



# Administrative Committee

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## Financial Regulations of the Unified Patent Court (Amended 2023)

24 April 2023

# **Amendments to the Financial Regulation of the Unified Patent Court**

## **Explanatory Note**

### **Money transactions in the judicial activities of the Court**

In the preparation of the entry into force of the Unified Patent Court, it has become apparent that the issue of how to deal with money transactions connected to the judicial activities of the Court under the Financial Regulation needs clarification. The transaction regulated under the Rules of Procedure concerns primarily the payment and reimbursement of fees but also other matters as for instance decisions on legal aid. They are all matters that lie within the remit of the judicial independence and not within the remit of the authorization scheme foreseen in the Financial Regulation. In order to clarify a new paragraph 2 is suggested in Article 29.

#### **Article 29.2**

In order to safeguard the judicial independence, added paragraph 2 of Article 29 makes clear that, financial transactions made pursuant to the Rules of Procedure of the Court, including transactions made pursuant to orders issued under the Rules of Procedure, are exempted from the rules covering the obligations of the authorising officer in article 37, 40, 43 and 48. In order to safeguard the financial sustainability of the Court, the Presidium shall however take appropriate measures to ensure that all financial transactions performed by the court comply with principles of sound financial management.

### **Technical amendments**

In addition to the primary objective of the current proposal as explained above the Court would like to propose to implement a few practical amendments.

#### **Article 1.2**

It is suggested to delete the reference to the 2005 IFAC Handbook of IPSAS since there is a new set of standards every year.

#### **Article 1.3**

It is suggested to add a definition of the accounting officer.

#### **Article 33**

It is suggested to provide some flexibility in regard of being able to carry forward payment appropriations for court fees to the following accounting period.

#### **Article 37.1.c**

It is suggested to delete the requirement to specify currencies since amounts should be specified in Euros only.

**Article 48.1 and 48.4.a**

It is suggested to remove the requirement of original vouchers since the current practice with for example pdf invoices do not use originals.

**Article 52.1**

It is suggested to add some flexibility to accept any generally accepted payment method, e.g. credit card.

**Article 52.2**

Due to the limited capacities during the initial period, it is suggested that the requirement that payment documents are to be countersigned by another duly authorized person should be deleted<sup>1</sup>.

**Article 65**

A consequential amendment to Article 1.3

**Article 67**

It is suggested that the deadline for the accounting officer to draw up the financial statements and notes should be slightly more liberal and set to 30 April.

**Article 68.2.a**

It is suggested to add a definition of “IAS”, the International Accounting Standard.

**Article 69**

It is suggested that the deadline for the financial statements relating to the annual should be slightly more liberal and set to 30 May.

**Article 78.1 and 2**

It is suggested that the deadlines for the board of auditors report should be slightly more liberal and set to 30 July and 15 September.

**Annex I items 4 and 9**

The amounts provided are suggested to be slightly higher in order to provide more flexibility for the operation of the Court

**For ease of reading, all proposed amendments have been implemented and highlighted into the text of the Financial Regulations of the UPC (as adopted on 22 February 2022).**

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<sup>1</sup> In the meeting restricted to the first two years of operation of the Court.

**DECISION OF THE ADMINISTRATIVE COMMITTEE OF 24 APRIL 2023  
ADOPTING AMENDMENTS TO THE FINANCIAL REGULATIONS OF THE UNIFIED PATENT COURT**

THE ADMINISTRATIVE COMMITTEE OF THE UNIFIED PATENT COURT,

HAVING REGARD to the Statute of the Unified Patent Court, in particular Article 33 thereof,

HAS DECIDED AS FOLLOWS:

The following amendments are adopted:

the amendments to Articles 1.2, 1.3, 29.2, 33, 37.1.c), 48.1, 48.4.a), 52.1, 52.2, 65, 67, 68.2.a), 69, 78.1 and 78.2, and amendments to Annex I, items 4 and 9 of the Financial Regulations of the Unified Patent Court, as adopted on 22 February 2022.

Done on 24 April 2023 (online meeting)

For the Administrative Committee

signed Johannes Karcher

The Chairperson

# **Financial Regulations of the Unified Patent Court (Amended 2023)**

## TITLE I            GENERAL PROVISIONS, DEFINITIONS

### Article 1

- (1) These Regulations contain the provisions other than those laid down in the Agreement on a Unified Patent Court (hereinafter referred to as “the Agreement”) and in the Statute of the Unified Patent Court (hereinafter referred to as “the Statute”) governing the finances and budget of the Unified Patent Court (hereinafter referred to as “the Court”).
- (2) The general accepted accounting principles referred to in article 26, paragraph 1 and article 33, paragraph 2 (d) of the Statute shall be those laid down in the International Public Service Accountancy Standards (IPSAS). ~~and in the 2005 IFAC Handbook of IPSAS.~~
- (3) For the purpose of these Financial Regulations:

"signature" includes an electronic signature, i.e. data in electronic form which is attached to or logically associated with other electronic data (data message) and which serves as a method of authenticating the signatory in relation to the data message and indicates his or her approval of the information contained in the data message.

"voucher" includes an electronic document, i.e. data in electronic form which must be capable of being printed as paper and transferred to archival media without loss of content or material alteration.

"Authorizing officer" means the Presidium, the principal authorizing officers and the authorizing officers by sub-delegation.

"Principal authorizing officer" means the authorizing officers to whom the Presidium has delegated its powers of authorizing expenditure and issuing receipt orders pursuant to Article 30 paragraph 1).

"Authorizing officer by sub delegation" means the authorizing officers to whom the principal authorizing officers have sub delegated their powers of signature pursuant to Article 30 paragraph 3).

"budget holder" means the principal authorizing officers or the authorizing officers by sub- delegation in the field of procurement in accordance with Article 20 paragraph 2).

"procurement officer" means the principal authorizing officer or the authorizing officers by sub- delegation in the field of procurement in accordance with Article 20 paragraph 3).

**"Accounting officer" means the Registrar of the Court in the exercise of the functions of accounting officer or, by delegation of the Registrar, the Deputy Registrar of the Court or any other person authorized to exercise the functions of accounting officer pursuant to these regulations.**

### Article 2

The financial administration of the Court shall be conducted in accordance with the principles of economy and sound financial management.

## **TITLE II      BUDGET COMMITTEE**

### **Article 3**

The Budget Committee (hereinafter referred to as “The Committee”) provided for in Article 13 of the Agreement, shall exercise the functions entrusted to it in the Statute and these Regulations.

### **Article 4**

In addition to the tasks entrusted to it under these Regulations, the Committee shall be consulted in advance on all questions submitted to the Administrative Committee in which the financial implications have to be taken into consideration.

### **Article 5**

The Committee may require that it be furnished with any information or evidence it considers necessary concerning financial matters for which it is responsible.

