

## **FINANCIAL REGULATIONS AND SUPPLEMENTARY PROVISIONS OF THE COUNCIL OF EUROPE**

*(As adopted by the Committee of Ministers at the 1117th meeting of the Ministers' Deputies on 29 June 2011 and amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013)*

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### **PART I – GENERAL PROVISIONS**

#### **Article 1**

These regulations set forth the rules concerning:

- the Programme and Budget of the Council of Europe (hereafter “the Organisation”);
- member states’ contributions and other income;
- the management of the funds placed at the disposal of the Secretary General to ensure the functioning of the Organisation;
- the financial statements and the budgetary management accounts of the Organisation;
- the Budget Committee, the External Auditor, the Internal Auditor, the Audit Committee and the Organisation’s Treasurer.

#### **Article 2**

The Secretary General is responsible to the Committee of Ministers for the sound administrative and financial management of the Organisation. He or she shall ensure the efficient administration of the Organisation and the economic use of the resources entrusted to him or her. To this end, he or she will put in place a governance system, including notably: risk management, internal control, internal audit, performance indicators and evaluation of results.

#### **Article 3**

1. The financial year shall last one year extending from 1 January to 31 December of the same calendar year. As from 1 January 2012, the Programme and Budget will cover two consecutive financial years (hereafter “the biennium”).

2. The Programme and Budget shall be an integrated document. The Programme shall set the Organisation's objectives for the biennium, along with expected results and performance indicators. The Budget shall authorise the budgetary receipts and budgetary expenditure of the Organisation for the implementation of the Programme for each of the financial years of the biennium.

3. The Secretary General shall propose, and the Committee of Ministers shall approve, the Programme and Budget in accordance with the present regulations.

#### **Article 4**

1. All receipts and all expenditure of the Organisation shall be shown in the budgets of the Organisation.

2. However, the Committee of Ministers may, in such manner as it shall determine, create accounts for specific purposes (special accounts) having their own resources. The purpose of these accounts must conform to the aims of the Council of Europe as set forth in its Statute.

#### **Article 5**

The Secretary General shall have the accounts of the Organisation kept in the manner prescribed in Articles 61 to 64 below. He or she shall render account concerning his or her management as set out in Part IV of these regulations.

#### **Article 6**

The Programme and Budget shall be established and the accounts kept in euros.

### **PART II – FUNDING – INCOME AND CONTRIBUTIONS – WORKING CAPITAL FUND**

#### **Article 7**

The income of the Organisation shall consist of obligatory contributions, voluntary contributions and miscellaneous receipts.

#### **Article 8**

1. The total amount of obligatory contributions for each financial year shall be assessed so as to cover the appropriations authorised in the Programme and Budget of the Organisation for the same financial year, as defined in Article 17 below, after deduction of the estimated amount of miscellaneous income.

2. The amount of obligatory contributions for each financial year shall be apportioned among the member states in accordance with Article 38.b of the Statute, each state's contribution being calculated in the manner decided by the Committee of Ministers.

#### **Article 9**

1. Obligatory contributions shall be payable in euros. However, the Secretary General may, at the time of calling for obligatory contributions, request a member state to pay all or part of its contribution in its national currency to meet the Organisation's needs for that currency.

2. In such cases, the euro exchange rate as determined by the European Central Bank on the date of calling for member states' contributions shall apply.

#### **Article 10**

1. Each member state shall pay at least one third of its obligatory contribution in the course of the first two months of the year.

2. The balance of the contribution due shall be payable before the end of the period of six months referred to in Article 39 of the Statute.

3. The Committee of Ministers shall be notified of the list of member states whose contributions have not been paid in accordance with the above provisions.

4. Member states that have not paid their entire contribution before the end of the period of six months referred to in Article 39 of the Statute shall be required to pay simple monthly interest of 0.5% on amounts remaining unpaid on the first day of each of the following six months, and 1% on amounts remaining unpaid on the first day of each month thereafter.

5. The receipts account shall be credited with the amounts of contributions called. If a contribution remains unpaid in whole or in part at the end of the financial year, the unpaid amount shall remain recorded in a debtors account.

6. The Committee of Ministers shall be informed of the situation regarding unpaid contributions in accordance with a timetable that it shall determine and, in any case, on the presentation of the annual accounts.

#### **Article 11<sup>1</sup>**

1. Voluntary contributions, donations and legacies to the Organisation may be accepted by the Secretary General, who may also conclude contracts with third parties for the joint financing of activities. However, the Secretary General shall inform the Committee of Ministers when voluntary contributions, donations or legacies or joint financing arrangements are made for a specific purpose and, in advance, when they are conditional or when their use may involve the Organisation in financial outlay.

2. The amounts of such voluntary contributions, donations and legacies shall be recorded in a suspense account pending a decision by the Committee of Ministers on their allocation and the manner in which they are to be used.

3. Voluntary contributions, donations and legacies and joint financing arrangements agreed to by the Secretary General shall be allocated to the relevant budget or special account. Where they are allocated to special accounts, unspent appropriations shall be automatically carried forward to the following financial year until the termination of the activity for which they were intended, at which point any remaining balance will be allocated in accordance with the donor's instructions or, regarding the part financed with appropriations from the Organisation's budgets, by decision of the Committee of Ministers. Regarding the part financed by third parties, the Committee of Ministers should be informed annually.

