



OFFICE FOR HARMONIZATION IN THE INTERNAL MARKET
(TRADE MARKS AND DESIGNS)

REGULATION NO CB-3-09
OF THE BUDGET COMMITTEE
OF THE OFFICE FOR HARMONIZATION
IN THE INTERNAL MARKET
(Trade Marks and Designs)
of 17 July 2009
laying down the financial provisions
applicable to the Office
("Financial Regulation")

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REGULATION NO CB-3-09 OF THE BUDGET COMMITTEE OF THE OFFICE FOR
HARMONIZATION IN THE INTERNAL MARKET
(Trade Marks and Designs)
of 17 July 2009
laying down the financial provisions applicable to the Office
("Financial Regulation")

THE BUDGET COMMITTEE,

Having regard to Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark, hereinafter "the CTMR", establishing the Office for Harmonization in the Internal Market (Trade Marks and Designs)¹ hereinafter 'the Office', and in particular Article 143 thereof,.

Having regard to the opinion of the Commission,

Having regard to the opinion of the Court of Auditors,

Whereas the above-mentioned Regulation lays down the basic rules governing the management of the Office, the presentation and adoption of the budget and the controls to which the Office is subject;

Whereas the Budget Committee attached to the Office, set up by Article 138 of the Community Trade Mark Regulation, is the Office's budgetary authority;

Whereas the Financial Regulation applicable to the general budget of the European Communities was recast following the adoption of Council Regulation (EC) No 1605/2002 of 25 June 2002²;

Whereas, in accordance with Article 143 of the CTMR, the financial provisions governing the Office must, to the extent that they are compatible with the particular nature of the Office, be based on the financial regulations adopted for other bodies set up by the Communities;

Whereas, the Commission adopted Regulation No 2343/2002 of 23 December 2002³, establishing the framework Financial Regulation applicable to the bodies referred to in Article 185 of Council Regulation (EC) No 1605/2002, amended by Commission regulation No 652/2008 of 9 July 2008⁴;

Whereas this Financial Regulation confines itself to stating the broad principles and basic rules governing the whole budgetary sector concerned, while detailed provisions will subsequently be adopted by the Office in order to make their financial rules easier to read;

Whereas for the purposes of establishing and implementing the budget, the four fundamental principles of budgetary law (unity, universality, specification, annuality),

¹ OJEC No L 11 of 14 January 1994, p.1

² OJEC No L 248 of 16 September 2002, p.1 Regulation as last amended by Regulation (EC) No 1525/2007 (OJ L 343, 27.12.2007, p. 9).

³ OJEC No L 357 of 31 December 2002, p.72

⁴ OJEC No L 181 of 10 July 2008, p.23

and the principles of equilibrium, unit of account, sound financial management and transparency must be reasserted;

Whereas it should be made clear that sound financial management requires effective and efficient internal control. The main features and objectives of internal control systems should be defined.

Whereas the procedures for drawing up and implementing the Office's budget and for presenting and auditing accounts need to be laid down; whereas the rules governing authorising officers, accounting officers, imprest administrators and the internal auditor and on the organisation of their controls should also be defined;

Whereas the financial position of the Office, arising from the past budgetary results, which has led to a substantial reserve fund, coupled with an agreement of the Administrative Board and Budget Committee on 19 September 2008 that there should be a biannual review of the Financial situation of the Office by the Commission with a view to balancing the budget, implies that the need of the subsidy from the general budget of the EC referred to in article 139.3 of the CTMR regulation is highly improbable, this regulation does not contain specific provisions related to such a subsidy and its implications;

HAS ADOPTED THIS REGULATION:

TITLE I - SCOPE

Article 1

1. This Regulation lays down the principles and rules governing the establishment and implementation of the Office's budget.
2. For the purposes of this Regulation:
 - “CTMR” shall mean Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark;
 - “CDR” shall mean Council Regulation (EC) No 6/2002 of 12 December 2001⁵ on Community designs;
 - “budget”: shall mean the instrument which sets out forecasts of, and authorises in advance, the revenue and expenditure of the Office for each year. It includes, both as to revenue and expenditure, separate headings for activities financed by third parties;
 - “budgetary authority” shall mean the Budget Committee of the Office, referred to in Article 138 of the CTMR;

⁵ OJEC No L 3 of 5 January 2002, p. 1

- “Council” shall mean the Council of the European Union;
- “authorising officer” shall mean the President of the Office;
- “Staff Regulations” shall mean the Regulations and Rules Applicable to Officials and other Servants of the European Communities;
- “general Financial Regulation” shall mean Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities;
- “implementing rules” shall mean the Regulation of the Budget Committee laying down Rules for the Implementation of Certain Provisions of the Financial Regulation, in accordance with Article 98 of this Financial Regulation;
- “basic act”: in application of the CTMR, CDR and any other Council Regulation entrusting specific operations to the Office, a “basic act” shall mean any act which provides a legal basis for the Community action and for the implementation of the corresponding expenditure entered in the budget.

Article 2

Any provision concerning the implementation of the revenue and expenditure of the budget must comply with the budgetary principles set out in Title II.

TITLE II BUDGETARY PRINCIPLES

Article 3

The establishment and implementation of the budget of the Office shall comply with the principles of unity and budget accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management, which requires effective and efficient internal control, and transparency as provided for in this Regulation.

CHAPTER 1 PRINCIPLE OF UNITY AND BUDGET ACCURACY

Article 4

The budget is the instrument which, for each financial year, forecasts and authorises the revenue and expenditure considered necessary for the Office.

Article 5

The budget of the Office shall comprise:

- a) own revenue consisting of all fees and charges which the Office is authorised to collect by virtue of the tasks entrusted to it, and any other revenue;
- b) revenue made up of any financial contributions of the host Member States,
- c) a subsidy granted by the European Communities;
- d) revenue assigned to specific items of expenditure in accordance with Article 19(1),
- e) the expenditure of the Office, including administrative expenditure.

Article 6

1. No revenue shall be collected and no expenditure effected unless booked to a heading in the budget.
2. An appropriation must not be entered in the budget of the Office if it is not for an item of expenditure considered necessary.
3. No expenditure may be committed or authorised in excess of the appropriations authorised by the budget of the Office.
4. Interest yielded by the funds which are the property of the Office shall be entered in the budget as revenue.

CHAPTER 2 PRINCIPLE OF ANNUALITY

Article 7

The appropriations entered in the budget shall be authorised for one financial year which shall run from 1 January to 31 December.

Article 8

1. With the exception of activities financed by third parties, appropriations may not be authorised for a period extending beyond the financial year.
2. Administrative expenditure arising from:
 - contracts which have been concluded in accordance with local practice, or
 - contractual provisions relating, in particular, to the supply of equipmentfor periods extending beyond the financial year shall be charged to the budget for the financial year in which it is effected.

Article 9

1. The revenue of the Office within the meaning of Article 5 shall be entered in the accounts for the financial year on the basis of the amounts collected during the financial year.
2. With the exception of activities financed by third parties, the appropriations authorised in the budget for a given year may be used solely to cover expenditure committed and paid in that financial year, and to cover amounts due against commitments from preceding financial years and for which no appropriation was carried forward.
3. Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December.
4. Payments shall be entered in the accounts for a financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.