## **TITLE III      PAYMENTS AND FINANCIAL CONTRIBUTIONS BY THE CONTRACTING MEMBER STATES**

### **Article 6**

- (1) The initial financial contributions provided for in Article 37 paragraph 2 of the Agreement shall cover all costs necessary to establish a functional Court incurred either by advancing Member States on behalf of the Preparatory or of the Administrative Committee or by the Court itself before the entry into force of the Agreement. Advancing Member States shall be reimbursed in full before the entry into force of the Agreement from the budget of the Court for the provisional application period. The participating Member States contribute to these initial financial contributions according to the contribution key provided for in Article 37 paragraph 3 of the Agreement. These contributions will have been called by the Court with the call for contributions for the provisional application period. In the case of accession after the entry into force of the Agreement, the payment of the initial financial contribution shall be made within 45 days of the date on which accession takes effect for the Member State concerned. The initial financial contributions shall be recorded in a separate account for each contributing Member State. The share of each Member States’ initial contribution will be recalculated with the accession of a new Member State. The new Member States’ initial contribution will be distributed by the Court to the already participating Member States to rebalance their respective share.
- (2) When the costs incurred during the preparatory phase or provisional application period relate to the setting up of an asset, this asset shall be recorded in the assets of the Court.
- (3) Advances to the Working Capital Fund are specified in Article 63.
- (4) All payments shall be made in Euro.

### **Article 7**

The contributions provided for in Articles 36 and 37 paragraphs 3 and 4 of the Agreement shall be paid as follows:

(a) half

- before the 15 February of the accounting period concerned, if the budget has been adopted before 1 January;
- within 45 days of the budget being adopted where this has not occurred before 1 January, in which case the financial contributions referred to in Article 8 shall be deducted from said payment;

(b) the balance before 1 June of the accounting period concerned.

### **Article 8**

In the case of a provisional budget referred to in Article 27, the financial contributions shall be calculated in accordance of the preceding year and shall be paid before the first day of the month to which they apply, except those for the month of January, which shall be paid before 25 January.

### **Article 9**

If an amending or supplementary budget is adopted during an accounting period in accordance with Article 28 the Contracting Member States shall make available to the Court any additional payments or additional financial contributions which may be necessary, within 45 days of the adoption of the said budget.

### **Article 10**

After the adoption of the budget, the Presidium of the Court shall communicate to the Contracting Member States having ratified the Agreement the amount of any financial contributions that are payable pursuant to Articles 36 and 37 paragraphs 3 and 4 of the Agreement.

### **Article 11**

- 1) Contracting Member States for which ratification of the Agreement or accession thereto takes effect during an accounting period in which contributions are payable shall also pay financial contribution fixed in accordance with Article 37 paragraphs 3 and 4 of the Agreement.
- 2) The amount of the initial contribution and of any contributions provided for in Articles 36 and 37 paragraphs 3 and 4 of the Agreement shall be fixed by the Committee.
- 3) The financial contributions provided for in Articles 36 and 37 paragraphs 3 and 4 of the Agreement shall be payable within 45 days of the date on which the Committee has fixed the amount due.

### **Article 12**

- 1) The payments referred to in Articles 36 and 37 of the Agreement shall be made by the Contracting Member States to one of the Court's bank accounts.
- 2) All financial contributions of the Contracting Member States determined in the budget



shall be expressed and paid in euro unless the Committee decides otherwise.

- 3) The Registrar shall draw up quarterly and submit to the Presidium a budget implementation statement, a statement of comprehensive income, and a statement setting out the contributions and advances made as well as the outstanding contributions and advances by the Contracting States.

### **Article 13**

- 1) Late payments of contributions to be made shall be subject to the payment of interest.
- 2) If more than 25 % of a contribution is delayed for more than 1 year, the voting rights in all committees of the Court of the Member state concerned shall be suspended until the payment, including the interest on arrears is made.

### **Article 14**

- 1) The interest rate for late payment of the financial contributions provided for in Articles 36 and 37 paragraphs 2, 3 and 4 of the Agreement shall be fixed by the Committee and shall be equivalent to a weighted average of the bond interest rates supplied by the Contracting Member States for each accounting period.
- 2) For the purposes of calculating the weighted average referred to in paragraph 1 each Contracting Member State shall, not later than 31 January of each year, supply the Committee with its bond interest rate representing the average cost to it in the previous accounting period of raising the money paid in the form of financial contributions and advances.
- 3) The weighted average referred to in paragraph 1 shall be calculated by multiplying the bond interest rate supplied by each State in accordance with paragraph 2 by the percentage obtained for that State in accordance with Article 37 paragraph 3 of the Agreement, when establishing the scale for the financial contributions payable in the preceding accounting period, adding up the resulting products and expressing the total as a percentage.
- 4) The interest rates provided for in paragraph 1) above shall be applied to amounts due, which have not been credited to an account of the Court by the final date for payment laid down in these Regulations, for the period extending from that date to the date on which they are so credited.
- 5) Payments in settlement of the interest in accordance with paragraph 2) above shall be due within 30 calendar days.

## **TITLE IV      Budget**

### **Section 1      Definitions and general principles**

### **Article 15**

The budget shall be the instrument whereby the Committee determines:

- (a) the income estimated and the commitment and payment appropriations necessary to the functioning of the Court, including the Costs provided for in Articles 38 and 39 of the Agreement,
- (b) the total amount of the initial financial contributions provided for in Article 37

paragraph 2 of the Agreement and the proportion thereof, each Contracting Member State has to provide, calculated in accordance with Article 37 paragraph 3 of the Agreement,

- (c) the amounts of the financial contributions provided for in Articles 36 and 37 paragraphs 3 and 4 of the Agreement.

#### **Article 16**

- 1) Commitment appropriations shall constitute the maximum expenditure which the Presidium may commit during the current accounting period. In certain cases specified in the budget, commitments may extend beyond that accounting period.
- 2) Payment appropriations shall constitute the maximum expenditure which the Presidium may authorise and pay during the accounting period in respect of commitments entered into during that accounting period.

#### **Article 17**

All income shall be available to cover all expenditure. However, income intended for a specific purpose, such as revenue from foundations, subventions, gifts and bequests, shall be used as stipulated.

Contributions on a voluntary basis must not entail additional financial obligations and must not be contrary to the aims of the Court.

#### **Article 18**

Every item of income or expenditure must be attributed to a budget heading.

#### **Article 19**

- 1) For the purposes of implementing the budget, the principle of separation of powers shall operate between authorizing and accounting officers.
- 2) The management of commitment and payment appropriations shall be the responsibility of the authorizing officer, who shall have sole power to commit expenditure, establish debts to be recovered and issue receipts and payment orders.
- 3) Responsibility for executing receipt and payment orders shall lie with the accounting officer.
- 4) The duties of authorizing officer shall be incompatible with those of accounting officer.

#### **Article 20**

- 1) For procurement, the duties of authorizing officer are divided between the budget holder and the procurement officer, unless otherwise decided by the Presidium in view of the special needs of the operational area concerned.
- 2) The budget holder shall be responsible for the management of budget appropriations, including the reservation, commitment and transfer of funds, the approval of the award of contracts and the validation of delivered goods, services and work.
- 3) The procurement officer shall be responsible for conducting the procurement procedures, including the registration of commitments, the commitment and validation of expenditure chargeable to the Court, and the issuance of receipt and

payment orders.

