

# ECMWF FINANCIAL REGULATIONS

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## Adoption of text and amendments by the Council:

November 1975	ECMWF/C/M(75)1 item 10
November 1977	ECMWF/C/M(77)3 para. 61
June 1979	ECMWF/C/M(79)1 paras. 56-65
November 1980	ECMWF/C/12/M(80)2 paras. 78-92
April 1981	ECMWF/C/13/M(81)1 paras. 39-40
November 1981	ECMWF/C/14/M(81)2 para. 35
April 1982	ECMWF/C/15/M(82)1 paras. 79-82
May 1984	ECMWF/C/19/M(84)1 paras. 38-39
November 1984	ECMWF/C/20/M(84)2 paras. 92-94
November 1985	ECMWF/C/22/M(85)2 paras. 31-32
March 1990	ECMWF/FC/44/M(90)1 paras. 19-30
June 1990	ECMWF/C/32/M(90)1 paras. 40-42
June 1992	ECMWF/C/36/M(92)1 para. 86 & Annex IV
June 1996	ECMWF/C/44/M(96)1 para. 84
December 1997	ECMWF/C/47/M(97)2 para. 80
December 2002	ECMWF/C/57/M(02)2 para. 52
June 2004	ECMWF/C/60/M(04)1 para. 167 (superseded - July 2006 decision applies)
July 2006	ECMWF/C/65(06)M para. 94
December 2006	ECMWF/C/66(06)M para. 155
June 2007	ECMWF/C/67(07)M paras. 9-10
December 2008	ECMWF/C/70(08)M Corr.1 para. 12
December 2010	ECMWF/C/74(10)M Corr.2 para. 76
June 2011	ECMWF/C/75(11)M Corr.2 paras. 121-122
December 2011	ECMWF/C/76(11)M Corr.1 para. 115
June 2012	ECMWF/C/77(12)M Rev.1 para. 102
December 2012	ECMWF/C/78(12)M Rev.1 Annex 8
June 2013	ECMWF/C/79(13)M Rev.1 para 44
December 2013	ECMWF/C/80(13)M Rev.1 paras. 73-74 and 103
July 2014	ECMWF/C/82(14)D, para. 24
December 2014	ECMWF/C/84(14)D, paras. 16-17
December 2015	ECMWF/C/86(15)D, para. 30
December 2016	ECMWF/C/88(16)D, para. 19
June 2018	ECMWF/C/92(18)D, para. 7
June 2021	ECMWF/C/100(21)D, para. 25
December 2022	ECMWF/C/105(22)D, para. 24
June 2023	ECMWF/C/106(23)D



## **CHAPTER I - FINANCIAL MANAGEMENT OF THE CENTRE**

### **Article 1: Responsibilities**

1. Within the limits and conditions laid down in these Financial Regulations, responsibility for the Centre's financial management shall be vested in:
  - (a) Council
  - (b) the Finance Committee
  - (c) the Director-General.
2. For the purpose of Article 19 and 46, the Finance Committee shall act as the Centre's Audit Committee.

### **Article 2: Terms of Reference**

The Terms of Reference of the Finance Committee are set out as an Annex to these Financial Regulations.

### **Article 3: Appointment of Auditors**

1. The auditing of the accounts provided for in Article 14 of the Convention shall be carried out by the auditors under the conditions laid down in these Financial Regulations.
2. The Council, acting in accordance with Article 14(2) of the Convention, shall appoint the auditor or one Audit Board in accordance with the International Standards of Supreme Audit Institutions, ISSAI 5000: "Principles for Best Audit Arrangements for International Institutions". For this purpose, the Finance Committee acting as the Audit Committee shall provide a draft Letter of Engagement to the Council.
3. To establish the draft Letter of Engagement, the Centre shall carry out a procurement in accordance with its procedures amongst the supreme audit institutions of its Member and Co-operating States for the external audit services in accordance with Article 14(1) of the Convention and Articles 41–46 of these Financial Regulations.
4. The auditor or the Audit Board shall be subject to a mandatory rotation period. The auditor or the Audit Board shall be appointed for an initial period of up to four years and may be reappointed once for a secondary period of up to four years. ECMWF shall carry out a procurement in due time to replace the incumbent auditor. If the procurement after the secondary period yielded no result, the incumbent auditor could be appointed up to further two years. Further reappointment is not possible. The auditor or the Audit Board already appointed on 1 July 2021 shall be deemed to be in their initial period.
5. The term of office is considered to apply to the duration of all operations relating to the respective financial years.
6. The audit shall be conducted in conformity with the International Standards of Supreme Audit Institutions (ISSAI), including the International Standards on Auditing (ISA), issued by the International Organization of Supreme Audit Institutions (INTOSAI).

7. The service of the auditor or the Audit Board shall be remunerated in accordance with the Letter of Engagement signed by the Director-General following the appointment of the auditor by the Council.
8. Representatives of the auditor or the Audit Board may be invited by the President of the Council and the Chair of the Finance Committee to attend those meetings of the Council and the Finance Committee which are devoted to examining the auditor's report.

#### **Article 4: Duties and Responsibilities of the Finance Committee**

1. The Finance Committee shall be responsible for:
  - (a) drawing up opinions and recommendations for the Council on all matters with financial implications which are submitted to the Council. To this end the Committee shall follow and examine all questions relating to the Centre's financial management;
  - (b) deciding, on the Council's behalf, on the financial matters specified in these Financial Regulations;
  - (c) authorising the Director-General, acting by a majority of two-thirds, to apply recommendations made by the Co-ordinating Committee on Remuneration<sup>1</sup> of the Co-ordinated Organisations (CCR), to be paid in the form of an advance, pending their adoption by the Council.
2. The Finance Committee shall undertake any other duties and responsibilities entrusted to it by the Council.
3. With regard to matters for which it is responsible, the Finance Committee shall be entitled to have made available to it any information and supporting evidence of which it considers that it should be informed.
4. Any proposal submitted to the Council or to the Finance Committee for decision shall be accompanied by the Director-General's comments, in particular with respect to its administrative and financial implications, and its budgetary coverage.
5. The Chair of the Finance Committee may invite the Chairs of other Advisory Committees to attend sessions of the Finance Committee.

