nation, OCCAR-EA is allowed to negotiate with the banks the establishment of long term borrowing terms and conditions in order to finance this national share of its operational activities. Before being signed by the Director, a borrowing contract is submitted by the Director to the BoS, through the FC, for approval. The principal amount, interest charges and relevant bank fees that arise from borrowing shall fall to the Nation who wants to finance its contributions through a long term borrowing.

5.6 Programme Decision Closure

The closure of a Programme Decision requires that OCCAR-EA establishes a forecasted closing accounting situation of the programme and provides it to the Participating States a few months before the Programme Decision term. A distinction is made between administrative and operational activities.

On the basis of this forecast, each Participating State informs OCCAR-EA on the treatment to be applied to his share of the surplus of funds at the closing date.

A final closing accounting situation is established when all financial activities linked to the Programme Decision have been made.

6. Management of Payments

6.1 Payment Authorisation

It is the Director's responsibility, through the Central Office Heads of Division and Programme Managers or their delegated representative, to authorise payment of all invoices or claims for payment.

Payments can only be made after verification of the prior commitment, confirmation of the service provided or goods delivered and that the service or goods are in accordance with the contract or order. A suitable process shall be employed to cross check the appropriateness of each payment. Finance staff in PDs and in CO shall account for invoices to ensure authorisation takes place in time to meet the following requirements. The Finance Division shall make all payments under the AB and POBs for all OCCAR-EA Contracts. So the AB and the POBs are a payment ceiling for the relating Financial Year. Payments shall be made within 30 days from the receipt of the invoice or as otherwise set out in the Contract.

6.2 Payment Instruction

The Finance Division shall issue payment instructions to the Bank after checking the regularity of all relevant documentation. Payment Instructions shall be authorised by two signatories, including at least one A grade, taken from a list of OCCAR personnel approved by the Director and empowered to act as authorised representatives with the Bank. In order to ensure an appropriate segregation of duties, a staff member authorised to give payment instructions to the bank shall not give payment authorisation for the same invoices and vice versa.

6.3 Foreign Exchange Transactions

OCCAR is authorised to make foreign exchange transactions strictly in relation to payment of invoices; any associated charges or fees shall fall to the relevant budget and/or Nation.

7. Financial Accounting

7.1 Guiding Principle

All financial transactions of OCCAR-EA shall be fully accounted for in order that OCCAR-EA may undertake its responsibilities in terms of verification, propriety and control. The Director shall ensure that a comprehensive and reliable accounting system is established and maintained in accordance with appropriate FC recommendation on the matter.

7.2 Accounting Procedures

OCCAR-EA accounting procedures shall comply with the relevant subset of IFAC "International Public Sector Accounting" and with the fact that OCCAR-EA is acting as an agent in respect of the Operational domain and as a principal in respect of the Administrative domain.

The list of main IPSAS applicable to OCCAR-EA is provided in Annex OMP 10-C.

7.3 Financial Statements (FS) Requirement

The FS provide the BoS, the FC and the PC members (for their Programme element) with a structured representation of the financial position of OCCAR at the end of the FY and of the transactions undertaken by OCCAR during the same FY. The objectives of FS are to provide information about the financial position, financial performance and cash flows of OCCAR. Specifically, the financial statements are to be consistent with the IPSAS guidance for financial reporting under the accrual basis of accounting (IPSAS 1) and should provide the following statements:

- Statement of Financial Position (assets and liabilities),
- Statement of Financial Performance (expenses and revenues),
- Statement of changes in net assets /equity (analysis of the equity variance),
- Cash flow statement (cash inflows and outflows explaining the variance between the opening and closing cash balances),
- A budget execution statement (actual payments versus budget).

7.4 Notes to the FS

OCCAR-EA will produce, as an integral part of the FS, notes to the FS that will include the following information:

- A foreword that emphasises any key areas of change in OCCAR-EA (new Programmes, new Agreements, new Participating States...),
- A financial summary, that focuses on the major changes in financial situation and progress of the Programme Decision, in terms of commitments and payments, at the closing date of the FY,
- Significant OCCAR accounting policies,
- Disclosures related to the agent related transactions,
- Any other information deemed useful to the user of the FS.

7.5 FS Responsibility and Submission

The Director is responsible for producing the FS through the Finance Division. He shall submit the Annual FS (including the notes provided for under paragraph 7.4) to the Board of Auditors appointed by the BoS in accordance with Chapter IX Article 36 of the Convention no later than 31st March following the close of the financial year.

7.5.1 Property Administration

7.5.1.1 Property Items

OCCAR is empowered to acquire property items only for the internal functioning of OCCAR, using funds from the AB. An inventory shall be maintained for all such property items and the accuracy of the inventory shall be verified annually through a physical check.

