



OCCAR Management Procedure

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<p>Approved for issue:</p> <p>[Original signed] Matteo Bisceglia, OCCAR-EA Director</p> <p>Date: 21/05/2022</p>	<p>OCCAR File Ref: CO/FD/2022/00163</p>
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This document replaces: OMP 10 – Issue 9.3 dated 11/01/2022

Record of changes

Date	Issue	Changes
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.
08/03/19	9	Fine-tuning of ICT costs and OCCAR-EA Growth model calculation (modifications in Annex OMP 10-A). Clarification of wording in para. 2.2 on Financial Reporting, 7.3 and 7.4 on Financial Statements, 7.8 on Property and Assets. Other updates in para. 3 and 4 on Budgets and 5 on Funds Management.
09/08/2020	9.1	Following BoS approval of Business Case on "CO – Flat Line Simplification and Rebaseline" (CO/FD/2020/00672, Issue 4, dated 28/05/2020), amendment of Annex OMP 10-A, para. 1 to 3.
02/08/2021	9.2	Amendment of the GM formula to account of Small Programmes joining OCCAR
11/01/2022	9.3	Amendment focused on Annex A para 5 and concerning light changes to wording and the deletion of the requirement to submit a Business Case to the BoS for approval when the calculation of the GM contribution exceeds 100K€.

21/05/2022	9.4	Updated FOO Procedure and introduction of the Final Outturn Report to Nations in lieu of January FOO.
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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
CM	Commitment Management
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
EUR	Euros
FC	Finance Committee
FD	Finance Division
FINMAS	FINancial MAnagement System
FOO	Forecast of Outturn
FO	Final Outturn
FS	Financial Statements
FY	Financial Year
ICT	Information and Communication Technology
IFAC	International Federation of Accounting Committees
IG	Implementation Guidance (of IPSAS)
IPSAS	International Public Sector Accounting Standards
KPI	Key Performance Indicator
MAE	Midterm Administrative Estimates
MOE	Midterm Operational Estimates
OFF	Operational Financial Plan
OMFC	Operational Maximum Financial Commitment
OMP	OCCAR Management Procedure
PB	Programme Board
PC	Programme Committee
PD	Programme Division
PFM	Programme Financial Management
POB	Programme Operational Budget
PWG	Programme Working Group
ToR	Terms of Reference
VAT	Value Added Tax
VOP	Variation of Price

List of definitions

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.
Borrowing	The means to obtain or receive cash (or cash equivalent) on loan for use during a temporary period of time, intending to give it (or something equivalent) back to the lender.
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.
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.
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).
Financial Statements (FS)	Financial Statements are the documents prepared according to Article 36 of the OCCAR Convention. They consist of a Section I (principal related Administrative transactions) and of a Section II for additional disclosures (agent related Programme Operational Budget transactions).

Investment	The purchase of a good or service with an expectation of favourable future returns in the long term.
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 (OMFC)	For definition, see Annex OMP 2-B.
Payments	Payments are cash outflows (IPSAS cash basis), made by OCCAR-EA. Outturn and payments are synonymous.
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.
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.
Property	Comprise all equipment, 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 OCCAR Management Procedure (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 Board of Supervisors (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 (FD) who is the Senior Finance Officer¹. Proposals for amendments to this OMP shall be examined and assessed by the Finance Committee (FC) prior to submission to the BoS for approval.

1.4 Internal Management Documentation

Appropriate Internal OCCAR-EA Procedures and Internal Guidelines, which shall strictly comply with the provisions contained in this OMP, shall define in more detail this OMP. These Procedures and Guidelines shall be made available to the national representatives to the FC. The data included in the financial documents 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 Call For Funds (CFF) or making a payment must be covered by a Programme Decision in force, except in specific cases of para. 3.3.1 (programme integration activities) and 5.1.1.1 (issuing CFFs). As a consequence, when the term of a Programme Decision gets closer, OCCAR-EA must ensure that

¹ The most senior (by grade) officer within OCCAR-EA with a professional finance background. This is normally the Head of FD. 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 (Section II).

