

**NATO UNCLASSIFIED**

**NAPMO FINANCIAL REGULATIONS  
(NAPMO FRs)**

including the

**NAPMO FINANCIAL RULES AND PROCEDURES  
(NAPMO FRPs)**

Version 1.0  
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## PREAMBLE

The NAPMO Financial Regulations (NAPMO FRs) are issued pursuant to:

- The MMOU dated 06 Dec 1978 and its addenda
- NATO Financial Regulations, ref C-M(2015)0025
- NAPMO Charter, ref PO/78/120 Revised

The purpose is to ensure effective, economical budgetary and financial administration of appropriated funds for the execution of the NAEW&C Programme and in support of the NAEW&C Force operations, while at the same time demonstrate a transparent contribution to consistent and harmonised financial practices between NATO bodies as called for by the North Atlantic Council.

The NAPMO Financial Rules and Procedures (NAPMO FRPs) to the preamble:

1. The NAPMO FRPs are to be read in conjunction with the NAPMO FRs, and shall in no way be construed as superseding any provision of the NAPMO FRs, an amendment of which shall take immediate effect.
2. According to the MMOU-Addendum, Section IV, Para 2 the Principles and Procedures as stated in annex A apply.

## SECTION I – GENERAL PROVISIONS

### ARTICLE 1 – APPLICATION

- 1.1. These Regulations shall govern the financial administration of NAPMA for the execution of the NAEW&C Modernisation Programme.
- 1.2 Any amendments from the NATO Financial Regulations required in the Financial Regulations of NAPMO will be justified by the NAPMO Board of Directors (hereinafter referred to as BOD) and submitted to the North Atlantic Council (NAC) for approval.
- 1.3 A glossary of terminology can be found at the end of these Regulations.
- 1.4 The funding, budgeting, finance and cost-sharing-arrangements and principles and procedures for previous NAEW&C Modernisation Programmes (i.e. NMT, LAIRCM, ESM, Near Term and FUP) remain unchanged as long as these Programmes are not consolidated and closed.

### NAPMO FRPs I

- 1) The present NAPMO FRPs are approved by the NAPMO Board of Directors (BOD) for the purpose of ensuring effective, economical, budgetary and financial administration throughout NAPMA financed from the funded resource allocations approved by the BOD.
- 2) These NAPMO FRPs apply to the NAPMO Board of Directors and the NATO Airborne Early Warning & Control Programme Management Agency (NAPMA). They are prepared following the provisions of Article 4.4 of the NAPMO Financial Regulations and govern the execution of the NAEW&C Modernisation Programme.
- 3) The Policy and Finance Committee (PFC) may authorize deviations from these NAPMO FRPs in individual cases, with notification to the BOD.

## ARTICLE 2 – FINANCIAL YEAR

2.1 The financial year shall be the period 1st January to 31st December.

### NAPMO FRPs II

No FRPs proposed

## ARTICLE 3 – RESPONSIBILITY AND ACCOUNTABILITY

3.1 The General Manager of NAPMA (hereinafter: the General Manager) is responsible and accountable for sound financial management and shall put in place the necessary governance arrangements to ensure and maintain this. This shall include, but is not limited to, the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

3.2 The adherence to Article 3.1 is confirmed annually by signature of the Financial Statements and Statements of Internal Control. Both documents should be signed by the General Manager and the Financial Controller

3.3 All NAPMA staff, military and civilian, are obligated to comply with these NAPMO Financial Regulations, associated Financial Rules and Procedures and internal implementing directives. Any member of staff who contravenes these Regulations, associated Financial Rules and Procedures and internal implementing directives will be held accountable and may be financially liable for their actions. Serving military personnel may be referred to their respective national authorities for whatever disciplinary action is deemed appropriate. All NATO international civilian, temporary and consulting staff shall be dealt with in accordance with the disciplinary procedures defined under the NATO Civilian Personnel Regulations.

3.4 NAPMA shall be responsible, within the limits laid down in the NAPMO Charter and in compliance with the purposes therein defined, for the correct administration of funds and assets placed at NAPMA's disposal for the execution of the NAEW&C Modernisation Programme. All risk inherent in the performance within this Programme shall be borne by participating Nations.

### NAPMO FRPs III

1) In exercise of his/her responsibilities and accountability for sound financial management the General Manager, shall appoint officers on his/her staff to exercise the following specific functions:

- i. A Financial Controller (see NAPMO FRPs VI for additional details of responsibilities);
- ii. Budget Officers, to be responsible to the Financial Controller for:
  - (a) the effective oversight of the financial planning, programming, budgeting and evaluation cycle;
  - (b) the preparation, screening, and submission of the annual budget to the PFC and the defence of the budget in front of the Nations;

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- (c) the effective and transparent execution of the annual budget and transfers within the approved budget in accordance with Article 26 of the NAPMO FRs, and any additional guidance provided by the PFC;
  - (d) the production of periodic and ad hoc reports about the execution of the budget in accordance with the requirements set by the Nations.
- iii. Treasury Officers, to be responsible to the Financial Controller for:
  - (a) assessing, receiving and accounting for contributions and advances of contributions from member governments in accordance with NAPMO FRs Article 29;
  - (b) receiving funds from other sources;
  - (c) safeguarding all funds and negotiable documents received;
  - (d) forecasting requirements and investing funds in accordance with NAPMO FRs Article 31;
  - (e) effecting payments pursuant to NAPMO FRs Article 25 and NAPMO FRP XXV.6
  - (f) receiving and safeguarding funds and negotiable documents on behalf of NAPMA;
  - (g) operating such bank accounts as are approved by the Financial Controller;
  - (h) forecasting requirements and submitting requisitions for funds in accordance with instructions issued by the Financial Controller.
- iv. Finance and Accounting Officers, to be responsible to the Financial Controller for:
  - (a) performing the control functions prescribed by FRPs XXV;
  - (b) the effective oversight and control of the accounts prescribed by NAPMO FRs Article 34;
  - (c) the preparation, control and submission of the financial statements prescribed by NAPMO FRs Article 35;
  - (d) The review, monitoring and check of the asset accounting registers
- v. Purchasing and Contract Officers, to have exclusive legal responsibilities for the procurement of goods and services on behalf of the General Manager.

## ARTICLE 4 – FINANCIAL MANAGEMENT

4.1 Activities undertaken by NAPMO shall be conducted in accordance with an integrated financial management process that includes the following instruments:

- (a) Medium and/or long term planning;
- (b) Annual budgets;
- (c) Regular performance reports on financial management;
- (d) Regular financial execution reports; and,

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- (e) Auditable annual Financial Statements.

4.2 The financial administration of NAPMA must be based on clear delegations of authority and ensure the most cost efficient, cost effective and economic use of resources incorporating the following principles:

- (a) Propriety;
- (b) Sound governance;
- (c) Accountability;
- (d) Transparency;
- (e) Risk management and internal control;
- (f) Internal audit;
- (g) External audit; and
- (h) Fraud prevention and detection.
- (i) Return on investment to the NAPMO Nations

4.3 Performance against these principles shall be measured on annual basis. Performance evaluation shall be drawn up in accordance with approved formats and submitted in accordance with procedures prescribed by the BOD.

4.4 The BOD shall, as applicable, approve a set of Financial Rules and Procedures that provide additional guidance to ensure the effective implementation of these Financial Regulations. Furthermore, and consistent with the applicable set of Financial Regulations, Rules and Procedures, the Financial Controller may promulgate additional internal implementing directives in order to ensure sound financial management. Such internal implementing directives shall be sent to the NAPMO Policy and Finance Committee (hereinafter the PFC) upon request.

