



# Financial Regulations of the European Audiovisual Observatory

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# **Financial Regulations of the European Audiovisual Observatory**

**The Executive Council of the Observatory adopted the attached Financial Regulations on 21 January 1993. These Regulations were amended on 5 February 1997, 8 June 2000 and 3 May 2017, and approved by the Committee of Ministers on 5 July 2017.**

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# **I. SCOPE OF THE REGULATIONS**

## **Article 1**

This document sets forth the regulations governing the autonomous financial regime of the European Audiovisual Observatory, hereafter called the "Observatory", which is referred to in Article 8 of the latter's Statute.

# **II. GENERAL PROVISIONS**

## **Article 2**

These Regulations set forth the financial rules to be observed:

- for the establishment and adoption of the Observatory's budget;
- in calculating Members' contributions;
- in the management of the funds placed at the disposal of the Executive Director to ensure the functioning of the Observatory.
- in the submission, audit and approval of the annual accounts.

## **Article 3**

The financial administration of the Observatory shall be conducted in accordance with the principles of economy and sound financial management. The Observatory's governance system shall include risk management as well as internal control procedures, performance indicators and evaluation of results, and an independent auditor.

## **Article 4**

All receipts and all expenditure of the Observatory shall appear in the Budget.

The Executive Council may, in such a manner as it shall determine, create accounts and budgets for specific purposes (special accounts and budgets) having their own resources. The purpose of these accounts and budgets must conform to the aims of the Observatory as set forth in its Statute.

The financial year shall begin on 1 January and end on 31 December.

## **Article 5**

Receipts shall be credited to the Budget of the year in the course of which the collection procedure is instituted except in the cases mentioned in Article 11 *bis* 3rd paragraph.

In accordance with the provision set out in Article 7.1 (e) of the Statute of the Observatory, the credit balance of the last closed and approved financial year shall be credited to the Budget of Receipts for the second financial year succeeding the one in question, provided the members concerned are still members of the Observatory; in the opposite case there will be a *pro ratio* refund. The Executive Council may authorise a different allocation of the aforesaid credit balance.

## **Article 6**

The Executive Director shall keep the accounting in the manner prescribed in Articles 31 and 32 below and shall report on his management as set out in Part VII of these Regulations.

## **Article 7**

The Budget shall be established in euros and the accounts kept in euros, the currency of the country of the headquarters of the Observatory.

If the operation of the Budget is disturbed by exchange rate variations, the Executive Director shall submit to the Executive Council a report indicating any possible steps which he or she proposes so as to redress the situation.

### **III. FINANCE – RECEIPTS AND CONTRIBUTIONS**

#### **Article 8**

Cover for the expenditure of the Observatory shall be provided by the resources and on the conditions as set out in Article 7.1 of the Statute of the Observatory.

The compulsory contributions of the Members shall be equal to the amount of the Budget less the total of other foreseeable receipts.

#### **Article 9**

The scale of repartition of members' contributions shall comply with the criteria applicable to Partial Agreements of the Council of Europe as laid down in Resolution (94)31 "on the method of calculating the scale of member states' contributions to CoE budgets".

Members shall have the possibility to increase their membership contribution in order to finance particular activities if accepted by unanimous vote of the Executive Council. Article 11 *bis* shall apply to these contributions.

#### **Article 10**

Contributions shall be payable in euros. However, the Executive Director may, at the time of calling for contributions, request one or more Members to pay all or part of their contribution in their national currency to meet the Observatory's requirements of that currency.

In that case, the euro exchange rate as fixed by the European Central Bank on the date of calling for Members' contributions shall apply.

#### **Article 11**

The contributions are due as from 1 January of each financial year.

Every Member shall pay at least one third of its compulsory contribution in the course of the first three months of the year.

The balance shall be payable before the end of a period of six months as from the date mentioned in the letter calling for the contribution.

After this date, Members which have not paid their entire contribution will be required to pay a simple monthly interest of 0.5% on the amounts outstanding at the end of each of the following months.

However, the contribution of the European Union shall be payable in accordance with its rules on budgetary matters.

If a contribution remains unpaid in whole or in part at the close of the financial year, the budgetary receipts account shall be credited with the amount of the contributions called, the unpaid amount being debited to a debtors account.

On the occasion of the presentation of the annual accounts, the Executive Council shall be informed of the balance of the account referred to above.