#### **Article 12**

1. In order to ensure that the Organisation shall at all times have available the funds necessary for its operation, a Working Capital Fund constituted by payments from the member states shall be placed at its disposal. Each member state shall be credited with the sums it pays into this fund.

2. The amount of the fund shall be determined by the Committee of Ministers according to requirements. At the same time, the share of each member state shall be determined on the basis of the percentage of its contribution to the budget of the then current year.

3. Should definitive withdrawals be made from the fund, the Committee of Ministers shall take the necessary steps to reconstitute it.

#### **Article 13**

If, in the course of a financial year, cash resources become exhausted, the Secretary General shall make the arrangements necessary to provide for essential expenditure. He or she shall report on his or her action to the Committee of Ministers and the Budget Committee.

#### **Article 14**

1. Any new member shall pay, in respect of the financial year in the course of which its instrument of accession is deposited, a contribution of an amount to be determined by the Committee of Ministers. This contribution shall be recorded as a receipt for the current year.

2. At the same time, the Committee of Ministers shall fix the amount which the new member is to pay into the Working Capital Fund.

3. These amounts shall be payable within six months from the date of the call for contributions and shall bear late payment interest, as set out in Article 10.

#### **Article 15**

The contribution of any associate member shall be determined by the Committee of Ministers in conformity with Article 38 of the Statute. Such contributions shall be recorded as receipts.

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<sup>1</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

**Article 16**

The Committee of Ministers shall examine the financial consequences of the withdrawal or suspension of a member in pursuance of Articles 7 and 8 of the Statute and shall make the appropriate arrangements.

**PART III – PROGRAMME AND BUDGET****Chapter 1 – Structure – Presentation – Adoption****Article 17<sup>2</sup>**

1. The Programme and Budget of the Organisation shall include the General Budget and the budgets of the partial agreements and shall consist of pillars, sectors and programme lines.
2. The General Budget shall comprise the expenditure and receipts of the Organisation. It shall include the Ordinary Budget, the Extraordinary Budget, the Budget of the European Youth Foundation and the pensions reserve fund and any subsidiary budgets thereto.
3. The Programme and Budget shall include information in respect of estimated voluntary contributions for each financial year of the biennium.
4. The Programme and Budget shall include a summary table of the budgetary authorisations of the budgets comprising the Programme and Budget, according to the structure adopted for the biennium.

**Article 18**

The subsidiary budgets provided for in Article 17 may be established by the Committee of Ministers.

**Article 19**

Every two years the Secretary General shall prepare a draft Programme and Budget for the biennium and submit it to the Committee of Ministers before 1 November of the year preceding the biennium concerned, together with the opinion of the Budget Committee.

**Article 20<sup>3</sup>**

The draft Programme and Budget shall contain for each financial year of the biennium:

- a) a table showing expenditure by pillar, sector and programme line, comprising the budgetary authorisations of the budgets of the Programme and Budget;
- b) objectives, expected results, performance indicators and resources for each programme line;
- c) tables showing by category of expenditure and receipts, the approved expenditure and receipts for the previous financial year, and the budgetary management accounts for the financial year last ended, restated as necessary according to the budgetary structure proposed for the biennium;
- d) the salary ceiling along with the salary ceiling for the previous financial year and the expenditure in relation to the salary ceiling for the financial year last ended;
- e) a table of posts and a table of positions, by grade and by major administrative entity, and as at 30 June of the year preceding the biennium;
- f) information in respect of the pension reserve fund;

<sup>2</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

<sup>3</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

It shall also include:

- g) a description of general aspects of the draft Programme and Budget for the biennium and the methodology used in the preparation of the Budget, and their impact on trends in the Organisation's activities including a comparison with previous years and their budgetary implications;
- h) the opinion of the Parliamentary Assembly in accordance with Resolution Res(53)38 on the part of the Budget which concerns it.

#### **Article 21**

The budgets of the partial agreements and any subsidiary budgets thereto shall be drawn up in accordance with the applicable regulations. These budgets shall comprise the supplementary expenditure entailed by an agreement, to be shared among the participating states, and the various receipts to be set off against it. For each financial year of the biennium, they shall provide for a contribution to the pension reserve fund and an annual lump-sum contribution to administrative expenditure foreseen under the Ordinary Budget, determined on the basis of the amount of administrative expenditure included in the Budget for the second financial year of the previous biennium.

#### **Article 22**

If necessary, the Secretary General at his or her initiative or at the request of the Committee if Ministers shall, in the course of a financial year, submit to the Committee of Ministers for approval proposals for supplementary appropriations, including a statement of the ways and means by which it is proposed to meet them, for the financial year concerned in the form of an amending budget. The Committee of Ministers shall decide on these proposals after seeking an opinion from the Budget Committee.

#### **Article 23**

1. The Committee of Ministers shall approve the Programme for the biennium and the Budget for the first financial year, as well as the Budget for the second financial year on a provisional basis, before the beginning of the biennium.
2. Before 30 June of the first financial year, the Secretary General shall submit to the Committee of Ministers an adjusted draft Programme and Budget for the second year, together with the opinion of the Budget Committee.
3. The Committee of Ministers shall approve the Budget and if applicable the revised Programme for the second financial year before 1 November of the first financial year in the biennium.