#### **Article 5: Donations to the Centre**

The Director-General may accept any donations to the Centre, in particular endowments, subventions from natural and legal persons, gifts and bequests. Financial donations and those which if accepted might subsequently impose an obligation on the Centre shall be accepted only after authorisation by the Council. If the Council has made no objection within two months after receipt of the Director-General's request, the latter may make a final decision. For the avoidance of doubt, monies received in connection with Third Party Activities referred to in Article 2(5) of the Convention and externally funded projects are not considered to be donations.

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<sup>1</sup> This Committee, originally the Co-ordinating Committee of Government Budget Experts of the Co-ordinated Organisations (CCG) became the Co-ordinating Committee on Remuneration (CCR) in 1991 upon adoption by Councils of the Reform of Co-ordination

## **CHAPTER II - ESTABLISHMENT AND IMPLEMENTATION OF THE BUDGET**

### **Article 6: Budgetary appropriations**

1. The Budget of the Centre referred to in Article 12 of the Convention shall contain all authorised expenditure, including the commitment appropriations referred to in para. 2, and all estimated revenue for the financial year to which such expenditure and revenue relate.
2. Expenditure authorised in the Budget shall include:
  - (a) commitment appropriations for all operations involving financial commitment 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 limit 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 7: Financial Management**

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.

### **Article 8: Budgeting and accounting principles**

1. The Budget shall be established in pounds sterling.
2. All revenue and expenditure shall be entered in full in the Budget and in the accounts. The whole of the revenue shall be used to cover the whole of the expenditure during the same financial year as defined in Article 9.
3. Revenue and expenditure of Third Party Activities, externally funded projects and Optional Programmes shall be entered into the Budget and separately identified in accordance with Article 13.
4. Notwithstanding paras. 2 and 3:
  - (a) the Budget shall be drawn up to take into account the fact that the Centre benefits from rebates of tax, duties and levies;
  - (b) all revenue allocated to the Centre for a specific purpose, in particular donations as defined in Article 5, shall be used as stipulated;
  - (c) 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;

- (d) The chart of accounts shall include accounts for tax recovery claims and their settlement.

In addition, the chart of accounts shall include suspense account(s) recording gains and losses arising from fluctuations in the rates of exchange. At the end of the financial year, the balance in the account(s) shall be cleared to the income and expenditure account.

5. Revenue and expenditure of Third Party Activities, externally funded projects and optional programmes shall be separately identified in the Budget, using the full budget nomenclature and with an additional classification that identifies them as a Third Party Activity, externally funded project or optional programme.

#### **Article 9: Financial Year**

1. The financial year shall run from 1 January to 31 December.
2. All revenues of a financial year shall be entered in the accounts of that year in so far as they have been earned or arise from transactions or events relating to the year up to and including 31 December.
3. All expenditure of a financial year shall be entered in the accounts of that year in so far as it has been incurred during the financial year up to and including 31 December. For purposes of cash (budget) accounting, payment appropriations made by the provision of Article 10(2), sentence 1 of these regulations shall also be entered in the accounts.

#### **Article 10: Carrying forward of budgetary appropriations**

1. Commitment appropriations unused at the end of each financial year (31 December) shall be cancelled at the end of that year unless a decision is made to carry them forward to the following financial year. Commitment appropriations may be carried forward only once. The Director-General may propose to the President of the Council for authorisation the carrying forward of appropriations which have been allocated to specific purchase items and where a firm commitment cannot be made before the end of the financial year, limited to 5% of the budget.
2. Payment appropriations unused at the end of each financial year (31 December), but covering payments still due for commitments entered into during that financial year may be carried forward to the following financial year as provided by para. 3 below. All other unused payment appropriations shall be cancelled at the end of the financial year.
3. The carrying forward of committed payment appropriations to the next financial year shall be authorised by the Director-General.
4. Revenue and appropriations derived from the donations referred to in Article 5 and unused on 31 December shall be carried forward to the following financial year.
5. When implementing the Budget, details of the use of appropriations carried forward shall be entered separately by article in the accounts for the current financial year.



6. Notwithstanding article 10.1-10.4, in the context of a delegated budget relating to a Third Party Activity, no surplus for the Centre should arise in the incurring and reimbursement of direct costs and that only fees relating to indirect costs should be considered in the calculation of any surplus of revenues over expenditures for a financial year.

Costs and revenues associated with the direct cost of a Third Party Activity may therefore be carried forward to future years if unused in the year in which they were budgeted, in accordance with the planning and reporting measures provided for in the delegation agreement.

Direct and indirect costs have to be defined in the respective agreement between the Third Party and ECMWF.

#### **Article 11: Commitments related to the following year**

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 the Budget for that financial year has not 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 budget for the current financial year.

#### **Article 12: Absence of approved Budget**

1. If, at the beginning of a financial year, the Council has not yet adopted the Budget, the Director-General may, under the following conditions, enter into commitments and effect the payment of expenditure of a kind already approved in principle in the last Budget to be duly adopted:
  - (a) commitments may be made within the limit of one quarter of the appropriations for the preceding financial year without, however, exceeding the appropriations provided for in the draft Budget;
  - (b) payments may be made by article on a monthly basis within the limit of one twelfth of the Budget appropriations for the preceding financial year without, however, exceeding one twelfth of the appropriations provided for in the draft Budget.
2. At the request of the Director-General and subject to compliance with the terms laid down in (b), the Council, acting under the conditions laid down in Article 6(2)(b) of the Convention and taking account of administrative requirements, may authorise simultaneously expenditure in respect of two or more provisional twelfths.
3. Members States shall pay by the 15<sup>th</sup> of each month starting in January, on a provisional basis and in accordance with the scale provided for in Article 13 of the Convention, amounts necessary for the application of para. 1 of this article. The Centre shall issue call-up letters detailing the amounts to be paid.

#### **Article 13: Budget structure**

1. The Budget shall be set out according to a decimal classification 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.

2. The budgetary nomenclature shall be compulsory in respect of the apportionment of revenue and expenditure under titles and chapters. When the Council adopts the annual Budget, it thereby also adopts the nomenclature.