#### **NAPMO FRPs IV**

The rules as set out in the NATO Accounting Framework are included in Article 34 of the NAPMO FRs and shall be taken into account for the preparation of the Financial Statements.

- 1) The NAEW&C Modernisation Programme will be funded from contributions by participating nations and from non-contribution funds upon approval from the BOD.
- 2) Programme inflation risks will be borne by the NAPMO nations. Nations will be liable for any recognized revenue or loss due to changes in industry inflation rates. Contractors will not benefit or lose from such fluctuations and will not price such risks into their proposals.
- 3) Risk related to currency exchange are borne by the NAPMO nations. NAPMO nations will be liable for any gain or loss from exchange rate changes due to the necessary exchange of currency essential to the execution of the program. Contractors will not benefit or lose from such fluctuations and will not be allowed to price such risks into their proposals.
- 4) NAPMA administrative costs will be funded, unless otherwise directed by the BOD, as follows:
  - \* Mid-Term, Large Aircraft Infrared Countermeasures (LAIRCM), and Follow-on Upgrade Modernisation Programmes within the respective established programme contribution ceiling.



- \* The funding sources for the Administrative budgets will be based on the relative proportion of work to be performed in support of various NAPMA activities.

5) All income generated from nations' contributions to the modernisation programmes or NAPMO authorized activities (e.g. sale of assets) will be returned to nations, in accordance with their cost share, in the absence of express decision by the BOD to the contrary. The method of return will be agreed bilaterally between each nation and NAPMA. The Agency will inform the Nations of the amount of existing funds and the portion thereof which has not been obligated yet.

6) The use of so-called Economic Price Adjustment (EPA) clauses for contracts over 100 Mio. USD is not mandatory.

## ARTICLE 5 – FINANCIAL PLANNING

5.1 The financial planning, programming, budgeting and evaluation cycle shall form an integral part of the management process of NAPMA.

5.2 The financial planning process shall delineate the activities and requirements needed to meet the mandates of NAPMO. Objectives and strategies shall be derived from policy direction received from the BOD.

5.3 The financial planning process shall serve as the framework for the development of annual financial plans or budgets.

5.4 The financial planning process shall be conducted in accordance with approved guidance and formats prescribed by the BOD.

### NAPMO FRPs V

1) The Financial Controller must ensure that the financial planning, programming, budgeting and evaluation cycles conducted pursuant to this Article are developed in accordance with the guidance and formats issued by the PFC.

2) Additional information shall be provided by the Financial Controller as deemed necessary to support discussions in the PFC.

3) Once per year an updated Mid Term Financial Plan (MTFP) shall be presented to the PFC, jointly with the budget proposal. The MTFP will contain also a forecast for up to 5 years (t + 5)

## SECTION II – FINANCIAL CONTROLLER

### ARTICLE 6 – RESPONSIBILITIES

6.1 The General Manager shall have a Financial Controller on his/her staff to be his/her principal financial advisor and who exercises in his/her name responsibilities for, but not limited to:

- (a) The budgeting, accounting and reporting activities of NAPMA;
- (b) Ensuring adherence to the principles of sound financial management as laid down in Article 4;

- (c) The management of appropriated funds;
- (d) The responsibility for the organisation and administration of the financial internal control system established pursuant to Article 12.1;
- (e) Prior approval of commitments consistent with Article 25;
- (f) Management of commitments in line with Article 25;
- (g) The authority to make transfers of approved authorisations permissible in accordance with Article 26;

6.2 The Financial Controller shall be responsible to the General Manager and shall be accountable to the PFC on the management of appropriated funds.

## **NAPMO FRPs VI**

### Executive Organisation

- 1) The Financial Controller is the General Manager's principal financial management adviser and is responsible for the correct application of all appropriated funds approved for use by NAPMA.
- 2) The Financial Controller shall be made aware at the earliest possible stage of all major issues of policy and projects having financial implications.
- 3) The Financial Controller of NAPMA and his/her staff, shall be independent of other staff elements. The Financial Controller shall ensure that:
  - i. detailed rules and procedures are established to attain effective financial administration;
  - ii. comprehensive accounting systems are established and maintained for all international funds and property;
  - iii. all accounts are reconciled and verified on a regular basis, and all activities with financial implications, including multinational and non- appropriated fund activities, controlled by periodic inspection.
  - iv. financial limits of discretionary powers delegated by NAPMO FRPs XII are annually promulgated and applied.

## **ARTICLE 7 – RECOURSE OF THE FINANCIAL CONTROLLER**

7.1 In the exercise of the responsibilities as defined by Article 6.1, the Financial Controller shall have recourse, in the first instance, to the NAPMO governance structure and, when required, to the Resource Policy and Planning Board (RPPB) for resolution of any persistent doubt or disagreement regarding the compliance of any proposed measure or decision with the provisions found in these Regulations and the Financial Rules and Procedures.

7.2 Direct recourse to the NAPMO governance structure and the RPPB shall be reserved to a Financial Controller having the authority and responsibility prescribed by Article 6.1 and shall be exercised in the following circumstances:

- (a) The Financial Controller shall have formally advised against implementation of the proposed measure or decision by the General Manager on the grounds specified in Sub-Article 7.1;
- (b) Such advice shall, after consultation with the Financial Controller, have been rejected or ignored by the General Manager;

- (c) The Financial Controller shall have informed the General Manager of the intention to seek a ruling by the NAPMO governance structure.

7.3 If such doubts and concerns persist, the Financial Controller shall have final recourse to the Council or appropriate governing body.

#### **NAPMO FRPs VII**

No FRPs proposed

### **ARTICLE 8 – RECRUITMENT**

8.1 The post of Financial Controller shall be recruited and appointed on the basis of merit by a candidate (preferably a civil servant) of the NAPMO Nations in accordance with the NAPMO Charter and the Civilian Personnel Regulations. The Financial Controller shall be nominated for appointment by the General Manager, on the basis of recommendations put forward by an independent selection panel.

8.2 A qualified and suitable candidate should have an appropriate combination of education, competences, professional qualifications and experience relevant to the position, to fulfil the duties and responsibilities of a Financial Controller.

8.3 The vacancy notice for Financial Controller posts shall be advertised in accordance with standard NAPMO recruitment policy and practices.

#### **NAPMO FRPs VIII**

- 1) At least six months prior to the expiration of a Financial Controller's appointment the General Manager shall decide whether or not reappointment is proposed.
- 2) If reappointment is desired and accepted by the Financial Controller, approval as required by Article 9.2 of the NAPMO FRs is requested.
- 3) If reappointment is not proposed or not accepted, the recruitment procedure shall be initiated in line with the standard NAPMO recruitment policy and practices.

### **ARTICLE 9 – APPOINTMENT**

9.1 The Financial Controller shall be selected and nominated by the General Manager.

9.2 The effective appointment and contract renewal of the Financial Controller to the staff of the General Manager shall be subject to prior approval by the BOD.

#### **NAPMO FRPs IX**

- 1) The BOD shall have the relevant information deemed necessary to base its recommendation on the effective appointment and contract renewal of a Financial Controller.

### **ARTICLE 10 – TERM OF APPOINTMENT**

10.1 The Financial Controller of a NATO body shall be appointed for a period of three years which may be renewed one time only for a further three year period.

**NAPMO FRPs X**

No FRPs proposed

**SECTION III – RISK MANAGEMENT, INTERNAL CONTROL AND AUDIT**

**ARTICLE 11 – RISK MANAGEMENT**

11.1 The General Manager shall:

- (a) Ensure effective, efficient and economical risk management procedures are in place to support the achievement of objectives as set by the NAPMO Nations.
- (b) Identify, assess and mitigate the risks to the achievement of these objectives.