#### **Article 24**

If the Programme and Budget cannot be adopted in accordance with the previous article, the Committee of Ministers shall authorise the Secretary General to incur expenditure on a monthly basis of an amount not exceeding one twelfth of the previous financial year's Budget and to call contributions from each member state amounting to one third of its contribution to the previous financial year's Budget, as provided for in Article 10.

### **Chapter 2 – Budget Committee**

#### **Article 25<sup>4</sup>**

1. There shall be a Budget Committee comprising eleven experts with recognised competence in the administrative and financial fields, appointed by the Committee of Ministers for a renewable term of three years.
2. Five experts shall be appointed upon nomination by the five member states paying the highest contributions to the General Budget of the Organisation.
3. Six other experts shall be appointed upon nomination by the governments of the other member states.

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<sup>4</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

4. Eleven alternate members shall be appointed by the Committee of Ministers, under the same conditions, in respect of each state whose candidate is appointed titular member.
5. The members of the Budget Committee shall act in the capacity of independent experts and advisers to the Committee of Ministers.
6. The function of the Budget Committee shall be to give the Committee of Ministers its opinion on financial and administrative matters in the Council of Europe, including:
  - a) the draft Programme and Budget, proposals for supplementary appropriations and, in general, any projects involving new expenditure;
  - b) the progress review reports provided for in Article 65;
  - c) the annual accounts provided for in Article 61 and the report of the external auditor for the previous financial year;
  - d) human resources and pension systems issues;
  - e) problems relative to the Working Capital Fund;
  - f) the transfers from/to operational pillars and from/to the support pillar referred to in Article 28 of these regulations;
  - g) any other matter of an administrative or financial nature referred to it by the Committee of Ministers or the Secretary General.
7. The recommendations of the Budget Committee shall be given in a report. If the Committee is not unanimous on any question, the report shall set forth the differing opinions expressed.
8. The Secretary General shall supply the Budget Committee with any assistance and documentation it may require, in good time to facilitate the accomplishment of its duties.
9. The rules of procedure of the Budget Committee shall be laid down in internal regulations approved by the Committee of Ministers.

### **Chapter 3 – Operation of the Budget**

#### ***Section 1 – General provisions***

##### **Article 26**

1. The approval of the Programme and Budget for a given financial year by the Committee of Ministers shall constitute authority for the Secretary General to proceed to collect receipts and, in particular, to call upon the member states to pay their contributions and to commit and settle expenditure of that financial year within the limits of the appropriations, without prejudice to the provisions of Article 27.

##### **Article 27**

1. To ensure full implementation of the Programme, the Secretary General shall be authorised to commit budget appropriations for the second year in the biennium as from 1 October of the preceding year, within a limit of 5% per programme line, until the Budget for the second year has been approved.
2. Where exceptional circumstances require engagements in respect of periods extending beyond the biennium, the Committee of Ministers shall give the necessary authorisation and shall appropriate in successive budgets the funds proper to each of them in accordance with the budgetary procedure laid down in these regulations.

**Article 28<sup>5</sup>**

1. If need be, the Secretary General shall be authorised to make transfers between programme lines within the operational pillars and between programme lines within the support pillar of the Budget for a given financial year, under the conditions laid down by the Committee of Ministers at the time of that Budget's approval. Any other transfer shall require the Committee of Ministers' prior approval. Whenever the total of transfers between programme lines exceed 10% of the supplying or receiving programme line or €100 000, the Committee of Ministers shall be immediately informed of the transfers and their justification.

2. Notwithstanding the provisions of Article 28, paragraph 1, the Secretary General shall be authorised to make transfers of a technical nature related to the charging of staff costs and the allocation of common provisions.

**Article 29<sup>6</sup>**

1. Budgetary appropriations which have not been committed at the close of the financial year shall be cancelled and be dealt with in accordance with Article 68.

2. To ensure the full execution of the Programme in a biennium, the Secretary General may seek the Committee of Ministers' authorisation to carry forward to the second financial year budgetary appropriations for the first financial year concerning activities which are behind schedule, due to exceptional circumstances, with a view to implementing these activities. Exceptional circumstances which result in principle from external factors beyond the control of the Organisation shall be assessed in the light of the need to ensure the full execution of the biennial Programme. They should not be recurrent or have any effect on the subsequent biennium. Authorisation for this carry-forward shall be given by the Committee of Ministers after seeking an opinion from the Budget Committee.

3. Any carry-forward of budgetary appropriations from one biennium to the subsequent biennium shall be exceptional and can only be made under specifically identified circumstances, upon authorisation by the Committee of Ministers following a request by the Secretary General and after seeking an opinion from the Budget Committee.

**Article 30**

The operation of the Budget shall be subject to the principle of separation of duties between officials with the power to authorise expenditure and the Treasurer. To this end, the Secretary General shall appoint, for each financial year, high ranking officials as commitments officers, to whom he or she shall delegate in writing the power to authorise expenditure. The Secretary General shall also appoint a high ranking official to the office of Treasurer.

**Article 31**

The commitments officers referred to in Article 30 shall be responsible on behalf of the Secretary General for the sound financial management of budget appropriations; they shall verify that all financial transactions comply with the Financial Regulations and shall ensure that adequate internal control procedures are in place within the sectors coming under their responsibility. This shall concern, in particular, the charging of expenditure against appropriations, the commitment of funds to achieve programmes and objectives, the determination of sums due to the Organisation and the issue of collection and payment orders. They shall, as necessary, delegate these functions in writing to cost centre managers and determine the limits and conditions under which the latter shall exercise the functions thereby delegated.