Article 10

1. Appropriations which have not been used at the end of the financial year for which they were entered shall, as a rule, be cancelled.
2. Appropriations relating to staff expenditure may not be carried over.
3. Appropriations in respect of payments still outstanding at 31 December by virtue of commitments duly entered into at the close of the financial year, shall be carried over automatically to the next financial year only.
4. Appropriations that have not been committed before 31 December may, by decision of the Budget Committee taken not later than 15 February, be carried over to the next financial year only, in accordance with the following paragraphs.
5. Appropriations carried over which have not been committed by 31 March of year N+1 shall be automatically cancelled.

Appropriations carried over in this way shall be identified in the accounts.

6. The appropriations available as at 31 December arising from the assigned revenue referred to in Article 19 of this Regulation shall be carried over automatically.

The appropriations available corresponding to assigned revenue carried over must be used first.

Article 11

Where amounts are decommitted, as a result of total or partial non-implementation of the actions for which they were earmarked, in any financial year after that in which the appropriations were committed, the appropriations concerned shall be cancelled.

Article 12

The appropriations entered in the budget may be committed with effect from 1 January, once the budget has become definitive.

Article 13

1. As from 15 November of each year, routine administrative expenditure may be committed in advance against the appropriations provided for the following financial year. Such commitments may not, however, exceed one quarter of the appropriations decided by the Budget Committee on the corresponding budget line for the current financial year. They may not apply to new expenditure of a kind not yet approved in principle in the last budget duly adopted.
2. Expenditure which must be paid in advance, for example rents, may give rise to payments from 1 December onwards to be charged to the appropriations for the following financial year. In this case, the limit referred to in paragraph 1 shall not apply.

Article 14

1. If the budget has not been finally adopted at the beginning of the financial year, the following rules shall apply to commitment and payment of expenditure which it has been possible to book to a specific line in the budget as part of implementation of the last budget duly adopted.
2. Commitments may be made per chapter up to a maximum of one quarter of the total appropriations authorised in the chapter in question for the previous financial year, plus one twelfth for each month which has elapsed.

Payments may be made monthly per chapter up to a maximum of one twelfth of the appropriations authorised in the chapter in question for the previous financial year.

The limit of the appropriations provided for in the statement of estimates of revenue and expenditure may not be exceeded.

3. At the request of the President of the Office, if the continuity of action by the Office and management needs so require, the Budget Committee may simultaneously authorise two or more provisional twelfths over and above those automatically made available by the provisions of paragraphs 1 and 2.

The additional twelfths shall be authorised in full and shall not be divisible.

CHAPTER 3 PRINCIPLE OF EQUILIBRIUM

Article 15

1. The Office's budget revenue and expenditure must be in balance.
2. Appropriations may not exceed the amount of own resources and any other revenue referred to in Article 5.
3. The Office may not raise loans.
4. The Office shall implement rigorous cash management.

Article 16

1. If the balance of the outturn account provided for in Article 81 is positive, it shall be entered in the budget for the following year as revenue.
2. If the balance of the outturn account provided for in Article 81 is negative, it shall be entered in the budget for the following year.
3. The revenue or expenditure shall be entered in the budget during the budgetary procedure using the letter of amendment procedure or, while budget implementation is under way, by means of an amending budget.
4. The Budget Committee shall authorise the creation of a reserve fund. The use of that reserve shall be authorised by the Budget Committee; the reserve fund shall be credited with revenue in excess of expenditure.

CHAPTER 4 PRINCIPLE OF UNIT OF ACCOUNT

Article 17

The budget shall be drawn up and implemented in euro and the accounts shall be presented in euro.

However, for cash-flow purposes, the accounting officer and, in the case of imprest accounts, imprest administrators shall be authorised to carry out operations in national currencies as laid down in the implementing rules.

CHAPTER 5 PRINCIPLE OF UNIVERSALITY

Article 18

Total revenue shall cover all expenditure, subject to Article 19. All revenue and expenditure shall be entered in full without any adjustment against each other, subject to Article 21.

Article 19

1. The following items of revenue shall be used to finance specific items of expenditure, in cases “c” to “i” on the condition that they are material for the budget of the Office:
 - (a) revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests;
 - (b) contributions to the Offices’s activities from Member States, non-member countries or miscellaneous bodies, insofar as this is provided for in the agreement concluded between the Office and the Member States, non-member countries or bodies in question;
 - (c) revenue from third parties in respect of goods, services or work supplied at their request, with the exception of fees and charges referred to in Article 5(a);
 - (d) proceeds from the supply of goods, services and works for Community institutions or other Community bodies;
 - (e) revenue arising from the repayment of amounts wrongly paid;
 - (f) proceeds from the sale of vehicles, equipment, installations, materials, and scientific and technical apparatus, which are being replaced or scrapped when the book value is fully depreciated;
 - (g) insurance payments received;
 - (h) revenue from payments connected with lettings;
 - (i) revenue from the sale of publications and films, including those on an electronic medium.
- 1a. The basic act applicable may also assign the revenue for which it provides to specific items of expenditure.
2. All items of revenue within the meaning of points (a) to (d) of paragraph 1 shall cover all direct or indirect expenditure incurred by the activity or purpose in question.
3. The budget shall carry lines to accommodate the categories of assigned revenue referred to in paragraphs 1 and 1a and wherever possible shall indicate the amount.

Article 20

1. The President may accept any donation made to the Office, such as foundations, subsidies, gifts and bequests.
2. Acceptance of donations which may involve some financial charge shall be subject to the prior authorisation of the Budget Committee, which shall take a decision within two months of the date on which the request is submitted to it. If the Budget Committee fails to take a decision within that period, the donation shall be deemed accepted.

Article 21

1. The following deductions may be made from payment requests, invoices or statements, which shall then be passed for payment of the net amount:
 - (a) penalties imposed on parties to procurement contracts or beneficiaries of a grant;
 - (b) discounts, refunds and rebates on individual invoices and payment requests;
 - (c) interest generated by pre-financing payments.
2. The cost of products or services provided to the Office shall be charged to the budget for the full ex-tax amount, where they incorporate taxes refunded:
 - either by the Member States pursuant to the Protocol on the Privileges and Immunities of the European Communities, provided that it applies to the Office,
 - or by a Member State or non-member country on the basis of other relevant agreements.

Any national taxes temporarily borne by the Office under the first subparagraph shall be entered in a suspense account until they are refunded by the State concerned.

3. Any negative balance shall be entered in the budget as expenditure.
4. Adjustments may be made in respect of exchange differences occurring in the implementation of the budget. The final gain or loss shall be included in the balance for the year.

CHAPTER 6 PRINCIPLE OF SPECIFICATION

Article 22

The appropriations in their entirety shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items.

Article 23

1. The President may make transfers from one chapter to another and from one article to another without limit and from one title to another up to a maximum of 10 % of the appropriations for the financial year shown on the line from which the transfer is made.
2. Beyond the limit referred in paragraph 1, the President may propose to the Budget Committee transfers of appropriations from one title to another. The Budget Committee shall have three weeks in which to oppose such transfers. After this time-limit they shall be deemed to be adopted.
3. Proposals for transfers and transfers carried out under paragraphs 1 and 2 shall be accompanied by appropriate and detailed supporting documents showing the implementation of appropriations and estimates of requirements up to the end of the financial year, both for the headings to be credited and for those from which the appropriations are drawn.
4. The President shall inform the Budget Committee as soon as possible of all transfers made.

Article 24

1. Appropriations may be transferred only to budget headings for which the budget has authorised appropriations or carries a token entry (p.m.).
2. The appropriations corresponding to assigned revenue may be transferred only if it is used for the purpose to which it is assigned.