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

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

Programme Boards (PBs) perform the high level management of the programmes and make major decisions relating to them in accordance with its Terms of Reference (ToR) defined in OMP 3 including financial matters.

2.2 Reporting on financial data and Financial Management

2.2.1 Reporting on financial data

Reporting requirements and Reports to the various Committees are defined in OMP 3. Concerning the reporting on financial data, it will include:

- Key Performance Indicators (KPIs) and Strategic Initiatives status, Budget and Finance activities updates for the BoS and FTPC;
- Corporate financial matters, Budgets, Forecasts of Outturn and Financial Statements (FS) for the FC;
- Programme costs status in accordance with Programme CM (see para. 4.1.1), Programme Financial Management (PFM) Statements (see para. 2.2.2) and Programme Management Plans (including budgets) for the PB/PC.

2.2.2 Programme Financial Management Reports

The Reports required and the way they are produced are detailed in the Internal Procedures. Every FY, in conjunction with the preparation of the Financial Statements (FS), a set of detailed PFM reports including the Operational Financial Plans (OFP)³ is prepared consistently to the FS and provided to the relevant Member and Programme Participating States.

³ The Administrative Financial Plan (AFP) will be provided together with the Budget documentation.

2.2.3 Financial Management System

The Financial Management System (FINMAS) is the OCCAR-EA Information and Communication Technology (ICT) system, with the purpose 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 and reporting on financial data.

2.3 Finance Committee

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 ToR 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 advise and propose to the BoS the general policies on OCCAR financial matters.

2.4 Programme Committees

The Programme Committees (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

The Future Tasks and Policy Committee (FTPC), in accordance with its ToR 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, in coordination with the FC, 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

The Finance Division (FD) 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 FD shall maintain the accuracy, reliability and relevancy of the financial information produced and ensures the identification of OCCAR's financial risks. The 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 Administrative Budget (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 FY. 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 to formally seek and obtain the approval of the OCCAR-EA AB and of the Programme Operational Budgets (POB). To be completed by the end of October (Year 0).

3.3 Budget Structure and Nomenclatures

3.3.1 Administrative Budget

The AB structure is composed of areas, which are the individual Budgets for Central Office (CO), Sites and PDs.

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 Division (PD) 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

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);
- Value added Tax (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

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).

For the CO "variable" part (CO-PS), the programme integration activities 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 support costs may also be allocated to CO-PS and so, afterwards, reallocated on the relevant budget areas (see Annex OMP 10-A).

Those integration activities and 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 CO budget can also receive, in addition, contributions from:

- Non-Member Participating States (or Entity in cooperation), with a contribution calculated according to the formula set out in Annex OMP 10-A;
- Observer States (or Entity in cooperation), that may also contribute in accordance with a signed Service Agreement (see Annex OMP 10-A).

The PD budget 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 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

The costs of POBs 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 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. Unless otherwise indicated in the Programme Decision, the delegation is further delegated by the PBs to the PC.

3.7 Delegation of Approval for Investments relating to the Administrative Budget

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 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 100 kEUR (non-recurring costs), its authorisation can be given through the approval by Nations of the ICT plan. By exception, investments below 50 kEUR (non-recurring costs) can be authorized through the approval of the supporting AB only.

In the case of an investment spread over several FYs, 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 FD 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 AMFC).

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

- actual payments since the Programme Decision is in force;
- 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;
- total estimated payments of the Programme Decision (actual plus forecasted payments), and the margin to the respective OMFC (and AMFC).

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 December;
- identify, separately from the OMFC, any optional package of the Programme Decision whose commitment is aimed at covering future needs;

- be supported by explanatory comments⁴.

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 FS or the draft budgets. Any major risks⁵ shall be highlighted and explained. The Financial Plans are noted by the PCs.

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 activities costs shall be screened by the national representatives leading the integration of the new 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 activities sunk costs 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.

⁴ E.g.: actualization factors if applicable, VoP indices if applicable.

⁵ 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.

The PC or PB as appropriate (see para. 3.6) 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 and PDs AB to which they contribute.

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 circumstances⁶, 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 PC or PB (POB) for approval in accordance with procedures set out in para. 3.12. The Nation(s) that is (are) required to approve a revised budget is(are) only the one(s) whose share of the budget (POB) is revised or budget area (AB) is increased.