**Article 32**

The safe custody and handling of the funds and assets of the Organisation shall be the responsibility of the Treasurer. He or she shall also undertake the other responsibilities provided for in these regulations, particularly in matters of payment of expenditure and collection of receipts.

<sup>5</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

<sup>6</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

## **Section 2 – Determination and collection of budgetary receipts**

### **Article 33<sup>7</sup>**

1. For any service provided by the Organisation to a third party, the commitments officer, or cost centre manager by delegated authority, shall ensure that an invoice is raised and registered in the accounting records of the Organisation.
2. When the receipt is recognised, invoices may be raised directly by the Treasurer.

### **Article 34**

1. The Treasurer shall ensure that the relevant amount is entered in the accounting records and proceed to its collection.
2. Any amount receivable which the Treasurer considers to be irrecoverable shall be classified as doubtful in the accounting records pending a decision by the Committee of Ministers.

### **Article 35**

A receipt shall be issued for all cash payments made to the Organisation and a copy thereof shall be transmitted to the Treasurer.

## **Section 3 – Management of appropriations**

### **Article 36<sup>8</sup>**

1. The commitments officers, or cost centre managers by delegated authority, shall, within the limits and conditions of the powers delegated to them, manage the appropriations for which they are responsible under Article 31. They shall enter into commitments, prepare and authorise settlement of expenditure and keep the relevant records.
2. Expenditure is recorded in the expenses of the Organisation. These include, according to the rules governing them, allocations and provisions, staff expenditure, purchase of goods and services, fees and travel expenses, miscellaneous expenses, financial expenses, debts written off, administrative arrangements, as well as advances on receipts and grants.

#### **A. Engagement and procurement**

### **Article 37**

1. In these regulations, “commitment” is to be understood to mean any act having the effect of financially committing the Organisation towards a member of staff, a third party or provider of internally billed goods or services.
2. All commitments must be covered by a reservation of funds in the accounting management system for the estimated amount of the expenditure.
3. Commitments may be entered into only by commitments officers, or cost centre managers by delegated authority, providing they act in accordance with these regulations.

### **Article 38**

Commitments officers, or cost centre managers by delegated authority, must ensure that commitments remain within the limits of the appropriations for which they have been delegated management authority by the Secretary General.

<sup>7</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

<sup>8</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

**Article 39**

In the event that appropriations are insufficient to meet expenditure of a legally binding nature, the Secretary General may authorise payment and shall then immediately commence the appropriate budget regularisation procedure as laid down in the Financial Regulations.

**Article 40<sup>9</sup>**

1. Contracts for the supply of goods, services, intellectual service provision or works and the selection of prime contractors to the Organisation and framework or partnership agreements shall be concluded following an international public call for tenders.

1bis. The provisions of the above paragraph apply also to administrative arrangements concluded with an institutional partner in a non-profit framework to provide financing for a precise purpose which is defined contractually.

2. However, contracts may be negotiated directly with suppliers under a competitive bidding procedure where the total expenditure foreseen does not exceed €55 000 excluding tax. In this case, the commitments officer or, by delegation, the relevant cost centre manager shall nevertheless take care to obtain the best terms, by consulting at least three suppliers when possible, and keeping a written record of such consultation or, where applicable, of the reasons why it was impossible.

3. Similarly, contracts may be negotiated directly with suppliers:

- a) if the expenditure concerns a purchase for an amount of less than €2 000 excluding tax, or less than €5 000 excluding tax for intellectual services where the basic selection criterion is the service-provider's technical expertise;
- b) if the competitive bidding procedure has elicited no offers or has failed to produce acceptable prices;
- c) where in the opinion of the Tenders Board, referred to in Article 42:
  - i. for unforeseen reasons of urgency not attributable to the department concerned, the competitive bidding procedure cannot be followed; or
  - ii. technical imperatives or considerations of fact or law require that a particular supplier be employed.

In either of these cases, the commitments officer or, by delegation, the cost centre manager must take care to obtain the best possible technical and financial terms.

4. The amounts stipulated in paragraphs 2 and 3 of this article shall be revised automatically, by decision of the Secretary General, on 1 January every third year, on the basis of the Eurozone consumer price index, so as to take account of price trends. They shall be rounded to the nearest thousand euros.

**Article 41<sup>10</sup>**

1. Calls for international public tenders shall be issued on the basis of specifications or other appropriate documentation, which shall be forwarded to all competitors and shall include the nature of the services, the clauses which are to appear in the contract, the deadline for submission of bids and the guarantees which the Organisation requires.

2. Competitors shall submit their bids under sealed cover and/or by email to the Tenders Board established under Article 42 below in the conditions set out by the call for tenders.

**Article 42**

1. There shall be a Tenders Board, composed as laid down in a rule of the Secretary General, who will inform the Committee of Ministers in advance of its composition.

<sup>9</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

<sup>10</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

2. The duties of the Tenders Board shall be to:

- decide how widely public calls for tenders should be published;
- decide on the most appropriate means of publication;
- assess the bids received;
- decide which bid should be accepted on the basis of a recommendation by the commitments officer.

3. The Tenders Board may be consulted concerning any other problem relating to public tendering or to the drafting or performance of a contract.

#### **Article 43**

All contracts shall be concluded in writing and shall include a detailed description of the goods or services to be supplied or the works to be performed.