Property items will be recorded by categories in accordance with the European CPV nomenclature. Only individual items with a purchase value above EURO 100, inclusive of VAT if applicable, shall be recorded in the inventory.

7.5.1.2 Asset Depreciation

For a coherent set of items acquired under the AB, OCCAR-EA will apply straight line depreciation to each asset whose purchase value is above EURO 5,000. The reference depreciation period will be determined for each relevant asset category.

7.5.2 Write Off

7.5.2.1 General

The write-off procedure shall clear the assets or other accounting records and examine the circumstances in which the loss occurred, with a view to avoiding any recurrence and potentially establish a claim for compensation or disciplinary action. A written record shall be kept of all write-off actions and investigations. A note into the Annual FSs will include a list of the write-offs, which occurred during the relevant FY.

All novel or contentious write-offs, irrespective of value, shall be reported to the FC directly and in a reasonable timeframe.

7.5.2.2 Write Off Procedure – Administrative Budget (AB)

The Director and the Head of Finance Division may after full investigation authorise the write-off of losses of properties, excluding funds, up to the following amounts per case (recorded value):

- Head of Finance Division EURO 2,000
- Director EURO 5,000

The Head of Finance Division shall inform the Director of all write-offs approved under his delegation.

The Director and Head of Finance Division may exercise this authority on a total of four individual cases per FY. Any cases beyond the Director's delegation shall be submitted to the FC up to the value of EURO 20,000 for the sum of the cases submitted to the FC in that FY and otherwise to the BoS.

All write-offs of funds are decided by the FC for cases of a value of less than EURO 10,000 and by the BoS for cases of value greater than EURO 10,000.

All write-off submissions to the BoS shall be through the FC.

7.5.2.3 Write Off Procedure – Programme Operational Budgets (POBs)

Any write-off cases occurring on the Programme Operational Budgets shall be subject to approval by the relevant PC for amounts up to EURO 50,000 per case or the relevant PB for cases over EURO 50,000, whose members will take their decision after appropriate national staffing.

7.5.2.4 Obsolete Items

Write-off is not applicable to items, which are obsolete, surplus to requirements or have reached the end of their useful life due to "fair wear and tear". These items should be taken off the inventory by a note confirming obsolescence signed by the Head of Corporate Support Division.

7.6 FS Closing and Book-Keeping

The period on which the FSs are established is the FY (see paragraph 1.5). The rules, policies and individual responsibilities about bookkeeping and closing the annual FS are detailed in an Internal Procedure.

7.7 FS Approval

The audited FS (supported by the supplementary documents from the BoA) shall be submitted by the Director to the BoS for approval, copy to the FC, at the latest six months after the end of the financial year. The documents from the BoA, including their recommendations, shall be subject to examination by the FC and acted upon as it sees fit. The approval of the FS is the final act for that given FY.

7.8 Financial Records and Vouchers

Books and records, which record cash flows, revenues and expenses as well as assets, property and liabilities of OCCAR-EA, shall be kept for 10 years. Vouchers and invoices related to contracts shall be kept for at least 6 years from the period of the closure of the contract.

8. Auditing and Control

8.1 Internal Control

The Director, or his delegated representative, shall establish internal controls as necessary to enable proper checks and authorisations of all financial transactions, ensure correct and effective use of OCCAR-EA's funds, assets and property and, consequently, minimise the risk of error or fraud.

To this end the Director shall ensure that financial responsibilities and functions are attributed following a clear policy of segregation of duties.

8.2 Internal Audit

The Director shall appoint an Internal Auditor outside the Finance Division to provide independent opinion of the operation of OCCAR's financial processes and procedures. The Internal Audit programme, approved by the Director, shall include regular audits of financial processes and activities. The OCCAR-EA Internal Auditor shall have access to any personnel or information required to fulfil the audit and the outcome of such internal audits shall be reported to the Director and, where appropriate, to the Corporate Committees.

8.3 External Audit

8.3.1 Board of Auditors (BoA)

The BoA has been established by the BoS to undertake external audits of the OCCAR accounts and they may make observations on financial matters as

set out in their Terms of Reference as approved by the BoS. The BoA is the "audit authorities" referred to in Article 36 of the OCCAR Convention.

8.3.2 National External Audits

The conduct of external audits is governed by Chapter XIII of the OCCAR Convention, Articles 44, 45 and 47.

8.4 Anti Fraud Procedure pertaining to Financial Management

8.4.1 Anti Fraud Requirements

Following terms of article 46 of the Convention, OCCAR-EA shall establish an internal procedure that covers the anti-fraud financial management.

8.4.2 Anti Fraud Whistle blowing

The Board of Auditors is informed every year by OCCAR-EA about any suspected or proven instances of fraud in relation with the FS.