#### **Article 14: Transfer of appropriations**

1. Appropriations under one chapter of expenditure may not be used for purposes of other chapters of expenditure. However, the Director-General may authorise transfers of appropriations of up to £500,000 from one chapter to another limited to 5% of the budget in total. For amounts over £500,000, the Finance Committee may, acting by a majority of two thirds and on a proposal from the Director-General, authorise transfers between chapters.
2. Appropriations in articles can exceed the amounts set in the Budget, provided that the appropriations in the chapter are within limits set in the Budget, including any transfers between chapters.
3. 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.
4. Paragraphs 1 to 3 shall not apply to appropriations corresponding to the revenue which is referred to in Article 5 and which has a specified allocation.
5. A separate classification shall be assigned to revenue and expenditure for each of the Third Party Activities, and for Externally Funded Projects and for Optional Programmes. Within each of these classifications, there is no limitation on inter-chapter transfers and the expenditure may exceed the Budget up to the amount the corresponding revenue exceeds the Budget.

#### **Article 15: Draft Budget contents**

1. The Director-General shall preface the draft Budget by an explanatory memorandum justifying requests for appropriations.
2. The Director-General shall attach to the draft Budget an overall estimate of expenditure and revenue, broken down into major categories, to be provided for the three subsequent financial years.
3. In order to justify any appropriation requested, the draft Budget shall show:
  - (a) the amount of appropriations and actual expenditure for the preceding financial year;
  - (b) the amount of appropriations for the current financial year.
4. The draft Budget shall contain as the Table of Posts the number of staff working on the Centre’s core activities and approved by Council. The table of posts shall constitute an obligatory limit; no appointment or promotion may be made beyond this limit except that a number of posts funded from within the staff Budget may be double occupied as decided by the Council.

5. In addition, the Director-General shall submit, in support of his/her draft Budget:
  - (a) an establishment plan, showing the actual number of staff;
  - (b) any useful information on the required number of other employees;
  - (c) in the event of changes in the Table of Posts, a statement explaining the reasons for the new changes.

#### **Article 16: Approval of the Budget**

1. The Director-General shall present a draft budget to the Finance Committee for review at its autumn session and shall consider the advice of that Committee when preparing a draft budget for submission to the Council at its winter session. The Director-General shall submit, not later than three weeks prior to the Council meeting, a draft budget, together with the recommendation of the Finance Committee, to the Council for adoption at its winter session. The final version of the Budget, as adopted by the Council, shall be distributed to the Member States immediately after the granting of Council approval.
2. Before the beginning of each financial year, the Council, acting in accordance with Article 6(2)(b) of the Convention, shall adopt the Budget and approve the overall estimate of expenditure and revenue referred to in Article 15(2) of these regulations.
3. If the need arises, the Director-General may submit draft supplementary or rectifying budgets in the same form as the draft Budget. Such draft budgets must be justified with reference to the Budget whose estimates they modify. Any draft supplementary or rectifying Budget must, as a general rule, be submitted to the Council not later than the date laid down for the submission of the draft Budget for the following financial year. Supplementary or rectifying budgets shall be adopted by the Council acting in accordance with Article 6(2)(b) of the Convention. The Council shall discuss them having regard to their degree of urgency.
4. The Finance Committee shall be authorised, as provided for in Article 4(1)(b) of the Financial Regulations, to adopt by unanimous decision on behalf of the Council, supplementary or rectifying budgets, provided that the financial contributions of the Member States are not increased.

#### **Article 17: Budget implementation, separation of responsibilities**

The Budget shall be implemented on the principle that authorising officers and accounting officers have separate responsibilities.

#### **Article 18: Budget implementation, delegation of powers**

1. The Director-General shall implement the budget on his/her own responsibility within the limit of the allotted appropriations. He/she shall act as authorising officer in respect of the Centre's revenue and expenditure.
2. The Director-General may delegate his/her powers within the limits which he/she shall lay down in the instrument delegating such powers.
3. Any delegation of powers shall be notified to the Finance Committee and the auditors.
4. The Centre may enter into commitments up to the amounts agreed in the Budget.

### **Article 19: Internal Audit**

1. The Financial Controller and his/her deputy, referred to in Article 10(4) of the Convention, shall be responsible for the internal audit tasks provided for in Annex III of these Financial Regulations.
2. The Staff Regulations applicable to the officers referred to in para. 1 shall be determined by the Council, acting on a proposal from the Director-General, in such a way as to guarantee their independence in the performance of their duties.
3. The Financial Controller shall report to the Finance Committee at least once a year.
4. The Head of Finance shall have the obligation to refuse financial transactions which are not carried out in accordance with these Financial Regulations and for which he/she resumes responsibility. Any refusal must be the subject of a written comment giving the reasons for such refusal; it shall be notified to the Authorising Officer.
5. In the event of a refusal of a financial transaction, except for cases where availability of the appropriations is in doubt, the Director-General may confirm the financial transaction in a reasoned decision. The financial transaction shall then be considered to have been validly made. The Finance Committee and the auditors shall be informed whenever this provision is applied.

### **Article 20: Accounting Officer**

1. The receipt of revenue and the payment of expenditure shall be carried out by an Accounting Officer or his/her deputy. Subject to Article 26, the Accounting Officer shall be the only person empowered to handle monies. He/she shall be responsible for their safe keeping.
2. The Accounting Officer or his/her deputy may be assisted in his/her task by one or more Assistant Accounting Officers.

### **Article 21: Invoices**

1. The collection of any amount owing to the Centre shall require the issue of an invoice by the authorising officer unless the receipt of funding is covered by an alternative procedure identified in the funding or delegation agreement of externally funded projects or Third Party Activities.
2. The Authorising Officer shall establish that:
  - (a) the revenue is credited to the correct article of the nomenclature;
  - (b) the Centre is entitled to such collection;
  - (c) the operation in question is in order and in accordance with the relevant provisions, particularly those of the Budget and of the Financial Regulations.
3. The Accounting Officer shall have charge of the invoices which shall be passed on to him/her by the Authorising Officer. He/she shall use all diligence to ensure that the collection of the revenue of the Centre is made at the proper time and that the rights of the Centre are preserved.

## **Article 22: Commitments of funds**

1. Any measure likely to involve expenditure against the current or any subsequent budget must first be the subject of a proposal for a commitment of expenditure from 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 article to which the expense is to be charged, and the creditor; the Authorising Officer shall establish that:
  - (a) the expenditure is charged to the correct article of the nomenclature;
  - (b) appropriations are available;
  - (c) the operation in question is in order and in accordance with the relevant provisions, particularly those of the Budget and of the Financial Regulations.