#### **B. Preparation for settlement of expenditure**

##### **Article 44**

A payment order is the act whereby the commitments officer or, by delegation, the cost centre manager orders the Treasurer to settle expenditure. Responsibility for a payment order shall lie with the commitments officer.

##### **Article 45**

The Treasurer may settle amounts calculated in accordance with currently valid scales without having received a payment order. In such cases, the payment document shall constitute authorisation.

##### **Article 46**

1. Preparation of a payment order by the commitments officer, or the cost centre manager by delegated authority, involves verifying and certifying:

- the existence of the creditor's rights;
- the accounting information submitted to the Treasurer, in particular the financial year to which the expenditure relates;
- that the goods have been received, the services delivered or the work carried out before the end of the financial year in question and in accordance with the terms of the contract; and
- the amount payable.

2. With a view to the settlement of any expenditure, the payment order must include the following:

- a) the object of the expenditure;
- b) the purchase order number;
- c) the authorisation of the commitments officer or, by delegated authority, the cost centre manager or the person authorised by him or her to approve expenditure;
- d) the claim for payment by the creditor;
- e) the amount payable;
- f) the name and address of the creditor and full information on the way in which payment is to be effected;
- g) the payment terms;
- h) the date of acceptance of the goods, services or works and confirmation that they are as ordered.

3. If the original supporting documents in respect of the above elements have to be retained for the commitments officer's records, certified copies may be substituted for payment purposes.

## **Section 4 – Settlement of expenditure**

### **Article 47**

1. Settlement discharges the Organisation from its liabilities to its creditors.
2. The Treasurer shall effect the settlement of items of expenditure within the limit of available funds, without prejudice to the provisions of Article 13.

### **Article 48**

Before making a payment, the Treasurer shall verify:

- the regularity of the payment order;
- the regularity of the submitted supporting documents;
- the correct designation of the creditor;
- any amounts to be retained in respect of advance payments or for other reasons.

### **Article 49**

1. Should the Treasurer note an irregularity in the payment order, he or she shall refer the matter to the commitments officer before any payment is made.
2. Where the commitments officer upholds the payment order despite a converse opinion by the Treasurer, the Treasurer shall refer the matter to the Secretary General for decision. Should the Secretary General confirm the payment order, it shall become executable by the Treasurer and shall be brought to the attention of the External Auditor.

### **Article 50**

The Treasurer may make advance payments if internal regulations or the terms of contracts so provide.

## **PART IV – MANAGEMENT OF FUNDS – FIXED ASSETS – INVENTORIES – ACCOUNTING**

### **Chapter 1 – Management of funds**

#### **Article 51**

1. The funds of the Organisation shall be banked.
2. The Treasurer shall arrange for interest to be earned on funds for which no immediate use is foreseen and shall establish, together with the Tenders Board, the arrangements to ensure that financial investments are selected on a competitive basis.

#### **Article 52**

1. For the payment of routine petty expenses, or where the business of a department justifies the decentralisation of certain payments, the commitments officer may have cash advances made on imprest and shall regulate the use of such advances. Imprest holders shall render account for their management through the commitments officer to the Treasurer and shall submit to him or her all necessary statements and vouchers.
2. To this end, the Treasurer, or any other person to whom he or she has specifically delegated the authority to do so, may open bank accounts in the name of the Organisation.

## **Chapter 2 – Fixed assets**

### **Article 53**

1. A fixed asset is a resource controlled by the Organisation from which future economic benefits are expected to flow to it and of which the cost or fair value can be measured reliably.
2. Fixed assets are held to be used in the long term for the production of goods and the supply of services, for rental to others, or for administrative purposes. These assets are expected to be used by the Organisation during more than one financial year.

### **Article 54**

1. Commitments officers shall keep inventories of all fixed assets owned by the Organisation.
2. They shall make the necessary arrangements for the care and custody of all fixed assets acquired and charged to their respective budgets. They shall perform physical inventories of such assets periodically and at least once a year at the financial year end.

### **Article 55**

1. On receipt of fixed assets, the corresponding inventory registration numbers shall be physically recorded on each item and be entered in the documentation required for the expenditure settlement process.
2. Sales of used fixed assets shall be suitably advertised in accordance with the applicable internal rules.

### **Article 56**

Commitments officers shall provide such information concerning fixed assets as is required for accounting and costing purposes and the related supporting documents.

### **Article 57**

The disposal, the scrapping or the disappearance through loss, theft, or any other cause whatsoever of fixed assets listed in the inventories shall be notified to the Treasurer by the competent commitments officer.

## **Chapter 3 – Inventories**

### **Article 58**

Inventories are resources controlled by the Organisation in the form of materials or supplies to be used in the production process, consumed, sold or distributed.

### **Article 59**

The procurement and issue of consumables, such as office supplies, shall be monitored in such a manner as to permit the control of their consumption. Commitments officers shall arrange for periodical physical inventories and for the determination of the carrying amount of inventories acquired and charged to the budget of their departments at least once a year at the financial year end.

### **Article 60**

Each commitments officer shall provide such information concerning inventories as is required for accounting and costing purposes and the related supporting documents.

## Chapter 4 – Reporting

### Article 61

1. The Secretary General shall keep the annual accounts of the Organisation. They shall be denominated in euros and shall consist of:
  - a) the financial statements of the Organisation;
  - b) the budgetary management accounts, whereby the Secretary General reports on the final outcome for the budget period, as approved by the Committee of Ministers.
2. These accounts shall be made available to the External Auditor before 31 March of the year following the financial year to which they refer.