CHAPTER 7 PRINCIPLE OF SOUND FINANCIAL MANAGEMENT

Article 25

1. Budget appropriations shall be used in accordance with the principle of sound financial management, that is to say, in accordance with the principles of economy, efficiency and effectiveness.
2. The principle of economy requires that the resources used by the Office for the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price.

The principle of efficiency is concerned with the best relationship between resources employed and results achieved.

The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

3. Specific, measurable, achievable, relevant and timed objectives shall be set for all sectors of activity covered by the budget. Achievement of those objectives shall be monitored by performance indicators for each activity and information shall be provided to the Budget Committee by the President. This information shall be provided annually and at the latest in the documents accompanying the estimate of revenue and expenditure.
4. In order to improve decision-making, the Office shall regularly carry out an *ex ante* and *ex post* evaluation of programmes or activities. This evaluation shall be applied to all programmes and activities which entail significant spending and evaluation results shall be sent to the Budget Committee.

Article 25a

1. The budget shall be implemented in compliance with effective and efficient internal control.
2. For the purposes of the implementation of the budget, internal control is defined as a process applicable at all levels of the management and designed to provide reasonable assurance of achieving the following objectives:
 - (a) effectiveness, efficiency and economy of operations;
 - (b) reliability of reporting;
 - (c) safeguarding of assets and information;
 - (d) prevention and detection of fraud and irregularities;
 - (e) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

CHAPTER 8 PRINCIPLE OF TRANSPARENCY

Article 26

1. The budget shall be drawn up and implemented and the accounts presented in compliance with the principle of transparency.
2. The budget and the amending budgets, as finally adopted, shall be published in the *Official Journal of the Office for Harmonization in the Internal Market (Trade Marks and Designs)* within two months of their adoption.

The President of the Office shall approve any other measure for publicising the budget of the Office.

3. The budget including the establishment plan and amending budgets, as finally adopted, as well as an indication of the number of contract staff expressed in full-time equivalents for which appropriations are budgeted, and seconded national experts, shall be transmitted for information to the European Parliament, the Council, the Court of Auditors and the Commission, and shall be published on the Internet site of the Office within four weeks of their adoption.
4. The Office shall make available on its Internet site information on the beneficiaries of funds deriving from its budget, including experts contracted pursuant to Article 74b. The published information shall be easily accessible, transparent and comprehensive. The information shall be made available with due observance of the requirements of confidentiality and security, in particular the protection of personal data laid down in Regulation (EC) No 45/2001 of the European Parliament and of the Council.

Where information is published only in anonymous form, the Office shall, upon request, provide information on the beneficiaries concerned to the Budget Committee in an appropriate manner.

TITLE III ESTABLISHMENT AND STRUCTURE OF THE BUDGET

CHAPTER 1 ESTABLISHMENT OF THE BUDGET

Article 27

1. The President of the Office shall draw up each year an estimate of revenue and expenditure of the Office for the following year and shall send it to the Budget Committee by 31 March at the latest.
2. The estimate of revenue and expenditure of the Office shall include:

- a) an establishment plan setting the number of permanent and temporary posts authorised within the limits of the budget appropriations, by grade and by category;
- b) where there is a change in the number of persons in post, a statement justifying the request for new posts;
- c) a quarterly estimate of cash payments and receipts.
- d) information on the achievement of all previously set objectives for the various activities as well as new objectives measured by indicators; evaluation results shall be consulted and referred to as evidence of the likely merits of an increase or decrease of the proposed budget in comparison with the budget for year N.

The President of the Office shall preface the estimates by a general introduction, containing in particular:

- (a) the draft work programme;
 - (b) the updated multi-annual staff policy plan;
 - (c) information on the number of officials, temporary and contract staff as defined in the Staff Regulations and the Conditions of Employment of Other Servants (hereinafter "the Staff Regulations") for the years n-1 and n as well as an estimate for the year N+1;
 - (d) information on contributions in kind granted by the host Member State to the Office.
 - (e) an estimate of the balance of the outturn account within the meaning of Article 81 for the year N-1.
3. Before the Budget Committee adopts the budget, the President of the Office may present to the Committee a letter amending the estimates.
 4. The budget, together with the establishment plan, shall be adopted by the Budget Committee before the beginning of the financial year.

Article 28

Any amendment to the budget, including the establishment plan, shall be the subject of an amending budget adopted by the same procedure as the initial budget, in accordance with the provisions of the CTMR and Article 27.

CHAPTER 2 STRUCTURE AND PRESENTATION OF THE BUDGET

Article 29

The budget shall comprise a statement of revenue and a statement of expenditure.

Article 30

In so far as it is justified by the nature of the Office's activities, the statement of expenditure must be set out on the basis of a nomenclature with a classification by purpose. This nomenclature shall be determined by the President of the Office and shall make clear a distinction between administrative appropriations and operating appropriations.

Article 31

The budget shall show:

1. in the statement of revenue:
 - a) the estimated revenue of the Office for the financial year in question;
 - b) the estimated revenue for the preceding financial year and the revenue for year N - 2;
 - c) appropriate remarks on each revenue line;
2. in the statement of expenditure:
 - a) the appropriations for the financial year in question;
 - b) the appropriations for the previous financial year and expenditure committed and paid in the financial year N – 2, plus carryovers;
 - c) appropriate remarks on each subdivision.

Article 32

1. The establishment plan adopted by the Budget Committee and annexed to the budget shall constitute an absolute limit for the Office; no appointment may be made in excess of the limit set.
2. By way of derogation from paragraph 1, the effects of part-time work authorised by the appointing authority in accordance with the Staff Regulations may be offset by other appointments.

Where a staff member requests the withdrawal of the authorisation before expiry of the granted period, the Office shall take appropriate measures to respect the limit referred to in paragraph 1 as soon as possible.

TITLE IV IMPLEMENTATION OF THE BUDGET

CHAPTER 1 GENERAL PROVISIONS

Article 33

The President of the Office shall perform the duties of the authorising officer. He shall implement the revenue and expenditure of the budget in accordance with the financial rules of the Office, on his own responsibility and within the limits of the appropriations authorised.

Without prejudice to the responsibilities of the authorising officer as regards prevention and detection of fraud and irregularities, the Office shall participate in fraud prevention activities of the European Anti-fraud Office.

Article 34

1. The President of the Office may delegate his powers of budget implementation to staff of the Office covered by the Staff Regulations, in accordance with the conditions which he establishes and within the limits laid down by the act of delegation. Those so empowered may act only within the limits of the powers expressly conferred upon them.
2. The delegate may subdelegate the powers received as provided for in the rules implementing this Regulation referred to in Article 98. Each act of subdelegation shall require the explicit agreement of the President.

Article 35

1. All financial actors within the meaning of Chapter 2 of this Title and any other person involved in budget implementation, management, audit or control shall be prohibited from taking any measures which may bring their own interests into conflict with those of the Office. Should such a case arise, the person in question must refrain from such measures and refer the matter to the competent authority.
2. There is a conflict of interests where the impartial and objective exercise of the functions of a person referred to in paragraph 1 is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary.
3. The competent authority referred to in paragraph 1 shall be the immediate superior of the staff member concerned. Where the staff member concerned is the President, the competent authority shall be the Budget Committee.

Article 36

1. The budget shall be implemented by the President in the departments placed under his authority.
2. Technical expertise tasks and administrative, preparatory or ancillary tasks involving neither the exercise of public authority nor the use of discretionary powers of judgment may be entrusted by contract to external private-sector entities or bodies, in compliance with the Sound Financial Management Principle..