## **Section 2      Structure, presentation and adoption of the budget**

### **Article 21**

The Presidium shall prepare the draft budget of the Court in accordance with these Regulations.

### **Article 22**

- 1) The budget shall be drawn up in euro.
- 2) The accounting period shall commence on 1 January and end on 31 December.

### **Article 23**

- 1) According to Article 36 of the Agreement the budget shall be balanced.
- 2) The draft budget shall contain for the budget year:
  - a) the authorisation budget, including the estimated income and the maximum expenditure appropriations for operating and capital transactions in respect of which the Presidium requests authorization for the implementation of the budget as further defined in TITLE IV Section 3.
  - b) the appropriations shall be classified by type and broken down into titles, chapters and articles;
  - c) the plan statement of comprehensive income;
  - d) the plan statement of financial position.
- 3) The draft budget shall be accompanied by:
  - a) a table showing the permanent posts in the current budget, together with the permanent posts proposed in the draft budget, listed by category and grade. Grades may be grouped together under the conditions laid down in the Service Regulations for permanent employees of the Court. The table of posts shall constitute a binding limit for permanent posts beyond which appointments and promotions may not be made;
  - b) a statement explaining any other staff requirements;
  - c) estimates for the authorisation budget, the plan statement of comprehensive income and the plan statement of financial position for the four subsequent years and a forecast of cash- flow by period.

### **Article 24**

The following shall be furnished in support of the draft budget:

- 1) a general explanatory memorandum concerning the development of income, expenditure, assets and liabilities of the Court;
- 2) as regards personnel,
  - a) an establishment plan for the Court of Appeal and for each division of the Court of First Instance, showing the posts approved in the current budget and the

- number of staff in post when the budget is drawn up, broken down by category and grade;
- b) a statement explaining any proposals for new posts or for changes in existing posts;
- 3) a statement explaining in detail any changes proposed in the budget and showing:
  - a) actual income for the last closed accounting period and income estimated for the current accounting period;
  - b) actual expenditure for the last closed accounting period and expenditure approved for the current accounting period;
- 4) an analysis of operating income and expenditure according to products and services for the budget year, as well as for the last closed accounting period, as set out in Annex 2.

#### **Article 25**

- 1) The Presidium shall submit the draft budget and the annexed documents to the Committee not later than 31 October of the preceding year.
- 2) The Administrative Committee and the Board of Auditors (Article 70) shall be informed.

#### **Article 26**

Before the beginning of the budget year, the Committee shall adopt the authorisation budget referred to in Article 23 paragraph 2) a), and the table of posts referred to in Article 23 paragraph 3) a), and shall approve the planned financial statements as referred to in Article 23 paragraphs 2) c) and d), and the estimates referred to in Article 23 paragraph 3) c)

#### **Article 27**

- 1) If, at the beginning of the accounting period, the Budget has not been adopted by the Committee, expenditure may be effected under the conditions for a provisional budget, as laid down in Article 31 paragraph 1 of the Statute.
- 2) At the request of the Presidium, the Committee may, subject to the other provisions laid down in Article 31 paragraph 1 of the Statute, authorise at any one time accrued expenditure in excess of one-twelfth of the budget appropriations for the preceding accounting period. Such cases shall be explained in a reasoned request, and in accordance with Article 77, the Board of Auditors is invited to report on their implementation.
- 3) The provisional budget shall be implemented under the same conditions as the budget adopted for the preceding accounting period.

#### **Article 28**

- 1) If necessary, the Presidium may submit draft amending or supplementary budgets in accordance with the same procedure and in the same form as the original draft budget. They shall be accompanied by a statement explaining the amendments by reference to the budget amended and shall be submitted to the Committee not later than the final dates for submission of the draft budget for the following accounting period.

- 2) The Committee shall discuss such budgets, having due regard to their urgency, and shall take its decision in accordance with the same conditions as those applicable to the original budget.

## **Section 3 Implementation of the budget**

### **Chapter 1 General provisions**

#### **Article 29**

- 1) The adoption of the budget by the Committee shall constitute an obligation on the part of the Contracting Member States to make the requisite advances, contributions and payments and shall empower the Presidium and the Registrar within the limits of their respective competences and acting in accordance with any special conditions laid down by the Committee:
  - a) to receive the income provided for in the budget and any other funds which fall due to the Court in connection with its activity. Revenue in the form of gifts and bequests or voluntary contributions must first be approved by the Committee;
  - b) to commit expenditure for which commitment appropriations are available, within the limits of such appropriations;
  - c) to commit, authorise and pay expenditure for which payment appropriations are available, within the limits of such appropriations.
- 2) Financial transactions made pursuant to the Rules of Procedure of the Court are exempted from the rules covering the obligations of the authorising officer in article 37, 40, 43 and 48.

#### **Article 30**

- 1) The Presidium may delegate to principal authorizing officers appointed by it its powers of authorizing expenditure and issuing receipt orders. For procurement, powers shall be delegated separately to principal authorizing officers acting as budget holders and to the principal authorizing officer acting as procurement officer, unless an exception has been made under Article 20 paragraph 1).
- 2) Principal authorizing officers shall act within the limits of the powers delegated to them by the Presidium.
- 3) With prior approval of the Presidium, principal authorizing officers may sub-delegate their powers of signature to other employees.
- 4) Authorizing officers by sub-delegation shall act within the limits of the powers delegated to them by the principal authorizing officers.

#### **Article 31**

- 1) The Presidium and principal authorizing officers acting within the limits of the powers delegated to them under Article 30 paragraph 2), may transfer appropriations between chapters of one title or within a chapter.
- 2) The Presidium, and principal authorizing officers acting within the limits of the powers delegated to them under Article 30 paragraph 2), may transfer appropriations from

one chapter to another, provided the amounts under the chapters involved are increased or reduced by not more than 10% or max. 200 000,00 €.

- 3) The prior approval of the Committee shall be required for all other transfers.
- 4) All transfers of appropriations shall be reported in the annual financial statements.

### **Article 32**

- 1) Approved appropriations shall be used only after funds have been duly committed and only after a payment order has been duly issued, except for salaries, allowances, pensions and general payroll costs.
- 2) Income and expenditure during the accounting period shall be recorded in the accounts and shall be presented in the budget implementation statement.
- 3) The budget implementation statement shall include:
  - a) income and expenditure in like form to that adopted for the budget, so framed as to enable comparison with the budget estimates;
  - b) the transfer of appropriations as defined in Article 31.

### **Article 33**

According to Article 27 paragraph 2 of the Statute, at the end of each accounting period, unused commitment appropriations and payment appropriations other than those relating to staff costs **and payment appropriations for Court fees** can only be carried forward to the end of the following accounting period.

### **Article 34**

Current operating expenditure chargeable to future accounting periods may be committed in advance, provided it relates to firm legal obligations and an expenditure type or purpose approved in the current budget.