### Article 62

1. The financial statements of the Organisation shall be prepared in accordance with International Public Sector Accounting Standards (IPSAS).
2. The principles adopted and the manner of their application shall be set forth in the note on accounting policies accompanying the financial statements each year.

### Article 63<sup>11</sup>

1. The budgetary management accounts shall include, for the financial year, a reconciliation of the budget outcome and the approved budget as defined in Article 17.
2. The budgetary management accounts shall include for each budget comprising the Programme and Budget:
  - a) under receipts:
    - i. the States' obligatory contributions for the financial year concerned;
    - ii. invoices raised in respect of goods or services delivered to third parties during the financial year;
    - iii. any other income received during the financial year;
  - b) expenditure incurred during the financial year concerned;
  - c) a summary of transfers of appropriations during the financial year and observations on transfers exceeding the threshold as defined in Article 28;
  - d) the balance of unspent appropriations at the financial year end;
  - e) the budget outcome of the prior year, restated as appropriate; and
  - f) a report on any other element which appears in Article 20 or was the subject of a specific decision when the budget was approved, including the salary ceiling and the tables of posts and positions.

### Article 64

The Treasurer shall keep accounting records, in hard copy or digital form, for a period of ten years.

### Article 65<sup>12</sup>

1. The Secretary General shall present to the Committee of Ministers before 15 September an interim progress review report for the ongoing financial year. This report shall include a summary of developments which could impact the achievement of expected results, a comparative table, by programme line, of the mid-term budget and the mid-term expenditure with explanations for the main variances, a summary of extra-budgetary resources and a summary of transfers with explanations of the main transfers.

<sup>11</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

<sup>12</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

2. The Secretary General shall present to the Committee of Ministers before 31 March a progress review report on the implementation of the Programme and Budget of the previous financial year. This report shall outline for each programme line the results achieved and the resources utilised.

## **PART V – INTERNAL AUDIT**

### **Article 66**<sup>13</sup>

1. The Secretary General shall appoint an Internal Auditor responsible for evaluating and contributing to the improvement of risk management, control, and governance processes. The Internal Auditor shall verify that internal control is implemented in accordance with the provisions of the current regulations and that appropriate administrative and financial management procedures are put in place.
2. He or she shall be appointed, in accordance with the Regulations on Appointments (Appendix II to the Staff Regulations), for a period of six years; his/her appointment is renewable once only; the appointment shall become effective only after approval by the Committee of Ministers.
3. The Internal Auditor shall report directly to the Secretary General who shall inform the Committee of Ministers. The office of Internal Auditor shall be incompatible with any function other than the activities of his or her department.
4. The Internal Auditor shall conduct audits in conformity with generally recognised internal auditing standards, in particular those of the Institute of Internal Auditors, and in conformity with the Internal Audit Charter issued by the Secretary General.

## **PART VI – APPROVAL OF THE ACCOUNTS**

### **Article 67**

The accounts prepared pursuant to Articles 61 to 64 shall be submitted to the External Auditor as provided in Part VII below.

### **Article 68**<sup>14</sup>

After consideration of the External Auditor's report and of any observations by the Secretary General, the Committee of Ministers shall, before 31 December of the following year, give discharge to the Secretary General in respect of his or her management for the financial year in question. A surplus in the budgetary management accounts of a financial year shall be returned to the member States unless the Committee of Ministers decides otherwise. Changes in the Organisation's equity, apart from those of a technical nature resulting from the application of accounting standards defined in Article 62 or of decisions already taken by the Committee of Ministers, shall be approved by the latter.

## **PART VII – EXTERNAL AUDITOR**

### **Article 69**

1. The External Auditor shall be the supreme audit institution of a member state, as properly represented according to the national legislation of this member state, and shall be appointed by the Committee of Ministers for a non-renewable term of five years.
2. The External Auditor may not be removed from office during its tenure except by the Committee of Ministers, upon the proposal of one or more member states.

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<sup>13</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

<sup>14</sup> As amended at the 1185th meeting of the Ministers' Deputies on 19-20 November 2013 (CM/Del/Dec(2013)1185/11.6 and appendix)

3. For the purpose of conducting a local or special review, the External Auditor may engage the services of the supreme audit institution of another member state.
4. The External Auditor shall be completely independent and shall have sole responsibility for the conduct of the audit.
5. The Organisation shall afford to the External Auditor such facilities and technical assistance necessary for the performance of its duties.

#### **Article 70**

1. The audit shall be conducted in conformity with generally accepted international auditing standards.
2. The audit shall be conducted at the headquarters of the Organisation and any other premises of the Organisation as deemed necessary.
3. The Secretary General shall provide the External Auditor and its staff with free access to all vouchers, books, documents and files which it considers necessary to examine for the purpose of the audit. It may ask the Organisation's officials for any information deemed necessary. The External Auditor and its staff shall not disclose any information of a confidential or restricted nature, which has been made available to them, and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the Committee of Ministers to any denial of information, which in its opinion was required for the purposes of the audit.