**CHAPTER 2
FINANCIAL ACTORS**

**SECTION 1
PRINCIPLE OF SEGREGATION OF DUTIES**

Article 37

The duties of authorising officer and accounting officer shall be segregated and mutually incompatible.

**SECTION 2
AUTHORISING OFFICER**

Article 38

1. The authorising officer shall be responsible for implementing revenue and expenditure in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with.
2. To implement expenditure, the authorising officer shall make budget commitments and legal commitments, shall validate expenditure and authorise payments and shall undertake the preliminaries for the implementation of appropriations.
3. Implementation of revenue shall comprise drawing up estimates of amounts receivable, establishing entitlements to be recovered and issuing recovery orders. It shall involve waiving established entitlements where appropriate.
4. The authorising officer shall put in place, in compliance with the minimum standards adopted by the Budget Committee, and having due regard to the risks associated with the management environment and the nature of the actions financed, the organisational structure and the internal management and control procedures suited to the performance of his duties, including where appropriate ex-post verifications.

The authorising officer shall establish within his departments an expertise and advice function designed to help him/her control the risks involved in his activities.

5. Before an operation is authorised, the operational and financial aspects shall be verified by members of staff other than the one who initiated the operation. Initiation and the *ex ante* and *ex post* verification of an operation shall be separate functions.
6. The authorising officer shall conserve the supporting documents relating to operations carried out for a period of five years from the date of the decision granting discharge in respect of implementation of the budget. Personal data contained in supporting documents shall be deleted where possible when those data are not necessary for budgetary discharge, control and audit purposes. In any event, as concerns the conservation of traffic data, Article 37(2) of Regulation (EC) No 45/2001 shall apply.

Article 39

1. "Initiation of an operation as referred to in Article 38(5)" shall be understood to mean all the operations which are preparatory to the adoption of the acts implementing the budget by the authorising officers responsible referred to in Articles 33 and 34.
2. "*Ex ante* verification of an operation as referred to in Article 38(5)" shall be understood to mean all the *ex ante* checks put in place by the authorising officer responsible in order to verify the operational and financial aspects.
3. Each operation shall be subject of at least one *ex ante* verification. The purpose of this verification shall be to ascertain that:
 - a) the expenditure is in order and conforms to the relevant provisions;
 - b) the principle of sound financial management referred to in Article 25 has been applied.

For the purpose of *ex ante* verification, a series of similar individual transactions relating to routine expenditure on salaries, pensions, reimbursement of mission expenses and medical expenses may be considered by the authorising officer responsible to constitute a single operation.

In the case referred to in the second subparagraph, the authorising officer responsible shall, depending on his risk assessment, carry out an appropriate *ex post* verification, in accordance with paragraph 4.

4. The purpose of *ex post* verifications of documents and, where appropriate, on-the-spot verifications shall be to verify that operations financed by the budget have been correctly implemented and in particular that the criteria referred to in paragraph 3 have been complied with. These verifications may be organised on a sample basis using risk analysis.

5. The officials or other staff responsible for the verifications referred to in paragraphs 2 and 4 shall be different from those performing the tasks referred to in paragraph 1 and shall not be their subordinates.
6. All staff responsible for scrutinising the management of financial operations must have the necessary professional skills. They shall respect a specific code of professional standards adopted by the Office.

Article 40

The authorising officer shall report to the Budget Committee on the performance of his duties in the form of an annual activity report together with financial and management information confirming that the information contained in the report presents a true and fair view except as otherwise specified in any reservations related to defined areas of revenue and expenditure.

The annual activity report shall indicate the results of his operations by reference to the objectives set, the risks associated with these operations, the use made of the resources provided and the efficiency and effectiveness of the internal control system. The internal auditor within the meaning of Article 71 shall take note of the annual activity report and any other pieces of information identified. This report shall also be sent to the European Court of Auditors.

Article 41

Any member of staff involved in the financial management and control of transactions who considers that a decision he is required by his superior to apply or to agree to is irregular or contrary to the principles of sound financial management or the professional rules he is required to observe shall inform the President in writing thereof and, if the latter fails to take action within a reasonable period of time, the panel referred to in Article 47(4). In the event of any illegal activity, fraud or corruption which may harm the interests of the Community, he shall inform the authorities and bodies designated by the applicable legislation.

Article 42

Where powers of budget implementation are delegated or subdelegated in accordance with Article 34, Article 38(1), (2) and (3) shall apply *mutatis mutandis* to the authorising officers by delegation or subdelegation.

SECTION 3 ACCOUNTING OFFICER

Article 43

1. At the proposal of the President of the Office, the Budget Committee shall appoint an accounting officer, covered by the Staff Regulations, who shall be functionally independent in the performance of his duties. He shall be responsible for:

- a) proper implementation of payments, collection of revenue and recovery of amounts established as being receivable;
 - b) preparing and presenting the accounts in accordance with Title VII;
 - c) keeping the accounts in accordance with Title VII;
 - d) laying down, in accordance with Title VII, the accounting rules and methods and the chart of accounts, ensuring as far as is necessary compatibility with the provisions adopted by the Commission's accounting officer;
 - e) laying down and validating the accounting systems and, where appropriate, validating systems laid down by the authorising officer to supply or justify accounting information; the accounting officer shall be empowered to verify the respect of validation criteria;
 - f) treasury management.
2. The accounting officer shall obtain from the authorising officer, who shall guarantee its reliability, all the information necessary for the production of accounts which give a true image of the Office's assets and of budget implementation.
- 2a. Before the adoption of the accounts by the President, the accounting officer shall sign them off, thereby certifying that he has a reasonable assurance that the accounts present a true and fair view of the financial situation of the Office.

For that purpose the accounting officer shall satisfy himself that the accounts have been prepared in accordance with the accounting rules, methods and accounting systems established, and that all revenue and expenditure is entered in the accounts.

The authorising officer shall forward all information that the accounting officer needs in order to fulfil his duties.

The authorising officer shall remain fully responsible for the proper use of the funds they manage as well as the legality and regularity of the expenditure under their control.

- 2b. The accounting officer shall be empowered to check the information received as well as to carry out any further checks he deems necessary in order to sign off the accounts.

The accounting officer shall make reservations, if necessary, explaining exactly the nature and scope of such reservations.

- 2c. The accounting officer of the Office shall sign off its annual accounts and send them to the Commission's accounting officer.
3. Subject to paragraph 4 of this Article and Article 44, only the accounting officer shall be empowered to manage cash and cash equivalents. He shall be responsible for their safekeeping.

4. The accounting officer may, in the performance of his duties, delegate certain tasks to subordinates staff subject to the Staff Regulations, where this is indispensable for the performance of his duties.
5. The instrument of delegation shall lay down the tasks entrusted to the delegates and their rights and obligations.

SECTION 4
IMPREST ADMINISTRATOR

Article 44

Where it proves indispensable for the payment of small sums and for the collection of other revenue referred to in Article 5, imprest accounts may be set up which shall be endowed by the accounting officer and shall be placed under the responsibility of imprest administrators designated by him.

The maximum amount of each item of expenditure or revenue that can be paid by the imprest administrator to third parties may not exceed a certain amount to be specified by the Office for each item of expenditure or revenue.

Payments from imprest accounts may be made by bank credit transfer, including the direct debit system referred to in Article 66(1a), cheque or other means of payment, in accordance with the instructions laid down by the accounting officer.