3.14 Provisional Budget Authorisation

3.14.1 Administrative Budget

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

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 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 Board of Supervisors Information

Where a Provisional Budget is settled under para. 3.14.1 or 3.14.2 above, the Director shall immediately inform, or at least at the same time that letters for FO, 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.

⁶ E.g. the signature of a Programme Decision not yet considered in the approved Budgets.

In order to cover the immediate costs linked to the new Programme, FD 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 Principles of Commitment Management

4.1.1.1 Commitment Management Requirement

Commitment Management (CM) 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 total financial commitment overrun of its programmes, by comparison with the OMFC (or AMFC) of 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 Decision;
- 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.

CM is based on commitments already made and on forecasts:

- On an annual basis for administrative domain;
- And on the duration of the programme for operational domain.

4.1.1.2 Commitment Management Responsibility

CM is the responsibility of the Director through the Head of FD. It is the Programme Managers, who implement it through their finance officers, except for CO whose CM, is implemented by the Head of FD.

4.1.2 Requirements for Commitment handling

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 commitments⁷ are to be recorded in order to control the commitments for the respective FYs and the commitments against the ceiling of the respective Programme Decisions.

⁷ Including staff related payments for the AB.

4.1.2.1 Commitment on Administrative Budget

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

For an existing contractual commitment, the resulting financial commitment must be recorded, the full amount of which being split between the relevant FYs, 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.

4.1.2.2 Commitment on Programme Operational Budgets

Financial commitments on POBs 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 FY 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 FY, 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 and can be used from the beginning of the following FY 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 and the Head of FD (through delegation from the Director) can authorise budget transfers between chapters within each area of the AB.

4.3.2 Intra-Chapter Transfers

The Director and the Head of FD (through delegation from the Director) are authorised to make all intra-chapter transfers within each area of both AB and POBs, including from the BLIs contingencies.

4.3.3 Reporting

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

4.4 Outturn Reports

OCCAR-EA shall provide the concerned Member States and Participating States a minimum of three Outturn Reports (Forecast of Outturns (FOOs) or Final Outturn (FO)) during each FY for the AB, POBs and carry over budgets. The reports, 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 (FO FY-1);
- 30th April (FOO FY0);
- 30th September (FOO FY0).

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

Outturn Reports 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 Outturn Reports shall be produced against the approved budgets and the carry over budgets.

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

4.5 Cash Forecast

OCCAR-EA shall produce a minimum of three Cash Forecasts (CFs) each FY for the AB and POBs. The CFs shall be produced for each Programme Decision, in conjunction with the reports in para 4.4 and at the same closing dates.

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

CFs 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 Outturn Reports (FOO/FO).

5. Management of Funds

5.1 Receipts

5.1.1 Contributions

5.1.1.1 Issuing Call for Funds

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 funds⁸ or grants.

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 para. 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 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 Euros for the POBs unless otherwise specified in the Programme Decisions. FD shall call the

⁸ E.g. bank interests, transfers, funds remaining from previous years

contributions from Nations and deposit the funds received in interest bearing bank accounts.

CFFs 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

Each CFF shall state the amount required in Euros (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.

5.1.1.3 Amount of a Call for Funds

The amount of a CFF related to a Nation shall be calculated in accordance with the agreed cost sharing formulas (see para. 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 offset from previous year (if any);
- The status of the contributions received.

The total amount of the CFFs related to a budget cannot exceed the amount of this budget⁹.

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

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.

⁹ The Non Member States and Entity's contributions for AB CO are called for alongside the budget funds, these will normally be offset from the Member States CFFs in the following year.

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. FD 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, FD would initiate in coordination with the Participating State(s) or funding Entities, any of the Short Term Borrowing possibilities (see para. 5.5.1 and 5.5.2).

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:

- Programme Operational interests;
- Entrance fees, levies and royalties;
- Programme Operational definitive penalties and liquidated damages¹⁰.

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;
- Sale of assets;
- Penalties and liquidated damages;

¹⁰ 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.

- Other contractual deductions¹¹.

