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NATO Parliamentary Assembly

**IMPLEMENTING RULES AND PROCEDURES  
FOR FINANCIAL TRANSACTIONS  
AND BUDGET EXECUTION**

As amended in Copenhagen in November 2005

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## I. GENERAL

### A. Regulatory Basis

When the budget is approved by the Assembly, and not earlier than 1st January of the budget year in question, it is executed under the authority of the Secretary General, who authorises the commitment of expenditure and payments for the purposes for which credits have been approved and within the limits of such credits (Article 7 of the Financial Regulations).

Certain functions are essential to budget execution. These are performed under the supervision of the Head of Administration and Finance who has executive responsibility for finances. They include:

- budget estimation and execution
- commitment
- payment
- contracting.

Separation of the officials responsible for accounting for commitments and those responsible for payments shall always be ensured.

### B. Officials Responsible for Budget Execution

#### 1. *The Secretary General and the Heads of Service:*

- prepare the budget and supervise the budget execution;
- ensure that the budget is updated and conforms to authorisations, taking account of changes in requirements and credit transfers.

This function is performed in conjunction with the Head of Administration and Finance.

Heads of Service can make, on their own authority, commitments of funds of up to € 1,000 in the areas of the budget for which they are responsible.

#### 2. *Administration Service (Head of Administration and Finance)*

The Head of Administration and Finance is responsible for accounting for credits and for their input in the accounting system for future audit.

With the assistance of the Accounting Service, the Head of Administration and Finance is responsible for:

1. ensuring that proposed commitments are within the funds available for the purpose in the most recently approved budget;
2. verifying that the proposed commitments are in accordance with all relevant rules and regulations and supported by adequate justification;

3. approving, on his/her own authority, applications for commitment of funds between € 1,000 and € 2,000. Commitments in excess of this amount must be approved by various authorities within the limits of their delegated powers as specified in item II. A. 2. "Accounting Commitment" below;
4. authorising all payments to be made up to € 2,000 on behalf of the NATO PA and monitoring those above that level;
5. verifying that payments concern supplies and services for which commitments have previously been approved, are arithmetically correct and are within the amounts committed;
6. ensuring that there is adequate justification when the amount of a proposed payment is in excess of the amount committed. If the overrun entails a total commitment in excess of € 2,000, he/she shall refer to the authority with the necessary delegated power;
7. in regard to payments of up to € 2,000, and beyond with the approval of the authority with the necessary delegated power, authorising the accounting service to:
  - make payments on behalf of third parties;
  - advance funds;
  - accept receipts and make payments;
  - receive guarantees and deposits;
8. maintaining accounts for all commitments and payments;
9. maintaining accounts for the unused credits.

### **3. Staff Authorised to Make Payments (disbursements)**

Staff authorised to make payments are responsible for:

1. effecting transactions authorised by the Head of Administration and Finance;
2. ensuring that invoices are complete, arithmetically correct and properly certified prior to payment;
3. operating bank and postal accounts;
4. receiving and safeguarding funds and negotiable instruments;
5. maintaining the disbursing accounts and receipts accounts in chronological order;
6. maintaining the accounts of available cash, on hand or on deposit;
7. submitting reports of receipts and payments to the Head of Administration and Finance on a regular basis;
8. forecasting requirements and submitting requests for funds, as required by the Head of Administration and Finance.

#### **4. Purchasing and Contracting**

##### Contracting

1. NATO PA staff, who are designated by the Secretary General, are authorised to make and draw up contracts in compliance with the instructions governing NATO PA contracts. All contracts must pass through the Administration and Finance Service.
2. The staff responsible make an evaluation of the bids and submit their conclusions to the Secretary General or his delegate.
3. Where necessary, the officials responsible may, with the Secretary General's approval, seek the guidance and advice of the NATO PA's legal adviser.

##### Purchasing

4. The Administration and Finance Service prepares and updates lists of suppliers who may be able to meet the NATO PA's requirements.
5. It keeps up-to-date files on the items and prices falling within its sphere of competence. To this end, it consults past contracts, catalogues and other documents produced by the suppliers.
6. It ensures that the contract requests it receives are submitted by persons authorised to request commitment of funds.
7. It ensures compliance with the formal bidding procedure.
8. It provides administrative support for contract performance and verifies that deliveries, quality, services and payments are in compliance with the contract provisions.