CHAPTER 3
LIABILITY OF THE FINANCIAL ACTORS

SECTION 1
GENERAL RULES

Article 45

1. Without prejudice to any disciplinary action, authorising officers by delegation and subdelegation may at any time have their delegation or subdelegation withdrawn temporarily or definitively by the authority which appointed them.
The authorising officer may at any time withdraw his agreement to a specific subdelegation.
2. Without prejudice to any disciplinary action, the accounting officer may at any time be suspended temporarily or definitively from his duties by the Budget Committee. The latter shall appoint an interim accounting officer.
3. Without prejudice to any disciplinary action, imprest administrators may at any time be suspended temporarily or definitively from their duties by the accounting officer.

Article 46

1. The provisions of this chapter are without prejudice to the criminal-law liability which the authorising officer and the persons referred to in Article 45 may incur as provided in the applicable national law and in the provisions in force on the protection of the Communities' financial interests and on the fight against corruption involving officials of the Communities or officials of Member States.
2. Each authorising officer, accounting officer or imprest administrator shall be liable to disciplinary action and payment of compensation as laid down in the Staff Regulations, without prejudice to Articles 47, 48 and 49. In the event of illegal activity, fraud or corruption which may harm the interests of the Community, the matter will be referred to the authorities and bodies designated by the applicable legislation.

SECTION 2

RULES APPLICABLE TO THE AUTHORISING OFFICER AND AUTHORISING OFFICERS BY DELEGATION AND SUBDELEGATION

Article 47

1. The authorising officer shall be liable to payment of compensation as laid down in the Staff Regulations.
 - 1a. The obligation to pay compensation shall apply in particular if:
 - (a) the authorising officer, whether intentionally or through gross negligence on his part, determines entitlements to be recovered or issues recovery orders, commits expenditure or signs a payment order without complying with this Regulation and its implementing rules;
 - (b) the authorising officer, whether intentionally or through gross negligence on his part, omits to draw up a document establishing an amount receivable, neglects to issue a recovery order or is late in issuing it, or is late in issuing a payment order, thereby rendering the Office liable to civil action by third parties.
2. An authorising officer by delegation or subdelegation who considers that a decision falling under his responsibility is irregular or contrary to the principles of sound financial management shall inform the delegating authority in writing. If the delegating authority then gives a reasoned instruction in writing to the authorising officer by delegation or subdelegation to implement the decision in question, the latter must implement it and may not be held liable.
3. In the event of delegation, the authorising officer shall continue to be responsible for the efficiency and effectiveness of the internal management and control systems put in place and for the choice of the authorising officer by delegation.
4. The Office shall make use of the specialised financial irregularities panel set up by the Commission in accordance with Article 66(4) of the general Financial Regulation unless the Budget Committee decides to set up a functionally independent panel, or to participate in a joint panel established by several

Community bodies. For cases submitted by Community bodies, the specialised financial irregularities panel set up by the Commission shall include one staff member of a Community body.

On the basis of the opinion of this panel, the President of the Office shall decide whether to initiate disciplinary proceedings or proceedings for the payment of compensation. If the panel detects systemic problems, it shall send a report with recommendations to the authorising officer and to the Office's—internal auditor. If the opinion implicates the President, the panel shall send it to the Budget Committee and the Office's internal auditor. The President shall refer, in anonymous form, to opinions of the panel in his annual activity report and indicate the follow-up measures taken.

5. Any member of staff may be required to compensate, in whole or in part, any damage suffered by the Office as a result of serious misconduct on his part in the course of or in connection with the performance of his duties.

The appointing authority shall take a reasoned decision, after completing the formalities laid down by the Staff Regulations with regard to disciplinary matters.

SECTION 3

RULES APPLICABLE TO ACCOUNTING OFFICERS AND IMPREST ADMINISTRATORS

Article 48

An accounting officer may be liable to disciplinary action and payment of compensation, as laid down and in accordance with the procedures in the Staff Regulations, in particular where:

- a) he loses or damages monies, assets and documents in his keeping or causes them to be lost or damaged by his negligence;
- b) he alters bank accounts or postal giro accounts without notifying the authorising officer in advance;
- c) he recovers or pays amounts which are not in conformity with the corresponding recovery or payment orders;
- d) he fails to collect revenue due.

Article 49

An imprest administrator may be liable to disciplinary action and payment of compensation, as laid down in, and in accordance with, the procedures of the Staff Regulations, in particular where:

- a) he loses or damages monies, assets and documents in his keeping or causes them to be lost or damaged by his/her negligence;

- b) he cannot provide proper supporting documents for the payments he has made;
- c) he makes payments to persons other than those entitled;
- d) he fails to collect revenue due.

CHAPTER 4 REVENUE OPERATIONS

SECTION 1 COMMUNITY SUBSIDIES

Article 50

In the event that the Office needs to apply for the subsidy from the general budget of the European Communities referred to in article 139.3 of CTM regulation, the relevant rules of the framework Financial Regulation for the bodies referred to in Article 185 of the general Financial Regulation, in particular those governing the establishment and the discharge of the budget, shall apply;

Article 51

The funds paid to the Office shall bear interest for the benefit of the budget of the Office.

SECTION 2 ESTIMATE OF AMOUNTS RECEIVABLE

Article 52

An estimate of the amount receivable shall first be made by the authorising officer responsible in respect of any measure or situation which may give rise to or modify an amount owing to the Office.

SECTION 3 ESTABLISHMENT OF AMOUNTS RECEIVABLE

Article 53

1. Establishment of an amount receivable is the act by which the authorising officer or authorising officer by delegation:
 - a) verifies that the debt exists;
 - b) determines or verifies the reality and the amount of the debt;

- c) verifies the conditions in which the debt is due.
2. Any amount receivable that is identified as being certain, of a fixed amount and due must be established by a recovery order given to the accounting officer, accompanied by a debit note sent to the debtor. Both of these documents shall be drawn up and sent by the authorising officer responsible.
 3. The contracts and grant agreements concluded by the Office shall provide that any debt not repaid on the due date laid down in the debit note shall bear interest in accordance with Commission Regulation (EC, Euratom) No 2342/2002. The condition whereby interest on late payment is due to the Office, including the rate for default interest, shall be explicitly referred to in the contracts and grant agreements.
 4. In duly substantiated cases, certain routine revenue items may be established provisionally.

Provisional establishment shall cover the recovery of several individual amounts which need not therefore be established individually.

Before the end of the financial year, the authorising officer shall amend the amounts established provisionally to ensure that they correspond to the amounts receivable actually established.

SECTION 4 AUTHORISATION OF RECOVERY

Article 54

The authorisation of recovery is the act whereby the authorising officer responsible instructs the accounting officer, by issuing a recovery order, to recover an amount receivable which he has established.

SECTION 5 RECOVERY

Article 55

1. Amounts wrongly paid shall be recovered.
2. The accounting officer shall act on recovery orders for amounts receivable duly established by the authorising officer or authorising officer responsible. He shall exercise due diligence to ensure that the Office receives its revenue and shall see that its rights are safeguarded.
3. Where the authorising officer responsible is planning to waive or partially waive recovery of an established amount receivable, he shall ensure that the waiver is in order and complies with the principle of sound financial management and proportionality.

Such a waiver shall be made by a duly substantiated decision of the authorising officer. The authorising officer may delegate such a decision only for amounts receivable of less than EUR 5 000.

The waiver decision shall state what action has been taken to secure recovery and the points of law and fact on which it is based.

