

EUMETSAT
FINANCIAL RULES

Last amended on 04 Dec 2019

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**CHAPTER I
ORGANS****ARTICLE 1
ORGANS**

Applicable from 19 Nov 2000 until today

The financial administration of EUMETSAT is entrusted to:

- the Council and any other subordinate body that the Council may establish;
- the Director-General assisted by the staff of the Secretariat in accordance with such powers that the Director-General may delegate to them.

**CHAPTER II
BUDGETING, BASIC PROVISIONS**

ARTICLE 2

CURRENCY

Applicable from 19 Nov 2000 until today

- 1** The budgets and all other financial documents circulated by EUMETSAT shall be established in Euro.
- 2** All receipts and payments in other currencies than the Euro shall be accounted in Euro calculated at the daily foreign exchange reference rate of the European Central Bank on the day of the transaction.
- 3** Commitments in other currencies than Euro shall be converted at the Euro rate for the day of the commitment.

ARTICLE 3

PRINCIPLES

Applicable from 22 Aug 1986 until today

- 1** Budget appropriations must be used in accordance with the principles of economy and sound financial management and within the framework of the allocations laid down for such appropriations.
- 2** All revenue and expenditure shall be entered in full in the budgets and in the accounts. The whole of the revenue shall be used to cover the whole of the expenditure.
- 3** Notwithstanding paragraph 2:
 - a) all revenue allocated to EUMETSAT for a specific purpose, in particular from endowments, subventions from natural and legal persons, gifts and bequests shall be used as stipulated;
 - b) adjustments of amounts paid in error which may be made at a new settlement effected against the article and financial year in respect of which the excess payment was made, may be deducted from all bills, invoices or statements which shall then be authorised for the net amount.

Discounts and rebates on invoices and bills from creditors shall not be recorded as separate revenue.

ARTICLE 4**BUDGETARY APPROPRIATIONS**

Applicable from 01 Dec 2006 until today

- 1** The budgets shall contain all authorised expenditure and all estimated revenue for the financial year to which such expenditure and revenue relate.
- 2** Expenditure authorised in the budgets shall include:
 - a) commitment appropriations for all operations involving financial commitment including those extending beyond the financial year in question. These appropriations shall constitute the upper limit of expenditure which the Director -General is authorised to commit during that financial year for the execution of such operations;
 - b) payment appropriations. These appropriations shall constitute the upper limits of expenditure which the Director-General is authorised to pay or authorise during the financial year in question to cover commitments entered into during that financial year or during previous financial years.

ARTICLE 5**FINANCIAL YEAR**

Applicable from 16 Nov 2012 until today

- 1** The financial year shall run from 1 January to 31 December.
- 2** The financial statements are prepared and reported on an accrual basis.
- 3** The Budgets are prepared and presented on a modified cash basis.

ARTICLE 6**CARRYING FORWARD OF BUDGETARY APPROPRIATIONS**

Applicable from 07 Dec 2018 until today

- 1** Commitment appropriations unused at the end of each financial year shall be cancelled at the end of that year unless a decision is made by the Council to carry them forward to the following financial year.

- 2 Payment appropriations unused at the end of each financial year, but covering payments still due for commitments properly entered into during that financial year, may be carried forward to the following financial year. All other unused payment appropriations shall be cancelled at the end of the financial year. To carry forward payment appropriations, a dedicated reserve as part of the net assets shall be established in the financial year in which the carry forward is processed. The amount will be withdrawn from the reserve in the year when the payment is executed or the commitment expires.
- 3 The carrying forward of unused payment appropriations shall be authorised by the Director-General, subject to prior approval by the financial control function for the payment appropriations with a value equal or above the threshold defined in Article 32.1.

ARTICLE 7

COMMITMENTS RELATED TO THE FOLLOWING YEAR

Applicable from 19 Nov 2000 until today

Current operating expenditure which by its nature arises at the beginning of the financial year, may, as from 1 December of the preceding financial year, be charged as a commitment against the appropriations provided for in respect of the financial year concerned. If a budget for that financial year has not yet been adopted, such commitments may not exceed one quarter of the total corresponding appropriations for the current financial year, nor may they be commitments for expenditure of a kind not yet approved in principle in the same budget for the current financial year.

ARTICLE 8

BUDGET STRUCTURE

Applicable from 01 Dec 2010 until today

- 1 The budgets of EUMETSAT comprise:
 - A General Budget and
 - programme budgets
 - for mandatory programmes and
 - for optional programmes
 - for third party programmes
- 2 The budgets shall be set out according to a system under titles, chapters, articles, and, if necessary, items grouping revenue and expenditure according to their nature or purpose. Relevant appropriations shall be accompanied, where necessary, by commentaries which shall have binding force.
- 3 The budgetary nomenclature shall be compulsory in respect of the apportionment of revenue and expenditure under titles and chapters. It is established by the Council when adopting the annual budgets of EUMETSAT.