## **Article 11 bis**

Voluntary contributions, donations and legacies to the Observatory may be accepted by the Executive Director, who may also conclude contracts with third parties for the joint financing of activities. However, the Executive Director shall inform the Executive Council 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 Observatory in financial outlay. The Executive Council shall approve and the Financial Committee referred to in Article 4.2 of the Statute shall adopt the necessary amendments to the budget.

Voluntary contributions, donations and legacies and joint financing arrangements agreed to by the Executive Director shall be allocated to the Observatory's budget unless they are conditioned to finance specific activities in addition to the Observatory's regular activities. Such specific activities shall be recorded in a special budget that shall be used to finance these activities and be managed separately.

Where a voluntary contribution, donation, legacy or joint financing arrangement is allocated to a special budget or account, unspent appropriations shall be automatically carried forward to the following financial year until the termination of the activity for which they were intended. Thereafter any remaining balance will be allocated in accordance with the agreement underlying the financing and in the absence of such an agreement in accordance with Article 5 regarding the part financed by third parties; the Executive Council should be informed annually.



## **Article 12**

While awaiting the payment of Members' contributions, the Executive Director may have recourse to bank overdraft facilities necessary to finance expenditure on the adopted Budget of the Observatory.

Should the amount of the overdraft required for this purpose exceed 25% of the authorised budget of expenditure in the year concerned, the Executive Director shall immediately report to the Executive Council - giving details of the unpaid Members' contributions - so as to enable the Executive Council to determine whether recourse to an overdraft in excess of 25% of the budget should be authorised.

Interest and other banking charges arising from the use of overdraft facilities shall be met by the Budget of the Observatory.

## **Article 13**

Any new Member shall pay, in respect of the financial year in the course of which its instrument of accession is deposited, a contribution the amount of which shall be determined by the Executive Council taking into account Resolution (94)31 on the method of calculating the scale of member states' contributions to Council of Europe budgets. This contribution shall be credited to the current Budget.

## **Article 14**

In case of the withdrawal or suspension of a Member, either for the reason specified in Article 5.5 of the Statute of the Observatory or for any other reason, the Executive Council shall examine the financial consequences and shall make the appropriate arrangements.

In particular, as the case may be, the specific requirements of the European Union on budgetary matters shall be taken into account.

## **IV. STRUCTURE – PRESENTATION – ADOPTION OF THE BUDGET**

### **Article 15**

Each year the Executive Director shall prepare a draft Budget for the following year and submit it to the Executive Council before 1 October.

### **Article 16**

The draft Budget shall be prepared on the basis of guidelines on the programme of activities and shall indicate objectives and expected results.

The draft Budget shall contain:

- a. a table showing estimated expenditure divided into Heads and Sub-heads according to their purpose or nature and giving a comparison with the Budget for the current financial year and the Budget accounts for the financial year last ended;
- b. a table showing estimated receipts in their various categories;
- c. the number by grades of permanent posts and positions existing under the Budget together with the number proposed for the Budget of the following year;
- d. detailed commentaries concerning the estimated expenditure and receipts explaining in particular the purpose and the basis of calculation of the appropriations requested, as well as the basis of calculation of receipts, and giving a comparison with the Budget for the current financial year and the Budget accounts for the financial year last ended;
- e. an introductory statement of general aspects of the draft Budget, giving in particular a comparison with the preceding Budget, information on the budgetary implications of current trends in the Observatory's activities and their possible effects on future Budgets.

### **Article 17**

If necessary, the Executive Director may, in the course of the financial year, submit supplementary estimates for the approval of the Executive Council.

Such estimates shall take the form of an amending budget proposing ways and means of meeting them. This budget shall be presented, considered and approved in the same way as the initial Budget.

## **Article 18**

The draft Budget of the Observatory for the following financial year shall be adopted each year by the Financial Committee referred to in Article 4.2 of the Statute, by 30 November at the latest.

If the Budget cannot be adopted by that time, the Executive Council shall, before the beginning of the financial year, make the arrangements necessary for the running of the Observatory pending adoption.

# **V. OPERATION OF THE BUDGET**

## **Article 19**

The adoption of the Budget in accordance with the provisions of Article 18 paragraph 1 of the present Financial Regulations shall constitute authority for the Executive Director to proceed to the collection of receipts, in particular to send immediately the letter calling upon Members to pay their contributions and to commit and settle expenditure within the limits of the appropriations.

In these Regulations "commitment" is to be understood to mean any act having the effect of financially committing the Observatory towards a member of the staff or a third party.