## **Chapter 2      Liability of authorizing and accounting officers**

### **Article 35**

- 1) Any authorizing officer who establishes a debt to be recovered or a receipt order, commits expenditure or signs a payment order without complying with these Regulations or the rules for their implementation shall be liable to disciplinary action and, where applicable, to payment of compensation. The same shall apply to any authorizing officer who fails to draw up an instrument establishing a debt to be recovered or, without good reason, neglects to issue a receipt order or is dilatory in doing so.
- 2) The liability of authorizing officers by sub-delegation to payment of compensation and to disciplinary action is subject to the terms and conditions of the Service Regulations. Without prejudice to any disciplinary action and to their right to change any sub-delegation of signature, the principal authorizing officers may, at their discretion, revoke temporarily or definitively the delegated powers of signature.
- 3) The principal authorizing officers are responsible for the choice and supervision of their respective authorizing officers by sub-delegation.

- 4) The Court shall obtain appropriate insurance coverage for the authorizing officers concerning the risk of liability to pay compensation.

### **Article 36**

- 1) Any accounting officer who fails to keep safe the monies, securities and documents in his charge or to execute correctly orders received by him in respect of the use and administration of bank and post office giro accounts shall be liable to disciplinary action and to payment of compensation.
- 2) Subject to Article 51 paragraph 3), any accounting officer shall be liable to disciplinary action and, where applicable, to payment of compensation in respect of any payment made by him:
  - a) if he fails to comply with these Regulations or the rules for their implementation;
  - b) if the payment does not correspond to the amount shown in the payment order;
  - c) if the payment is made to a party other than the rightful payee.
- 3) The Court shall obtain appropriate insurance coverage for the accounting officers concerning the risk of liability to pay compensation.

## **Chapter 3      Receipts**

### **Article 37**

- 1) The authorizing officer shall issue receipt orders in respect of all amounts owed to the Court, establishing the existence and amount of the debt and confirming that the order is in compliance with the financial provisions of the Court. The receipt order shall state in particular:
  - a) the accounting period to which the receipt is to be charged;
  - b) the exact budget heading;
  - c) the amount owing, specifying the currency(ies);
  - d) the name and address of the debtor;
  - e) the purpose of the receipt;
  - f) the due date for payment.
- 2) The receipt order shall be dated and signed by the authorizing officer.
- 3) Receipt orders duly drawn up by the authorizing officer shall be forwarded to the accounting officer for recovery.
- 4) No receipt order shall be issued in respect of receipts not based on a debt.

### **Article 38**

- 1) If the authorizing officer requests the accounting officer not to proceed with recovery of a duly established debt, he shall provide the accounting officer with a reasoned proposal for cancellation.
- 2) The accounting officer may refuse to act on a cancellation proposal he considers unjustified. Such refusal shall be substantiated in writing.

**Article 39**

Receipts shall be issued for all cash payments made to the accounting officer.

## **Chapter 4      Management of appropriations**

### **1      Commitment of expenditure**

**Article 40**

Before any measures are taken which may involve expenditure chargeable to the Court the necessary funds must first be committed by the authorizing officer, except for appropriations listed under Article 32 paragraph 1.

**Article 41**

Commitments shall state inter alia the purpose and amount of the expenditure involved, the budget and financial account to which they are charged and, for all amounts exceeding a threshold to be set by the Presidium, the names of the creditors. Commitments exceeding the above threshold shall be forwarded to the Committee for approval.

**Article 42**

- 1) Commitments shall be registered subject to the following requirements:
  - a) that the expenditure is charged to the correct budget heading;
  - b) that funds are available;
  - c) that the expenditure envisaged is in order and that it complies with the relevant provisions, and in particular with these Regulations and the budget.
- 2) The authorizing officer shall be responsible for registration.
- 3) Commitments shall take effect as soon as they are registered.

### **2      Validation of expenditure**

**Article 43**

- 1) The authorizing officer shall validate the delivered goods, services or work by:
  - a) certifying that the goods have been delivered, the services rendered or the work done in accordance with the terms of the contract;
  - b) checking the price and quantity on the invoice and any other document giving rise to a charge in the budget.
- 2) The authorizing officer shall validate the expenditure by:
  - a) verifying the formal compliance of the invoice with the applicable accounting requirements;
  - b) establishing or verifying the amount of the debt;
  - c) verifying the conditions under which payment is due.





**Article 44**

- 1) For the purposes of validating the goods delivered, services rendered or the work done and the expenditure, vouchers must be presented showing the creditor's rights or confirming the existence of a document justifying payment. The vouchers shall be in compliance with the financial regulations.
- 2) The competent authorizing officer shall personally check the vouchers or, on his own responsibility, satisfy himself that this has been done.
- 3) In the case of duty travel expenditure the competent authorizing officer may, on his own responsibility, conduct specific control procedures e.g. random checks, for the purpose of validating the relevant expenses.

**Article 45**

Remuneration and allowances shall be validated on the basis of the collective statement drawn up by the department responsible for personnel matters, except where they need to be validated individually.

**3 Authorization of expenditure****Article 46**

By issuing a payment order to the accounting officer, the authorizing officer authorises him to pay the expenditure validated.

**Article 47**

- 1) The payment order shall confirm that the goods have been received, the services have been performed or the work has been done and, where applicable, that the relevant items have been entered in the inventories referred to in Article 59.
- 2) It shall also state:
  - a) the accounting period to which the expenditure is to be charged;
  - b) the exact financial account to which it is to be charged;
  - c) the amount to be paid (in figures and words), specifying the currency;
  - d) the name and address of the payee;
  - e) the purpose of the expenditure;
  - f) wherever possible, the mode of payment;
  - g) the numbers and dates of the corresponding registrations of commitment, and
  - h) the cost centre to which the expenditure is to be charged.
- 3) The payment order shall be dated and signed by the authorizing officer.
- 4) Exceptionally, advance payment may be made if circumstances require it. The Presidium shall lay down rules which specify the preconditions for advance payments and the procedure to be followed. Such procedure shall ensure clear accountability and transparency.

**Article 48**

- 1) The payment order shall be accompanied by the ~~original~~ vouchers.
- 2) Exceptionally, copies of vouchers authenticated by the authorizing officer may be accepted in place of originals which he has already produced in support of an earlier payment or which he is unable to surrender.
- 3) Where payment is to be made in instalments, the first payment order shall be accompanied by vouchers establishing that the creditor is entitled to payment of that instalment. Subsequent payment orders shall refer to the vouchers already furnished and quote the reference number of the first payment order.
- 4) In the case of the reimbursement of official travel expenses,
  - ~~a) copies of vouchers authenticated by the authorizing officer may be accepted in place of originals~~
  - a) for expenses up to the amount specified in Annex 1 which are not covered by a lump-sum amount, a personal declaration by the traveller may be accepted without production of the relevant vouchers
  - b) for the purpose of validating the expenses, original vouchers must be kept by the traveller until the reimbursement is made.

**Article 49**

The authorizing officer may grant advances to staff:

- 1) in cases expressly provided for in the Service Regulations for permanent employees of the Court;
- 2) where a permanent or other employee is himself called upon to make an advance payment recognised as being chargeable to the Court.

**Chapter 5      Payment of expenditure****Article 50**

- 1) The purpose of payment is to discharge the Court partially or completely of its obligations towards its creditors.
- 2) Payment shall be made by the accounting officer within the limits of the funds available.