4. The authorising officer responsible shall cancel an established amount receivable when the discovery of a mistake as to a point of law or fact reveals that the amount had not been correctly established. Such cancellation shall be by decision of the authorising officer responsible and shall be suitably substantiated.
5. The authorising officer responsible shall adjust the amount of an established debt upwards or downwards when the discovery of a factual error entails the alteration of the amount of the debt, provided that this correction does not involve the loss of the established entitlement of the Office. Such an adjustment shall be by decision of the authorising officer responsible and shall be suitably substantiated.

Article 56

1. Upon actual recovery of the sum due, the accounting officer shall make an entry in the accounts and shall inform the authorising officer responsible.
2. A receipt shall be issued in respect of all cash payments made to the accounting officer.

Article 57

1. If actual recovery has not taken place by the due date stipulated in the debit note, the accounting officer shall inform the authorising officer responsible and immediately launch the procedure for effecting recovery by any means offered by the law, including, where appropriate, by offsetting and, if this is not possible, by enforced recovery.
2. The accounting officer shall recover amounts by offsetting them against equivalent claims that the Office has on any debtor who himself has a claim on the Office that is certain, of a fixed amount and due, provided that offsetting is legally possible.

Article 58

The accounting officer, in collaboration with the authorising officer responsible, may allow additional time for payment only at the written request of the debtor, with due indication of the reasons, provided that the following two conditions are met:

- a) the debtor undertakes to pay interest at the rate specified in Article 86 of Regulation (EC, Euratom) No 2342/2002 for the entire additional period allowed, starting from the date set in the debit note;

- b) in order to safeguard the rights of the Office, the debtor provides a financial guarantee covering both the principal sum and the interest.

Article 58a

The accounting officer shall keep a list of amounts due to be recovered, in which the Office's entitlements are grouped according to the date of issue of the recovery order. He shall also indicate decisions to waive or partially waive recovery of established amounts. The list shall be added to the Office's report on budgetary and financial management.

The Office shall establish a list of the Office's entitlements stating the names of the debtors and the amount of the debt, where the debtor has been ordered to pay by a Court decision that has the force of res judicata and where no or no significant payment has been made for one year following its pronouncement. The list shall be published, taking account of the relevant legislation on data protection.

Article 58b

Entitlements of the Office in respect of third parties and entitlements of third parties in respect of the Office shall be subject to a limitation period of five years, which shall be laid down in the contracts and grant agreements concluded by the Office.

SECTION 6
SPECIFIC PROVISIONS APPLICABLE TO FEES AND CHARGES

Article 59

An overall provisional estimate of the fees or charges within the meaning of Article 5(a) of this Regulation shall be made at the beginning of each financial year.

Where fees and charges are entirely determined by legislation or decisions of the Budget Committee, the authorising officer may abstain from issuing recovery orders and directly draw up debit notes after having established the amount receivable. In this case all details of the Office's entitlement shall be registered. The accounting officer shall keep a list of all debit notes and provide the number of the debit notes and the global amount in the Office's report on budgetary and financial management.

Where the Office uses a separate invoicing system, the accounting officer shall regularly, and at least on a monthly basis, enter the accumulated sum of fees and charges received into the accounts.

As a general rule the Office shall provide services by virtue of the tasks entrusted to it only after the corresponding fee or charge has been paid in its entirety. If, by way of exception, a service has been provided without prior payment of the corresponding charge or fee, Sections 3, 4 and 5 of this Chapter shall apply.

CHAPTER 5 EXPENDITURE OPERATIONS

Article 60

1. Every item of expenditure shall be committed, validated, authorised and paid.
2. Every commitment of expenditure shall be preceded by a financing decision.
3. The work programme of the Office shall be equivalent to a financing decision for the activities it covers, provided that they are clearly identified and the underlying criteria are spelled out precisely. The work programme shall comprise detailed objectives and performance indicators.
4. Administrative appropriations may be implemented without a prior financing decision.

SECTION 1 COMMITMENT OF EXPENDITURE

Article 61

1. The budget commitment is the operation reserving the appropriation necessary to cover subsequent payments to honour a legal commitment.
2. The legal commitment is the act whereby the authorising officer responsible enters into or establishes an obligation which results in a charge for the budget.
3. The budget commitment is individual when the beneficiary and the amount of the expenditure are known.
4. The budget commitment is global when at least one of the elements necessary to identify the individual commitment is still not known.
5. The budget commitment is provisional when it is intended to cover routine administrative expenditure and either the amount or the final beneficiaries are not definitively known.

The provisional budget commitment shall be implemented either by the conclusion of one or more individual legal commitments giving rise to an entitlement to subsequent payments or, in exceptional cases relating to expenditure on staff management, directly by payments.

Article 62

1. In respect of any measure which may give rise to expenditure chargeable to the budget, the authorising officer responsible must first make a budget commitment before entering into a legal obligation with third parties.
2. Individual legal commitments relating to individual or provisional budget commitments shall be concluded by 31 December of year N.

At the end of the periods referred to in the first subparagraph, the unused balance of these budget commitments shall be decommitted by the authorising officer responsible.

3. The legal commitments entered into for actions extending over more than one financial year and the corresponding budget commitments shall, save in the case of staff expenditure, have a final date for implementation set in compliance with the principle of sound financial management.

Any parts of such commitments which have not been executed six months after that final date shall be decommitted in accordance with Article 11.

Article 63

When adopting a budget commitment, the authorising officer responsible shall ensure that:

- a) the expenditure has been charged to the correct item in the budget;
- b) the appropriations are available;
- c) the expenditure conforms to the applicable provisions, in particular those laid down in the CTMR, the financial rules of the Office and all acts adopted pursuant to them;
- d) the principle of sound financial management is complied with.

SECTION 2 VALIDATION OF EXPENDITURE

Article 64

Validation of expenditure is the act whereby the authorising officer responsible:

- a) verifies the existence of the creditor's entitlement;
- b) verifies the conditions in which payment is due;
- c) determines or verifies the reality and the amount of the claim.

Article 65

1. Validation of any expenditure shall be based on supporting documents attesting the creditor's entitlement, on the basis of a statement of services actually rendered, supplies actually delivered or work actually carried out, or on the basis of other documents justifying payment.
2. The validation decision shall be expressed by the signing of a "passed for payment" voucher by the authorising officer responsible.

3. In a non-computerised system, "passed for payment" shall take the form of a stamp incorporating the signature of the authorising officer responsible. In a computerised system, "passed for payment" shall take the form of validation using the personal password of the authorising officer responsible.

SECTION 3 AUTHORISATION OF EXPENDITURE

Article 66

1. Authorisation of expenditure is the act whereby the authorising officer responsible, by issuing a payment order, instructs the accounting officer to pay an item of expenditure which he has validated.
 - 1a. Where periodic payments are made with regard to services rendered, including rental services, or goods delivered, and subject to his risk analysis, the authorising officer may order the application of a direct debit system.
2. The payment order shall be dated and signed by the authorising officer responsible, then sent to the accounting officer. The supporting documents shall be kept by the authorising officer responsible in accordance with Article 38(6).
3. Where appropriate, the payment order sent to the accounting officer shall be accompanied by a document certifying that the goods have been entered in the inventories referred to in Article 90(1).

SECTION 4 PAYMENT OF EXPENDITURE

Article 67

1. Payment shall be made on production of proof that the relevant action has been carried out in accordance with the provisions of the basic act within the meaning of Article 1 or the contract or grant agreement and shall cover the following operations:
 - a) payment of the entire amount due;
 - b) payment of the amount due in any of the following ways:
 - i) pre-financing, which may be divided into a number of payments;
 - ii) one or more interim payments;
 - iii) payment of the balance of the amounts due.