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

5.4.1 Offset on Administrative Budget Call for Funds

Unless otherwise agreed by Nations, the amount below will be offset from the third AB CFF of FY N:

- unused cash from the total Non-Member and Entity contributions to CO in the FY N-1;
- lapsed credits resulting from the difference between the contributions received for the AB FY N-1 minus the amounts spent during the FY N-1 against that Budget minus the amounts carried forward.

5.4.2 Other return of funds

In other cases, if OCCAR-EA and the relevant Nations agree that programme operational funds available in bank exceed known requirements, OCCAR-EA shall

¹¹ 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.

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 on Programme Operational Budgets

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

5.5.1.1 Borrowing between Programmes

Following a formal request expressed by a Participating State or funding Entity, 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 or funding Entity, OCCAR-EA will use the 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 State(s) or funding Entities 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 State(s) (or funding Entities), 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 will obtain the necessary funds to meet its full payment obligations in the name and on behalf of the Participating State concerned, 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 will enter into negotiation for obtaining 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 Short Term Borrowing on Administrative Budget

In the event that OCCAR-EA is not able to make a payment in due time against the OCCAR-EA AB because of a lack of cash from the Nation(s) or funding Entity, OCCAR-EA will use the funds originally provided for an OCCAR Programme to which that Nation(s) or Entity contribute.

5.5.3 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 CO 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. FD 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 FY. Payments shall be made within 30 days from the receipt of the invoice or as otherwise set out in the Contract in accordance with OMP 6.

6.2 Payment Instruction

The FD 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 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 FS are to be consistent with the IPSAS guidance for financial reporting under the accrual basis of accounting (IPSAS 1) for Section I (Administrative). The Programme Operational transactions under Section II are disclosed in accordance with the content agreed by the FC, compiled using a modified cash basis of accounting.

7.4 Financial Statements Structure

The OCCAR FS are made of two Sections.

Section I represents the revenues and expenses funded through the Administrative Section budget in accordance with the requirements of the IPSAS Accrual Basis of Accounting. These comprise OCCAR's:

- Statement of financial position (assets and liabilities);
- Statement of financial performance (expenses and revenues);
- Statement of changes in net assets (analysis of the equity variance);
- Cash flow statement (cash inflows and outflows explaining the variance between the opening and closing cash balances);
- Comparison of budget and actual payments (Budget Execution Statement);

- Notes to the Section I of the FS.

Section II refers to transactions undertaken on an agency basis, and funded through the POB, which are disclosed in accordance with the Format approved by the FC, compiled using a modified cash basis of accounting. These comprise at least the:

- Cash Breakdown for the Operational transactions;
- Budget Execution Report;
- Cash Flow Report;
- Notes to the Operational related transactions (Section II of the FS).

OCCAR-EA will also produce, as an integral part of the FS, the following information:

- A foreword that emphasises any key areas of change in OCCAR-EA (new Programmes, new Agreements, new Participating States...);
- Significant OCCAR accounting policies;
- Any other information deemed useful to the user of the FS.

7.5 Financial Statements Responsibility and Submission

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

7.6 Period Closing and Book-Keeping

The period on which the FS are established is the FY (see para. 1.5). The rules, policies and individual responsibilities about book-keeping and related closing transactions for the annual FS are detailed in an Internal Procedure.

7.7 Financial Statements 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 FY. The documents from the BoA, including their recommendations, shall be subject to examination by the FC and finally approved by the BoS.

7.8 Property Administration

7.8.1 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 100 EUR shall be recorded in the inventory.

Once disposed, obsolete property items should be taken off the inventory. These items should be taken off the inventory, with a note confirming obsolescence, signed by the Director or the Head of Corporate Support Division by delegation.

7.8.2 Asset Recognition and Depreciation

A coherent set of items acquired under the AB is recognised as an asset if its purchase value is above 5 kEUR and it has a useful life of at least one year.

When applicable, OCCAR-EA will apply straight line depreciation. The useful life reference to be applied across the depreciation period will be determined for each relevant asset category. At the end of the depreciation period, the asset value is nil.

7.8.3 Write Off Procedure

7.8.3.1 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 FS 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.