### **C. Acquisition of Goods and Services**

For all acquisition of goods and services, the following procedures shall apply:

1. Single tender (routine procurement) for goods and services costing between € 1,000 and € 2,000. The Administration and Finance Service and Heads of Service are responsible for selecting, on their own authority, the best price or cost. The contract or purchase order is signed by the Head of the applying office and the Head of Administration and Finance. Heads of service are responsible for orders up to € 1,000.
2. Single tender between € 2,000 and € 6,200 must be approved by the Head of Administration and Finance and either the Deputy for Policy Co-ordination to the Secretary General, the Deputy Secretary General, or the Secretary General.

3. Restricted bidding for goods and services costing between € 6,200 and € 12,500. In this case, bids must be sought from at least three suppliers, and the bids must be kept on file in the purchasing service. The Administration and Finance Service awards the contract or approves the procurement. The contract or purchase order must be approved by the Head of Administration and Finance and either the Deputy Secretary General or the Secretary General.
4. Competitive bidding for goods and services costing over € 12,500. Written bids must be sought from five suppliers capable of meeting the requirement. The contract is awarded on the basis of an evaluation by the applying office and the Administration and Finance Service, assisted if necessary by technical experts. The contract or purchase order is signed by the Head of Administration and Finance and the Secretary General.

## **II. PROCEDURE FOR ORDERING GOODS AND SERVICES COMMITMENT PROCEDURE**

### **A. Outline of the Commitment and Expenditure Cycle**

#### **1. Standard Case - Request for Commitment of Credits**

When an authority or an administrator within the NATO PA wishes to commit expenditure for the operation of a service, a request for commitment of credits must be submitted.

#### **2. Accounting Commitment**

The request to commit funds is processed by the Head of Administration and Finance, who is responsible for ensuring that the proposed commitments are within the funds available for the purpose in the approved budget, in accordance with all relevant rules and regulations, and supported by adequate justification.

The Head of Administration and Finance may approve applications for commitment of credits where the amount involved does not exceed € 2,000. Applications for commitments in excess of this amount must be approved:

- by the Deputy for Policy Co-ordination to the Secretary General for amounts up to € 6,200;
- by the Deputy Secretary General for amounts up to € 12,500;
- by the Secretary General for amounts exceeding € 12,500.

This formality, recorded in the form of a (computerised) accounting entry, is known as the accounting commitment.

#### **3. Legal Commitment**

The approved commitment request (*bon de commande*) is returned to the applying office notifying that the order can be placed with the supplier through the Purchasing Service or the applying office.

When the order form has been signed by the supplier, in accordance with the general provisions of civil law, there is a legal commitment, i.e. a legal liability to pay the supplier when he has met his obligations to provide services or goods.

When the legal commitment stage has been completed, i.e. after signing and dispatch of the order form, the NATO PA has a legal liability to pay the agreed contract price when the supplier has fulfilled its obligations. The accounting commitment (verification that the funds exist) therefore always comes before the legal commitment (obligation to pay).

#### **4. Acceptance of Goods and Services and Obligation to Pay**

Once the supplier has been informed of the order he must provide the services or goods by a certain date. When the supplier fulfils his obligation, the requesting office or the NATO PA's Purchasing Service "discharges" the supplier and confirms in writing that the goods or services conform to the specifications of the order. Signature of the delivery note places an obligation on the NATO PA to pay. The delivery note is retained by the requesting service until the arrival of the invoice.

#### **5. Invoice Verification, Approval and Payment**

Invoice verification is carried out in two steps. First the requesting office verifies that the invoice corresponds to goods or services actually supplied and verifies conformity with contract prices and conditions. It then certifies the invoice and passes it, with any delivery note, to the Administration and Finance Service.

Second, the Head of Administration and Finance ensures that the invoice corresponds to commitments previously approved and that the figures are arithmetically correct.

If this is not the case, and if the payment exceeds the amount committed, it must be verified that the overrun is not the fault of a member of the NATO PA staff and is not due to failure to comply with the rules. If, on the other hand, the overrun is merely the result of the application of the conditions of sale and/or of the provisions of the specifications, the Head of Administration and Finance will make an additional commitment which may not, when added to the original commitment, exceed € 2,000. If this limit is exceeded, approval by the relevant authority mentioned in the above paragraph A,2 is required.<sup>1</sup>

The Head of Administration and Finance then approves the invoice for payment by the Accounting Service. The Accounting Service ensures that the invoice is complete, arithmetically correct and properly authenticated before making payment.