**Article 51**

- 1) In the event of a material error, or of the payment being contested on the grounds that it does not validly discharge the Court from its obligations, or of failure to observe the formalities prescribed by these Regulations the accounting officer shall suspend payment.
- 2) The accounting officer shall immediately notify the authorizing officer in writing of his reasons for suspending payment.
- 3) Except in cases where payment is suspended owing to lack of funds or because the

validity of the discharge is contested, the authorizing officer may, on his own responsibility and in writing, countermand the suspension.

- 4) Upon receipt of the countermanding order, the accounting officer shall effect payment and attach the countermanding order to the payment order.

## **Article 52**

- 1) Payment shall normally be made through a bank or post office giro account or any generally accepted payment method.
- 2) Cheques, bank and post office giro transfer orders and any other documents made up for payment shall bear the signature of the accounting officer or of the assistant accounting officer concerned and be countersigned by another duly authorised person. This obligation to counter-sign does not apply during the first two years of operation of the Court.
- 3) The accounting officer may make individual payments not exceeding the amount specified in Annex 1 and debit them to a suspense account without the authorizing officer having issued a payment order, provided the amount in question has been committed. At the end of each calendar month and whenever the total amount of such payments reaches the amount specified in Annex 1, the accounting officer must produce the relevant vouchers, in the light of which the authorizing officer shall issue the corresponding payment order to the accounting officer.
- 4) As provided for in Article 26 paragraph 4 of the Statute the accounting officer shall draw up yearly and submit to the Presidium for approval, a list of payments effected by the accounting officer including payments effected under orders issued by the authorizing officer in accordance with Article 51 paragraphs 3) and 4), and a list of receipt orders cancelled in accordance with Article 38.

## **TITLE V PLACING OF CONTRACTS, ACQUISITION OF IMMOVABLE PROPERTY, INVENTORY, ADMINISTRATION OF FUNDS, ACCOUNTS**

### **Section 1 Placing of contracts, acquisition of immovable property**

#### **Article 53**

- 1) Contracts for the purchase or leasing of supplies, furniture and equipment, and for building works or other goods and services shall be in writing (if applicable on electronic format). They shall be awarded following invitations to tender either on a discretionary basis taking account of a variety of factors or on the basis of price alone, as defined in Article 54.
- 2) Contracts may, however, be placed direct in the cases specified in Article 55.
- 3) Goods may be acquired and services received against invoice in the cases specified in Article 58.
- 4) Invitations to tender shall normally be published in all Contracting Member States and, where appropriate, in non-member countries. However, publication may be restricted if a public invitation to tender cannot be issued owing to the nature of the goods and services concerned or the amount involved.

- 5) Bidders from different Member States shall not be discriminated against on grounds of nationality when contracts are placed.

#### **Article 54**

- 1) Where a contract is to be awarded on a discretionary basis, the competent body shall be free to choose the bid it considers best having regard to price, running costs, technical quality, delivery period or time required to carry out the work, and the quality and financial guarantees offered by each bidder.
- 2) Where a contract is to be awarded on the basis of price alone, entitlement to final award of the contract concerned is publicly conferred, following approval by the authorizing officer responsible, on the lowest bidder amongst those tendering comparable bids in due form and in accordance with the rules and conditions applicable.
- 3) The invitation to tender is termed "public" if any person is entitled to bid; it is termed "restricted" if confined to competing bidders selected as being particularly qualified for the purpose.

#### **Article 55**

Contracts may be placed direct where:

- (a) the contract sum or annual rental for a single indivisible unit does not exceed the amount specified in Annex 1; the Presidium must nevertheless, as far as possible and by all appropriate means, ensure that contractors or suppliers able to supply the goods or perform the service or work in question compete for the contract;
- (b) the goods, services or work are so urgently required that it is not possible to await the outcome of either of the forms of invitation to tender provided for in Article 54, in which case, if the award decision involves an amount exceeding the amount specified in Annex 1, it shall be reported in comprehensive form to the Committee as soon as possible;
- (c) there has been no response to an invitation to tender or the prices quoted are not acceptable and re-issuing the invitation is not expected to produce a better result;
- (d) for technical, practical or legal reasons the goods, services or work can only be provided by a specific contractor or supplier.

#### **Article 56**

- 1) Except for contracts and leases contrary to budgetary provisions and contracts for the acquisition, exchange or long-term lease of immovable property, contracts and leases involving an amount or annual rent exceeding, for a single indivisible unit, the amount specified in Annex 1 shall be referred for approval, before the authorizing officer approves the award of contract, to the Committee.
- 2) Contracts for the acquisition, exchange or long-term lease of immovable property involving an amount or annual rent exceeding, for a single indivisible unit, the amount specified in Annex 1 shall be referred for approval, before the authorizing officer approves the award of contract, to the Committee.
- 3) All award decisions against budgetary provisions involving an amount or annual rent exceeding, for a single indivisible unit, the threshold referred to in paragraph 1) shall

be reported in comprehensive form to the Committee at the next possible Committee meeting.

- 4) The Committee shall be informed by 30 June at the latest each year of all award decisions for the preceding year not already referred or reported to the Committee where the contracts and leases involve an amount or annual rent for a single indivisible unit exceeding the amount specified in Annex 1. The report for each award decision shall contain in tabular form the type of award procedure, details of the title of the contract, the number of bidders, the number of admissible bids, the name of the successful bidder and the amount or annual rent.

#### **Article 57**

As a guarantee of performance of contract, contractors or suppliers may be required to provide security in advance.

Part of the amount payable by the Court may be withheld pending final acceptance.

#### **Article 58**

Goods may be acquired and services received against invoice if the expected cost for a single indivisible unit does not exceed the amount specified in Annex I.

## **Section 2 Inventory**

#### **Article 59**

- 1) A permanent inventory shall be kept listing all movable and immovable property belonging to the Court. Items of movable property shall be listed only if their value is equal to or greater than the amount specified in Annex 1, and if they are to be used for more than one year and are not classified as non-durable consumer goods.
- 2) Items of movable and immovable property shall, upon acquisition, be entered in the inventory when payment is ordered. Said entry shall be noted on the payment order.

#### **Article 60**

- 1) Sales of movable or immovable property shall be so advertised as to ensure that the most advantageous terms are obtained.
- 2) Permanent and other employees of the Court may not acquire movable or immovable property sold by the Court, except by bidding at public auction.

#### **Article 61**

- 1) A written statement shall be drawn up by the competent authorizing officer whenever any property in the inventory is sold, scrapped or otherwise disposed of, or reported missing owing to loss or theft, or for any other reason.
- 2) The statement shall mention whether an employee of the Court or any other person may be required to make restitution.