7.8.3.2 Write Off Procedure – Administrative Budget

The Director and the Head of FD (through delegation from the Director) may after full investigation authorise the write-off of losses of properties, excluding funds, up to the amount of (recorded value) 5 kEUR per case.

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

The Director and Head of FD (through delegation from the Director) 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 20 kEUR 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 10 kEUR and by the BoS for cases of value greater than 10 kEUR.

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

7.8.3.3 Write Off Procedure – Programme Operational Budgets

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

7.8.4 Derecognition of Asset

Derecognition is applicable to items, which are:

- On disposal as recognized obsolete, surplus to requirements or having reached the end of their useful life due to "fair wear and tear";
- Not expected to provide future economic benefits or service potential from its use or disposal.

These items should be derecognized, with a note confirming either the disposal or the absence of future economic benefits/service potential, signed by the Director or the Head of Corporate Support Division by delegation.

7.9 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, and the Head of FD as 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 Internal Audit programme, approved by the Director, shall include regular audits of financial processes and activities in accordance with OMP 3.

8.3 External Audit

8.3.1 Board of Auditors

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 ToR 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 BoA 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 Participating States 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 and charged to the Participating States to which it belongs to.

POB: Each PD shall quantify the appropriate funds for VAT to be incorporated into the OFP for each Programme Participating State. The PD 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
Annex OMP 10-B	Administrative Budget 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

The contributions to OCCAR-EA CO budget, by Non-Member Participating States (or for the Entity in cooperation), will be estimated annually following the screening of the OCCAR-EA CO AB by the Member States. Contributions will be normally requested through three CFFs per year (or in accordance with the Service level/Cooperation agreement for the Entity).

There may be occasions when the OCCAR-EA CO AB 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 FY, their OCCAR-EA CO 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 AB, information regarding OCCAR-EA CO 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 CO 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 CO. The value is the one of the relevant AB: as at FY2015 for programmes existing at 31/12/2015, or at the FY of the Programme Decision signature for other programmes;

C = The AB of OCCAR-EA CO budget area plus the OCCAR-EA CO share of the Bonn Site budget; and

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

In addition to the above contribution, in particular if the Entity will request OCCAR-EA to provide ad-hoc services, the Entity in Cooperation will provide a CO funding for a total in accordance with the Service level/Cooperation agreement.

1.2 Calculation of the Observer's annual contribution

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

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

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

where:

CO-PSC = common allocation of PD and ICT support shared costs;

CO-PSG = Growth model impact (para. 5 below) on the relevant programme(s); and

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.

The funding key (F) used to allocate CO-PSC to Programme Division budget areas is as follows:

$$F = \frac{B_{PD}}{B_{TOT}}$$

where:

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

B_{TOT} = The total AB 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 PD budget in accordance with an agreed funding key M. The formula is as follows:

$$PD * M$$

where:

PD = The AB of OCCAR-EA PD

M = National percentage share of AB 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 AB 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**

The following references and principles are implemented for managing CO adaptation to a changing programmes' portfolio (growth and reduction):

CO resourcing needs: The resourcing needs of CO (incl. Bonn Site) are calculated in terms of number of staff as the sum of the "base load" of 27 staff which is needed independent of the number of programmes assigned to OCCAR-EA and "portfolio driven" staff derived from the Growth Model formula.

CO resourcing needs baseline: at December 2015, the 57 CO and Bonn Site staff (27 "base load" + 30 "portfolio driven") cover the support and governance of 12 Programmes¹² located in 6 sites¹³ with a total OCCAR-EA staff of 257 (Baseline Programmes)¹⁴.

Baseline Funding (Baseline AB): Up to the size of these 57 posts, CO resourcing needs are funded in accordance with the BoS decision on the applicable Budget regime, i.e. the Baseline AB of 12.9 mEUR (2017 economic conditions) will remain as long as the CO resourcing needs are equal to or above the baseline need of 57.

Growth Model Funding (CO-PSG): CO resourcing needs above the baseline need of 57 and incurred by OCCAR managed Programmes will be funded through the OCCAR Growth Model. Baseline Programmes will only be charged with CO-PSG if they are above their individual baseline as recorded under the CO resourcing needs at December 2015.