#### **Article 71**

1. The duties of the External Auditor shall be to obtain assurance that the financial statements present fairly in all material respects the financial position and the results of operations and cash flows of the Organisation and have been prepared in accordance with IPSAS. The External Auditor shall also verify that the budgetary management accounts present fairly in all material respects the financial records and transactions of the Organisation and have been prepared in accordance with these Financial Regulations and any other rules or applicable instructions issued by the Committee of Ministers. If the External Auditor considers it useful, the External Auditor shall make observations with respect to the economy, efficiency and effectiveness of the financial procedures, the accounting system and the administration and management of the Organisation.
2. In carrying out these verifications, the External Auditor shall in particular obtain assurance that:
  - a) the annual accounts are in accordance with the accounting records of the Organisation;
  - b) the accounting system and the annual accounts cover all financial transactions effected by the Organisation in the course of the year;
  - c) all budgetary expenditure has been made in conformity with the purposes of, and within the limits of, the appropriations as shown in the Budget, amended if need be;
  - d) any special funds created and any receipts allocated to special purposes, in pursuance of the second paragraph of Article 4, have been administered in accordance with the rules governing them;
  - e) transactions are vouched for by appropriate supporting documents;
  - f) certificates of funds and securities placed on deposit are periodically obtained from the depositaries and periodic certificates of verification of cash in hand are established;
  - g) inventories are kept in good order and are subject to proper controls;
  - h) internal controls, including internal audit, are adequate and reliable.
3. Audit comments on any matter arising during the certification of the accounts shall be immediately communicated to the Secretary General and the Treasurer.

#### **Article 72**

1. The External Auditor shall formulate opinions on the financial statements and the budgetary management accounts no later than 31 May<sup>15</sup> following the financial year to which they relate, which shall:

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<sup>15</sup> The deadline applicable to the External Auditor in function at the date of adoption of these revised Financial Regulations shall be 30 June.

- identify the accounts examined;
- describe the nature and scope of the audit; and
- address, as appropriate, whether:

- a) the financial statements present fairly the financial position of the Council of Europe at the end of the financial year and the results of its operations for that year; and the budgetary management accounts properly reflect the financial records and transactions of the Organisation;
- b) the financial statements were prepared in accordance with International Public Sector Accounting Standards and the accounting policies set out in the notes to the financial statements; and the budgetary management accounts were prepared in accordance with the Financial Regulations and any other rules or applicable instructions issued by the Committee of Ministers;
- c) the accounting principles were applied on a consistent basis from year to year;
- d) transactions were in accordance with the Financial Regulations and budgetary authorisations.

2. The External Auditor shall present, by 31 May at the latest, a report to the Committee of Ministers, in which he or she shall set forth his or her observations on the annual accounts and any other matter referred to in Articles 71 and 72 above.

The report shall include:

- a) the nature and scope of its examination and of any changes in the nature and scope of such examination, including whether all the information and explanations required have been obtained;
- b) matters affecting the completeness or accuracy of the annual accounts such as:
  - any income or receivables which have not been properly accounted for;
  - expenditure not properly substantiated;
- c) other matters to be brought to the notice of the Committee of Ministers, such as:
  - cases of fraud or presumptive fraud;
  - wasteful or improper use of the Organisation's financial or other assets (notwithstanding that the accounting records for the transactions may be correct);
  - expenditure likely to commit the Organisation to further outlay on a large scale;
  - any defect in the general system or detailed regulations governing the control of receipts and expenditure or of supplies, equipment and materials owned by the Organisation or for which the Organisation is responsible;
  - expenditure not in conformity with appropriations, as amended by duly authorised transfers between appropriations;
  - expenditure in excess of appropriations, as amended by duly authorised transfers;
- d) the accuracy or otherwise, as determined by physical inventories and examinations, of the accounting records relating to the supplies, equipment and materials owned by the Organisation or for which the Organisation is responsible; and
- e) transactions accounted for in a previous financial year, concerning which further information has been obtained, or transactions to be accounted for in a later financial year concerning which it is considered desirable that the Committee of Ministers should be informed at an early stage.

3. Before reporting to the Committee of Ministers, the External Auditor shall afford the Secretary General the opportunity to provide explanations in respect of observations included in the audit report.

4. The External Auditor's report shall be transmitted to the Committee of Ministers together with the audited annual accounts.

5. The external audit report shall be presented to the Committee of Ministers by the head of the supreme audit institution appointed as External Auditor or, in the event of unforeseen difficulties, by another senior official representing the institution.

## PART VIII – AUDIT COMMITTEE

### Article 73

1. There shall be an Audit Committee set up by the Committee of Ministers.<sup>16</sup>

## PART IX – FINAL PROVISIONS

### Article 74

The Secretary General shall make the arrangements necessary to the implementation of these regulations and shall issue the relevant operational directives.

### Article 75

1. These Financial Regulations shall be applicable with effect from 29 June 2011.
2. The provisions of the preceding regulations and the directives issued for their implementation are hereby abrogated with effect from the same date.

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## EXTERNAL AUDITOR

### PROCEDURE FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR

#### 1. Duration of term of office

The External Auditor shall be appointed to audit five financial years.

