EU-RAIL
Manual of Financial Procedures

Version 2.1.

- *Version 2.1* -

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DOCUMENT HISTORY

Version	Date	Comment
1.0	11/04/2016	1st version
1.1	12/10/2016	Change in the Financial Circuits (FC): - **Update FC back-up** - **HR payment FC** - **Credit Operation FC**
1.2	16/10/2017	Revision of the FC with: - **the update of FC back-up roles;** - **the inclusion of a new Authorising Officer by Delegation (AOD) – back-up for administrative and operational payments**
2.0	28/02/2023	2d Version – revision of the financial circuits
2.1	01/02/2024	Update in the financial circuits, chapter 4 (new back-up approach for business continuity)

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1. INTRODUCTION

Based on a risk analysis made by the EU-RAIL, it has been decided – in view of change of financial circuits of February 2023 - to keep in this document the same compliance with the requirements defined in the "Autonomy criteria" based on the Research and Innovation Directorate-General (DG RTD) checklist of requirements that had been used for the preparation of this Manual of Financial Procedure before the autonomy of the Joint Undertakings in 2016.

The financial circuits concern all financial operations taking into account the lean structure of the EU-RAIL and risks associated with the management environment and the nature of the financial transactions. They are established in order to standardise the mandatory steps of the processing of financial transactions and to clarify the role of different actors in the financial circuits.

This document is structured according to:
- Administrative Expenditure covering Titles 1 and 2 of the EU-RAIL budget,
- Operational Expenditure covering Title 3 and 4 of the budget, respectively for the S2R Programme closing of operational activities and for the EU-Rail Programme operational activities
- Forecast of revenue and Recovery orders,
- Credit Operations.

2. RISK ASSESSMENT

The EU-RAIL considers the following elements in its risk assessment, which is annexed in ARES to this Manual of Financial Procedures.

2.1. Administrative Expenditure

Administrative expenditure concern Staff expenditure and Infrastructure and Operating Expenditure (like meetings, running costs in connection with operational activities).

The salaries and entitlements of the JU staff are calculated by the EC services PMO.

For the sound financial management, the EU-RAIL makes already use of some of the EC services and Framework Contracts (FwC) resulting from joint procurement procedures, and has already initiated the procedure for joining some other FwC, including with the implementation of the provisions of Article 13 SBA. Thus, this practice mitigates the risk towards better and efficient usage of resources and simplifies the financial workflow as the EU-RAIL will mainly use specific contracts or purchase orders, which requires less control.

In line with the level of risk entailed by Administrative Expenditure and the effective use of resources (cost effectiveness), the EU-RAIL concluded that for transactions up to a certain threshold (described in point 4.1), the Verifying Agent may authorize transactions. In practice this means that the function of Verification and Authorisation may be accomplished by the same person and the basic Financial Circuit involves only 2 actors: initiation and validation.

All transactions under administrative expenditure are processed solely in ABAC Workflow.

2.2. Operational Expenditure

Operational expenditure concerns mainly grants management, where Project Managers and the Program Coordinator will be involved in the operational expenditure workflow and the full workflow

(5 financial actors[1]) applies. With the launch of the System Pillar activities, operational procurement has increased its relevance although remain below 10% of the overall value of the Programme.

For the operational expenditure of the JU, the EU-RAIL has identified two different types of transactions: those only performed in ABAC Workflow and those with the initiation and verification functions outside the ABAC environment in a tool called SyGMa[2] depending on the nature of the transaction:

- ABAC for all procurement related transactions;
- SyGMa for any transactions related to grant management.

SyGMa is linked to ABAC which allows real time controls over the budget and its implementation.

In all transactions, whether initiated in SyGMa or ABAC, the authorising Officer (AO) will give his/her authorisation only in ABAC.

3. FINANCIAL ACTORS

According to the Financial Regulation[3], the financial actors are the 'authorising officer', the 'accounting officer'. In working language, 'financial actors' has a broader meaning and includes other persons involved in budget implementation and management who are not authorising officers, such as initiating and verifying agents.

3.1. Initiating Agent (IA)

The **initiating agents** prepare the transaction before its launch. This step includes performing any quality controls applicable. All documents, justifications and explanations are provided in the file by the initiating agents. The initiating agent also performs the duties of data entry agent in the systems.

EU-Rail has implemented paperless Workflow meaning that all supporting documentation is made available to all financial actors only in electronic format, in ABAC as attached documentation or in ARES. This is done by assuring that the actors have necessary access rights in all applicable ICT tools where information is made available, and the documents received or produced by the EU-RAIL are scanned directly or referenced in ABAC Workflow. The referenced documents are made available in priority in ARES, in ABAC Supporting Document and working document in SharePoint.