**NAPMO FRPs XI**

1) The General Manager shall ensure commitment to overall risk management and that all staff divisions are in a position to identify the key risks, an evaluation of the nature and extent of those risks, and implementing controls to mitigate these risks. Risk management is to be considered in strategic and operational planning, day-to-day management and decision making at all levels in the organization, whenever possible.

2) NAPMA staff must implement risk management processes according to Article 11 of the NAPMO FRs and appropriate risk management standards. The risk management standards shall also take into account the Internal Control framework as defined by the Financial Controller.

3) Periodically, the NAPMA Internal Auditor shall monitor and evaluate the effectiveness of the organization's risk management processes.

4) The NAPMA Financial Controller shall identify and evaluate the impact of Key Financial Risks.

**ARTICLE 12 – INTERNAL CONTROL**

12.1 The General Manager shall ensure the necessary internal management functions are in place to support effective internal control, designed to provide reasonable assurance that NAPMA will achieve its objectives in the following categories:

- (a) Safeguard assets;
- (b) Verify the accuracy and reliability of accounting data and records;
- (c) Promote operational efficiency; and
- (d) Compliance with established managerial and command policies.

12.2 In order to meet the desired internal control standards the Financial Controller shall:

- (a) Establish a system of internal financial and budgetary control, embracing all aspects of financial management including transactions for which appropriations have been approved;

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- (b) Designate and formally delegate authority to officials who may disburse and receive funds on his/her behalf;
- (c) Establish and maintain comprehensive accounting records of all assets and liabilities.

12.3 Internal control activities shall include, but not be limited to:

- (a) Segregation of duties;
- (b) Avoidance of conflicts of interests;
- (c) Adequate audit trails and data confidentiality, integrity and availability in information systems;
- (d) Procedures for monitoring of performance and for follow-up of identified internal control weaknesses and deviations from the procedures laid down in the internal control system;
- (e) Periodic assessment and review of the risk and the sound functioning of the internal control system;
- (f) Formal approval process and authorisation for transactions.

### **NAPMO FRPs XII**

In the application of Article 12 the General Manager and the Financial Controller shall take the necessary steps to ensure the greatest possible uniformity of the rules and procedures within the characteristics and limits laid down in the NAPMO Charter.

- 1) Five financial limits of discretionary powers (EFL) are established as follows:
  - i. EFL A: €10.000
  - ii. EFL B: €20.000
  - iii. EFL C: €80.000
  - iv. EFL D: €160.000
  - v. EFL E: €800.000

The EFL are subject to periodic review by the PFC as deemed necessary.

2) The system of Internal Control as prescribed in Article 1, is designed to identify risks, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This information should be provided by the Financial Controller in the Statement of Internal Control.

- 3) The Statement of Internal Control shall include the following items:
  - i. The Financial Controller shall confirm whether an effective system of internal control is maintained and operated by NAPMA;
  - ii. The Financial Controller shall confirm whether the system of internal control provides reasonable assurance of the achievement of the following objectives: effectiveness and efficiency operations, reliability of financial information, and compliance with applicable rules and regulations;
  - iii. The Financial Controller shall provide an evaluation to what extent the system of Internal Control is in place. The Financial controller shall provide a review

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of the effectiveness of the system of Internal Control and on what information the assessment is based. Based on the result of the review, the Financial Controller shall mention areas of improvement of the system of Internal Control and an assessment on the possible impact of these weaknesses;

- iv. The General Manager, in consultation and agreement with the Financial Controller, may reassign qualified officials to perform such functions in addition to those enumerated in Art.3/FRPs III as are deemed necessary for the maintenance of accountability and internal control, within the limits prescribed by the segregation of duties principle.

## ARTICLE 13 – INTERNAL AUDIT

13.1 NAPMA shall undertake internal audit activities in order to evaluate risk exposures and the effectiveness of internal controls in managing risk within the organisation's governance, operations and information systems regarding:

- (a) Reliability and integrity of financial and operational information;
- (b) Effectiveness and efficiency of operations and internal controls;
- (c) Safeguarding of assets;
- (d) Compliance with rules and regulations.

Internal audit reports should be submitted to the PFC for consideration.

13.2 NAPMA shall have access to a permanent, adequately resourced, internal audit function, compliant with internationally accepted Internal Auditing standards and the requirements of NAPMA. Based on a cost/benefit analysis and risk assessment, management can decide to set up an in-house internal audit function or to outsource the required internal audit capability. In such cases, the applicable governing body should determine the most cost effective method of obtaining an internal audit function.

### NAPMO FRPs XIII

Internal Audit and Review Responsibilities

Role and Mandate

- 1) The primary role of Internal Audit shall be to help the General Manager to protect assets, reputation and sustainability of the organization. It does this by:
  - i. assessing whether all significant risks are identified and appropriately reported by management and the Risk function in accordance with the existing risk management policies;
  - ii. assessing whether risks are adequately controlled;
  - iii. challenging management to improve the effectiveness of governance, risk management and internal controls.
- iv. The internal audit activity must be independent and must report to the General Manager to allow fulfilling its responsibilities. In NAPMA the role of Internal Audit shall be articulated in the NAPMO Corporate Governance

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Policy and NAPMA Management Directive, which should be publicly available within the organization.

### Scope and priorities of Internal Audit

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

### Internal Audit Plan

3) At least annually, the Internal Auditor will submit to the appropriate management bodies, including the Audit Board an internal audit plan for review and approval.

4) The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management, the management body, including the Audit Board. The Internal Auditor will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the management bodies, including the Audit Board through periodic activity reports.

### Reporting and Monitoring

5) A written report will be prepared and issued by the Internal Auditor following the conclusion of each internal audit engagement and will be distributed to the appropriate parties, in accordance with the Internal Audit performance standards.

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

## ARTICLE 14 – EXTERNAL AUDIT

14.1 External audit of NAPMO subject to these Regulations in accordance with Article 1 shall be performed by a Board of Auditors appointed by the Council.

14.2 The Board, constituted as the International Board of Auditors for NATO (hereinafter referred to as IBAN), shall operate in accordance with the Charter approved by the Council.

14.3 The Council alone shall have the authority to amend the IBAN Charter, based on advice and recommendations from the IBAN and the RPPB.

14.4 The BOD may approve for specific cases that national audit authorities, at their own cost, obtain information and documents related to that contributing Nation's participation in NAPMO, without infringing on the rights of other NAPMO Nations.

### NAPMO FRP XIV

No FRPs proposed

## ARTICLE 15 – REPORTS

15.1 The IBAN shall include in the audit report the response from management of the NATO body, normally endorsed by the relevant governing body, to the comments and observations in the audit findings, assuming that management has provided factual and formal comments to the IBAN's draft report within the deadline set by the IBAN in their letter of engagement.

15.2 The IBAN shall present its final reports, including factual and formal comments, together with the audited Financial Statement, to the Council not later than 31 August, following the end of the Financial Year. The IBAN's final report shall also be copied to the relevant governing body. Council shall refer the final audit report to the RPPB for examination, comments and recommendations. The RPPB shall then consult with stakeholders as appropriate and submit advice to Council consistent with the timelines set out in Article 35.

### NAPMO FRPs XV

1) The BOD shall provide the approved formal comments on the draft IBAN report not later than 15 August to the Financial Controller.

## ARTICLE 16 – AUDIT ADVISORY PANEL

16.1 The General Manager shall establish an Audit Board which should be constituted, operate and report in line with best international standards and practices, tailored where appropriate, and as agreed by the BOD.