## **Article 20**

Where necessary, the Executive Director may effect transfers within the Budget, subject to the conditions and limitations fixed by the Executive Council at the time of the adoption of the Budget.

## **Article 21**

The Executive Director shall be responsible to the Executive Council for the safe custody and handling of the funds and securities of the Observatory. In order to ensure the efficient administration of the Observatory and the economic use of the resources entrusted to the Executive Director, he or she will put in place the governance system described in Article 3. The Executive Director shall also ensure that the Observatory's resources are used to execute the annual Action Plan.

The Executive Director may delegate tasks related to management of appropriations to Observatory staff in accordance with the internal control rules.

The Executive Director may be subject to disciplinary sanctions and possibly to pecuniary liability, in the case of misconduct in his or her financial management, under the conditions set forth in Articles 54 to 58 of the Staff Regulations of the Council of Europe. The Executive Director's pecuniary liability may be engaged according to the procedure foreseen for the sanctions listed in Article 54, paragraph 2, c, d, e and f of the Staff Regulations of the Council of Europe.

The Executive Director shall insure himself or herself against the risks he or she incurs under the terms of this Article. The relevant cost shall be borne by the Observatory.

In application of the above provisions, the Executive Director shall:

A. Prior to any commitment of the Observatory's funds:

A.1. ensure that the funds are available under the appropriate Sub-head of the Budget;

A.2. ensure that the expenditure is in order and in accordance with all applicable provisions, in particular in the Budget, the regulations and any specific instructions issued by the Executive Council;

B. Upon settlement of expenditure:

B.1. verify and certify the existence and correctness of the creditor's rights, as well as

B.2. the conditions on which payment may be demanded;

C. With regard to the collection of budgetary receipts:

C.1. ensure that for any sum due to the Observatory a collection order is issued;

C.2. ensure that a receipt is issued for every cash payment made.

## **Article 21 bis**

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

## Article 22

Contracts, framework contracts and framework agreements for the supply of goods, services, intellectual service provision or works and the selection of prime contractors to the Observatory shall be concluded following an international public call for tenders. The Financial Regulations of the Council of Europe on Engagement and Procurement shall apply *mutatis mutandis* especially with regard to conditions, procedures and staff responsibilities concerning the tenders.

Contracts may be negotiated directly with suppliers under the conditions set out in the Financial Regulations of the Council of Europe on Engagement and Procurement, which shall apply *mutatis mutandis*.

## Article 23

Contracts may be concluded by:

- order form or letter or exchange of correspondence in accordance with commercial usage, where the amount does not exceed the maximum amount allowed for by the Executive Council and following Council of Europe Financial Regulations in respect of thresholds;
- written agreement with a specification appended in the cases referred to in Article 22.

## Article 24

The payment file shall contain the original documents attesting the creditor's rights, the services rendered and, where applicable, the inventory entry for the goods shall also be mentioned.

## Article 25

On the basis of satisfactory evidence that they are warranted, the Executive Director may make partial advances on budgetary expenditure if internal regulations or the terms of contracts so provide.

## **VI. MANAGEMENT OF FUNDS – INVENTORIES – ACCOUNTING**

### **Article 26**

The funds of the Observatory shall be banked.

The Executive Director shall arrange for interest to be earned on funds for which no immediate use is foreseen. Such interest shall be treated as a receipt in the Budget of the Observatory.

### **Article 27**

Numerical inventories shall be permanently kept of all property, movable or immovable, owned by the Observatory according to the scheme laid out in the Observatory's internal control rules.

### **Article 28**

The procurement and issue of consumable articles such as office supplies shall be supervised in such a manner as to permit control of their consumption.

### **Article 29**

The Observatory shall keep a catalogue of those of its publications and electronic services that are for sale. An inventory of the publications and services listed in the catalogue shall be kept and shall be accompanied by accounts showing the value of each item; in addition, entries for print publications will indicate the number of copies, unit cost and movements in and out.

### **Article 30**

The cession, the scrapping or the disappearance through loss, theft, or any other cause whatsoever of property listed in the inventories, shall be minuted.

## **Article 31**

The accounting of the Observatory shall show:

a. in the case of receipts:

- collection orders issued;
- receipts collected;

b. in the case of expenditure:

- commitments entered into;
- payments effected;

c. the extent to which budgetary appropriations have been utilised;

d. movements and availability of funds.

## **Article 32**

The Executive Director shall keep the accounting of the Observatory on an accrual basis and in accordance with French accounting standards.