## **Article 23: Clearance of expenditure**

1. The clearance of expenditure by the Authorising Officer shall verify:
  - (a) the existence of a 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 Senior Finance Officer shall carry out the verifications referred to in para. 1 or have them carried out under his/her responsibility.

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

## **Article 24: Payment orders**

1. Authorisation is the formal step whereby the Senior Finance Officer (or staff under his/her delegated authority, by the issue of a payment order, authorises the Accounting Officer to pay an item of expenditure which has been cleared.
2. Payment orders shall be accompanied by supporting documents that establish the audit trail.

## **Article 25: Suspension of payment**

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 Regulations, or of irregularities, fraud or breach of contract in reference to grant agreements, 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/she 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/her own responsibility that payment be effected notwithstanding the refusal to pay. The Finance Committee and the auditors shall be informed whenever this provision is applied.

#### **Article 26: Cheques and bank transfers**

Cheques and bank transfer orders shall require two signatures, one of these being that of the Accounting Officer.

#### **Article 27: Liability of Finance Officers**

1. An Authorising Officer shall render himself/herself liable to disciplinary action, and, where appropriate, to payment of compensation if he/she enters into a commitment of expenditure or signs a payment order without complying with these Financial Regulations.
2. The Financial Controller and his/her deputy shall render himself/herself liable to disciplinary action and, where appropriate, to payment of compensation if he/she is guilty of negligence in the performance of his/her duties.
3. An Accounting Officer and his/her deputy shall render himself/herself liable to disciplinary action and, where appropriate, to payment of compensation in the following cases:
  - (a) if he/she fails to comply with Article 25(1);
  - (b) if the payments made by him/her do not agree with the amounts on the payment orders;
  - (c) if he/she effects payments to a party other than the lawful payee.

He/she shall be liable to disciplinary action and to payment of compensation as regards the safe keeping of the monies, assets and documents in his/her charge and as regards correct execution of orders received by him/her in respect of the use and administration of bank accounts.

4. Authorising Officers and Accounting Officers shall be held liable for their actions before the Disciplinary Board provided for in Article 38 of the Staff Regulations of the Centre.

The Financial Controller and his/her deputy shall be held liable for their actions under the conditions laid down in the Staff Regulations applicable to such employees referred to in Article 19(2).

#### **Article 28: Contracts and grant agreements**

1. Contracts or grant agreements shall be concluded in writing for the purchase and hire of goods and services or for the award of grants respectively. They shall be concluded following adjudication, requests for tenders or calls for proposals. Contracts may be concluded directly in the cases referred to in Article 30. Purchases may be made against bill or invoice only, in the cases provided for in Article 33.

2. There shall be no discrimination between nationals of the Member States on grounds of nationality in respect of contracts entered into by the Centre.
3. Contracts or grant agreements shall only be concluded with competent, efficient and reliable tenderers (in the case of procurements) or applicants (in the case of grants) respectively.
4. The clauses of these Financial Regulations and of implementing rules and instructions relating to the conclusion of contracts and transactions must always be interpreted bearing in mind the desirability to make the best possible use of the Centre's resources.
5. No contract or grant agreement may be concluded without prior approval from the Authorising Officer.

## **Article 29: Tendering and Call procedures**

### *Adjudication*

1. Adjudication is an administrative procedure, prior to entering into a contract following an invitation to tender. It relates to supplies of standard goods, and gives to the party making the lowest offer from amongst comparable and properly made offers, the final award of the contract following approval by the responsible Authorising Officer.
2. Adjudication is termed "public" or "open" where any candidate may tender; it is termed "restricted" when only candidates who have been selected for consultation because of their special qualifications may tender.

### *Requests for tenders*

3. A contract following a request for tenders is a contract concluded, in cases other than those to which para. 1 refers, between the Centre and a tenderer following an invitation to tender. The contract shall be awarded to the contractor whose offer is considered the most advantageous as regards price, possible running costs, technical value, quality, and functional characteristics, date of execution and also the professional and financial guarantees offered by that candidate and taking into account all other circumstances.
4. A request for tenders is termed "public" or "open" where it involves a general invitation to tender; it is termed "restricted" where the invitation is addressed solely to the candidates who have been selected for consultation because of their special qualifications.

### *Public tendering*

5. Invitations to tender shall be made public as extensively as possible in all Member States of the Centre, unless the nature of the contract or special circumstances justify an exception.

Invitations to tender shall, where appropriate, also be made public in third countries. The costs arising will be borne by the Centre. Details shall be laid down in the implementing procedures provided for in Article 49 of these Regulations.

### *Restricted tendering*

6. In case of goods or services which, because of their nature or amount, cannot be the subject of a public invitation to tender, the Director-General may ask a restricted number of specialised contractors from as wide a selection of Member States as possible to submit offers. In this case a report shall be made to the Finance Committee as soon as possible. Where the contract involves an amount exceeding £180,000, the intention of awarding a contract shall be made public. As regards the publication, the provisions of sentences 2 to 5 of para. 5 shall apply. The Centre shall ask selected contractors from among those who have shown their interest and who fulfil the requirements as to reliability and efficiency to submit their tenders.

### *Calls for proposals*

7. Calls for Proposals (CfP) shall be launched for the award of grants and prizes. These grants or prizes shall be awarded to the highest scoring applicants, assessed by the Evaluation Board as detailed in the Administrative Instruction on the award and implementation of grants and prizes.

### **Article 30: Contracts and grant agreements, direct conclusion**

1. Contracts may be concluded directly:
  - (a) where the contract involves an amount not exceeding £180,000 for supplies, services and for scientific and technical equipment and construction work;
  - (b) where goods and services are so urgently required that it is not possible for either of the tendering procedures specified in Article 29 to be carried out;
  - (c) where tendering or invitations to tender have produced no results or where the prices quoted are not acceptable and where a repeat invitation to tender is not expected to produce a better result;
  - (d) where energy or insurance is procured via procurement agencies which select suppliers via a tendering process, regardless of the selection methods of the procurement agencies;
  - (e) where for technical, practical or legal reasons the services can only be rendered by a specific contractor or supplier;
  - (f) for additional deliveries by the original supplier which are intended either as part replacement of normal supplies or installations; or as the extension of existing supplies or installations where a change of supplier would compel the contracting authority to purchase equipment having different technical characteristics that would result in incompatibility or disproportionate technical difficulties of operation or maintenance.
  - (g) where goods and services are purchased from suppliers that have been selected either
    - by a public procurement agency of the Member or Co-operating States or
    - by an inter-governmental organisation whose tendering processes comply with the main principles of the Centre's Financial Regulations about



procurements, particularly the optimisation of the use of resources, equal treatment of bidders and transparency of procedures and/or comply with EU procurement rules.