16.2 The General Manager shall submit all internal and external audit findings to the Audit Board for their review and advice. The findings of the Audit Board shall be presented to, and discussed with, the General Manager. It is the responsibility of the General Manager to take appropriate action as deemed necessary and to inform the PFC of the follow-on actions and the results of those actions.

### NAPMO FRPs XVI

1) The Audit Board's role is to assure the General Manager on the effective management of risk and the transparency of external reporting. Its tasks include reviewing the organization's internal controls and, unless expressly addressed by a separate board, reviewing the organization's governance and risk management systems. To do this, it utilizes the skills and expertise of the Internal Audit function, agreeing the scope of its work, its priorities and resources. Specifically, the Audit Board shall:

- i. monitor the financial reporting process of NAPMA.
- ii. review the work/reports of the internal and external auditors, along with management's responses and action plans, in accordance with the terms of reference approved by the BOD, report the results of their review in accordance with the terms of reference approved by the General Manager.
- iii. be comprised of 3-5 members, who need to be appropriately qualified, and receive appropriate information, advice and training to enable them to carry out their roles effectively. At least one member of the NAPMA Staff, must be independent of the entity's management board.



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- iv. have written terms of reference in a NAPMA Management Directive which deal adequately with their membership, authority and duties. These terms of reference must be confirmed by the General Manager.
- v. provide an oversight function of the effectiveness of the internal control systems. This includes monitoring of the effectiveness of the Internal Control Systems and risk management of NAPMA.
- vi. ensure that the internal audit function is properly resourced and has appropriate standing with the organization
- vii. receive a periodic report on the results of the IA's works
- viii. review and monitor management's responsiveness to the Internal Audit findings and recommendations
- ix. monitor and assess the quality and effectiveness of Internal Audit, and its role in the overall context of the organization's risk management system.
- x. ensuring that the collective assurance roles of internal audit, other internal assurance providers and external audit, are coordinated and optimized.

### ARTICLE 17 – WRITE OFF AND DONATIONS

17.1 The General Manager through the Financial Controller (as assigned in Article 6) may, after full investigation, authorise the write-off of losses of cash, stores and other assets up to the amounts prescribed in the Financial Rules and Procedures approved by the BOD pursuant to Article 4.4. A global statement of such amounts written-off shall be reported in the Annual Financial Statements.

17.2 Authorization to write-off losses of amounts exceeding those prescribed by the Financial Rules and Procedures approved pursuant to Article 4.4 is reserved to the BOD.

17.3 The Financial Rules and Procedures approved by the BOD pursuant to Article 4.4 shall prescribe measures by which reimbursement may be sought for damage to or loss of international property sustained as a result of willful acts or gross negligence on the part of the staff of NAPMA.

17.4 Donations of property/assets which NAPMO has ownership and control of, shall only be authorised by the PFC. Donations shall be reported in the Annual Financial Statements.

17.5 The Agency shall not be responsible for accounting and administration of assets acquired through the modernisation programme budgets which were subsequently transferred to the E-3A Force for operation and support.

#### NAPMO FRPs XVII

Write-off and Disposal of property

- 1) The Financial Controller shall establish implementing directives describing the procedures for the write-off and disposal of property.
- 2) The amount of the write-off will be based on the residual value.
- 3) Application for write-off may be approved within the following extended line item values:

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- Up to 20% of level EFL A: by the Financial Controller
- Up to level EFL D: by the General Manager
- Beyond level EFL D: by the PFC

Write-off of cash and irrecoverable debts:

- 1) The General Manager, through the Financial Controller, is responsible for authorising write-offs up to level A of the EFL. This authority may be delegated wholly or partially to the Financial Controller. Cash losses in excess of this amount will be referred to the PFC for decision.
- 2) The PFC is responsible for all other write-offs in excess of EFL Financial Level A.
- 3) The Financial Controller shall establish implementing directives describing the procedures for the write-off of cash and irrecoverable debts.

Loss or damage caused by wilful act or gross negligence:

- 1) When losses of cash and/or damage to or loss of property are due to wilful act or gross negligence, a Board of Survey shall state in its report whether disciplinary action is necessary and consider steps to obtain reimbursement or compensation. The Board of Survey will be convened at the discretion of the General Manager. The Financial Controller shall be satisfied that the proposed action can be taken in accordance with the appropriate national regulations and within the authority of the General Manager.

## SECTION IV – PREPARATION AND APPROVAL OF THE BUDGET

### ARTICLE 18 – BUDGET ESTIMATES

18.1 The General Manager shall, by 15th September, submit to the BOD his/her budget estimates for the following year.

18.2 The BOD shall refer these annual budget estimates to the PFC for examination. The draft budget as prepared by the General Manager is forwarded to the BOD and the PFC. The PFC shall review the budget and make its recommendations to the BOD with a view of final approval by the BOD.

18.3. The Agency's programme objective and acquisition plans, which in no way commit national finances, shall be translated into two types of budgets:

- (a) The modernisation programme budgets shall contain credits in support of projects for the modernisation of the NATO E-3A.
- (b) The administrative budgets shall cover all requirements for the internal functioning of the Agency and the Executive Secretariat, NAPMO Board of Directors, including office equipment and building maintenance. These budgets shall also include requirements for outside support through agencies and contractors, and other activities related to the NATO E-3A Programme.
- (c) These two types of budgets shall indicate expected recurring as well as non-recurring (capital) expenditure.

### NAPMO FRPs XVIII

Preparation and Submission of Budget Estimates

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1) The Financial Controller shall ensure that annual budget estimates under his/ her jurisdiction are prepared and submitted in accordance with guidance issued by the PFC and, where applicable, in accordance with complementary directives issued by the Financial Controller.

#### Screening of Budget Estimates

2) The Financial Controller shall have all budget estimates screened to ensure that the presentation is uniform and their content in conformity with established policies and instructions.

### **ARTICLE 19 – FORMAT**

19.1 The annual budget estimates shall be drawn up in accordance with approved formats and submitted in accordance with procedures prescribed by the PFC.

19.2 The PFC shall require the annual budget estimates to be accompanied by analysis and detailed information as it deems necessary for explanation and justification of the funds requested.

19.3 The budget proposals of NAPMA shall specify:

- (a) The estimated amounts of modernisation programme and administrative expenditures to be authorized by the BOD.
- (b) The sources from which these expenditures will be financed.
- (c) The Contract Authority. (Any authority to conclude contracts or make financial commitments which would have to be funded wholly or partly from future budgets shall be cited separately in the budgets).

#### **NAPMO FRPs XIX**

No FRPs proposed

### **ARTICLE 20 – CURRENCY**

20.1 The budget shall normally be expressed in the currency of the country in which the Agency concerned is situated, unless alternative arrangements have been approved by the BOD.

#### **NAPMO FRPs XX**

#### Currency of Budget Estimates

- 1) The budget estimates will be presented in one currency. For the purpose of calling contributions, the estimates shall also be shown in then-year currencies required (multi-currencies) and converted for clarity in the presentation currency (equivalent EUR or USD as determined by the Specific Programme).
- 2) The modernisation programme budget estimates shall further indicate the equivalent US Dollar value to facilitate comparison with the NAEW&C Modernisation Programme funding ceilings.

## ARTICLE 21 – BUDGET APPROVAL

21.1 The PFC shall submit to the BOD by 1st December, a report containing its observations on and recommendations for approval of the annual budget estimates.