- 4** The budgets of EUMETSAT are submitted in a matrix structure. The budgets differentiate between Cost Objects (Programmes, General Budget and “Cost collectors” for indirect costs) and funding sources (i.e. Programmes and General Budget). As a rule, direct expenditure (direct programme cost) is attributed directly to the funding source to which it can be related. Indirect expenditure (indirect programme cost), i.e. expenditure which cannot be directly attributed to a particular funding source, is distributed to the funding sources through a recharging key. The recharging key is calculated for each Cost Object and for each budgetary year, based on the estimated use of the service, which the funding source expects from the Cost Object. The keys are agreed together with the budgets, remain valid for the year and are not adjusted to actuals.

Certain costs of the General Budget, as agreed in the context of the decision on its multi-year ceiling, are ultimately shared between the General Budget and the programmes.

ARTICLE 9

TRANSFER OF APPROPRIATIONS

Applicable from 07 Dec 2018 until today

- 1** Transfers of appropriations between programme budgets.

In exceptional cases, the Council may authorise the Director-General by unanimous decision to transfer appropriations from the budget of one mandatory programme to a budget of another mandatory programme.

- 2** Transfers of appropriations within the same budget.

Appropriations under one chapter of expenditure may not be used for purposes of other chapters of expenditure. However, the Council may authorise the Director-General to transfer appropriations from one chapter to another.

Within each chapter, transfers from article to article and item to item shall be carried out by the Director-General, subject to prior approval by the financial control function for the transfers with a value equal or above the threshold defined in Article 32.1. Transfers from article to article may not have the effect of increasing or decreasing by more than a half of the original allocations under each article, or be made to cover expenditure for new activities not previously identified. All transfers from article to article in excess of this limit must be authorised by the Council.

Appropriations by means of transfers may only be allotted to chapters, articles and items for which the Council has authorised appropriations or has made a "token" entry.

**CHAPTER III
PREPARATION OF THE BUDGETS, APPROVAL OR NON APPROVAL**

ARTICLE 10

PREPARATION AND APPROVAL OF THE BUDGETS

Applicable from 07 Dec 2018 until today

- 1** The draft budgets shall be prepared by the Director-General and be transmitted to the Members of the Council not later than 15 October of the preceding year.
- 2** The Director-General shall preface the draft budgets by an explanatory memorandum justifying requests for appropriations. He shall draft the budgets in such a way that it shows clearly the amount of appropriations and actual expenditure for the preceding financial year and the amount of appropriations for the current financial year.
- 3** He shall attach to the draft budgets expenditure and income forecasts for the following three years. He shall also add a document on cost at completion.
- 4** The Director-General shall, furthermore, attach to the draft budgets a table of the overall Human Resources complement, showing a table of staff posts and the indicative number of man years of staff, temporary and local employees and contracted support, to be authorised within the limits of the budget appropriations. The attribution between the different human resource categories may vary according to actual needs during the year. No appointment or contract may be made beyond the limit of the appropriation in the budget.
- 5** The Council shall adopt the budgets together with the overall Human Resources complement and the expenditure and income forecast for the following three years attached thereto in due time before the beginning of the year.
- 6** The Director-General may submit, or may be requested by the Council to submit, supplementary budgets or amending budgets. Supplementary and amending budgets shall be submitted in a form and manner consistent with the budgets for the financial year.

ARTICLE 11**NON-APPROVAL OF THE BUDGETS**

Applicable from 19 Nov 2000 until today

- 1** If a budget has not been adopted by the Council by the beginning of a financial year, the Director-General may each month enter into commitments and make payments in each chapter of this budget up to one twelfth of the appropriations in the corresponding budget of the preceding financial year, provided that he shall not have at his disposal appropriations in excess of one twelfth of those provided for in the draft budgets.
- 2** Member States shall pay each month, on a provisional basis and in accordance with the scale referred to in Article 10.2 of the Convention, the amounts necessary for the application of the preceding paragraph.
- 3** Member States may pay on a voluntary basis the totality or a part of their annual contributions provided for in the draft budgets in accordance with the procedure laid down in Article 12.

**CHAPTER IV
PROVISION OF FUNDS**

ARTICLE 12

PROVISION OF FUNDS

Applicable from 07 Dec 2018 until today

- 1** The Council's adoption of a budget shall constitute the obligation of each Member State to make available to EUMETSAT the financial contributions fixed in this budget. As soon as a budget is adopted, the Director-General will notify each Member State of the amount of its contribution. The annual contributions shall be transferred to EUMETSAT's accounts within the time limit expressed in paragraph 2.
- 2** As a rule, 35 % of the annual contributions shall be paid before 20 January if the budgets have been adopted before 1 January, or, within thirty days following the adoption of the budgets if they have not been adopted before 1 January; the second instalment of 35 % shall be paid before 1 May or within thirty days following the adoption of the budgets, if they have not been adopted before 1 May. The remaining 30 % of the annual contributions shall be paid no later than 1 September.