The Centre shall keep a list of pre-validated public procurement agencies or inter-governmental organisations. Prior to each purchase, the Centre must ascertain full compliance with its own specific requirements. This involves verifying that the agencies or inter-governmental organisations offer goods or services of a similar nature, possess a valid framework agreement, and align with the financial offer. Additionally, the Centre must consider potential eligibility restrictions barring suppliers.

2. Grant Agreements may be concluded directly, only in rare and duly justified cases, which meet one of the following conditions:
  - (a) for humanitarian aid, emergency support operations, civil protection operations or crisis management aid;
  - (b) in other exceptional and duly substantiated emergencies;
  - (c) to bodies with a de jure or de facto monopoly situation;
  - (d) to Member States, or to bodies designated by Member States, where those Member States are identified by a basic act as beneficiaries;
  - (e) in the case of research and technological development, and actions of technical assistance, to bodies identified in the work programme, where the basic act expressly provides for that possibility, and on condition that the project does not fall under the scope of a CfP;
  - (f) for activities with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers, on condition that the activities concerned do not fall within the scope of a CfP;
3. In the case of direct contracts or grant agreements, the Centre shall be bound, as far as possible and by using all appropriate means, to enable contractors or suppliers or beneficiaries likely to render the services or implement the grant in question to compete.
4. In case of direct contracts that have not been submitted to the Finance Committee for prior approval, a report shall be made to the Finance Committee as soon as possible. In the case of a direct contract to which Article 33 applies, no such report shall have to be made.

### **Article 31: Contracts, prior approval of Council or Finance Committee**

1. Irrespective of cases in which the Council has reserved the right to take a decision under Article 6(2)(d) of the Convention:
  - (a) the following shall be submitted to the Council for approval, before the Authorising Officer takes a decision:
    - contracts for goods and services where the amount for a single indivisible unit or a series of items of the same kind exceeds £1,000,000, with the exception of contracts concluded under Article 30 paragraph (1)(d);
    - acquisition of immovable property where the amount of the annual expenditure for a single indivisible unit exceeds £300,000;
    - renting of any property where the amount of the annual rental of a single indivisible unit exceeds £300,000.
  - (b) The following shall be submitted to the Finance Committee for approval, before the Authorising Officer takes a decision:
    - acquisition and renting of immovable property where the amount of annual expenditure for a single indivisible unit or a series of items of the same kind exceeds £180,000;
    - contracts for supplies and equipment, other than of a scientific or technical nature, where the amounts exceed £180,000;
    - contracts where the amounts exceed that referred to in Article 30(1)(a) and to which Article 30(1)(c), (e) or (f) apply.

### **Article 32: Contracts, guarantee payment**

1. A payment may be required from contractors or suppliers to provide a guarantee that a contract will be duly executed.
2. The guarantee payment shall be retained until the acceptance of the completed work.

### **Article 33: Contracts, against bill**

Where the expected value of services for a single indivisible unit does not exceed £30,000 a contract may be placed against bill or invoice only, under the conditions laid down by the Finance Committee.

### **Article 34:**

The ceilings referred to in Articles 30(1)(a), 31(b) and 33 may be modified when necessary by the Finance Committee, acting unanimously.

### **Article 35: Fixed assets**

1. A fixed assets register shall be kept listing the amount and the value of all movable and immovable property belonging to the Centre. The Finance Committee shall determine the nature and the minimum value of the movable property to be entered in this register.

Acquisition of such movable and immovable property shall, before payment, be entered in the said fixed assets register.

2. Sales of movable property shall be advertised in such a way as to ensure disposal in the most advantageous terms.
3. A statement or report shall be drawn up by the Authorising Officer whenever any property listed in the fixed assets register is disposed of, scrapped or missing on account of loss, theft or any other reason.

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

### **Article 36: Accounting procedures**

1. Accounts shall be kept according to the double entry method, on the basis of the calendar year. They shall show all revenue and expenditure during the financial year; they shall be based on supporting documents.
2. Entries shall be made on the basis of an accounting plan wherein the nomenclature shall correspond where appropriate, to expense and revenue articles of the Budget and wherein there shall be a clear division between the statement of financial position, revenue and expense accounts.
3. Accounts shall be closed at the end of the financial year in order to draw up the financial statement of accounts.

## CHAPTER III - PAYMENT OF THE MEMBER STATES' FINANCIAL CONTRIBUTIONS

### Article 37: Member States' contributions, payment

#### *Scale of Contributions*

1. The scale of contributions to the Centre is based on the Gross National Income (GNI) of each Member State over the last three years for which there are statistics (Convention Article 13.1). The statistics are provided in the first instance by Eurostat, if they are not available from Eurostat, in the second instance from the World Bank and lastly from OECD. The scale is valid for three-year periods.
2. If a country joins the Centre as a Member State after the start of the financial year, the scale is modified from the start of the next financial year.

#### *Single Additional Contribution (SAC)*

3. When a state applies to become a Member or a Co-operating State a Single Additional Contribution is payable (Convention Article 13.3). The amount of the Single Additional Contribution shall be determined by the Council.
4. The initial calculation of the Single Additional Contribution will be valid to the end of the financial year in which it is calculated. In cases where States have not joined ECMWF by the end of that financial year, the Single Additional Contribution will then be recalculated at the start of the following financial year based on new statistics and then be valid to the end of that financial year. This process will be repeated until the States join ECMWF.