For a given Programme, the Participating States (Members, non-Members or Observers) will contribute to the OCCAR-EA AB (CO) in accordance with the Growth Model calculation. The formula is as follows:

$$CO-PSG = (1.2 * Pr + 0.55 * Si + 0.05 * St) * 165,000 * (1+Ig)^c$$

where:

¹² A400M, FREMM, FSAF, MMCM, BOXER, COBRA, TIGER, MMF, ESSOR, MUSIS, PPA and LSS.

¹³ Bonn, Paris, Toulouse, Rome, La Spezia and Seville.

¹⁴ CO 57 (including Bonn Site 5), Paris Site 2, Tiger 46 (Bonn), Cobra 10 (Bonn), Boxer 11 (Bonn), ESSOR 2 (Bonn), MMF 2 (Bonn), A400M 50 (Toulouse – Seville), FSAF-PAAMS 33 (Paris), MMCM 6 (Paris), FREMM 21 (Paris – Rome – La Spezia), PPA 10 (Rome), LSS 7 (La Spezia).

Pr = is the number of additional Programmes beyond the referenced 12, where an additional Programme can be considered as a fraction¹⁵ of a full (1) Programme, depending on:

- whether the Programme is admitted to the Small Programmes PD(s),
- the accession of a new Participating State and/or;
- a significant change of scope to an already managed Programme.

Si = is the number of additional sites beyond the referenced 6, where an additional site can be assessed as a fraction¹⁶ of a full (1) site, depending on the workload impact on CO.

St = is the number of additional staff, including DNEs employed for 12 months or more, beyond the referenced total across OCCAR-EA of 257.

Ig = is the yearly inflation rate (Germany) used for the AB.

c = is the number of years upon which the inflation rate above is cumulated, starting in 2016.

For a new Programme or for the Small Programmes PD the Participating states will contribute in accordance with the agreed funding keys for AB. 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.

¹⁵ The possible coefficients for a Programme are shown in the following table:

CRITERIA for Programmes Calculation	PROGRAMME COEFF.
<i>New Programme</i> integrated into OCCAR-EA	1
<i>Existing Programme</i> with <i>New Participating State</i> and high Integration & Commercial complexity	0.7
<i>Existing Programme</i> with <i>New Participating State</i> and intermediate Integration & Commercial complexity OR <i>NEW Programme</i> classified as an intermediate complexity "Small Programme"	0.3
<i>Existing Programme</i> with <i>New Participating State</i> and low Integration & Commercial complexity OR <i>NEW Programme</i> classified as low complexity "Small Programme"	0.1

¹⁶ The possible coefficients for a Site are shown in the following table:

CRITERIA for Sites Calculation	SITES COEFF.
<i>Expanding ICT and Security support (high complexity) in an existing Site</i> AND/OR requiring CO/other Sites support OR <i>New Site</i> established with ICT & Security support (high complexity)	1
<i>Expanding ICT and Security support in an existing Site</i> (intermediate complexity) OR <i>New Site</i> established with ICT & Security support (intermediate complexity)	0.5
<i>New Site</i> established with ICT & Security support (low complexity)	0.3
<i>Expanding ICT and Security support in an existing Site</i> (low complexity)	0.15

Approval Process

OCCAR-EA/FD presents the outcome of the CO overhead charge calculation, supported by the assessments on how the criteria were determined, to the related PC for acceptance and noting. The figures become part of the CO AB standard endorsement/approval process according to OMP10 workflow.

Reduction Principles

When a baseline Programme ends and the PD disbands or a baseline Programme size is significantly reduced or a site is closed, the impact on CO resourcing needs is calculated through the agreed Growth Model formula, using negative figures, and the reduction is first offset to the existing CO-PSG (if any, and proportionally to the amounts by Programmes if several contribute) until its exhaustion and the remaining part then offset to the Baseline AB.

When further reduction implies that the CO resourcing needs are below the CO resourcing needs baseline, the reduction affects the Baseline AB. The Growth funding (CO-PSG) is reintroduced only when the CO resourcing needs baseline is reached again.

Annex OMP 10-B – Administrative Budget 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 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