21.2 On approval of annual and supplementary budget estimates or upon approval of a specific modernisation project or contract, the General Manager is authorized to:

- (a) Enter into commitments, obligations, and make payments for the purposes for which the credits have been approved and within the limits of such credits, or
- (b) Enter into commitments and obligations within the total amount of approved contract authority for the purpose for which such contract authority has been granted.

### NAPMO FRPs XXI

No FRPs proposed

## ARTICLE 22 – INTERIM FINANCING

22.1 The BOD shall normally approve the annual budget estimates before 1st January.

22.2 If the annual budget estimates cannot be approved before 1st January, the PFC shall approve appropriations required to meet:

- (a) Operating expenditure for each quarterly period to be covered, in a global amount of one quarter of the total credit authorised for operating expenditure in the pre- ceding budget, on the understanding that the allocation from this global amount to the appropriate groupings of the budget shall not normally exceed one twelfth per month of the appropriations approved for the same groupings in the preceding year;
- (b) Capital expenditure, insofar as it concerns items accepted by the committee as an urgent requirement;
- (c) Any other expenditure required to maintain critical operations or programmes.

22.3 The powers of provisional authorization delegated to the PFC by Sub-Article 2 shall be limited to the first two quarters of the year. Extension of provisional authorization beyond 1st July shall require approval by the BOD.

### NAPMO FRPs XXII

1) Requests to meet the required appropriations shall be submitted in the name of the General Manager (in accordance with article 18) based on timelines and supplementary guidance issued by the PFC as and when necessary.

## ARTICLE 23 – REVISED BUDGETS

23.1 Supplementary budget estimates proposing adjustment of appropriations in the approved annual budget may be submitted in accordance with procedures prescribed by the PFC.

23.2 One or more supplementary budget estimates may be submitted through the PFC to the BOD proposing new credits not included in the approved annual budgets because of unforeseen requirements when the budget estimates were prepared and submitted to the

BOD. These requirements must be of such exceptional importance and urgency that deferring them for inclusion in subsequent annual budget submissions is ruled out.

23.3 The budgetary adjustments proposed pursuant to Article 23.1. above may be approved by the PFC on behalf of the BOD up to a cumulative total of 10% of the total annual budget involved.

### **NAPMO FRPs XXIII**

#### Review of Budgetary Execution

1) The budgets shall be reviewed by the PFC for the purpose of checking its validity and continued accuracy and to allow any reprogramming of approved credits. A Budget Execution Report will be submitted for review to the PFC. Any increases in budgetary provision have to be endorsed by the PFC and subsequently approved by the BOD.

#### Exceptional Budgetary Adjustment

2) The Financial Controller may, to meet financial or operational emergencies, submit budgetary adjustment proposals for special consideration by the PFC at any time throughout the financial year.

#### Revised draft budget

3) A revised draft budget will propose the adjustment of credits as may be required for correction of cost estimates and for accommodating the financial consequences of changes in the scale or priority of activities.

## **SECTION V – MANAGEMENT OF APPROPRIATIONS**

### **ARTICLE 24 – PRINCIPLES OF ANNUAL BUDGETS**

24.1 Appropriations shall be available for commitment only during the financial year for which they have been approved.

24.2 Appropriations which have not been committed shall lapse at the end of the financial year.

### **NAPMO FRPs XXIV**

#### Budget Sufficiency

1) In the absence of indications to the contrary, annual budgets approved by the BOD shall be deemed to cover the foreseeable costs during the financial year of all known and quantifiable requirements accepted for multinational funding within the limits of the applicable resource allocations.

### **ARTICLE 25 – COMMITMENTS, CONTRACT AUTHORITY AND CARRY FORWARD**

25.1 On approval of NAPMA’s annual and supplementary budget, the General Manager, subject to the concurrence of the Financial Controller, is:

- (a) Authorized to enter into commitments for goods and services to be rendered during the financial year;

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- (b) Authorized to make payments in relation to the appropriations which have been approved and within the limits of such appropriations;
- (c) Authorized to enter into contract authority to incur legal obligations in the current financial year for the provision of goods and services for contracts in future financial years. These legal obligations will be reflected as commitments in future years and not against appropriated funds in the current financial year;
- (d) Required to cancel unused contract authority at the end of the financial year for which it was granted.

25.2 Appropriated funds which have been committed and for which goods and services have been rendered but the invoice has not been received by the end of the financial year, shall be recorded as an accrued liability and the commitment shall be reduced. There is no carry forward in these circumstances since the appropriated funds have been used for their intended purpose.

25.3 Appropriated funds which have been committed, supported by a legal obligation, and for which goods and services have not yet been rendered by the end of the financial year shall be automatically carried forward to be used as soon as possible within the next two following financial years. Appropriated funds committed and carried forward shall be used only for the requirement, supported by a legal obligation, for which they were originally approved.

25.4 Appropriated funds carried forward represent legal obligations. A summary of appropriated funds carried forward shall be provided to the PFC on a regular basis who can request further explanation on the overall level of carry forwards.

25.5 At the close of the third financial year, balances of unused appropriations that have been carried forward in accordance with sub-para 3 above shall be finally cancelled, unless exceptionally approved for further carry forward by the BOD.

25.6 The PFC if empowered by the BOD may agree, before 31 December, to a special carry forward of uncommitted appropriations for a clearly identified purpose following receipt by 1 December of a special request with suitable justification.

25.7 If the final expenditure requirement exceeds the initial commitment by limited amounts, the Financial Controller is authorised flexibility, where possible, to absorb the difference within the total of authorisations so carried forward. Such transfers shall be made in a transparent manner.

### **NAPMO FRPs XXV**

Commitments shall be based upon a validated forecast of contract expenditures in the financial year the commitment is made. Within the limits of approved contract authority, NAPMA's Financial Controller shall commit funds for future financial years against appropriated funds in the current financial year. These funds shall be used in the following financial years for goods and services to be rendered within those years.

#### Approval and Control of Commitments

- 1) Liability to expend international funds shall not be incurred, nor shall such funds be expended, without the Financial Controller's prior or coincident approval of the corresponding commitment of appropriation or contract authority.

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2) The Financial Controller may delegate authority to approve requests for commitment of appropriations and contract authorities, or amendment of commitments, to officers of his/her branch. Such delegation of authority may be general or specific and, when granted, shall be documented.

3) The Planning and Budgeting Officer is responsible to the Financial Controller for ensuring that requested commitments are within the appropriations and contract authorities available for the purposes concerned in the approved budget, or, if the case arises, in the approved budget as amended by the transfers permissible and effected pursuant to Article 26 of the NAPMO FRs, that they are in accordance with all relevant policies and regulations and that they are supported by complete and accurate justification.

### Approval of Expenditures

4) The Finance and Accounting Officer is responsible to the Financial Controller for authorising expenditures in execution of each commitment following the confirmation by the requirement holder that the goods and services were delivered by the supplier.

### Payments

5) The Finance and Accounting Officer is responsible to the Financial Controller for authorising payments of invoices received from suppliers. Such authorisation shall be conditional on certification that the payments are within the limit of the commitment, that they are arithmetically accurate and that they conform with the purpose of the commitment.

6) The Treasury Officer is responsible to the Financial Controller for making the payments authorised by the Finance and Accounting Officer and for maintaining complete and accurate records and accounts in support of these transactions.

### Contract Authority

7) Contract authority for a defined amount in the currency of the budget authorisation may be requested in the annual budget estimates or in intervening budgetary submissions in respect of all or that part of a proposed contract which will foreseeably not give rise to expenditure during the financial year.

### Commitment of Appropriations and Contract Authorities

8) The Financial Controller shall designate officers authorised to initiate requests for commitment of appropriations and contract authorities.