Exceptionally, Member States which are, for internal reasons, not in a position to pay the first instalment on 20 January, shall pay an amount representing 70 % of the annual contributions not later than 15 March. If the budgets have not been adopted before 15 February, payments shall be made within 30 days following adoption of the budgets. The remaining 30 % of the annual contributions shall be paid no later than 1 September.

A change from one method of payment to the other shall be notified to EUMETSAT not later than 30 November of the preceding financial year.

Member States are invited to make a prepayment of contributions following adoption of the budgets.

- 3** If a supplementary budget is adopted, the Member States shall make available any additional contribution which may be necessary, having taken into account any potential anticipated budgetary surplus, within 60 days following adoption of the said budget.
- 4** Special payments under Article 16.5 of the Convention shall be made within the delay determined by the Council.
- 5** All contributions shall be made in Euro.

- 6** Pending the receipt of such contributions, and if no EUMETSAT funds are available to cover payments, the Director-General may arrange bank advances or an overdraft for a period not exceeding one month. If this is not sufficient, he may contract a loan after approval by the Chairman of the Council.
- 7** Any delay in the transfer of contributions due will incur the payment of interest charges by the Member State, at the rate of one percent over the Euro market rate.
- 8** The Director-General shall draw up and submit to the Member States a quarterly statement showing the extent to which the Member States have paid their financial contributions and the status of their Working Capital Fund.

ARTICLE 13

SCALE OF CONTRIBUTIONS

Applicable from 01 Dec 2010 until today

The annual contributions to the General Budget and to the mandatory programmes shall be based on the pro-rata of the Member States' Gross National Income, calculated as an average of the GNI figures (taking the Euro as base currency) for the latest three years for which the relevant statistics provided by the Statistical Office of the European Union (EUROSTAT) are available. The EUROSTAT statistics used to establish EUMETSAT scales of contributions shall be those available at the Secretariat on the 1st September before the date of the ordinary autumn AFG meeting preceding the Council meeting to which a new scale of contributions is presented. The scale thus established will be valid for a period of three financial years. Any new scale will be communicated to Member States at least three months before the expiry of the three-year period in which the current scale was applicable.

ARTICLE 14

LOANS

Applicable from 19 Nov 2000 until today

- 1** In exceptional cases, Council may authorise the Director-General by unanimous decision (Article 5.2 (a) iv. of the Convention) to contract a loan in the name of EUMETSAT to cover the financial requirements of a programme. The terms and conditions of the loan shall require the approval of Council and the transaction shall be incorporated in the budgets.
- 2** The Director-General shall be authorised to contract loans on behalf of Member States, on their request. In that case, the Member State shall have to repay the loan and to bear the interest and financial charges on the loan.

ARTICLE 15**TREASURY**

Applicable from 19 Nov 2000 until today

- 1** The funds of EUMETSAT shall, as a rule, be managed as one general treasury. The Director-General shall be authorised to make short-term investments of funds not required for immediate needs, while keeping sufficient funds available to meet EUMETSAT's requirements and taking special care that these investments are secure. If, during a year, the cash requirements would allow for more remunerative investments than short-term investments, the Secretariat may propose an investment plan to Council for approval.

Interest earned on the general treasury shall be credited to the different budgets on the basis of the funds which are available for investments as derived from the payments profile to be submitted for each budget.

- 2** The funds invested in the Pension Special Account shall be managed as a separate treasury in accordance with the Investment Rules of the Pension Special Account.

ARTICLE 16**WORKING CAPITAL FUND**

Applicable from 01 Jul 2009 until today

- 1** A Working Capital Fund is established to which Member States may voluntarily contribute. Each Member State shall have its own account in the Working Capital Fund.
- 2** Any overpayment of contributions by Member States shall be credited to their Working Capital Fund account.
- 3** Shares of Member States' budgetary surplus shall be booked to their Working Capital Fund account.
- 4** All Credits on the Working Capital Fund accounts are owned by the Member States. Bookings to and from the Working Capital Fund accounts can only be made upon written instruction of the Member State (with the exception of contribution payments before due date, which were booked to the Working Capital Fund account and which can be booked from the account on due date, without Member States' written consent). Credits shall be remunerated at the rate of one percent under the prevailing market rate for the Euro, but with 0% as lower limit. The interest which is thus generated shall also be booked to the Working Capital Fund accounts.
- 5** All funds in the Working Capital Fund shall be administered by the Secretariat as part of the overall treasury in the same way as the EUMETSAT funds, applying all relevant principles of the Financial Rules.