Pre-financing shall count in full or in part against the interim payments.

The entire pre-financing and interim payments shall count against the payment of balances.

2. A distinction shall be made in the accounts between the different types of payment referred to in paragraph 1 at the time they are made.

Article 68

Payment shall be made by the accounting officer within the limits of the funds available.

**SECTION 5
TIME-LIMITS FOR EXPENDITURE OPERATIONS**

Article 69

The validation, authorisation and payment of expenditure must be carried out within the time-limits specified in, and in accordance with the provisions of, the detailed rules for implementation of the general Financial Regulation.

**CHAPTER 6
IT SYSTEMS**

Article 70

Where revenue and expenditure operations are managed by means of computer systems, documents may be signed by a computerised or electronic procedure.

**CHAPTER 7
INTERNAL AUDITOR**

Article 71

The Office shall have an internal auditing function which must be performed in compliance with the relevant international standards.

The internal auditor appointed by the President of the Office shall be answerable to the latter for verifying the proper operation of budgetary implementation systems and procedures. The internal auditor may not be either authorising officer or accounting officer.

Article 72

1. The internal auditor shall advise the President of the Office on dealing with risks, by issuing independent opinions on the quality of management and control systems and by issuing recommendations for improving the conditions of implementation of operations and promoting sound financial management.

He shall be responsible in particular:

- a) for assessing the suitability and effectiveness of internal management systems and the performance of departments in implementing programmes and actions by reference to the risks associated with them; and

- b) for assessing the efficiency and effectiveness of the internal control and audit systems applicable to every budget implementation operation.
2. The internal auditor shall perform his duties on all the Office's activities and departments. He shall enjoy full and unlimited access to all information required to perform his duties.
 3. The internal auditor shall report to the President of the Office on his findings and recommendations. The latter shall ensure that action is taken on recommendations resulting from audits.
 4. The internal auditor shall submit to the President of the Office an annual internal audit report setting out *inter alia* the number and type of internal audits conducted, the recommendations made and the action taken on these recommendations. This annual report shall also mention any systemic problems detected by the specialised panel set up under Article 47(4) of this Regulation.
 5. The President of the Office shall submit on an annual basis the internal report drawn up by the internal auditor to the Budget Committee.

Article 73

Special rules applicable to the internal auditor shall be laid down by the Office and shall be such as to guarantee that he is totally independent in the performance of his duties and to establish his responsibility.

If the internal auditor is an official or other member of staff, he shall assume responsibility as laid down in the Staff Regulations and spelt out in the implementing rules referred to in Article 98.

TITLE V PROCUREMENT

Article 74

1. As regards procurement, the relevant provisions of the general Financial Regulation and Regulation (EC, Euratom) No 2342/2002 shall apply subject to paragraphs 4 to 7 of this Article.
2. The Office may be associated, at its request, as contracting authority, in the award of Commission or interinstitutional contracts and with the award of contracts of other Community bodies.
3. The Office shall participate in the common central database set up and operated by the Commission pursuant to Article 95 of the general Financial Regulation.
4. The Office may conclude a contract, without having recourse to a public procurement procedure, with the Commission, the interinstitutional offices and the Translation Centre for bodies of the European Union established by Council

Regulation (EC) No 2965/94 for the supply of goods, provision of services or performance of work that the latter provide.

5. The Office may use joint procurement procedures with contracting authorities of the host Member State to cover its administrative needs. In such case, Article 125c of Regulation (EC, Euratom) No 2342/2002 shall apply mutatis mutandis.

6. For the application of Article 101 of the general Financial Regulation, the call for tender shall provide that the Office may, before the contract is signed, either abandon the procurement or cancel the award procedure without the candidates or tenderers being entitled to claim any compensation.

7. For the application of Article 103 of the general Financial Regulation, calls for tender launched by the Office shall provide that it may suspend the procedure and may take whatever measures are necessary, including the cancellation of the procedure under the conditions laid down in that Article.

For the application of Article 103 of the general Financial Regulation, the contracts concluded by the Office with economic operators shall stipulate that it may take the measures specified in that Article under the conditions laid down therein.

TITLE VA

PROJECTS WITH SIGNIFICANT BUDGET IMPLICATIONS

Article 74a

The President shall, as soon as possible, notify the Budget Committee of its intention to implement any project, which may have significant financial implications for the funding of its administrative budget, in particular any projects relating to property such as the rental or purchase of buildings.

If the Budget Committee intends to issue an opinion, it shall within two weeks after receipt of the information on the project notify the Office of its intention to issue such an opinion. Failing a reply, the Office may proceed with the planned operation.

This opinion shall be forwarded to the Office within four weeks of the notification pursuant to the second paragraph.

TITLE VB

EXPERTS

Article 74b

Article 265a of the Regulation (EC, Euratom) No 2342/2002 shall apply *mutatis mutandis* for the selection of experts. Such experts shall be paid on the basis of a fixed amount, for assisting the Office, in particular in evaluating proposals and grant applications or tenders for procurement, and for providing technical assistance in the follow-up to, and final evaluation of projects. The Office may use the lists drawn up by the Commission or other Community bodies.

TITLE VI GRANTS AWARDED BY THE OFFICE

Article 75

1. As regards any grants awarded by the Office, the relevant provisions of the general Financial Regulation and Regulation (EC, Euratom) No 2342/2002 shall apply subject to paragraphs 2 and 3 of this Article.
2. Grants shall be covered by written agreements between the Office and the beneficiary.
3. For the application of Article 119(2) of the general Financial Regulation, grant agreements concluded by the Office shall stipulate that it may suspend, reduce or terminate the grant in the cases provided for by Article 183 of Regulation (EC, Euratom) No 2342/2002 after the beneficiary has been given the opportunity to make his observations.

TITLE VII PRESENTATION OF THE ACCOUNTS AND ACCOUNTING

CHAPTER 1 PRESENTATION OF THE ACCOUNTS

Article 76

The annual accounts of the Office shall comprise:

- a) the financial statements of the Office;
- b) the reports on implementation of the Office's budget.

The accounts of the Office shall be accompanied by a report on budgetary and financial management during the year. The report shall give an account, *inter alia*, of

the rate of implementation of the appropriations together with summary information on the transfers of appropriations among the various budget items.

Article 77

The accounts must comply with the rules and be accurate and comprehensive and present a true and fair view:

- a) as regards the financial statements, of the assets and liabilities, charges and income, entitlements and obligations not shown as assets or liabilities and cash flow;
- b) as regards reports on budget implementation, of revenue and expenditure operations.

Article 78

The financial statements shall be drawn up in accordance with the generally accepted accounting principles specified in the detailed rules for implementing the general Financial Regulation, namely:

- a) going concern basis;
- b) prudence;
- c) consistent accounting methods;
- d) comparability of information;
- e) materiality;
- f) no netting;
- g) reality over appearance;
- h) accrual-based accounting.

Article 79

1. In accordance with the principle of accrual-based accounting, the financial statements shall show the charges and income for the financial year, regardless of the date of payment or collection.
2. The value of assets and liabilities shall be determined in accordance with the valuation rules provided for in Article 132 of the general Financial Regulation.