The verifiers and the AO will authorise the file as it is and may not include any additional documentation to support the transaction.

The initiation function can be split into an operational initiation sub-function and a financial initiation sub-function. For Administrative Expenditure, the two sub-functions may be exercised by the same person.

3.1.1. Operational Initiating Agent (OIA)

The **operational initiating agent (OIA)** controls the substance of an action. The OIA confirms that all the tasks have been correctly carried out, whether directly by him/her, or with input by others. This includes any procedures applicable to the selection of beneficiary or supplier in question.

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[1] See point 4.2

[2] SyGMa provides business services throughout the project lifecycle, from selection up to project finalisation and provides all data in the same application for the whole Research and Innovation family.

[3] REGULATION (EU, Euratom) 2018/1046 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013 (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

It should be ensured that none of those who undertook part of the work of initiation are subsequently responsible for the verification of the same action. Verifiers may be consulted for their opinion on particular issues at the initiation stage but they should not actually perform any of the initiation tasks.

At the level of the processing of invoices and cost claims the operational initiation function delivers the "certified correct" for the launching of payments.

3.1.2. Financial Initiating Agent (FIA)

The **Financial Initiating Agent (FIA)** typically includes the identification of the appropriate line in the budget and examination of procedures to be followed, the preparation of the budgetary commitment when applicable, the selection of the appropriate type of transaction with the adequate financial data, examination of the beneficiary, examination of the invoice and statements of expenditure, preparation of the payment, including VAT procedures, preparation of recovery orders etc., until termination of the operation.

It is the task of the FIA to ensure that the file is complete and correctly entered so that the OVA/FVA can give advice to the AO (by delegation) or that the AO (by delegation) can take a decision on the suggested expenditure.

3.2. The Verifying Agent (VA)

Verification of an operation is mandatory prior to the authorisation of every transaction. The purpose of the verification is to ensure that the operation is legal[4], regular[5] and in due respect of the principle of sound financial management[6] and that all related steps have been carried out correctly in conformity with the applicable regulatory requirements. With his approval the verification function confirms that he verified all necessary aspects of the file and did not detect potential problems. Finally, the verification action ensures that the tasks have been carried out correctly in conformity with the requirements of the financial rules and any EU-Rail internal rules.

The actor exercising the verification function cannot change the initiated operation. In case of an identified error, weakness or risk, the transaction is re-submitted to the initiator for correction. The verifying agent should properly document identified errors, weaknesses or risks by inserting a note in the transaction file and a concise comment in the accounting system. In case of disagreement, the AO decides on the action to be taken.

The verification function for a given transaction is never compatible with the initiation function; the initiator and the verifier must be different persons. The verifying agent cannot be subordinate to the initiating agent.

If the verifying agent approves the file, it is handed over to the authorising officer. If the verifying agent withholds his approval, the file is returned to the initiator for correction or cancellation (if the initiator agrees). In the situation where an authorising officer by (sub-)delegation is faced with contradictory recommendations made by the initiation function and the verification function, his job is to 'arbitrate'. If the authorising officer decides to overrule the validation of the verification function, he must ensure that the reasons for his decision are recorded. If the overruling is done by the authorising officer by (sub)-delegation, it should also be reported to the authorising officer.

The fact that there is a function in charge of ex-ante verification is not intended to diminish the responsibility of the persons intervening in the initiation. The verification function has to be seen as a normal management practice and not as an additional "controller" layer.

The validation function can be split into an operational verification sub-function and a financial verification sub-function. For Administrative Expenditure, the two sub-functions may be exercised by

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[4]   Has a sound legal basis.
[5]   The transaction is using the appropriate type of credits and is made on the correct budget line(s).
[6]   Economy, efficiency and effectiveness.

the same person. However, for Operational Expenditure (i.e.: grants management), the two sub-functions must be exercised by two distinct actors (FVA and OVA).

He/she verifies on behalf of the Authorising Officer. The verifier's tasks could be carried out by the authorising officer.

3.2.1. Operational Verifying Agent (OVA)

The OVA checks the work of the OIA and confirms the content and correctness of the action, and by doing so, supports the Authorising Officer before he/she gives "the pass for payment".

3.2.2. Financial Verifying Agent (FVA)

The FVA checks the work of the FIA and verifies the legality and regularity of the concerned financial transaction. He/she also supports the Authorising Officer before he/she gives "the pass for payment".