#### *Payment of Contributions*

5. The financial contributions of the Member States determined by the Budget shall be expressed in the currency of the State in which the Centre is located.
6. The financial contributions shall be paid by each Member State to the credit of the convertible accounts opened in the name of the Centre with the financial institutions designated by the Director-General in agreement with the Member States, after receiving the opinion of the Finance Committee.
7. The annual contributions shall be paid in the proportion of:
  - (a) one half of the annual contribution:
    - before 20 January of the financial year concerned, if the Budget has been adopted before 1 January;
    - within thirty days following adoption of the Budget if it was not adopted before 1 January;
  - (b) the remaining half before 1 June of the financial year concerned.

- (c) Alternatively to the method of payment described under (a) and (b) above, a Member State may choose to pay the full amount of the annual contribution:
- before 20 March of the financial year concerned;
  - within thirty days following the adoption of the Budget if it has not been adopted before 1 January; however, not earlier than 20 March.
- (d) A change from one method of payment to the other may be made by Member States. In this case, prior notification must reach the Centre not later than 30 November of the preceding financial year.
8. Payment of the Single Additional Contribution (see para. 3) shall be made after the entry into force of the Convention for the State concerned and may be paid in a maximum of five instalments spread over five consecutive financial years, with each instalment to be paid before the end of the financial year in which it becomes due.

#### *Late Payments*

9. The Centre shall be empowered, under the conditions laid down by the Finance Committee, to charge interest at the usual rate on loans in the State where it is located, on that part of a Member or Co-operating State's contribution which has not been paid within the time limits laid down in paras. 7 and 8. The Centre shall also be empowered to charge interest to Member and Co-operating States on various other items as determined by the Finance Committee if payment has not been made within the time limits laid down in the invoices.
10. Should a Member State be late in the payment of its budgetary contribution, any amount subsequently received from this Member State shall be accounted for in the following order:
- firstly against the outstanding single additional contribution;
- secondly against the oldest of the outstanding interest for late payment of contributions;
- thirdly against the oldest of the outstanding contributions.
11. After receiving the opinion of the Finance Committee, the Director-General shall be authorised to invest such funds as are not needed for the immediate requirements of the Centre.
12. Conversion of holdings of the Centre from the currency of the State in which the Centre is located into the currency of another Member State shall be effected at the exchange rates obtained on that day at the issuing bank of the State in which the Centre is located or by financial institutions designated by that State.
13. Should a cash flow problem arise as a result of non- or delayed payment of Member States' contributions, the Director-General is empowered to take out credit facilities taking into account the principles of economy and sound financial management.

## *Statements*

14. The Director-General shall draw up quarterly and submit to the Member States a statement of finances and a statement showing the extent to which the Member and Co-operating States have paid their financial contributions.

## *States joining during the financial year<sup>1</sup>*

15. If a State becomes a Member or Co-operating State after the start of the financial year, its annual contribution shall be calculated (pro rata) and added to the surplus for the year.
16. If a Co-operating State becomes a Member State after the start of the financial year, its annual contribution for that year shall be calculated pro rata for the period for which it is a Co-operating State and pro rata for the period it is a Member State.
17. The difference between the budgeted Co-operating State contribution and the contribution actually due for that year shall be added to the surplus.
18. Any payment of a Single Additional Contribution mentioned in para. 3 shall be added to the surplus.

## **Article 38: Member States' contributions, advance payment**

1. Article 37 shall apply to advance payments effected pursuant to the second sub-paragraph of Article 12(5) of the Convention.
2. Such advance payments shall be made before the first day of the month to which they apply, save for the month of January, when the payment shall be made before 20 January.

## **Article 39: Budget surplus**

1. If the closure of the accounts for the financial year reveals a surplus of revenue over expenditure, account being taken of appropriations being carried forward to the next financial year and surpluses arising from Third Party Activities, the Council shall decide on how the surplus is utilised, particularly with regard to replenishment of the reserves and transfer to Member States' Fund (MSF) (see Article 51).
2. Any surplus credited to the MSF shall be distributed amongst the MSF accounts according to the relevant Scale of Contributions for the year in which the surplus was made.
3. The annual Financial Statement of Accounts shall contain a table showing the percentage of each State's share of the surplus for the financial year.

## **Article 39 bis: Reserves**

1. The Centre shall formulate a reserves policy. The reserves policy shall be approved by the Council. Any transfers to or from reserves will be in compliance with the Centre's reserves policy.

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<sup>1</sup> At its 70<sup>th</sup> session (December 2008), the Council approved the amendments to paragraphs 15 and 16.

**Article 40: Supplementary Budget, additional contribution**

If a supplementary Budget is adopted during a financial year, the Member States shall make available to the Centre any additional contribution which may be necessary within sixty days following adoption of the said Budget. Article 37 shall apply.

## CHAPTER IV - PRESENTATION AND AUDITING OF ACCOUNTS

### Article 41: Financial statement of accounts

1. Within two months after the end of the financial year, the Director-General shall draw up the financial statements of the Centre.
2. The Centre's financial statements shall be prepared in accordance with the requirements of International Public Sector Accounting Standards (IPSAS). The financial statements shall comprise:
  - (a) statement of financial position;
  - (b) statement of financial performance;
  - (c) statement of changes in net assets/equity;
  - (d) cash flow statement;
  - (e) accounting policies and notes to the financial statements.
3. The financial statements shall include a reconciliation between accrual accounts and cash (budget) accounts.
4. In a separate schedule, the Director-General shall include the following:
  - (a) a statement showing the extent to which each Member State has paid its financial contribution;
  - (b) a statement of appropriation transfers;
  - (c) where appropriate, a statement showing details of loans contracted by the Centre;
  - (d) a schedule by article of carry-forwards approved in accordance with Article 10(3), together with additional information in cases where the amount carried forward exceeds 25% of the approved payment appropriation of the relevant article or £300,000.
  - (e) any further information as requested by the Council.

### Article 42: Information to auditors

1. The Director-General shall communicate to the auditors within the period laid down in Article 41(1) the financial statement of accounts referred to in Article 41.
2. The Director-General shall inform the auditors as soon as possible of:
  - (a) all decisions and all measures taken in application of Article 5, Article 10(2), (3) and (4), Article 12 and Article 14(1) and (2);
  - (b) the appointment of the authorising officers, the Financial Controller, his/her deputy and the Accounting Officer, and any delegation of powers under Articles 18, 19, 20 and 26;
  - (c) any decision taken under Article 27;
  - (d) the implementing procedures adopted pursuant to Article 49.