ARTICLE 17**BUDGET SURPLUS**

Applicable from 16 Nov 2012 until today

- 1** When it becomes apparent during a financial year that not all payment appropriations can be spent, such amounts will be declared as anticipated surplus, blocked in the yearly budgets and approved by Council in the financial year. The anticipated surplus will be reported, after Council approval, as “incurred surplus unpaid” in the financial year of its incurrence. Each Member State's share in the anticipated surplus shall be transferred to its account in the Working Capital Fund with value date of 1 January of the following year.
- 2** If the closure of the accounts for the financial year reveals a surplus of revenue over expenditure in excess of the approved anticipated surplus taking into account appropriations being carried forward to the next financial year, such surplus shall be transferred to the Member States' Working Capital Fund accounts, with value date of the first day of the month following approval of the audited accounts by Council.
- 3** Together with the submission of the budgets for approval, the Director-General shall inform each Member State of its share of the surplus. The Member State's share will be established in accordance with the fully paid contributions relating to the financial year during which the said surplus was formed.

**CHAPTER V
IMPLEMENTATION OF THE BUDGETS**

ARTICLE 18

RESPONSIBILITIES

Applicable from 01 Jul 2016 until today

- 1** The budgets shall be implemented on the principle that authorising officers and accounting officers have separate responsibilities.
- 2** The Director-General shall implement the budgets under his own responsibility within the limit of the allotted appropriations. He shall act as Authorising Officer in respect of EUMETSAT's revenue and expenditure.
- 3** The receipt of revenue and the payment of expenditure shall be carried out by an Accounting Officer. The Accounting Officer shall be the only person empowered to handle monies. He shall be responsible for their safekeeping.

ARTICLE 19

REVENUE ORDERS

Applicable from 07 Dec 2018 until today

- 1** The collection of any amount owing to EUMETSAT shall require the issue of a revenue order by the Authorising Officer.
- 2** Revenue orders of a value equal or above the threshold defined in Article 32.1 shall be approved by the financial control function. The purpose of this approval shall be to establish that:
 - a) the revenue is charged to the correct budget item;
 - b) EUMETSAT is entitled to such collection;
 - c) the operation in question is in order and in accordance with the relevant provisions, particularly those of the budgets and of the Financial Rules.
- 3** The Accounting Officer shall have charge of the revenue orders which shall be passed on to him by the Authorising Officer. He shall use all diligence to ensure that the collection of the revenue of EUMETSAT is made at the proper time and that the rights of EUMETSAT are preserved.

- 4** The Director-General may authorise, without approval of the Council, the write-off up to a limit of 20,000 Euro per financial year of the aggregate amounts which have been invoiced by EUMETSAT and which have been determined uncollectible in accordance with a procedure laid down by the Director-General. The amount to be written off for a single invoice shall not exceed 10,000 Euro. The decision requires the approval of the Financial Controller. These amounts shall be updated every five years to reflect the average budgetary increase related to changes in economic conditions.

ARTICLE 20

COMMITMENT OF FUNDS

Applicable from 07 Dec 2018 until today

- 1** Any measure likely to involve expenditure against the current or any subsequent budgets must first be the subject of a proposal for a commitment of expenditure approved by the Authorising Officer.
Provisional commitments may be entered into for current expenditure.
- 2** Proposals for commitments shall show, in particular, the purpose, the estimated amount involved, the budget item to which the expense is to be charged, and the creditor; all proposals for commitments, except for trip requests and commitments of a value below the threshold defined in Article 32.1, shall also be approved by the financial control function.
The purpose of the financial control function's approval shall be to establish that:
- a) the expenditure is charged to the correct budget item;
 - b) appropriations are available;
 - c) the operation in question is in order and in accordance with the relevant provisions, particularly those of the budgets and of the Financial Rules.
- 3** Any refusal by the financial control function to approve must be the subject of a written comment giving the reasons for such refusal; it shall be notified to the Authorising Officer.

In the event of such a refusal to approve, except for cases where availability of the appropriations is in doubt, the Director-General may confirm the commitment of expenditure in a reasoned decision. The commitment shall then be considered to have been validly made. The Council and the External Auditor shall be informed whenever this provision is applied.

ARTICLE 21**CLEARANCE OF EXPENDITURE**

Applicable from 19 Nov 2000 until today

- 1** The clearance of expenditure by the Authorising Officer shall verify:
 - a) the existence of the creditor's rights;
 - b) that the amount of the debt is correct;
 - c) the conditions under which the payment may be demanded.

- 2** Clearance of any expenditure shall be subject to the submission of supporting documents showing the creditor's rights.
The Authorising Officer empowered to clear expenditure shall carry out the verifications referred to in paragraph 1 or have them carried out under his responsibility.

- 3** Salaries, wages, emoluments and allowances shall be cleared for payment in accordance with the collective statements drawn up by the division responsible for staff matters except where individual clearance is required.

ARTICLE 22**PAYMENT ORDERS**

Applicable from 07 Dec 2018 until today

- 1** Authorisation shall be the formal step whereby the Authorising Officer, by the issue of a payment order, authorises the Accounting Officer to pay an item of expenditure which he has approved and cleared.