3.3. The Authorising Officer (AO) and Authorising Officer by delegation (AOD)

The Authorising Officer is the Executive Director of the EU-RAIL. The Executive Director will act in accordance with the EU-Rail's financial rules and (s)he has the final responsibility for any action or transaction carried out.

The AO takes the final responsibility for each decision that has a financial impact. (S)he is responsible to organise and supervise the work of the initiating and verifying agents who work for him/her.

The authorising officer can delegate all or part of his authorising authority for financial commitments or payments according to the delegation model adopted. In this case, it is the responsibility of the authorising officer by delegation to ensure that each transaction has been carried out in full respect of the rules and regulations. The delegation may be done to other staff members within a precise framework.

In the situation where the authorising officer is confronted with contradictory recommendations made by the initiation function and the verification function, he/she should "arbitrate". In this case and if he overrules the validation of the verification function, he must ensure that the reasons for his decision are recorded. If the overruling is done by an authorising officer by delegation (AOD), it should also be reported to the AO and the reasons for his decision should be recorded.

The AO is also responsible for approving any exceptions/derogations from established procedures where there are sound justifications.

3.4. Accounting Officer

This person is responsible for the implementation of the payments and recoveries decided by the Authorising Officer. The role and responsibilities of the Accounting Officer are set out in the EU-RAIL's financial rules[7]. In particular, the Accounting Officer's tasks include:

a) Proper implementation of payments, collection of revenue and recovery of amounts established as being receivable;

b) Preparing and presenting the accounts;

c) Keeping the accounts;

d) Implementing the accounting rules and methods and the charts of accounts;

e) Setting up and validating the accounting systems and, where appropriate, validating systems put in place by the authorising officer to supply or justify accounting information;

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[7] https://rail-research.europa.eu/wp-content/uploads/2020/01/S2R-JU-Financial-Rules.pdf

f) Treasury management. In order to respect the segregation of duties the Accounting Officer cannot participate in the Financial/Decisional Circuit but can be added for information in the documents' circulation lists.

By a Governing Board decision of 30 November 2022 the a new Accounting Officer of EU-Rail was appointed who will also be Accounting Officer of the JUs' Back Office Arrangements (BOA) for accounting services implemented by 1 December 2022, in accordance with Article 13 of the Single Basic Act. EU-Rail is also in charge of the overall coordination of the BOA for accounting services and its successful implementation.

4. FINANCIAL CIRCUITS

The financial circuits incorporate three main functions: initiation, verification and authorisation. Each of the first two is divided in two sub-functions: operational and financial.

The financial transactions are approved on the basis of circuits clearly defined and set up by the management.

Budgetary and legal commitments: two crucial steps have to precede any payment.

A budgetary commitment, reserving the necessary funds in the budget must be approved by the AO before entering into a legal obligation.

After approval of the budgetary commitment the legal commitment (Procurement Contract or Grant agreement) can be signed by both parties (Supplier / contractor / beneficiary and EU-Rail).
Payments: once all contractual conditions have been fulfilled, the beneficiaries or contractors can be paid. A minimum set of documents to be provided by these entities is required, and certain delays have to be respected from both sides.

The following main **principles and rules** apply to the financial circuits:

- The 'four-eyes' principle: Each financial transaction has to be divided into 2 steps: initiation on the one hand, and verification/authorisation on the other hand. Those two steps must be done by two different persons. Moreover, the verifier cannot be subordinated to the initiator.

  Nevertheless, there are often more financial actors involved as the initiation and verification will be divided into financial and operational aspects, with a final validation by the responsible authorising officer.
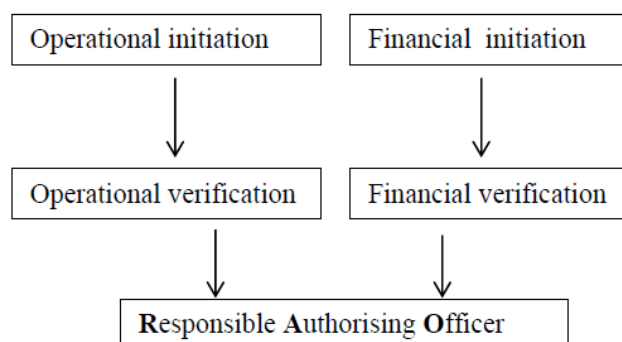
- <u>Segregation of duties:</u> The duties of authorising officer and accounting officer shall be segregated and mutually exclusive.

- <u>Independence of the verifier</u>: the verifying agent cannot be subordinated to the initiating agent.