#### **6. Payment through Petty Cash**

Expenses up to a maximum of € 200 (or into US\$ equivalent) may be paid in cash. Cash books exist in the following currencies: €, US\$.

Exceptions to this rule apply only for: reimbursement of participants in Assembly seminars, training and research programmes.

Heads of Service spending their own budget must submit receipts attached to a general expenses claim form for reimbursement.

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<sup>1</sup> Commitments may need to be regularised in the case of currency changes.

For other staff or for Heads of Service making expenditure from another Service's budget prior authorisation by the relevant budget holder is required.

Invoices from suppliers paid in cash should be countersigned by the relevant Head of Service before reimbursement is claimed.

Claims must be authorized by either the Secretary General, the Deputy Secretary General or the Head of Administration and Finance before payment.

If a cash advance is required, prior authorisation must be given by either the Secretary General or the Head of Administration and Finance. Reimbursement is then made on presentation of receipts with a general expense claim form (a second authorisation is only required if the claim exceeds the initial estimate).

## **B. Outline of Provisional Commitments**

The above remarks on the expenditure cycle concern the typical case where a specific contract is concluded with a supplier.

However, the budget includes many other expenditures for other commitments.

The bulk of these is made up of personnel costs but there are others such as the multi-year contracts for cleaning of the building, supply of gas and electricity, insurance, and utilities in general.

For expenditure of this type, the NATO PA's legal liability to pay starts with the signing of the agreement, the subscription to public utilities or the contract of employment. The Head of Administration and Finance makes the necessary provisions annually or periodically to meet this type of obligation. This is termed the provisional commitment procedure.

Each year, each month or periodically as the case may be, the Head of Administration and Finance estimates the sums required and checks against the provisional commitments that the credits are in fact available. In this way, all the commitments will be accounted for throughout the budget year to meet all expenditure relating to that same year.

## **C. Release of Credits and Statement of Unused Credits**

Credits which have not been committed by 31st December are listed in a Statement of Unused Credits and will be the subject of a special presentation by the Treasurer to the Standing Committee.

When credits relate to a legal liability on 31st December, they may be paid in the course of the following year, but the expenditure is accounted for in the budget of the previous year.

When credits committed do not relate to a legal liability before 31st December, they are de-committed, and the credits available are included in the Statement of Unused Credits presented by the Treasurer.



#### **D. Release of Reserves and Provisions**

Release of the Assembly's Reserves and Provisions shall take place with the written approval of the Secretary General who shall specify the amount to be released from the Reserves and Provisions and the budget article to which it should be added.

The funds thus added to a budget article will be subject to the normal procedures for budget execution. The Financial Statements shall clearly indicate all transfers from Reserves and Provisions and the budget articles to which they are added.

### **III. GENERAL RULES GOVERNING TRAVEL**

#### **A. Principle: Maximum Economy**

For the purposes of budget preparation, the various NATO PA Heads of Services and Committee Directors submit their mission requirements to the Secretary General or the Deputy Secretary General. The latter, assisted by the Head of Administration and Finance, publishes an annually updated list of travel costs and per diem for each destination country, to allow calculation of the credits requested. In the case of Sessions, the Head of Conference Service is also consulted.

Systematic efforts shall be made selecting the most economical possible mode of transport and avoiding unessential extra costs taking account of security implications. The number of missions made and the number of staff sent will be kept to a minimum.

#### **B. Limitation of Travel**

When they submit their mission estimates, Heads of Service and Committee Directors ensure that:

1. The journey is in the interests of accomplishing the NATO PA's general mission. Routine visits and general invitations are not sufficient reason to justify a mission. Wherever possible, the cost of travel in response to an invitation should be borne by that nation or body.
2. If several staff are required for a mission, the travel requests will be submitted together for approval by the Secretary General or the Deputy Secretary General.
3. The route indicated for the mission reflects the actual needs of the mission.
4. The quickest and most economical means of travel is chosen, taking account where necessary of the mission duration factor and security implications. The aim here will normally be to minimise the combined cost of travel and hotel accommodation.

#### Air travel

- Economy class: APEX, PEX and special fares (excursion) should be used wherever possible.

- NATO rate business class/special fares: solely for transatlantic travel.
- If APEX is used for transatlantic travel, a day's recuperation, with per diem allowance, may be allowed for the outward journey upon request.
- If the mission is extended over a weekend to benefit from an APEX rate the total cost of travel and extra hotel nights and per diem should be lower than the normal itinerary at economy price. The extension over a weekend is optional.