# **VII. SUBMISSION, AUDIT AND APPROVAL OF THE ANNUAL ACCOUNTS**

## **Article 33**

The accounts of the Observatory related to each financial year shall consist of:

- a. the budgetary management account, by which the Executive Director reports on the collection of receipts and the utilisation of the appropriations accorded to him;
- b. the Observatory balance sheet.

These accounts shall be made available to the Board of External Auditors provided for in Article 38, before 10 April of the year following the financial year to which the accounts

refer. They shall be accompanied by the Amended Budget, a recapitulatory document showing the final appropriations resulting from the initial Budget as adjusted by supplementary appropriations, by transfers of appropriations and by any carry-overs, as well as adjustments to the estimated receipts.

## **Article 34**

The budgetary management account shall consist of:

a. a receipts account comprising:

- the estimated receipts entered in the Budget for the financial year in question;
- the entitlements called in during the year.

b. an expenditure account comprising, in respect of each Sub-head of the Budget:

- the final appropriations for the year in question;
- the balance to be cancelled in the appropriations.

c. a cash flow statement.

## **Article 35**

The balance sheet shall show the assets and liabilities of the Observatory as at 31 December of the financial year, and the budgetary result for the same financial year. It shall be accompanied by the Treasury's management account showing the turnover and balances of the various individual accounts, and in an appendix a list of the minutes provided for in Article 30.

The principles adopted and the manner of their application shall be set forth in the note on accounting policies accompanying the financial statements (required by Article 33) each year.

## **Article 36**

The accounts prepared in pursuance of Articles 33 to 35 shall be submitted to external audit as provided for in Part VIII of these Regulations.



## **Article 37**

After consideration of the report of the Board of External Auditors and of any comments by the Executive Director, the Executive Council shall, before 31 December of the following year, give discharge to the Executive Director in respect of his management for the financial year in question.

## **Article 37 bis**

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

# **VIII. BOARD OF EXTERNAL AUDITORS**

## **Article 38**

The external audit provided for in Article 36 of these Regulations shall be conducted by a Board of External Auditors consisting of three members selected for their qualifications in the control of finance, preferably in the public sector.

The latter shall be appointed by the Executive Council on proposals by Members.

The Board of External Auditors shall adopt rules of procedure, decide on its working methods and appoint a Chairman.

The audit shall be conducted at the headquarters of the Observatory.

The Board of External Auditors shall have access to all vouchers, books, documents and files which it considers necessary to examine for the purpose of the audit. It may ask the Observatory's officials for any information it thinks necessary.

## **Article 39**

The audit shall be conducted in conformity with generally accepted international auditing standards (International Standards of Supreme Audit Institutions – ISSAIs).

The duties of the Board of External Auditors shall be to satisfy itself that the accounts and balance sheets are correct, that all financial transactions are in order and that management has been conducted with due regard for economy.

In particular it shall, for this purpose, verify:

- that the accounting system and the accounts and balance sheets cover all financial transactions carried out by the Observatory in the course of the year;
- that all transactions have been regular, having regard to these Regulations and any other rules laid down by the Executive Council;
- that all budgetary expenditure has been in conformity with the purposes of, and within the limits of, the appropriations as shown in the Amended Budget;
- that all transactions are vouched for by regular supporting documents;
- that certificates of funds and securities placed on deposit are periodically obtained from the depositaries and that periodic certificates of verification of the cash in hand are held;
- that inventories are kept in good order and are subject to proper supervision;
- that the financial management is sound and economical.

The Observatory shall provide the Board of External Auditors with any facilities and technical assistance which the latter may consider necessary for the performance of its duties. Appropriate provision shall be made in the Observatory's Budget.

## **Article 40**

On completion of the audit, the Board of External Auditors shall certify that the accounts are correct and in order.

In addition, the Board of External Auditors may evaluate the economy, efficiency and effectiveness of the Observatory's financial management, including recommendations for improvements.

## **Article 41**

The Board of External Auditors shall draw up, by 31 May at the latest, a report to the Executive Council, in which it shall set forth, after discussion with the departments concerned, its views and observations on the financial transactions of the past year.

## **IX. FINAL PROVISIONS**

### **Article 42**

The Executive Director shall make the necessary arrangements for the implementation of these Regulations and shall issue the relevant operational rules.

### **Article 43**

These Regulations may be amended, subject to the same conditions as those provided for in Article 8.1 of the Statute of the Observatory.

### **Article 44**

The amendments to these Regulations approved on 5 July 2017 will take effect as of 1 January 2018.