#### 2. Presentation of candidates – Timetable

- In principle, a new External Auditor shall be appointed at a December meeting of the Deputies which precedes the first year of the new External Auditor's term of office;

- the Secretariat shall notify governments of the upcoming appointment of an External Auditor before 30 June of the last financial year on which the outgoing External Auditor is to report and candidatures shall be filed with the Secretariat before 15 October of that year;

- at the last meeting of the Ministers' Deputies in September, the Secretariat shall remind them of this time-limit and inform them of candidatures already received;

- a document listing the candidatures received by 15 October shall be issued immediately after that date; it will set out the candidate supreme audit institutions and the Secretariat's appraisal of the criteria detailed in paragraph 3 below;

- if an External Auditor does not complete his or her full term of office of five years, the procedure for the appointment of a new External Auditor for another five-year period shall be initiated without delay.

#### 3. Selection criteria

1. The selection process shall focus primarily on the quality of audit services, professional expertise and experience in auditing international organisations. Audit fees will be considered only after a satisfactory appraisal of the quality aspects.

2. The candidatures shall include the following, in one of the official languages of the Organisation:

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<sup>16</sup> Resolution CM/Res(2011)1 adopted on 12 January 2011.

- details of national legislation guaranteeing the independence of the supreme audit institution in its own country;
- details of the national and international activities of the supreme audit institution, with an indication of the range of audits completed and the audit specialities that could be of benefit to the Council of Europe;
- a copy of the last annual report of the supreme audit institution;
- a description of the proposed audit approach and the number and level of staff to be involved in the audit;
- an indication of the level of proficiency in one of the official languages of the Organisation;
- an estimate of the total number of auditor-days which would be devoted to the audit per year;
- a proposed audit fee (expressed in euros) covering the audit related salaries, support costs and travel costs.

3. The Audit Committee shall provide an advisory opinion to the Committee of Ministers on the conformity of the candidatures received with the selection criteria.

#### **4. Voting procedure**

- If only one candidate is proposed to fill the vacancy, its appointment can be made without a vote unless there is an objection;
- in the event that two or more candidates are proposed to fill the vacancy, the following voting arrangements are applicable:<sup>17</sup>
  - voting shall be by secret ballot;
  - the candidate obtaining the simple majority of votes within the meaning of Article 10.4 of the Rules of Procedure for the Meetings of the Ministers' Deputies (i.e. half of the number of the Deputies entitled to vote, plus one) and the largest number of votes shall be declared elected;
  - if the seat remains vacant after the first vote, there will be a second round of voting. The candidate having obtained the highest number of votes will be declared elected;
- the ballot papers used for the secret indicative votes referred to in the preceding paragraph shall list the candidates by alphabetical order of the member state. The Chairperson shall indicate at which moment during the meeting the Secretariat should distribute the ballot papers.

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<sup>17</sup> In accordance with the Deputies' decision of 17 November 2010 (cf. CM/Del/Dec(2010)1098/1.5).

## BUDGET COMMITTEE

### PROCEDURE FOR THE APPOINTMENT OF MEMBERS OF THE BUDGET COMMITTEE

#### 1. Duration of term of office

The term of office of members of the Budget Committee shall end on 31 December of their third year in office.

#### 2. Presentation of candidates – Timetable

- In principle, members should be appointed at the December meeting of the Ministers' Deputies which precedes the first year of their term of office;

- the Secretariat shall notify governments of vacancies before 30 June of the last year of the term of office and candidatures shall be filed with the Secretariat before 15 October of that year;

- the document concerning the notification shall contain all appropriate information, namely a) a reminder of the provisions of Article 25 of the Financial Regulations, b) a list of member states indicating the respective rates of contribution to the Ordinary Budget, these rates being those in force on the first day of the terms of office for which the vacancies are notified, c) a list of states of which the experts who have already sat on the Budget Committee were nationals;

- at the September meeting of the Ministers' Deputies, the Secretariat shall remind them of this time-limit and inform them of candidatures already received;

- a document listing the candidatures received by 15 October shall be circulated as soon as possible after that date;

- if a member does not complete his full term of office of three years, the proposal for a replacement for the remainder of the period should be submitted without delay to the Committee of Ministers by the state which proposed the member whose term of office has been interrupted.

#### 3. Voting procedure

- If the number of candidates in respect of either of the two categories of states is equal to the number of seats to be filled, their appointment as members may be made without a vote;

- should the number of candidates exceed the number of seats to be filled, the following voting arrangements are applicable:<sup>18</sup>

- voting shall be by secret ballot;

- the candidate or candidates obtaining the simple majority of votes within the meaning of Article 10.4 of the Rules of Procedure for the Meetings of the Ministers' Deputies (i.e. half of the number of the Deputies entitled to vote, plus one) and the largest number of votes shall be declared elected;

- if one seat, or more, remain(s) vacant after the first vote, there will be a second round of voting. The candidate(s) having obtained the highest number of votes will be declared elected. In expressing their preferences, the Deputies shall bear in mind the desirability of some renewal among states whose experts sit on the Budget Committee and of a reasonable participation in the Budget Committee of experts commensurate with the level of the rate of contribution of the states of which they are nationals;

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<sup>18</sup> In accordance with the Deputies' decision of 17 November 2010 (cf. CM/Del/Dec(2010)1098/1.5).

- the ballot papers used for the secret indicative votes referred to in the preceding paragraph shall list the candidates and distinguish, where necessary, those presented by the five states paying the highest contributions to the budget from those presented by other states. Candidates shall be listed in alphabetical order, the state from which they come being mentioned in parentheses;
- alternate members of the Budget Committee shall be appointed in respect of each state whose candidate is appointed a titular member, insofar as the states concerned nominate candidates for alternate members.