The disadvantage of reduced air fares is usually that there is no possibility of changing the date of departure without a penalty. The contingencies associated with each mission must therefore be taken into account. Reductions also vary according to destination, time of year, change of airline, etc., i.e. the market changes daily. For this reason the Travel Service must be contacted whenever a mission request is being prepared, in order to obtain the latest information (at least three weeks before the mission).

#### Rail travel

Journeys will be in first class accommodation.

#### Travel by private car

Where there is no other means of transport available or where travel by private car is necessary to meet the requirements of the mission, a mileage allowance will be paid. Ferry fares and tolls will be reimbursed upon final presentation of appropriate justification.

Where a private car is used for personal convenience, a mileage allowance will be paid, up to the following ceilings:

- for journeys of up to 500 km: the first-class train fare;
- for journeys of over 500 km: the cheapest air fare.

Per diem allowances will be calculated on the basis of the dates and times of the journey by train or air.

Members of the staff have no claim on the NATO-PA in respect of material damage or injury either to themselves or to third parties resulting from an accident sustained in the course of an official mission while using their private cars. They shall sign a declaration to this effect in advance of such travel.

#### Travel for Sessions

The quickest and cheapest means of travel will be used (see the principles set out above - APEX).

### C. Application of the Per Diem System

1. The NATO per diem scale II is used for every member of the International Secretariat
2. The per diem covers:
  - accommodation;
  - meals (this should normally mean the lunch and dinner, as breakfast is normally included in the price of the hotel room whenever possible);
  - local transport, except transport to and from the airport or station;
  - local telephone calls.

Note: Where any of these are provided by the host organisation or host nation, the appropriate deductions from the per diem will be made (50% for accommodation, 15% for lunch and dinner).

3. Modes of payment of the per diem:
  - a. In the case of an individual mission for the purposes of a conference, recruitment, a visit in preparation for a Session, etc., the per diem is payable in full and covers all items mentioned in item 2. above. Exceptions to this principle will be allowed where the host or host nation selects and imposes the hotel, and the price cannot be negotiated.
  - b. In the case of a parliamentary mission - e.g. for committee, sub-committee or Bureau meetings, two situations may arise.
    - Where accommodation costs (room + breakfast + taxes) represent over 60% of the per diem, those costs will be paid in full, together with 30% of the per diem<sup>2</sup>.
    - Where accommodation costs represent up to 60% of the per diem, payment will be as in sub-paragraph a. above.
  - c. For each Session and Standing Committee meeting a study and a proposal are made. Rates are established for hotel and breakfast costs and a flat rate is established for additional costs. There is no reduction where meals are provided for sessions but there is reduction for spring Standing Committee meetings.
  - d. Mission lasting less than 24 hours, without accommodation, 30% of the per diem is normally paid for full daytime missions.
  - e. For missions lasting more than 24 hours, if travel time is in excess of 4 hours but less than 8 hours an extra 25% of a per diem will be allocated. For travel time in excess of 8 hours, 50% of a per diem will be allocated.

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<sup>2</sup> In this case, if breakfast is not included in the hotel cost, up to 10% of the per diem will be reimbursed upon presentation of a receipt.

## D. Submission of Mission Requests

### 1. Principle

For all official travel, members of the NATO PA complete a mission request form (template).

### 2. Content of the Request (not limitative)

The request form will indicate:

- the nature of the planned mission and the budget heading;
- the date and time of the activity;
- the required date and time of departure and arrival;
- details concerning accommodation;
- additional absence (either to obtain a preferential rate, or for personal convenience); in the latter case the additional absence should be taken as personal leave;
- any costs borne by another body or a state;
- additional costs to be borne by the budget (conference registration fee, hospitality expenses, etc.);
- mode of payment of the allowance (€, local currency, or other means);

and will be accompanied by all documents received concerning the activity (letter of invitation, conference programme, etc.).

### 3. Timing and Approval

The request should be submitted to the Secretary General or the Deputy Secretary General at least two weeks before the mission. The request is processed as follows:

- The Assistant prepares the mission order;
- The original copy is printed and **signed** by the person travelling;
- The electronic version is saved in J:/Staff general/Mission orders;
- The original is given to the Administration service (Christine / Eva) for checking and registration;
- The Assistant checks that the mission order is:
  - listed in J:/Staff General/Mission order registration list; and
  - marked on scheduler in YELLOW (means registered only);
- The Administration service gives the mission order to the Executive Office for authorisation. It is then returned to the Administration service;
- Once authorised the mission order is marked in RED on scheduler (accepted);
- The Assistant and staff travelling should check the scheduler to be informed;
- The Administration service gives one copy to Travel service;
- Travel tickets can be issued;
- The Administration service enters the mission order in the commitment programme;
- The Administration service gives the ORIGINAL to the Accounting service who will archive it;
- Per diem is prepared by Accounting service.