9) Commitment of appropriations and contract authorities is the acceptance and recording of a legal liability to expend international funds.

10) Appropriations and contract authorities shall be committed only for the purposes and to the extent authorised in the approved budget, and, if the case arises, in the approved budget as amended by the transfers permissible and effected pursuant NAPMO FRs Article 26.

11) Requests for the commitment of appropriations and contract authorities shall be submitted for approval in the form prescribed by the Financial Controller.

### Recording of Committed Appropriations Carried Forward

12) Appropriations committed and carried forward pending execution shall be separately identified in the annual financial statements.

### Direction for Commitment and Carry Forward of Appropriations

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13) Unless otherwise decided by the PFC, an admissible claim for payment presented after the end of the second financial year following that of the corresponding commitment shall be settled as a charge to the budget of the financial year in which the claim is presented.

14) The PFC approves requests for special carry forwards in accordance with Article 25.5 and 25.6.

#### Regularisation of Expenditure Exceeding Committed Appropriations Carried Forward

15) In respect of Article 25.7, if the expenditure requirement exceeds the initial commitment and consequently the appropriation carried forward for the purpose for which the commitment was made, the Financial Controller is authorised to absorb the difference by a transfer within the total of the appropriations carried forward in accordance with the provisions of Article 26 of the NAPMO FRs.

### **ARTICLE 26 – TRANSFER OF APPROPRIATIONS**

26.1 Transfers of approved appropriations shall not be made without general or specific prior approval of the PFC or the Financial Controller within any delegated authority.

26.2 All transfers in accordance with this Article shall be recorded in the annual financial statement.

#### **NAPMO FRPs XXVI**

##### Administrative Budget

1) Within the Administrative Budget, the General Manager has the authority to transfer budgetary credits within all budget chapters (except the Capital Chapter) and for the Capital Chapter within a budget item.

2) The General Manager may delegate his authority to the Financial Controller to transfer budgetary credits within all budget chapters (except the Capital Chapter) and for the Capital Chapter within a budget item.

3) Annually, on request, the PFC may grant the General Manager authority to transfer budget credits between all Admin Chapters (except the Capital Chapter) and for the Capital Chapter between budget items.

##### Programme/Project Budget

4) The General Manager has the authority to transfer budgetary credits between budget lines within NATO Near Term, Mid-Term (NMT), LAIRCM, and the individual Follow-on Upgrade Programme projects. Transfers will be reported to the BOD.

5) The General Manager may delegate the authority defined in para d) to the Financial Controller

6) All transfers of budgetary credits between projects within the Follow-on Upgrade Programme (FUP), require the prior authorization of the PFC.

### **ARTICLE 27**

Left intentionally blank to assure that remaining following articles will not shift in numbering.



## NAPMO FRPs XXVII

No FRPs proposed

## SECTIONS VI – PROVISION OF FUNDS

### ARTICLE 28 – CONTRIBUTIONS

28.1 Payments in accordance with budget appropriations shall be financed by contributions from member governments according to the cost-sharing formula and from income generated as agreed by the BOD in force for the financial year concerned.

## NAPMO FRPs XXVIII

- 1) Contributions will be called in accordance with budget authorisations, and shall be financed within:
- 2) Mid-Term Modernisation Programme Project Budgets
  - (i) by contributions from Programme Nations
  - (ii) by Programme Generated Income as the contributing Programme Nations may decide.
- 3) LAIRCM Modernisation Programme Project Budget
  - (i) by contributions from Programme Nations
  - (ii) by Programme Generated Income as the contributing Programme Nations may decide.
- 4) Follow-on Upgrade Programme Budget
  - (i) by contributions from Programme Nations
  - (ii) by use of any income as Nations may decide.
- 5) Administrative Budget
  - (i) by contributions from Programme Nations
  - (ii) by any income as the contributing Programme Nations may decide
- 6) Other BOD-Approved Activities
  - (i) by contributions from Programme Nations
  - (ii) by any income as the contributing Programme Nations may decide.

### ARTICLE 29 – CALLS FOR CONTRIBUTIONS

29.1 Contributions to non-customer-funded NATO bodies shall be assessed on the basis of the budget appropriations as adjusted pursuant to Article 30.

29.2 Contributions shall be called for in installments twice a year, unless the PFC authorises a different number of installments.

29.3 Each contribution instalment shall be calculated to restrict total currency holdings to the minimum required to meet forecast payments prior to receipt of the following contribution instalment.

29.4 The management of calls for contributions from nations shall be in accordance with rules established by the PFC.

29.5 On an exceptional basis and due to national budgetary cycles, nations may also make advance payments to secure their financial obligations to the Programme.

### **NAPMO FRPs XXIX**

Timing of calls for contribution

1) NAPMA will request contributions from nations through the Financial Controller based on the BOD approved budget. The first Call for Contribution will be issued in November based on the PFC endorsed budget (subject to BOD approval).. The second Call for Contribution will be issued in the July/August timeframe to allow for adjustments, if necessary, based on the NAPMA's approved budget for the current financial year. The first call will be issued for the necessary funding for the period covered from January up to and including August. Funds are due in January of the budget year involved. The second call will be issued for the remaining period of September through December, with funds due before 1 September.

2) Exceptionally Nations can request 3 calls for contributions. Nations that request 3 calls for contribution are to express this request in writing to the Financial Controller, annually before 1 November of the year preceding the budget year. In those instances contributions will be called for in installments 3 times a year as follows:

<u>Date of Call</u>	<u>Period Covered</u>	<u>Funds due</u>
1 November	January – April	in January
1 March	May – August	1 May
1 July	September - December	1 September

3) In the event that budget approval is delayed, NAPMA will request payments from nations to meet the estimated expenditure following the procedures laid down in Article 22.

4) In case of voluntary advance payment as mentioned in para 5 of Article 29, NAPMA will, based on notification in writing from individual nations, issue a separate 'Advance Payment instruction — Discretionary payment' accordingly reflecting the amount and the time of payment as notified. Advance payment may be combined with a Call for Contribution as mentioned in Para 2 above if so requested by the nation concerned and, in this case, the combined Call for Contribution/ Payment Instruction issued by NAPMA will specify:

- i. the amount of mandatory contribution to be paid by a specified date, will reference to NAPMO FRs Art. 29.2-.4
- ii. the amount of discretionary advance payment as notified by the nation, will reference NAPMO FRs Art. 29.5

5) Advance payments will be balanced with the following calls for contributions in order to maintain a correct overall cash position of NAPMA.

### **ARTICLE 30 – ADJUSTMENTS**

30.1 Subject to the provisions of Article 29, NAPMO member governments may be requested to make an advance payment on the first contribution installment for a financial

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year, in an amount sufficient to enable the financing of authorised expenditure required pending receipt of the first contribution installment for the budget of that year.

30.2 The amount of such an advance shall be added to the final contribution installment for the preceding financial year as assessed in accordance with Article 29.

30.3 If a budget has not been approved by 1st January, payment of advances on contribution installments may be requested pending approval of the budget, up to the amounts of the provisional appropriations granted pursuant to Article 22.

30.4 All advances shall be assessed and requested and paid by and credited to member governments in the manner prescribed by Article 29 for normal contribution installments.

### **NAPMO FRPs XXX**

#### Valuation of Advance Payments

- 1) Advance payments on contributions shall be accounted for as follows:
  - i. upon receipt, the advance payment shall be credited to an appropriate account expressed in the payment currency;
  - ii. on the date of the assessment of the contribution towards which the advance was paid, the member functional currency at the then prevailing NATO rate of exchange.
- 2) Advance payments shall be reflected separately in the annual financial statements.