### **Section 3    Administration of funds**

#### **Article 62**

- 1) The Committee shall adopt guidelines restricting the areas funds could be invested in to prevent speculative investments.
- 2) In accordance with the guidelines restricting the areas funds could be invested and drawn up by the Committee, the Presidium shall be empowered to:
  - a) invest such funds as are not needed for the immediate requirements of the Court;
  - b) open and operate bank accounts, including foreign currency accounts, as necessary for the performance of the official activities of the Court;

#### **Article 63**

- 1) There shall be established a Working Capital Fund to meet
  - a) Short-term liquidity problems pending receipt of assessed contributions;
  - b) Unavoidable expenses for developments in existing situations that could not be foreseen or could not be accurately estimated at the time of adoption of the budget.
- 2) The Working Capital Fund shall be constituted by residual amounts of contributions from Member States to the operating costs which have not been used up at the end of a budget period and advances from Contracting Member States. The amount shall be determined annually by the Committee. Advances shall be made in accordance with an agreed scale of assessment, as provided for in Article 37 paragraphs 3 and 4 of the Agreement. Advances shall be recorded in the liabilities of the Court, to the credit of Contracting Member States which have made these advances.
- 3) After the determination of the amount of the Working Capital Fund, the Presidium of the Court shall communicate to the Contracting Member States having ratified the Agreement their commitment in respect of advances to the Working Capital Fund. The advances shall be considered as due and payable in full within 45 days of the receipt of the communication of the Presidium of the Court. Contracting Member States which ratify, or accede to the Agreement after the entry into force thereof shall be required to provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the Committee in accordance to Article 37 paragraphs 3 and 4 of the Agreement.
- 4) Payments made by a Contracting Member State shall be credited first to the Working Capital Fund, then to the oldest arrears of assessed contributions.
- 5) Payments made from the Working Capital Fund to finance budgetary appropriations
  - a) due to unavoidable expenses for developments in existing situations that could not be foreseen or could not be accurately estimated at the time of adoption of the budget (Para. 1 lit. b) may be made only with the prior approval of the Committee

- b) shall be reimbursed to the Fund by internal budgetary redeployment as soon as and to the extent that income is available for that purpose.
- 6) An appropriate separate account shall be maintained for the Working Capital Fund. Income of the Working Capital Fund shall be credited to the Fund.
- 7) Any cash surplus in the Working Capital Fund shall be apportioned among the Contracting Member States in proportion to the agreed scale assessment, as provided for in Article 37 paragraphs 3 and 4 of the Agreement. As of January 1 following the year in which the audit of the accounts of the financial period is completed, the amount so apportioned to a

Contracting Member State shall be surrendered to such Contracting Member State if its contributions for that financial period has been paid in full and shall be applied to liquidate, in whole or in part, first, any advance due to the Working Capital Fund; secondly, any arrears of assessed contributions; and thirdly, assessed contributions for the calendar year following the year in which the audit is completed.

## **Section 4 Accounts**

### **Chapter 1 General points**

#### **Article 64**

The accounts of the Court shall be kept in Euro.

#### **Article 65**

**The Accounting Officer** shall be responsible for the keeping of accounts. He can sub-delegate his powers to assistant accounting officers.

#### **Article 66**

- 1) The accounts shall be recorded by calendar year applying the accounting principles referred to in Article 1 paragraph (1), and in such a way as to allow for the presentation of the financial statements as defined in Annex 2.
- 2) Entries in the accounts shall be made in accordance with the Court's chart of accounts and the accounting manual as defined in paragraph 3) below.
- 3) The Court shall maintain an accounting manual including the structure of the accounts and rules and instructions for entries in the accounts.
- 4) Data entries shall be supported by vouchers or other relevant documents.
- 5) In order to draw up financial statements compliant with the accounting principles defined in Article 1 paragraph (1), the accounting officer may instruct authorizing officers and assistant accounting officers to provide information, vouchers and other relevant documents and to perform non-payment-related entries in the accounts where he considers such instruction necessary.

#### **Article 67**

Accounts shall be closed at the end of the accounting period as defined in Article 29 of the



Statute. The accounting officer shall draw up the financial statements and notes stipulated in Article 68 together with any relevant observations, not later than **30 April** of the following accounting period.

## **Chapter 2      Structure of the annual accounts**

### **Article 68**

- 1) The financial statements referred to in Article 26 paragraph 4) of the Statute relating to the annual accounts to be drawn up by the accounting officer, and to be submitted to the Presidium for approval, shall comprise:
  - a) the complete set of financial statements for the Court in accordance with the accounting principles referred to in Article 1 paragraph 2) and with Annex 2;
  - b) the budget implementation statement as defined in Article 32 paragraph 3);
- 2) The financial statements shall be supported by notes which shall include:
  - a) a statement of the accounting policies adopted by the Court including departures from IPSAS requirements, if any, in accordance with **the International Accounting Standard** IAS 1;
  - b) such further explanations as may be necessary for a proper understanding of the annual accounts.

## **TITLE VI      PRESENTATION, AUDITING AND APPROVAL OF ACCOUNTS**

### **Article 69**

The financial statements relating to the annual accounts shall be submitted by the Presidium to the auditors not later than 30 May following the close of the accounting period.

### **Article 70**

- 1) The number of auditors to be appointed pursuant to Article 32 of the Statute shall be two. The Budget Committee may decide to extend this number to three auditors. Together they shall comprise the Board of Auditors (hereinafter referred to as "the Board"). Board members shall be appointed by the Committee, from a list of candidates nominated by the Member States.
- 2) Board members must not have been employed by the Court during the three years preceding the date of their appointment.
- 3) Board members shall have proven audit experience and shall preferably be selected from among the officials of national audit bodies of the Contracting Member States. They shall have a good command of one of the three official languages defined in Article 88 para. 1 of the Agreement and be able to work in a second. All three official languages shall be represented on the Board.
- 4) Board members shall be appointed on a rota basis in accordance with Article 32 of the Statute for a term of 4 Years. The members can be reappointed once.
- 5) Board members who resign or whose term of office has expired shall remain in office until they are replaced. They may not be employed by the Court during the three years following the end of their term of office.

**Article 71**

The Board shall draw up its own rules of procedure governing:

- the distribution of tasks among Board members
- the process by which the Board shall reach its decisions
- the drafting of the annual audit programme
- the commissioning of audit firms or other external experts
- fundamental auditing standards and methods.

**Article 72**

The Committee shall determine the duty allowance to be paid to Board members including mission expenses.

**Article 73**

The Committee shall set aside each year in the main budget of the Court an amount equivalent to one thousandth of the total budget or 100,000 Euro, whichever is greater to cover all audit expenses.

**Article 74**

- 1) Within the limits set by the budget for audit:
  - a) the Board may call upon assistants of its choice whose names shall be communicated to the Committee. They may be remunerated by decision of the Committee and shall be entitled to reimbursement of mission expenses in accordance with the rules applicable to Board members;
  - b) the Board shall each year determine which auditing activities are to be executed by audit firms or other external experts. It shall select the audit firms or experts in accordance with the provisions of TITLE V Section 1, of these Regulations and shall decide each year whether existing contracts are to be renewed.
- 2) The Committee shall afford technical assistance in the selection of the audit firms or experts and shall commission those selected by the Board. The contractual relationship shall be between the Court, represented by the Committee, and the audit firms or experts. The contracts, which must be drafted in agreement with the Board, shall stipulate that the audit firms or experts report only to the Board, and that only the Board is competent to give them instructions. The Committee shall terminate the contracts on the Board's initiative.
- 3) Audit firms or experts who work or have worked on behalf of the Board shall not be employed by the Court during their period of engagement nor during the three years thereafter.
- 4) The Board shall be responsible for the supervision, evaluation and approval of work performed and services provided by audit firms or experts.