Article 80

1. The financial statements shall be presented in euro and shall comprise:
 - a) the balance sheet and the economic outturn account, which represent the assets and liabilities and financial situation and the economic outturn at 31 December of the previous year; they shall be presented in accordance with the structure laid down by the Council Directive on the annual accounts of certain types of companies, but with account being taken of the specific nature of the Office's activities;
 - b) the cash-flow table showing amounts collected and disbursed during the year and the final treasury position;
 - c) the statement of changes in capital presenting in detail the increases and decreases during the year in each item of the capital accounts.
2. The annex to the financial statements shall supplement and comment on the information presented in the statements referred to in paragraph 1 and shall supply all the additional information prescribed by internationally accepted accounting practice where such information is relevant to the Office's activities.

Article 81

The budgetary implementation reports shall be presented in euro. They shall comprise:

- a) the budgetary outturn account, which sets out all budget operations for the year in terms of revenue and expenditure; the structure in which it is presented shall be the same as that of the budget itself;
- b) the annex to the budgetary outturn account, which shall supplement and comment on the information given in that account.

Article 82

The accounting officer of the Office shall, by no later than 31 March of the following year, send its provisional accounts, together with the report on budgetary and financial management during the year, referred to in Article 76, to the Budget Committee.

The accounting officer shall send to the Court of Auditors and to the Commission's accounting officer by no later than 1 March of the following year its provisional accounts, together with the report on budgetary and financial management during the year, referred to in Article 76, so that the latter can consolidate the accounts as provided for in Article 128 of the general Financial Regulation.

The accounting officer shall also send the report on budgetary and financial management to the European Parliament and the Council by 31 March of the following year at the latest.

Article 83

1. In accordance with Article 129(1) of the general Financial Regulation, the Court of Auditors shall, by 15 June of the following year at the latest, make its observations on the provisional accounts of the Office.
2. On receiving the Court of Auditors' observations on the provisional accounts of the Office, the President shall draw up the final accounts of the Office in accordance with Article 43 under his own responsibility, and send them by no later than 1 July of the following financial year to the Budget Committee.
3. The President shall send the final accounts to the Commission's accounting officer, the Court of Auditors, the European Parliament and the Council, by 1 July of the following year at the latest.
4. The final accounts of the Office shall be published in the *Official Journal of the Office for Harmonization in the Internal Market (Trade Marks and Designs)* by 31 October of the following year.
5. The President of the Office shall send the Court of Auditors a reply to the observations made in its annual report by 30 September of the following year at the latest.

CHAPTER 2 ACCOUNTING

SECTION 1 COMMON PROVISIONS

Article 84

1. The accounting system of the Office is the system serving to organise the budgetary and financial information in such a way that figures can be input, filed and registered.
2. The accounts shall consist of general accounts and budgetary accounts. These accounts shall be kept in euro on the basis of the calendar year.
3. The figures in the general accounts and the budgetary accounts shall be adopted at the close of the budget year so that the accounts referred to in Chapter 1 can be drawn up.
4. Notwithstanding paragraphs 2 and 3, the authorising officer may keep analytical accounts.

Article 85

The accounting rules and methods and the chart of accounts to be applied by the Office shall be adopted by the accounting officer, who shall ensure the necessary consistency with the rules adopted by the Commission's accounting officer.

**SECTION 2
GENERAL ACCOUNTS**

Article 86

The general accounts shall record, in chronological order using the double entry method, all events and operations which affect the economic and financial situation and the assets and liabilities of the Office.

Article 87

1. Movements on the accounts and the balances shall be entered in the accounting ledgers.
2. All accounting entries, including adjustments to the accounts, shall be based on supporting documents, to which they shall refer.
3. The accounting system must be such as to leave a trail for all accounting entries.

Article 88

The accounting officer of the Office shall, after the close of the budgetary year and up to the date of presentation of the final accounts, make any adjustments which, without involving disbursement or collection in respect of that year, are necessary for a true and fair presentation of the accounts in compliance with the rules.

**SECTION 3
BUDGETARY ACCOUNTS**

Article 89

1. The budget accounts shall provide a detailed record of budgetary implementation.
2. For the purposes of paragraph 1, the budgetary accounts shall record all budget revenue and expenditure operations provided for in Title IV of this Regulation.

CHAPTER 3 PROPERTY INVENTORIES

Article 90

1. The Office shall keep inventories showing the quantity and value of all the tangible, intangible and financial assets constituting Office property in accordance with a model drawn up by the accounting officer of the Commission.

The Office shall check that entries in the inventory correspond to the actual situation.

2. The sale of movable property shall be advertised in an appropriate manner.

TITLE VIII EXTERNAL AUDIT AND DISCHARGE

CHAPTER 1 EXTERNAL AUDIT

Article 91

The Court of Auditors shall scrutinise the accounts of the Office in accordance with Article 248 of the EC Treaty.

Article 92

1. The Office shall send the Court of Auditors the budget, as finally adopted. It shall inform the Court of Auditors, as soon as possible, of all decisions and acts adopted pursuant to Articles 10, 14, 19 and 23.
2. The Office shall send the Court of Auditors the internal financial rules it adopts.
3. The Court of Auditors shall be informed of the appointment of authorising officers, the internal auditor, accounting officers and imprest administrators and of delegation decisions under Articles 34, 43(1) and (4), 44 and 71.

Article 93

The scrutiny carried out by the Court of Auditors shall be governed by Articles 139 to 144 of the general Financial Regulation.

CHAPTER 2 DISCHARGE

Article 94

1. The Budget Committee shall, before 31 May of year N + 2 give discharge to the President of the Office in respect of the implementation of the budget for year N.
2. If the date provided for in paragraph 1 cannot be met, the Budget Committee shall inform the President of the Office of the reasons for the postponement.
3. If the Budget Committee postpones the decision giving discharge, the President of the Office shall make every effort to take measures, as soon as possible, to facilitate removal of the obstacles to that decision.
4. The Budget Committee shall inform the European Parliament, the Council, the Commission and the Court of Auditors of the decisions it takes under this Article.

Article 95

1. The discharge decision shall cover the accounts of all the revenue and expenditure of the Office, the resulting balance and the assets and liabilities of the Office shown in the financial statement.
2. With a view to granting the discharge, the Budget Committee shall examine the accounts and financial statements of the Office. It shall also examine the annual report made by the Court of Auditors, together with the replies of the President of the Office, any relevant special reports by the Court of Auditors in respect of the financial year in question and the Court of Auditors' statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions.
3. The President of the Office shall submit to the Budget Committee, at the latter's request, any information required for the smooth application of the discharge procedure for the year in question.

Article 96

1. The President of the Office shall take all appropriate steps to act on the observations accompanying the discharge decision.
2. At the request of the Budget Committee, the President of the Office shall report on the measures taken in the light of these observations and comments. He shall send a copy thereof to the Commission and the Court of Auditors.

**TITLE IX
TRANSITIONAL AND FINAL PROVISIONS**

Article 97

The European Parliament, the Council and the Commission shall be empowered to obtain any necessary information or explanations regarding budgetary matters within their fields of competence.

Article 98

The Budget Committee shall, at the proposal of the President of the Office, having consulted the internal auditor and with the Commission prior's opinion, adopt, as required, the rules for implementing this Financial Regulation.

Article 99

Regulation No CB 2-03 of 7 November 2003 is hereby repealed.

References to the repealed Regulation shall be construed as references to this Regulation.

Article 100

This Regulation shall enter into force on 1 September 2009. It shall be published in the *Official Journal of the Office for Harmonization in the Internal Market (Trade Marks and Designs)*.

Done at Alicante on 17 July 2009

*For the Budget Committee
The Chairperson*