## **ARTICLE 31 – DEPOSIT AND INVESTMENT OF FUNDS**

31.1 The General Manager, through the Financial Controller (as assigned in Article 6), shall respectively designate the bank or banks in which the funds for NAPMO are to be held.

31.2 The General Manager is authorised to make short-term low risk investments of funds not immediately required according to the basic principles of sound financial management. The General Manager shall declare to the PFC the income on such investments as miscellaneous income in the annual financial statements.

31.3 In selecting a bank or financial institution and making short term, low risk investments, they shall aim to obtain the most favorable conditions for the required services in terms of costs, returns and financial risk taking account of the prevailing market conditions.

### **NAPMO FRPs XXXI**

#### Management of Bank Accounts

- 1) The Financial Controller shall be responsible for the establishment and overall management of all bank and short term low risk investment accounts to be operated by the Treasury Officers designated pursuant to NAPMO FRPs VI.

#### Dual Signature

- 2) Transfers and withdrawals from bank and short term low risk investment accounts operated by Treasury and Disbursing Officers (where such posts exist) shall be authorised by two signatories designated by the Financial Controller.

#### Reporting

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3) Reports on the income/revenue generated and expected from investment activities will be annually provided to the PFC.

Cash Holdings

4) NAPMA may hold Budget funds in EUR and USD or other necessary currencies as required by the Amendments, sufficient to cover payments anticipated in cumulative Operational budgets of the Agency.

## SECTION VII – PROCUREMENT AND CONTRACTING

### ARTICLE 32 – PRINCIPLES

32.1 NAPMO Procurement and Contracting shall adhere to the following principles:

- (a) The timely acquisition of goods and services to be achieved wherever possible through a competitive bidding process, using approved procurement procedures to achieve the most effective, efficient and economical solution;
- (b) Goods and services will be procured, in a transparent and fair manner built upon the principle of non-discrimination and fairness in which eligible suppliers are given the same opportunity and treated in the same fair manner;
- (c) Tendering documents shall contain a clear, precise and complete description to enhance full and open competition among eligible suppliers;
- (d) Every aspect of the procurement process must conform to the highest standards of integrity and accountability.

32.2 The Financial Controller shall ensure and verify that procurement and contracting principles are adhered to and are in line with the principles of sound financial management as laid down in Article 3. In exercise of these fiduciary responsibilities the Financial Controller shall be part of the contract approvals process to ensure that funds are used for their intended purposes. The relevant finance committee/governing body will provide appropriate levels of delegated powers to deviate from the strict application of competitive bidding where justified for operational, efficiency, economic or technical reasons.

32.3 Eligible suppliers must be from participating NAPMO Nations unless otherwise agreed by the BOD.

### **NAPMO FRPs XXXII**

#### General Procurement Policy

1) The NAPMO BOD has delegated this authority to the NAPMA General Manager pursuant to the authorizations and restrictions the NAPMO Charter, Section IV, Para 11. The General Manager will be responsible for granting exceptions from normal competitive bidding including sole source deviations. For procurements exceeding level EFL E (see FRPs XII) the General Manager requires prior approval of the BOD before granting exceptions. By delegation of the General Manager, the NAPMA Chief Contracting Branch is responsible for the procurement and contracting activities of the Agency.

2) Segregation of duties and the delegation of authority are essential controls within the purchase-to-pay process. Together, they ensure integrity of the process by reducing NAPMO's exposure to inappropriate or unauthorized financial risk and liabilities. Segregation

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of duties prevents any one person from controlling the entire purchasing process by segregating approvals for the key stages of the supply chain process. This segregation shall be reflected in the specific operating instructions related to the contracts approval process.

3) At NAPMA, the integrity and independence of the contracting function are preserved by having Contracting Branch instated independently from the Financial Controller Office. The Chief Contracting Branch is responsible to the General Manager for ensuring the integrity of the contracting process by independently managing, controlling, and directing all phases of the contracting process.

4) The Financial Controller provides the fiduciary aspects of control and accounting of the contracts awarded consistent with NAPMO FRPs XI and XII.

5) Contracting shall provide prior to contract award confirmation that available funding has not been exceeded and that resources will be contracted as per the purchase requisition.

6) Contracting officials shall make use of modern acquisition technology, practices and processes whilst ensuring NAPMO's procurement principles are respected.

### Bidding Requirements

7) Subject to the provisions of NAPMO FRPs XXXII. a, procurement of goods and services shall be governed by the following requirements:

- i. simplified bidding, consisting of purchase card procurement, single tender and multi- bidder quotes in accordance with simplified bidding procedures established by NAPMO in coordination with the Financial Controller for all procurement under EFL C.
- ii. Formal bidding, consisting of International Competitive Bidding and Proposals for all procurement over EFL C.
- iii. Formal bidding shall be subject to a Contract Award Committee (CAC).

### Contract Award Committees (CAC)

8) Chief Contracting Branch shall issue instructions for the establishment and functioning of CACs as required. As a minimum, these instructions shall be governed by operating instructions and shall include at minimum the following representation:

- i. Chairman: The Chief Contracting Branch or designated representative;
- ii. Technical Member: A representative designated by the requester of the procurement;
- iii. Financial Controller Member: The Financial Controller or his/her designated representative; and
- iv. Legal Representative (if considered necessary).

9) All bids received by NAPMA will be subject to the bidding criteria advertised in the Requests for Bids / Proposals.

10) The CAC will conduct the evaluation and recommend to the Source Selection Authority the award of the contract to the most suitable bidder in accordance with bidding instructions.

11) The Financial Controller will exercise his fiduciary oversight through his/her representation in the CAC.

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Contracts

Contracts shall be:

- 12) prepared by the Purchasing and Contracting Officer, and where subject to CAC shall be strictly in accordance with their instructions;
- 13) subject to financial approval in accordance with the provisions of FRPs III and Art. XXV.1;
- 14) signed by the General Manager or by Purchasing and Contracting Officer on behalf of the General Manager, subject to the provision of paragraph 2.

Contracts Awarded through NATO Bodies

- 15) NATO Bodies will apply the procurement rules of the funding originator.

### **ARTICLE 33 – PROCUREMENT AND CONTRACTS**

33.1 The implementing Financial Rules and Procedures approved pursuant to sub- Article 4.4 shall specify the estimated values in excess of which contracts for the acquisition of services, equipment and supplies shall be awarded as a result of international competitive bidding and the conditions under which departure from this procedure may be authorised.

#### **NAPMO FRPs XXXIII**

No FRPs proposed

## **SECTION VIII - ACCOUNTING**

### **ARTICLE 34 – REQUIREMENTS**

34.1 NAPMO shall adhere to accounting requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council.

34.2 The financial statements of NAPMA shall be prepared on an accruals basis of accounting.

34.3 In accordance with IPSAS a complete set of financial statements shall comprise:

- (a) A statement of financial position;
- (b) A statement of financial performance;
- (c) A statement of change in net assets/equity;
- (d) A statement of cash flow;
- (e) Notes comprising a summary of significant accounting policies and other explanatory notes.

34.4 In addition to the above set out at paragraph 34.3, the financial statements of NAPMA shall also include, as a separate annex, a budget execution report.

#### **NAPMO FRPs XXXIV**

No FRPs proposed

## **ARTICLE 35 – ANNUAL FINANCIAL STATEMENTS**

35.1 An annual financial statement for each NATO body, consolidated where applicable and appropriate, shall be submitted for audit to the International Board of Auditors for NATO by the Financial Controller not later than 31st March following the end of the financial year. The IBAN audit report, together with the associated financial statements, shall be finally noted or approved by the Council not later than 31 December.