**Article 75**

- 1) The Board shall carry out its activities in accordance with Article 32 of the Statute, the Financial Regulations and professional auditing standards. The Board shall be completely independent and solely responsible for the conduct of the audit.
- 2) The audit, which shall be carried out on the basis of whatever documents or other records the auditors may consider necessary and, if need be, in situ, shall establish in particular whether:
  - a) the terms of the budget and other budgetary provisions have been adhered to;
  - b) the annual accounts as defined in Article 68 have been properly substantiated and all transactions properly recorded;
  - c) securities and cash on deposit and in hand accord with the amounts in the cash accounts;
  - d) procedures are efficient, effective and economical and whether work could be performed more efficiently with fewer staff or other resources, or in other ways.
- 3) The Committee may, on a limited scale, ask the Board to carry out specific investigations or reviews.

**Article 76**

- 1) The Presidium shall afford the Board whatever facilities it considers necessary for the performance of its duties. The accounting officer shall, in particular, place at its disposal whatever accounts relating to cash, securities and physical assets, entry records, vouchers and inventories it considers necessary.
- 2) Board members and their assistants shall have access to all the premises of the Court and shall be empowered to interview the Presidium or any employee of the Court. The same shall apply to the audit firms and external experts in so far as this is necessary for them to carry out their assignment.
- 3) The Board shall receive the annual internal audit programme and all reports of the internal audit department of the Court.
- 4) Board members are entitled to attend the meetings of the Committee.

**Article 77**

After the close of each accounting period and following its audit the Board shall present a report containing the following elements:

- an audit opinion signed by the Board on whether, subject to such reservations as it may wish to make, the annual accounts submitted to it in accordance with Article 68 give a true and fair view of the financial position of the Court and of the results of its operations for the period then ended, in conformity with the Convention, these Regulations and professional accounting principles;
- the results of the audit carried out to ascertain whether the financial management of the Court is sound;

- whatever observations the Board considers necessary as to the appropriateness of the existing budgetary and financial arrangements and on any changes proposed by the Court, together with such changes as the Board may itself wish to suggest; and
- the Board's report on its audit activities in respect of the accounting period then ended and the services provided by audit firms or external experts, together with a summary of the expenditure incurred in respect of the various auditing activities.

#### **Article 78**

- 1) The Board shall forward to the Presidium not later than **30 July** of each accounting period the report described in Article 77 in respect of the preceding period.
- 2) The auditor's report, together with the annual financial statements of the Court, the annual budget implementation statement for the preceding accounting period and such explanations and reasons as the Presidium may consider appropriate, shall be communicated to the Committee not later than the following **15 September**.
- 3) The Committee shall, by 31 October, communicate to the Presidium their comments, if any, on the report and a proposal regarding the discharge of the Presidium and the Fund Administrator.

### **TITLE VII INTERNAL AUDIT**

#### **Article 79**

- 1) The Presidium shall be assisted in the performance of its functions by Internal Audit, a unit independent of the operational activities of the Court, which shall carry out assessments and report directly to the Presidium having due regard to the prerogatives of the Board of Auditors.
- 2) Internal Audit shall provide independent, objective assurance services designed to add value to and improve the regulatory compliance, performance and quality of the Office's operations. It shall help the Court to accomplish its objectives by taking a systematic approach to appraising and improving the effectiveness of risk management, control and governance processes.
- 3) Internal Audit shall operate in accordance with generally recognised professional standards and the Internal Audit Charter issued by the Presidium.
- 4) An annual report of the work of internal audit will be sent to the Committee and the Board on the work done in year and the implementation of previous reports before the annual accounts are accepted

### **TITLE VIII MISCELLANEOUS PROVISIONS**

#### **Article 80**

Annexes I and II shall form an integral part of these Regulations.

#### **Article 81**

The Presidium shall be responsible for the implementation of these Regulations; it shall lay down the rules for their implementation after consulting the Committee.

## **TITLE IX      FINAL PROVISION**

### **Article 82**

These Regulations shall enter into force on the date of entry into force of the Agreement.

## ANNEX 1

### Thresholds applicable to Articles of the Financial Regulations

	Reference to Articles	Amount
1	Article 48 paragraph 4)b) : a personal declaration by the traveller may be accepted without production of the relevant voucher for expenses which are not covered by a lump-sum amount, up to	25 €
2	Article 52 paragraph 3) : The accounting officer may make individual payments not exceeding	50 €
3	Article 52 paragraph 3) : the accounting officer must produce the relevant vouchers whenever the total amount of such payments reaches	500 €
4	Article 55 paragraph a) : Contracts may be placed direct where the contract sum or annual rental for a single indivisible unit does not exceed <del>(amount provided for supply and services contract of small scale (60 000€) and for larger contract (100 000 €)).</del>	<del>60 000 €</del> 100 000 €
5	Article 55 paragraph b) : the award decision shall be reported in comprehensive form to the Committee as soon as possible if it involves an amount exceeding	150 000 €
6	Article 56 paragraph 1) : contracts and leases shall be referred for approval, before the authorizing officer approves the award of contract, to the Committee when involving an amount or annual rent exceeding, for a single indivisible unit,	750 000 €
7	Article 56 paragraph 2) : Contracts for the acquisition, exchange or long-term lease of immovable property shall be referred for approval, before the authorizing officer approves the award of contract, to the Committee when involving an amount or annual rent exceeding, for a single indivisible unit,	750 000 €
8	Article 56 paragraph 4) : The Committee shall be informed by 30 June at the latest each year of all award decisions for the preceding year not already referred or reported to the Committee where the contracts and leases involve an amount or annual rent for a single indivisible unit exceeding	150 000 €
9	Article 58 : Goods may be acquired and services received against invoice if the expected cost for a single indivisible unit does not exceed	3500 €
10	Article 59 paragraph 1) : Items of movable property shall be listed only if they are to be used for more than one year and are not classified as non-durable consumer goods and if their value is equal to or greater than	1 500 €

## ANNEX 2

### PRESENTATION OF THE FINANCIAL STATEMENTS

The following charts concerning the presentation of financial statements have been taken from the 2005 IFAC Handbook of International Public Sector Accounting Standards Board.