- 2** Payment orders shall be prepared on the basis of the original supporting documents or, exceptionally, of certified copies of such documents. They shall show the numbers and dates of the corresponding approvals of the commitment.

- 3** All payment orders, except for those relating to trips or those of a value below the threshold defined in Article 32.1, shall also be approved by the financial control function.

The purpose of the financial control function's approval shall be to establish that:

- a) the payment order was properly issued;
 - b) the payment order corresponds to the commitment of expenditure and the amount thereof is correct;
 - c) the expenditure has been charged to the correct budget item;
 - d) appropriations are available;
 - e) the supporting documents (which can be in a scanned version in the electronic systems of EUMETSAT) are in order;
 - f) the creditor is correctly described;
 - g) where appropriate, there is an indication that the property in respect of which the expenditure was incurred has been entered in the inventory.
- 4** In the event of a refusal by the financial control function to approve, Article 20.3 shall apply.
- 5** After approval by the Authorising Officer and, where applicable, by the financial control function, the original of the payment order together with the supporting documents shall be passed to the Accounting Officer.
- 6** Cheques and Post Office giro or bank transfer orders shall require two signatures, one of these being that of the Accounting Officer.

ARTICLE 23

SUSPENSION OF PAYMENT

Applicable from 26 Jun 2013 until today

- 1** In the event of a material error, or of the validity of the discharge being contested, or of failure to observe the formalities prescribed by these Financial Rules, the Accounting Officer must suspend payment.
- 2** If payment is suspended, the Accounting Officer shall give reasons for such suspension in a written statement which he shall send to the Authorising Officer forthwith.

Except in cases where the validity of the discharge is contested, the Director-General may request in writing, on his own responsibility, that payment be effected notwithstanding the refusal to pay. The Council and the External Auditor shall be informed whenever this provision is applied.

ARTICLE 24**LIABILITY OF FINANCE OFFICERS**

Applicable from 01 Jul 2016 until today

- 1** An Authorising Officer shall render himself liable to disciplinary action and, where appropriate, to payment of compensation if he enters into a commitment of expenditure or signs a payment order without complying with these Financial Rules.
- 2** The Head of the Financial Control and Internal Audit shall render himself liable to disciplinary action and, where appropriate, to payment of compensation if he exceeds the budget appropriations or if he is guilty of negligence in the performance of his duties related to the financial control function.
- 3** An Accounting Officer shall render himself liable to disciplinary action and, where appropriate, to payment of compensation in the following cases:
 - a) if he does not suspend payment in cases of a material error or of the validity of the discharge being contested or of failure to observe the formalities prescribed by these Rules or the Financial Instructions;
 - b) if the payments made by him do not agree with the amounts on the payment orders;
 - c) if he effects payments to a party other than the lawful payee.

He shall be liable to disciplinary action and to payment of compensation when failing in the safe keeping of the monies, assets and documents in his charge or, in the correct execution of orders received by him in respect of the use and administration of bank and Post Office giro accounts.

ARTICLE 25**INVENTORY**

Applicable from 07 Dec 2018 until today

- 1** A permanent financial inventory by number and value of all the property of EUMETSAT shall be established and maintained. Only individual assets of value exceeding 2,500 Euro shall be entered in the inventory. This amount shall be updated every five years to reflect the average budgetary increase related to changes in economic conditions.
- 2** All property, equipment and goods which are no longer needed shall be sold as long as they still have a market value. Sale of property shall be effected according to a procedure laid down by the Director-General.
- 3** A statement or report shall be drawn up by the Authorising Officer whenever any property listed in the inventory is disposed of, scrapped or missing on account of loss, theft or for any other reason. The statement or report shall be approved by the financial control function whenever it concerns property of a value equal or above the threshold defined in Article 32.1.

The statement or report must establish in particular any obligation that may devolve on an official of EUMETSAT or any other person to replace the item in question.

Under these conditions, the Director-General may authorise without approval of the Council the write off up to a limit of 20,000 Euro of the net book value of individual assets subsequent to the disposal of obsolete or missing assets. This amount shall be updated every five years to reflect the average budgetary increase related to changes in economic conditions.

**CHAPTER VI
CONTRACTS****ARTICLE 26****CONTRACTS**

Applicable from 07 Dec 2018 until today

- 1** Open tender shall be the normal procedure for the placing of contracts for the purchase and hire of goods and services.

Restricted tender may be applied after approval by the Council.

- 2** Invitations to open tender shall be made available to all Member States of EUMETSAT.
- 3** The contract shall be awarded to the contractor whose offer meets the requirements and is regarded the most advantageous as regards price, quality, running costs, technical/schedule performance and guarantees offered.
- 4** Contracts may be concluded directly without appealing to competition in each of the following cases:
- the contract is not expected to exceed Euro 100,000;
 - because of unforeseeable events, goods or services are required extremely urgently;
 - only one source for the goods and services exists or for technical or legal reasons goods and services can only be provided by a specific contractor;
 - only one tenderer has replied to the Invitation To Tender and a reissue of the invitation is not likely to produce a better result.