### **NAPMO FRPs XXXV**

- 1) The Financial Statements shall be signed jointly by the General Manager and the Financial Controller and submitted not later than 31st March following the end of the financial year. The Management Representation Letter shall be signed jointly by the General Manager and the Financial Controller. The purpose of the Management Representation Letter is to provide assurance regarding the integrity, reliability, accuracy, completeness and consistency of information contained in the Financial Statements.
- 2) Submission of the Financial Statements will be accompanied by a Statement that the BOD approves that they can be publicly disclosed in accordance with PO(2015)0052 or a declaration that certain elements should be redacted in accordance with approved criteria.

## **SECTION IX – EFFECTIVE DATE AND REVISION**

### **ARTICLE 36 – EFFECTIVE DATE**

- 36.1 These Regulations supersede all previously published versions thereof.
- 36.2 They shall take effect immediately upon approval by the BOD.
- 36.3 In order to comply with these Regulations, the PFC shall ensure that any necessary amendments of the NAPMO FRPs prescribed by Sub-Article 4.4 are approved and implemented without delay.

### **NAPMO FRPs XXXVI**

No FRPs proposed

### **ARTICLE 37 – REVISION**

- 37.1 The BOD alone shall have authority to amend these NAPMO FRs.
- 37.2 These Regulations should be kept under regular review and updated whenever necessary taking into account the views and recommendations agreed by Nations in the relevant NATO Bodies.
- 37.3 An assessment of the need to revise these Regulations shall be conducted every five years. Whenever changes are necessary they have to be completed within two years.

### **NAPMO FRPs XXXVII**

No FRPs proposed

## NAPMO FINANCIAL REGULATIONS - GLOSSARY

### **Appropriation**

An authorisation granted by the member nations as represented on the appropriate governing body or finance committee to allocate funds, incur legal obligations and make payments for specified purposes.

### **Audit Advisory Panel**

A specialised panel of the relevant management board, composed of some 3-5 members, which ensures a regular overview of the entity's internal control framework, of the adequacy of stated policies and practices, compliance with standards and codes, and adequacy of financial information presented to the relevant governing body.

### **Base Year/Then Year**

Then Year Dollars: Dollars that include the effects of inflation or Escalation, and/or reflect the price levels expected to prevail during the year at issue.

Base Year Dollars: Costs or dollars which are expressed in the economic condition of a specific year and do not include Escalation or Inflation for future years.

### **Budget**

An estimate of all funding requirements for a body, agency or programme for a financial year.

Note:

The budget is screened by the relevant finance committee and approved by member nations represented on the appropriate governing body.

### **Carry forward**

A procedure whereby appropriated funds are authorised to be retained for use in the two years immediately following the year for which they were made available.

### **Special carry forward**

An exceptional procedure whereby appropriated funds that have not been committed may be retained for use in the following financial year, based on a case-by-case approval by the relevant governing body or finance committee.

### **Commitment**

The advance acceptance and recording of legal obligations against:

- (a) Appropriations for the current financial year; and,
- (b) Contract authority for future financial years.

### **Contract authority**

The authority given to the Budget Holder by the appropriate governing body or finance committee to incur legal obligations against a contract in the current financial year for the provision of goods and services for contracts in future financial years.



**Cost benefit analysis**

A comparison between the cost of carrying out a service or activity and the value of that service or activity taking all costs into account.

**Customer funding**

In NATO, a regime whereby the cost of the activities of an organisation are recovered by charging customers for the services provided, based on agreed costs, scope and timelines, rather than by funding contributions from member nations.

**Finance Committee**

A committee made up of National representatives responsible for taking decisions or giving advice in the budgetary and financial field.

Note: In addition to the Budget Committee, the individual organisational charters of NATO bodies shall provide for a separate finance committee for these bodies.

**Financial Controller**

An individual responsible and accountable for managing the finances of the organisation. In NATO, the principal financial management adviser to the Head of NATO body in accordance with NATO Financial Regulations and their implementing Financial Rules and Procedures.

**Head of NATO body**

The senior responsible and accountable officer of any NATO body to whom either the Ottawa Agreement or Paris Protocol applies.

**Internal control**

The basic plan of organisation and all methods and measures employed to safeguard assets, verify the accuracy and reliability of accounting data and records, promote operational efficiency and compliance with established managerial and command policies.

**Internal review**

In NATO, an assessment under the responsibility of the financial controller (or equivalent) of a given organisation, evaluating the compliance, efficiency and cost-effectiveness of that organisation or a part thereof.

**Lapsed commitment**

A commitment that can no longer be fulfilled.

**Lapsed appropriation**

In NATO, an appropriation, in an approved budget, which has not been committed during the financial year and is therefore automatically cancelled.

**Legal obligation**

An obligation that derives from:

- (a) A contract (through its explicit or implicit terms);
- (b) Legislation;
- (c) Other operation of law.

**Liabilities**

Liabilities are present obligations for payment arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential.

**Medium-term financial plan**

In NATO, a rolling plan covering a projection of requirements for the following five financial years.

**Miscellaneous income**

In NATO, funds received by a headquarters which are not directly attributable to specific budget elements and are subsequently reimbursed to member nations.

**Multinational funding**

In NATO, the funding of costs by two or more nations, on a shared basis, normally under the provision of an MOU or similar arrangement.

**Non-appropriated fund**

In NATO, revenue, generated not through international funds, such as morale and welfare activities, trust funds or other funds managed by third parties.

**Officer**

any person exercising defined functions, regardless of grade or rank or civilian or military status.

**Payment**

Financial settlement made following the receipt of the invoice for goods and services received.

**Risk management**

In NATO, the technique of introducing calculated risk into budgeting, with the objective of optimising budget estimates against actual expenditure requirements.

ANNEX A

**Notwithstanding the purpose of these NAPMO Financial Regulations, Rules and Procedures which is to ensure effective, economical budgetary and financial administration of appropriated funds for the execution of the NAEW&C Programme and in support of the NAEW&C Force operations, while at the same time demonstrate a transparent contribution to consistent and harmonised financial practices between NATO bodies as called for by the North Atlantic Council, it is recognized that the principal of ensuring correct IB/IP is one of the leading elements in the NAPMO Programmes. Furthermore:**

- a. Neither prime contractors nor subcontractors will realise financial loss or gain through fluctuations in currency exchange rates.
- b. Each nation will contribute and be credited for its share in the ratio of currencies required at the time of contribution. Added modernisation programme costs resulting from any late contribution will be charged to the nation concerned.
- c. The NAPMO is authorised to request contributions, maintain its own accounts and disburse or authorise disbursement of modernisation programme funds as required under the terms of contracts and bilateral agreements, and as required for the day-to-day administration of the NAPMO. The NAEW&C Programme Management Agency (NAPMA) will have full flexibility to use cash on hand to pay bills. A requirement for funds to cover short term funding shortfalls will be subject to decision of the NAPMO BOD.
- d. The NAPMO is authorised to have commercial accounts in its own name in any or all of the currencies used and in any or all of the NAPMO nations.
- e. The NAPMO will make every effort to maximise the interest on the balance of any funds held in the NAPMO accounts.
- f. In order to ensure adequate programme funding, the NAPMO will arrange for financial plans to be produced and updated at least annually. These plans will identify all anticipated expenditures for the remainder of the programme in all currencies required.
- g. The NAPMO is responsible for maintaining appropriate accounting records. Information from such records may be made available to the NAPMO nations upon request.