9. **Management of Taxes**

9.1 VAT

AB: VAT shall be treated in accordance with Annex 1 of the OCCAR Convention. OCCAR-EA shall regularly claim for VAT reimbursement to the relevant authorities of each Nation raising the VAT. In the few cases where VAT is not reimbursed or non reimbursable, the non reimbursed (or non reimbursable) VAT shall be considered as an OCCAR expense.

Operational Budget: Each Programme Division shall quantify the appropriate funds for VAT to be incorporated into the Operational Financial Plan for each Programme Participating State. The Programme Division shall take into account the applicable national VAT regime derived from the relevant EU Directives and regulations, the MoUs and the Programme Decisions.

9.2 Other Taxes

Other taxes levied on OCCAR shall be treated in a similar way to the VAT provisions above.

10. **Annexes**

| | |
|----------------|---|
| Annex OMP 10-A | Cost Sharing Formulas on the Administrative Budget (AB) |
| Annex OMP 10-B | Administrative Budget (AB) Nomenclature |
| Annex OMP 10-C | List of IPSAS applicable to OCCAR |

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1. Contributions to Central Office budget

1.1 Calculation of the Non-Member Participating State's (or Entity in cooperation, Article 37 of the OCCAR Convention) annual contribution to OCCAR-EA Central Office budget

The contributions to OCCAR-EA Central Office budget, by Non-Member Participating States (or for the Entity in cooperation), will be estimated annually following the screening of the OCCAR-EA Central Office Administrative Budget by the Member States. Contributions will be normally requested through three Calls For Funds per year (or in accordance with the cooperation agreement for the Entity).

There may be occasions when the OCCAR-EA Central Office Administrative Budget alters during the year (for example a supplementary budget) or the funding key changes (for example when a new Participating State joins the OCCAR programme). Any changes to Non-Member Participating State (or Entity) contributions as a consequence of these changes will be accommodated through CFF during the year. Where Non-Member Participating States start to participate in a programme part way through the financial year, their OCCAR-EA Central Office contribution will be calculated proportionately (or in accordance with the cooperation agreement for the Entity).

To enable Non-Member Participating States (or Entity) to calculate their overall contribution towards OCCAR-EA Administrative Budget, information regarding OCCAR-EA Central Office contributions will be provided to the PB representatives of the Non-Member Participating States or their delegated authority (or to the Entity). The formula to be used to calculate the Non-Member Participating State's (or Entity) annual contribution towards OCCAR-EA Central Office budget referred to in OMP 2 is:

$$\frac{S1 \times C \times M}{S2}$$

where:

S1 = The number of budgeted posts in the relevant OCCAR-EA PD

S2 = The total number of budgeted posts in OCCAR-EA except OCCAR-EA Central Office. The value is the one of the relevant AB: as at FY2009 for programmes existing at 01/01/2009, or at the FY of the Programme Decision signature for other programmes

C = The administrative budget cost (or FOO, or actual payments) of OCCAR-EA Central Office budget area plus the OCCAR-EA Central Office share of the Bonn Site budget (or FOO, or actual payments)

M = The national percentage share of the AMFC as defined in the Programme Decision (or total for the Entity).

1.2 Calculation of the Observer's annual contribution to OCCAR-EA Central Office budget

The Observers may be required to pay an annual contribution to OCCAR-EA Central Office budget. This contribution is defined in the Service Agreement signed with OCCAR.

2. Allocation of CO-PS budget to Programme Division budget areas

$$\text{CO-PS} = \text{CO-PS 1} + \text{CO-PS 2}$$

$$\text{CO-PS 1} = \text{CO-PSInt} + \text{CO-PSG}$$

where:

CO-PSInt = allocated in full (100%) to the programme(s) in integration phases (such as DNEs costs) or small programme(s) to which it applies.

CO-PSG = Growth model impact (paragraph 5 below) on the relevant programme(s)

$$\text{CO-PS 2} = \text{CO-PSC} + \text{CO-PICT}$$

where:

CO-PSC = common allocation of PD shared costs

CO-PSICT = allocation of ICT support shared costs

The sharing key (SK) used to allocate CO-PSC and CO-PSICT to Programme Division budget areas is as follows:

$$\text{SK} = \frac{\text{B}_{\text{PD}}}{\text{B}_{\text{TOT}}}$$

where:

B_{PD} = The administrative budget cost of the relevant OCCAR-EA PD, without the CO-PS and site reallocated budget.

B_{TOT} = The total administrative budget cost of all OCCAR-EA PDs, without the CO-PS and site reallocated budget.