#### **Public Sector Entity — Statement of Financial Position as of 31 December 20X2 (page 60 of the Handbook)**

#### **ASSETS**

	20X2	20X2	20X1	20X1
Current assets				
Cash and cash equivalents	X		X	
Receivables	X		X	
Inventories	X		X	
Prepayments	X		X	
Investments	X		X	
		X		X
Non-current assets				
Receivables	X		X	
Investments	X		X	
Other financial assets	X		X	
Infrastructure, plant and equipment	X		X	
Land and buildings	X		X	
Intangible assets	X		X	
Other non-financial assets	X		X	
		X		X
Total assets				
		X		X

#### **LIABILITIES**

	20X2	20X2	20X1	20X1
Current liabilities				
Payables	X		X	
Short-term borrowings	X		X	
Current portion of borrowings	X		X	
Provisions	X		X	
Employee benefits	X		X	
Superannuation	X		X	

		X		X
Non-current liabilities				
Payables	X		X	
Borrowings	X		X	
Provisions	X		X	
Employee benefits	X		X	
Superannuation	X		X	
		X		X
Total liabilities				
		X		X

	20X2	20X2	20X1	20X1
Net assets				
		X		X
NET ASSETS/EQUITY				
Capital contributed by other government				
Entities	X		X	
Reserves	X		X	
Accumulated surpluses/(deficits)	X		X	
		X		X
Minority interest		X		X
Total net assets/equity				
		X		X

**Public Sector Entity— Statement of Financial Performance for the Year Ended 31 December 20X2 (Illustrating the Classification of Expenses by Nature) (page 64 of the Handbook)**

	20X2	20X1
Operating revenue		
Taxes	X	X
Fees, fines, penalties and licenses	X	X
Revenue from exchange transactions	X	X
Transfers from other government entities	X	X
Other operating revenue	X	X
Total operating revenue	X	X
Operating expenses		



Wages, salaries and employee benefits	X	X
Grants and other transfer payments	X	X
Supplies and consumables used	X	X
Depreciation and amortization expense	X	X
Other operating expenses	X	X
Total operating expenses	X	X
Surplus/(deficit) from operating activities	X	X
Finance costs	(X)	(X)
Gains on sale of property, plant and equipment	X	X
Total non-operating revenue (expenses)	(X)	(X)
Surplus/(deficit) from ordinary activities	X	X
Minority interest share of surplus/(deficit)	(X)	(X)
Net surplus/(deficit) before extraordinary items	X	X
Extraordinary items	(X)	(X)
Net surplus/(deficit) for the period	X	X

**Public Sector Entity— Statement of Changes in Net Assets/Equity for the Year Ended 31 December 20X2 (page 65 of the Handbook)**

	Contributed	Revaluation	Translation	Accumulated	Total
Balance at 31 December 20X0	X	X	(X)	X	X
Changes in accounting policy	(X)			(X)	(X)
Restated balance	X	X	X	X	X
Surplus on revaluation of property		X			X
Deficit on revaluation of investments		(X)			(X)
Currency translation differences			(X)		(X)
Net gains and losses not recognized in the statement of financial performance		X	(X)		X
Net surplus for the period				X	X
Balance at 31 December 20X1 (?)	X	X	(X)	X	X
Deficit on revaluation of property		(X)			(X)

Surplus on revaluation of investments		X			X
Currency translation differences			(X)		X
Net gains and losses not recognized in the statement of financial performance		(X)	(X)		(X)
Net deficit for the period				(X)	(X)
Balance at 31 December 20X2	X	X	(X)	X	X

## CASH FLOW STATEMENTS

The handbook proposes two alternative ways of describing the Cash Flow : direct method or indirect method. The direct method seems more appropriate to analyse the movements, but the indirect method given further may also be considered. One of these methods has to be chosen.

### **Option 1 : Direct Method Cash Flow Statement (paragraph 27(a)) (pages 90, 91 and 92 of the Handbook)**

Public Sector Entity— Consolidated Cash Flow Statement for Year Ended 31 December 20X2

	20X2	20X1
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Taxation	X	X
Sales of goods and services	X	X
Grants	X	X
Interest received	X	X
Other receipts	X	X
Payments		
Employee costs	(X)	(X)
Superannuation	(X)	(X)
Suppliers	(X)	(X)
Interest paid	(X)	(X)
Other payments	(X)	(X)
Net cash flows from operating activities	X	X
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(X)	(X)
Proceeds from sale of plant and equipment	X	X
Proceeds from sale of investments	X	X
Purchase of foreign currency securities	(X)	(X)
Net cash flows from investing activities	(X)	(X)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	X	X

Repayment of borrowings	(X)	(X)
Distribution/dividend to government	(X)	(X)
Net cash flows from financing activities	X	X
Net increase/(decrease) in cash and cash equivalents	X	X
Cash and cash equivalents at beginning of period	X	X
Cash and cash equivalents at end of period	X	X

### Notes to the Cash Flow Statement

#### (a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	20X2	20X1
Cash on hand and balances with banks	X	X
Short-term investments	X	X
	X	X

The entity has undrawn borrowing facilities of X, of which X must be used on infrastructure projects.

#### (b) Property, Plant and Equipment

During the period, the economic entity acquired property, plant and equipment with an aggregate cost of X of which X was acquired by means of capital grants by the national government. Cash payments of X were made to purchase property, plant and equipment.

#### (c) Reconciliation of Net Cash Flows from Operating Activities to Net

Surplus/(Deficit) from Ordinary Activities (in thousands of currency units)

	20X2	20X1
Surplus/(deficit) from ordinary activities	X	X
Non-cash movements		
Depreciation	X	X
Amortization	X	X
Increase in provision for doubtful debts	X	X
Increase in payables	X	X
Increase in borrowings	X	X
Increase in provisions relating to employee costs	X	X
(Gains)/losses on sale of property, plant and equipment	(X)	(X)
(Gains)/losses on sale of investments	(X)	(X)
Increase in other current assets	(X)	(X)
Increase in investments due to revaluation	(X)	(X)
Increase in receivables	(X)	(X)
Extraordinary item	(X)	—
Net cash flows from operating activities	X	X

**Option 2 : Indirect Method Cash Flow Statement (paragraph 27(b)) (pages 93 and 94 of the Handbook)**

Public Sector Entity—Consolidated Cash Flow Statement for Year Ended 31 December 20X2 (In Thousands of Currency Units)

	20X2	20X1
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus/(deficit) from ordinary activities	X	X
Non-cash movements		
Depreciation	X	X
Amortization	X	X
Increase in provision for doubtful debts	X	X
Increase in payables	X	X
Increase in borrowings	X	X
Increase in provisions relating to employee costs	X	X
(Gains)/losses on sale of property, plant and equipment	(X)	(X)
(Gains)/losses on sale of investments	(X)	(X)
Increase in other current assets	(X)	(X)
Increase in investments due to revaluation	(X)	(X)
Increase in receivables	(X)	(X)
Extraordinary item	(X)	—
Net cash flows from operating activities	X	X
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(X)	(X)
Proceeds from sale of plant and equipment	X	X
Proceeds from sale of investments	X	X
Purchase of foreign currency securities	(X)	(X)
Net cash flows from investing activities	(X)	(X)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	X	X
Repayment of borrowings	(X)	(X)
Distribution/dividend to government	(X)	(X)

**Notes to the Cash Flow Statement**

**(a) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	20X2	20X1
Cash on hand and balances with banks	X	X
Short-term investments	X	X
	X	X

The entity has undrawn borrowing facilities of X, of which X must be used on infrastructure projects.

(b) Property, Plant and Equipment

During the period, the economic entity acquired property, plant and equipment with an aggregate cost of X of which X was acquired by means of capital grants by the national government. Cash payments of X were made to purchase property, plant and equipment.