#### **Article 43: Purpose of audit**

The purpose of the audit, carried out by the auditors, based on records and if necessary performed on the spot, shall be to establish that all revenue has been received and all expenditure incurred in a lawful and regular manner, under the terms of the Convention, the Budget and these Financial Regulations, and that the financial management has been sound.

#### **Article 44: Audit procedure**

The Director-General shall afford the auditors all such facilities as they deem necessary for the performance of their duties. He/she shall, in particular, place at their disposal all such cash and material accounts, vouchers, supporting documents and inventories and the fixed asset register as the auditors may deem necessary for auditing the financial statement of accounts. The auditors shall have personal access to all the premises of the Centre and shall be empowered to interview the Director-General or any departmental director or any of their subordinates responsible for any revenue or expenditure operation.

#### **Article 45: Auditors' comments**

1. In addition to their responsibility for auditing the accounts, the auditors shall make any appropriate comments on proposed amendments to the Financial Regulations, implementing rules, the activities of the Financial Controller and his/her deputy, the accounting methods applied, and, in general on the financial implications of the administrative practices followed. They must draw attention to any operation whose regularity or advisability they consider to be open to dispute.
2. Any comments which in the opinion of the auditors should be set down in the report provided for in Article 14(1) of the Convention shall be brought to the attention of the Director-General. The Director-General shall inform the auditors of his/her replies to such comments.

#### **Article 46: Auditors' report**

1. The auditors shall produce a report on the accounts for the previous financial year.
2. In their report they shall mention the extent and nature of their audit, their comments on the financial statements of accounts, and a summary assessment of the financial management of the Centre.
3. The financial statements of accounts and the auditors' report, to which shall be annexed the Director-General's replies to the auditors' comments, shall be submitted to the Finance Committee and to the Council in accordance with the work programmes of the Finance Committee and the Council.

#### **Article 47: Discharge to Director-General**

By 31 December at the latest, the Council shall, on the basis of the opinion of the Finance Committee, decide on the discharge to be given to the Director-General in respect of the implementation of the Budget of the preceding year. The Director-General shall take all necessary measures to comply with the comments made in the decision giving him/her discharge.

#### **Article 48: Travel costs**

1. Each Member State shall be responsible for the travelling and subsistence expenses incurred by its representatives in connection with their participation in the work of the Council, Committees and Working Groups of the Centre.
2. Travelling and subsistence expenses incurred by representatives of the Member States in connection with special tasks assigned to them by the Centre shall be refunded using the travel and subsistence scale of the Co-ordinated Organisations; travelling expenses shall not be refunded by the Centre if the mission immediately precedes or follows a meeting held in the same locality by one of the organs or committees of the Centre in which those concerned are called upon to participate as representatives of their Member States.

#### **Article 49: Implementation of the Financial Regulations**

The Director-General shall be responsible for the implementation of these Financial Regulations; he/she shall adopt the implementing procedures thereof, by agreement with the Finance Committee.

#### **Article 50: Applicability of the Financial Regulations**

These Financial Regulations are only applicable to the Centre, its organs and officers, and do not constitute rights for parties outside the Centre.

#### **Article 51: Member States' Fund**

1. A Member States' Fund (MSF) is established to which Member and Co-operating States may voluntarily contribute.
2. Each Member and Co-operating State shall have its own account in the MSF. Funds in these accounts are the property of the States concerned.
3. Member and Co-operating States' share of annual budgetary surpluses shall be booked to their MSF accounts as decided by the Council.
4. Any other bookings to and from the MSF accounts can only be made upon written instructions from the Member or Co-operating State (with the exception of contribution payments before due date which were booked to the MSF account, and which can be booked from the account on due date without Member States' written consent).
5. Interest will accrue on the MSF accounts at the rate of one percent below the prevailing UK base rate, as determined by the Bank of England, with the proviso that the interest rate cannot be negative. The interest accrued shall be credited quarterly to the MSF accounts on the basis of the average monthly balance.
6. All funds in the MSF shall be administered by the Centre and invested together with ECMWF cash funds, applying all relevant principles of the Financial Regulations.

#### **Article 52: Validity of Financial Regulations**

These Financial Regulations shall enter into force on 1 July 2012.

## **ANNEX I**

### **Terms of Reference of the Finance Committee<sup>1</sup>**

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<sup>1</sup> Adopted by the Council at its 66<sup>th</sup> Session (December 2006) (ECMWF/C/66(06)M para.155 and amended by the Council at its 78th Session (December 2012), 80th Session (December 2013) and 86th Session (December 2015).

# TERMS OF REFERENCE OF THE FINANCE COMMITTEE

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## Introduction

1. Article 8 of the Convention determines the composition and the duties of the Finance Committee. The work of the Committee shall not overlap that of other existing groups.

## Function and duties

2. Under the conditions laid down in the Financial Regulations, the Committee shall draw up, for submission to the Council, opinions and recommendations on all financial matters submitted to the Council and shall exercise the financial powers delegated to it by the Council. For the purpose of Articles 19 and 46 of the Financial Regulations, the Finance Committee shall act as the Centre's Audit Committee. The Audit Committee shall also be responsible for advising the Centre on matters of risk management.

## Composition

3. The Committee shall be composed of:
  - i. one representative of each of the four Member States paying the highest contributions;
  - ii. representatives of the other Member States, appointed by them for a period of one year; each of these States may not be represented on the Committee more than twice in succession. The number of these representatives shall be one-fifth of the number of the other Member States.
4. The presence of the representatives of five of the Member States which are members of the Finance Committee shall be necessary to constitute a quorum at meetings of the Finance Committee.
5. The Chairs of other Committees may be invited to participate at discussions on the Centre's draft budget.
6. Member States which are not members of the Finance Committee may send observers to the Committee's meetings. These observers shall speak only when invited to do so by the Chair of the Committee. They shall not propose, second or oppose motions and shall not have a vote.

7. The Committee shall elect from among its members a Chair and a Vice-Chair from different countries who shall be appointed for one year and who may not be re-elected more than twice in succession. In exceptional circumstances the election or elections may take place by correspondence.
8. The Chair and Vice-Chair shall hold office from the day following the closure of the next Council session. A Vice-Chair who replaces a Chair in mid-term does not thereby start a term of office as Chair in his/her own right.