#### **4. Private & Rental Car**

Use of a private car must be mentioned in the request and is subject to authorisation by the Secretary General or the Deputy Secretary General. The declaration form concerning use of a private car must be completed.

### **E. Mission Advances**

Mission advances will be made on the basis of the details provided on the approved mission request form. The amount advanced will be 95% of the total calculated on the basis of the details on the approved mission request form and as specified in III. C, "Application of the per diem system". The breakdown will be mentioned on the mission request.

Advances in euros will be transferred into the staff members' bank account; foreign currency will normally be made via bank voucher. In principle no cash will be returned except if the Accounting Service has a cash book in the currency of the per diem.

### **F. Reimbursement of Mission Expenses**

As soon as possible, and not more than 15 days after completion of the mission the person concerned submits a claim for reimbursement of mission expenses to the Accounting Service. The claim must be accompanied by the invoices, bills, ticket stubs, receipts, programme of the mission, travel details etc. substantiating the expenses claimed. Any discrepancy between the mission order and the claim for reimbursement must be justified.

Once approved by the Head of Administration and Finance, the claim is authorised by the Secretary General and then settled by the Accounting Service.

#### Taxi fares

Use of taxis should be avoided whenever use of an efficient public transport including shuttle services is possible. All requests for reimbursement of taxi fares must be justified with receipts, and must be approved by the Head of Administration and Finance.

## **IV. GENERAL RULES GOVERNING HOSPITALITY EXPENSES**

### **A. Definition**

Members of the NATO PA staff may be obliged to incur hospitality costs (for drinks or meals) for official purposes. Such costs must be necessary and incurred for the purpose of furthering the NATO PA's general aims. Members of staff on official missions will be reimbursed for such costs to the extent that they are justified, approved in advance, and within certain limits. Hospitality expenses are provided to certain members of staff on a case-by-case basis.

## **B. Conditions for Acceptance of Hospitality Expenses**

In principle, NATO PA staff should not offer hospitality to parliamentarians members of the NATO PA.

### **1. Reciprocity**

The principle of reciprocity is an acceptable reason for using budgetary credits for hospitality where NATO PA members have received an official invitation and have an opportunity, in the course of a subsequent meeting, to reciprocate in accordance with established norms. The principle of reciprocity does not apply when NATO PA members of staff are invited privately by members of national parliaments or bodies. In such cases, the NATO PA members of staff are free to reciprocate, but will do so at their own expense.

### **2. Moderation**

The hospitality offered must be appropriate to the status of the guests and to the nature of the event. The reciprocity principle does not mean that one is necessarily obliged to copy the degree or form of hospitality originally offered. Some nations and bodies are highly generous in their hospitality and consider it an instrument of policy. Others have a limited budget for this purpose and reduce such events to a strict formality. The NATO PA does not necessarily have to follow this line, and applies moderate rules appropriate to the circumstances.

### **3. Limitation of the Number of NATO PA Representatives**

In view of the purpose of hospitality credits, the number of NATO PA representatives present must be kept as small as possible. Only those whose presence is strictly necessary in view of their position and duties should be present.

### **4. Receptions**

Receptions held in a private residence require the authorisation of the Secretary General.

Hospitality expenditure at the headquarters is itemised in the budget and requires the authorisation of the Secretary General or the Deputy Secretary General.

### **5. Control**

Hospitality credits in the budget are not distributed between services or authorities in advance. Any member of the staff wishing to incur such costs shall submit a request to the Secretary General or the Deputy Secretary General. The expenditure must be duly substantiated indicating the participants, and the claim is then submitted to the Secretary General or the Deputy Secretary General for authorisation of reimbursement.

### **6. Maximum Tariffs**

The Administration Service shall ensure that the following maximum amounts per participant at a reception charged to the budget are not exceeded:

- |   |      |
|---|------|
| - meal (including aperitif, drinks and service) in a restaurant | € 42 |
| - meal at a NATO facility                                       | € 25 |
| - reception within NATO PA headquarters                         | € 22 |
-