- 5** Where the expected value of a single good or service is less than Euro 2,500, the contract may be placed against bill or invoice.

- 6** No contract of a value equal or above the threshold defined in Article 32.1 may be concluded without prior approval from the financial control function. If the financial control function does not approve a contract, it cannot refuse approval for the same reason as for its non-approval of the related commitment of expenditure.

- 7** Procurement proposals estimated to exceed Euro 2,000,000 are subject to approval by the Council prior to the issue of the invitations to tender. Contract proposals exceeding Euro 2,000,000 are subject to approval by the Council. Novel or contentious procurements shall be subject to Council approval regardless of value. In case of doubt on this, Council approval shall be sought.

- 8** The Director-General shall submit twice a year to the Council a list of all intended procurements for the next six months.

The Director-General shall also submit twice a year to the Council a list of all contracts awarded over the last six months.

**CHAPTER VII
ACCOUNTING****ARTICLE 27****ACCOUNTING**

Applicable from 04 Dec 2019 until today

- 1** The accounting system shall be maintained on the basis of a plan of accounts in such a way as to permit the periodical issue of income and expenditure statements in accordance with the structure of the budgets.
- 2** For each financial year the Director-General shall establish a financial statement according to IPSAS 1.
- 3** The financial statement shall include:
 - a statement of financial position.
 - a statement of performance.
 - a statement of net assets.
 - a statement of cash flows.
 - explanatory notes.
- 4** The Director General shall prepare and submit to Delegate Bodies such other financial reports as they may require.
- 5** Reconciliation reserves are constituted by valuation differences due to the two distinct bases of Accounting and Budgets. The reconciliation reserves are derived from the reconciliation of accounting transactions against budgetary transactions and follow a firm allocation mechanism on a quarterly basis. The reconciliation reserves are not available for a reimbursement to Member States.

ARTICLE 28**FINANCIAL PLANNING**

Applicable from 19 Nov 2000 until today

A financial plan for the following individual 9 years and an aggregate of all programme years thereafter shall be submitted to Council for information together with the draft budget. The financial plan shall include the estimate of expenditure, other income and contributions for each approved programme and the corresponding totals of all approved programmes. The financial plan shall not constitute any legal obligation for Member States.

ARTICLE 29**FINANCIAL ENVELOPES**

Applicable from 19 Nov 2000 until today

- 1 Each programme shall have an approved financial envelope. The General Budget has a ceiling on contributions for a period of five years.

For the purpose of monitoring the financial envelopes, their estimated total costs shall be monitored (cost-at-completion of programmes).

The cost-at-completion of each programme shall be submitted to Council together with the yearly budgets as provided for in Article 10.3.

- 2 The estimated total costs on which financial envelopes are based shall be revised every year. All costs incurred under the programme for previous years shall be entered in the cost-at-completion as entered into the accounts and according to the economic conditions of the year in which they have been accounted for. These costs should be backdated to the economic conditions of the financial envelope in order to permit a comparison between these costs and the financial envelope. The factors shall be calculated on the basis of the contractually agreed price indices for industrial costs and of the price escalation used for the budget estimates for internal costs. Each year the cost estimates for future years shall be updated to take account of cost overruns of the envelope, price level variations, and modifications to the scope of the work of the programme resulting, inter alia, from technical changes and additional work to be performed. They shall then be re-conducted at the price level of the year in which the financial envelope was approved.

**CHAPTER VIII
INTERNAL CONTROL FRAMEWORK**

ARTICLE 30

RESPONSIBILITIES

Applicable from 01 Jul 2016 until today

- 1** Responsibilities under the internal control framework are split between the Director-General, assisted by an internal audit function, and the financial control function, as further detailed in Articles 31 to 33.
- 2** The Director-General shall implement a system of internal controls to provide reasonable assurance regarding the achievement of objectives in terms of effectiveness and efficiency of operations, reliability of financial and operational reporting and compliance with EUMETSAT's legal framework.
- 3** The Head of Financial Control and Internal Audit shall be responsible and accountable for the activities performed by the financial control function and the internal audit function.

The Head of Financial Control and Internal Audit shall report on financial control matters to Council and on internal audit matters to the Director-General and to AFG, in its capacity of Audit Committee.

To safeguard his independence, the Head of Financial Control and Internal Audit shall be considered senior staff in so far as the procedures of appointment and dismissal by Council are concerned. Furthermore, he shall be exempted from the reports under the procedure foreseen in Article 8 Staff Rules. These special procedures shall apply only to the Head of Financial Control and Internal Audit and not to other staff members within the financial control and internal audit functions, who shall be appointed and dismissed by the Director-General. Said staff members shall report to the Head of Financial Control and Internal Audit and shall be subject to reports under the procedure foreseen in Article 8 Staff Rules.