3. Contributions to Programme Division budget

The Participating States (Members, non-Members or Observers) will contribute to the OCCAR-EA Programme Division budget in accordance with an agreed sharing key M. The formula is as follows:

$$\text{PD} * \text{M}$$

where:

PD = The AB cost (or FOO, or actual payments) of OCCAR-EA Programme Division

M = National percentage share of administrative budget of the programme as defined in the Programme Decision

4. Allocation of Site budget

4.1 The formula for the sharing of the Site budget between areas of the AB is:

$$SBa = (S1/S2) * SB$$

where:

S1 = number of posts in the relevant OCCAR-EA PD or CO

S2 = total number of posts supported by the Site

SB = Site budget

SBa = part of the Site Budget allocated to one area

4.2 The formula for the sharing of the Site budget part allocated to one area between Nations is:

$$SBa * M$$

where:

M = national percentage share of administrative budget of the programme as defined in the Programme Decision or national percentage share of the CO budget

5. Programmes Contribution to Central Office Growth Model

For a given Programme, the Growth Model is applied against the December 2015 baseline constituted by: 12 Programmes, 6 sites, overall staff of 257.

The Participating States (Members, non-Members or Observers) will contribute to the OCCAR-EA Administrative Budget (Central Office) in accordance with the Growth Model Calculation. The formula is as follows:

$$CO-PSG = (1.2 * Pr + 0.55 * Si + 0.05 * St) * 165,000$$

where:

Pr = is the number of additional Programmes beyond the current 12

Si = is the number of additional sites beyond the current 6

St = is the number of additional staff beyond the current total across OCCAR-EA of 257.

For a new Programme, the Participating states will contribute in accordance with the agreed sharing key M of paragraph 3 above. The same applies to an existing Programme; unless the growth is due to only one or few of them (i.e. new Participating State joining the Programme) that will then bear solely the CO Growth contribution.

Annex OMP 10-B – Administrative Budget (AB) Nomenclature

TITLE I – ADMINISTRATIVE PAYMENTS

| N° | Description | Definition |
|-------------|---|---|
| | TITLE I - ADMINISTRATIVE PAYMENTS | |
| | | |
| 1000 | CHAPTER 1 - PERSONNEL PAYMENTS | All direct payments relating to OCCAR-EA staff (including temporary staff and staff training payments) |
| 1100 | Basic Salary | |
| 1200 | Allowances | |
| 1300 | Overtime, Untaken Leave and Home Leave | |
| 1400 | Recruitment and Repatriation | |
| 1500 | Social Security & Provident Fund Benefits | |
| 1600 | Temporary Staff | |
| 1800 | Training and Development | |
| 1900 | Others | |
| | | |
| 2000 | CHAPTER 2 - OTHER OPERATING PAYMENTS - | All recurring payments which are not included in Chapter 1, in particular payments relating to premises and general supplies and services |
| 2100 | Facilities Management | |
| 2200 | Offices supplies and services | |
| 2300 | Communications | |
| 2400 | Hospitality and Public relations | |
| 2500 | Linguistic Services | |
| 2600 | Information and Technology | |
| 2700 | Services & Support | |
| 2800 | Duty Travel | |
| 2900 | Others | |
| | | |
| 3000 | CHAPTER 3 - CAPITAL PAYMENTS | All payments considered as an asset |
| 3100 | Premises and furniture | |
| 3200 | Office Equipment and Stores, IT | |
| 3300 | Other Capital Expenditure | |
| 3900 | Others | |

TITLE II – ADMINISTRATIVE RECEIPTS

| N° | Description | Definition |
|-------------|--|------------|
| | TITLE II - ADMINISTRATIVE RECEIPTS | |
| | | |
| 4000 | CHAPTER 4 – ADMINISTRATIVE RECEIPTS | |
| 4100 | Participating States contributions | |

Annex OMP 10-C – List of IPSAS applicable to OCCAR

- IPSAS 1 – Presentation of Financial Statements
- IPSAS 2 – Cash Flow Statements
- IPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors
- IPSAS 4 – The Effects of Changes in Foreign Exchange Rates
- IPSAS 6 – Consolidated and Separate Financial Statements
- IPSAS 9 – Revenue from Exchange Transactions
- IPSAS 12 – Inventories
- IPSAS 13 – Leases
- IPSAS 14 – Events after the Reporting Date
- IPSAS 17 – Property, Plant and Equipment
- IPSAS 18 – Segment Reporting
- IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets
- IPSAS 20 – Related Party Disclosures
- IPSAS 24 – Presentation of Budget Information in Financial Statements
- IPSAS 28 – Financial Instruments: Presentation
- IPSAS 29 – Financial Instruments: Recognition and Measurement
- IPSAS 30 – Financial Instruments: Disclosures
- IPSAS 31 – Intangible Assets