### **Conduct of sessions**

9. The Committee will normally hold a plenary session twice per year, and will otherwise carry out its work by correspondence.
10. Unless otherwise specified by the Council or in the Convention, the Rules of Procedure applicable to the Council shall apply, mutatis mutandis, to the proceedings of the Committee.
11. Documentation, decisions and recommendations, and minutes will be provided in the working languages of the Centre.
12. Discussions at meetings will be in the working languages of the Centre.
13. Where he/she deems the urgency to be sufficiently great, the Chair, in consultation with the Vice-Chair, may act on behalf of the Committee. In these circumstances the Chair must report back to the Committee.

### **Voting**

14. Unless otherwise specified in the Financial Regulations, all decisions of the Finance Committee shall be determined by a simple majority of the vote cast for and against.
15. The terms relating to quorum and voting shall apply to all decisions made by correspondence. When voting by correspondence, a response from at least five representatives would constitute the quorum.

### **Representatives of the other Member States**

16. Representatives shall seek the views and opinions of the other Member States they represent and shall report them to the Finance Committee to be minuted.
17. Representatives shall ultimately decide how to vote on behalf of the other Member States.

18. Representatives shall nominate the delegate to attend the Committee sessions on their behalf.

## **ANNEX II**

**Conditions under which the Centre shall be empowered to charge interest on those parts of a Member State's contribution and on various other items invoiced to them which have not been paid within the time limits laid down in Article 37(7), (8) and (9) of the Financial Regulations**

**(Determined by the Finance Committee: ECMWF/FC/M(78)2 paras. 10-14 and ECMWF/FC/24/M(81)1 paras. 32-38)**

- i) A written request for the payment of the financial contributions must have been received by the Member State, stating the basis for, and the amount of contribution payable, and set out in such a way that the determination of the amount of the contribution can be checked. This request must be received by the Member State one month before the date on which payment is due.
- ii) Payment of the Member State's contribution is to be made in accordance with the provisions of Article 37(7) and (8) of the Financial Regulations.
- iii) A payment shall be deemed to have been made ten working days before the date of credit of the relevant amount on a bank account of the Centre.
- iv) Interest will be charged from the later of the following days: the day after that on which payment of contributions is due according to Article 37(7) and (8) of the Financial Regulations, or the 61<sup>st</sup> day after verified receipt of the written request for payment by the Member State.
- v) The rate of interest to be charged will be the rate on loans which would be charged to the Centre over the period in question by the British bank with which it keeps its account (cf. Article 37(9) of the Financial Regulations).
- vi) The Member State charged interest on an overdue payment may refer the charge to the Finance Committee which will decide whether the interest is payable or not.

These conditions are applicable with respect to contributions to the 1981 Budget of the Centre and thereafter.

- vii) A written request for the payment of various other charges must have been received by the Member State or Co-operating State, stating the basis for the amount payable, and set out in such a way that the amount can be checked. Interest on these items calculated on the basis of paragraph v will be charged only if the outstanding balance exceeds £10,000 and when the interest receivable would exceed £100.



## **ANNEX III**

### **Internal Audit Activity Charter**

#### **Introduction**

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the European Centre for Medium-Range Weather Forecasts (ECMWF). It assists ECMWF in accomplishing its objectives by bringing a systematic and disciplined approach to the evaluation and improvement of the effectiveness of the organisation's governance, risk management and internal control.

#### **Role**

The internal audit activity is established by the Finance Committee acting as the audit committee. The internal audit activity's responsibilities are defined by the Finance Committee acting as the audit committee as part of their oversight role.

#### **Professionalism**

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the "Definition of Internal Auditing", the "Code of Ethics", and the "International Standards for the Professional Practice of Internal Auditing" (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' practice advisories, practice guides, and position papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to ECMWF's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

#### **Authority**

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of ECMWF's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Finance Committee acting as the audit committee.

## Organisation

The Financial Controller takes on the role of the Head of Internal Audit. The Head of Internal Audit will report functionally to the Finance Committee acting as the audit committee and administratively (i.e. day to day operations) to the Director-General.

The Finance Committee acting as the audit committee will

- approve the internal audit charter;
- approve the risk-based internal audit plan;
- approve the internal audit budget and resource plan;
- receive communications from the Head of Internal Audit on the internal audit activity's performance relative to its plan and other matters
- make appropriate enquiries of management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.<sup>1</sup>

The Head of Internal Audit will communicate and interact directly with the Finance Committee acting as the audit committee, including in executive sessions and between Finance Committee acting as the audit committee meetings as appropriate.

## Independence and objectivity

The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of the necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditors' judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will confirm to the Finance Committee acting as the audit committee, at least annually, the organisational independence of the internal audit activity.

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<sup>1</sup> The two bullet points:

“• Approve decisions regarding the appointment and removal of the Head of Internal Audit.”

“• Approve the remuneration of the Head of Internal Audit.”

are omitted as they are dealt with in the Centre's Convention and Staff Regulations

## Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- evaluating risk exposure relating to achievement of the organisation's strategic objectives;
- evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation;
- evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- evaluating the effectiveness and efficiency with which resources are employed;
- evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- monitoring and evaluating governance processes;
- monitoring and evaluating the effectiveness of the organisation's risk management processes;
- evaluating the quality of performance of external auditors and the degree of coordination with internal audit
- performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation
- reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
- reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Finance Committee acting as the audit committee;
- evaluating specific operations at the request of the Finance Committee acting as the audit committee or management, as appropriate.

## **Internal audit plan**

At least annually, the Head of Internal Audit will submit to senior management and the Finance Committee acting as the audit committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next financial year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Finance Committee acting as the audit committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Finance Committee acting as the audit committee. The Head of Internal Audit will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Finance Committee acting as the audit committee through periodic activity reports.

## **Reporting and monitoring**

A written report will be prepared and issued by the Head of Internal Audit or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Finance Committee acting as the audit committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Head of Internal Audit will periodically report to senior management and the Finance Committee acting as the audit committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Finance Committee acting as the audit committee.

## **Quality assurance and improvement programme**

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors are applying the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Head of Internal Audit will communicate to senior management and the Finance Committee acting as the audit committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.