ARTICLE 31**SYSTEM OF INTERNAL CONTROLS**

Applicable from 01 Jul 2016 until today

The system of internal controls under the responsibility of the Director-General shall be performed by Directors, Heads of Division and other staff, including those responsible for the implementation of individual processes defined by the Director-General. It shall consist of an adequate control environment, risk assessment, control activities, information, communication and monitoring. It shall be designed to ensure that:

- a) objectives are established and financial risks are appropriately identified, assessed and managed;
- b) financial and operational information is complete, accurate, reliable and timely;
- c) interaction with Delegate Bodies occurs openly and regularly;
- d) activities and decisions taken within the Secretariat comply with approved Rules and instructions, and with applicable policies and procedures;
- e) required resources are acquired and operated efficiently and effectively for the purposes and objectives of the Organisation, in accordance with the principle of sound financial management;
- f) assets of the Organisation are safeguarded through the establishment and effective implementation of procedures to prevent, detect and recover errors and fraud.

ARTICLE 32**FINANCIAL CONTROL FUNCTION**

Applicable from 01 Apr 2019 until today

- 1** The financial control function shall be separate and independent from the management function and shall be responsible for a priori compliance control on financial transactions of a value of EUR 15,000 or more.
- 2** The financial control function shall:
 - a) perform the tasks mentioned in Articles 6, 9, 19, 20, 22, 24, 25 and 26, controlling compliance with the Financial Rules and decisions of Council (or other delegate bodies, where appropriate) which are relevant to the case on the basis of exhaustive checks or sampling, as considered appropriate;
 - b) check the plausibility of the value for money evaluation conducted by management. To perform this task, the financial control function shall have the right to attend all Tender Evaluation Boards in the capacity of an observer. The financial control function shall not withhold its approval of the contract and commitment of expenditures due to concerns regarding value for money. In his capacity of the head of the financial control function, the Head of Financial Control and Internal Audit may notify the Director-General in writing of his concerns and inform AFG accordingly in his regular reports on financial control matters;
 - c) give advice to the Director-General in all matters relevant to financial control, as long as such advice does not interfere with the financial control and/or internal audit functions' responsibilities;
- 3** Where a decision or an action is submitted to the financial control function for approval and which it considers to be based on an internal instruction that is not in line with the existing Rules or other provisions of equal legal quality, the financial control function may withhold its approval. In such cases, the Head of Financial Control and Internal Audit shall notify the Director-General in writing of the reasons for the non-approval and, if necessary, inform AFG in his regular reports on financial control matters.
- 4** In order to assist the financial control function in the performance of its tasks, management has a duty of documentation. All information which the financial control function requires in its control process shall be made available to it. If the financial control function finds the documentation inadequate or inappropriate for its approval, it may withhold its approval. In such cases, the Head of Financial Control and Internal Audit shall notify the Director-General in writing of the reasons for the non-approval and, if necessary, inform AFG in his regular reports on financial control matters.
- 5** The Head of Financial Control and Internal Audit shall submit a report on financial control matters to at least each ordinary AFG meeting.

ARTICLE 33**INTERNAL AUDIT FUNCTION**

Applicable from 04 Dec 2019 until today

- 1 For the carrying out of his duties in Article 31 above, the Director-General shall be assisted by an internal audit function, which shall be independent from the operational activities of the Organisation.
- 2 The Director-General shall establish an Internal Audit Charter, which shall further detail the purpose, authority and responsibilities of the internal audit function, after consultation of the AFG, in its capacity of Audit Committee.
- 3 Focusing on significant financial risk areas, the internal audit function shall provide an independent, objective assurance and an advisory service that is designed to add value to operations and help accomplish the Organisation's objectives. The internal audit function shall bring a systematic, disciplined approach to evaluate the effectiveness and compliance of operations with the EUMETSAT legal framework and to evaluate the effectiveness of risk management, organisational accountability and control with a view to improving them. In this regard, the internal audit function shall report on these assurance and advisory activities and recommend to the Director-General any improvements or corrective action it may deem necessary and appropriate, and shall assess their implementation.
- 4 The internal audit function shall be responsible for all *a posteriori* checks, taking into account transactions effected without *a priori* checks by the financial control function.
- 5 The internal audit function shall conduct audits taking into account generally accepted internal auditing standards, suitably adapted to the specific conditions of the Organisation, and in accordance with the Internal Audit Charter.
- 6 The Head of Financial Control and Internal Audit shall present to AFG, in its capacity of Audit Committee, for consideration an annual internal audit plan, prepared after consultation with the Director-General, and a summary annual internal audit report.
- 7 The Head of Financial Control and Internal Audit shall notify the Director-General and the Chairperson of AFG, in its capacity of Audit Committee, of any instances of fraud. If such instances affect the Financial Statements, the Head of Financial Control and Internal Audit shall also notify the External Auditor.
- 8 The Head of Financial Control and Internal Audit shall have unrestricted access to AFG, in its capacity of Audit Committee. The Head of Financial Control and Internal Audit shall communicate to AFG, in its capacity of Audit Committee, any circumstance that could impair the objectivity and independence of the internal audit function, including any relevant disagreement with the Director-General.

**CHAPTER IX
EXTERNAL AUDIT****ARTICLE 34****EXTERNAL AUDIT**

Applicable from 07 Dec 2018 until today

- 1** The External Auditor shall be the Head of the Supreme Audit Institution (SAI) of a Member State and shall be appointed by and report to Council for a period of four years. If no Head of an SAI can be appointed, the Director-General may exceptionally appoint an expert from an internationally recognised audit firm as External Auditor. The manner of appointment shall be determined by Council in either case. The mandate of the External Auditor shall not be immediately renewable.
- 2** If the External Auditor ceases to hold office as Head of the SAI in his/her own country or ceases to work at the audit firm, his/her tenure as External Auditor shall be terminated and he/she shall be succeeded as External Auditor by his/her successor as Head of the SAI or by another expert from the audit firm. The External Auditor may not be otherwise removed during his/her tenure of office except by Council.
- 3** The External Auditor shall be completely independent and solely responsible for the conduct of the audit. He/she may be assisted by his/her staff as appropriate.
- 4** The services of the External Auditor may be remunerated or only travel and subsistence expenses may be paid.
- 5** The Director-General shall afford the External Auditor and his/her staff all such facilities that he/she deems necessary for the performance of his/her duties. The External Auditor and his/her staff shall have personal access to all documents of EUMETSAT which the External Auditor deems necessary to carry out the audit. In order to preserve the confidentiality and inviolability of EUMETSAT documentation, the documentation necessary for the audit shall remain within the EUMETSAT premises. The External Auditor and his/her staff shall respect the privileged and confidential nature of any information which has been made available and shall not use it except in direct connection with the performance of the External Auditor's duties.
- 6** The duty of the External Auditor shall be to provide an opinion on whether the financial statements give a true and fair view of the financial situation and operations of the Organisation, and have been prepared in accordance with the Financial Rules and EUMETSAT Council decisions, and whether all financial transactions have been processed in a lawful and regular manner and the financial management has been sound.

In addition, to his/her responsibility for auditing the accounts, the External Auditor shall make any appropriate comments on all financial concerns and administrative practices he/she deems necessary.

- 7** Upon proposal by the External Auditor, the Council may request him/her, on a case by case basis, to carry out specific performance audits and to issue separate reports on the results.
- 8** The audit shall be conducted in conformity with the International Standards of Supreme Audit Institutions (ISSAI), including the International Standards on Auditing (ISA), set up by the International Organization of Supreme Audit Institutions (INTOSAI).
- 9** The Director-General shall submit the signed financial statements and any other information required to the External Auditor by 1 March following the end of the financial year to which the financial statements relate.

During the on-site audit activities the External Auditor shall present any misstatement he/she has identified during the audit to the Director-General. The Director-General shall then decide if the financial statements shall be corrected.

The Director-General shall authorise the financial statements for issue and shall submit them to the External Auditor immediately after the end of the on-site audit activities. The issue date shall be documented through the signature of the end of audit Letter of Representation by the Director-General.

The External Auditor shall issue his/her opinion and a report to Council on the audit of the financial statements not later than 31 March following the end of the financial year. The audit opinion and audit report shall be based on the financial statements authorised for issue by the Director-General. The External Auditor shall not include any observations in the audit report without first affording the Director-General the opportunity to comment.

The financial statements, the External Auditor's opinion, the audit report and the Director-General's comments to the audit report, shall be submitted to Delegate Bodies by 1 May at the latest.

- 10** The Council shall decide on the discharge to the Director-General in respect of the implementation of the budgets of a given year before the end of the following year.
- 11** The External Auditor or his/her representative shall present the audit report to AFG and Council.
- 12** The External Auditor and members of his/her staff who have participated in the audit may not be recruited by EUMETSAT during the two financial periods following completion of the term of appointment.

**CHAPTER X
FINAL PROVISIONS**

ARTICLE 35

TRAVEL AND SUBSISTENCE EXPENSES

Applicable from 01 Jul 2016 until today

- 1** Travel and subsistence expenses of the Chairman of the Council and of the Chairmen of subsidiary bodies and working groups of EUMETSAT shall be reimbursed.
- 2** Travel and subsistence expenses of experts and consultants in connection with special tasks assigned to them by the Council may be reimbursed upon decision of the Council.

ARTICLE 36

FINANCIAL INSTRUCTIONS

Applicable from 01 Jul 2016 until today

The Director-General shall establish such detailed financial instructions in conformity with these rules as are necessary to ensure effective financial administration.

ARTICLE 37

ENTRY INTO FORCE

Applicable from 01 Jul 2016 until today

These Rules shall become effective as decided by Council.