4.1. Administrative Expenditure

In the concept of this document, any expenditure executed under Title 1 (Staff expenditure) or Title 2 (Running Costs) of the EU-RAIL budget, is considered as an administrative expenditure. The Administrative Expenditure is validated and authorised solely in the ABAC Workflow.

For each type of transaction, the EU-RAIL defined the following workflow according to the risk assessment:

4.1.1. Commitments and de-Commitments

Value	FIA = OIA*	FVA = OVA**	AO
≤15K	FIN/COM A *or* HR A	HoCS, [CLO], [ED]	
≤60K	FIN/COM *or* HR A	CLO, [FIN V] , [HoCS]	HoCS, [ED]
>60K	FIN/COM *or* HR A	CLO, [HoCS]	HoCS, [ED]

*   *Depending on the type of the administrative expenditure, the OIA can differ from the FIA. The Senior / Project Manager (S/PM), Chief Legal Officer (CLO), IT Assistant, Communication Officer, the secretaries may act as OIA.*

**   *For the administrative expenditure, if the OIA differs from the FIA in the workflow, the OIA cannot perform verification tasks (e.g. CLO).*

[ ] Back up actor

FIN/COM A = Financial / Communication Assistant   CLO = Chief Legal Officer
HR A = HR Assistant   FIN V = Financial Verifier
ED = Executive Director   HoCS = Head of Corporate Services

Budgetary commitments and legal commitments shall be adopted by the same authorising officer, except in duly justified cases as provided for in the delegated acts adopted pursuant to the Financial Regulation[8].

4.1.2. Payments

Value	FIA = OIA*	FVA = OVA**	AO
≤15K	FIN/COM A *or* HR A	HoCS, [CLO] , [HoRI], [ED]	
≤60K	FIN/COM *or* HR A	FIN V, [HoCS], [CLO]	HoCS, [ED]
>60K	FIN/COM *or* HR A	FIN V, [HoCS]	HoCS, [ED]

*   *Depending on the type of the administrative expenditure, the OIA can differ from the FIA. The Senior / Project Manager (S/PM), Chief Legal Officer (CLO), IT Assistant, Communication Officer, the secretaries may act as OIA.*

** *For the administrative expenditure, if the OIA differs from the FIA in the workflow, the OIA cannot perform verification tasks (e.g. FIN V).).*

****Salary payment file shall be initiated in HR.*

[ ] Back up actor

FIN/COM A = Financial / Communication Assistant   CLO = Chief Legal Officer
HR A = HR Assistant   FIN V = Financial Verifier
ED = Executive Director   HoCS = Head of Corporate Services

The financial circuit in ABAC are exclusively paperless using supporting document from ARES or from ABAC supporting documents.

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[8]   Article 111(2) (Expenditure operations)

In line with the risk assessment and the effective use of resources (cost effectiveness), the EU-RAIL concluded that for transactions, in principle up to a threshold of EUR 60 000 but under justified reasons for amounts above 60 000 too, the Authorizing Officer (including by delegation) may exercise directly the functions usually entrusted to the Verifying Agents, in compliance with the Financial Regulations. The detailed workflow with different threshold is shown above.

4.2. Operational Expenditure

There are two types of Operational Expenditure in the EU-RAIL:

- Procurement processed in ABAC and eProcurement tools, and
- The grant management related expenditure processed in SyGMa/Compass except final authorisation by AO in ABAC Workflow.

The SyGMa tool has an automated link to ABAC on validating the initiation and verification allowing EU-Rail to manage its budget implementation and consumption from a single source. In SyGMa these steps have been split between separate actors:

- Operational Initiating Agent (OIA)
- Financial Initiating Agent (FIA)
- Operational Verifying Agent (OVA) and
- Financial Verifying Agent (FVA) and

4.2.1. All types of operational commitments and de-commitments

On a regular basis the HoCS check the budget, the status of the budgetary commitment and proposes or not with a de-commitment. A summary is sent to the AO before de-committing any transactions.

OIA	FIA	OVA	FVA	AO
PM [SPM]	FIN A or FIN V	SPM [HoRI]	HoCS [FIN V], [ED]	ED [HoCS]

[ ] Back up actor

Complementary information on back-ups:
> SPM ➔ *Senior Programme Manager when playing OIA role, shall be different in OVA.*

PM = Programme Manager   HoRI = Head of Research and Innovation
FIN A = Financial Assistant   FIN V = Financial Verifier
HoCS = Head of Corporate Services   ED = Executive Director

4.2.2. Payments

Pre-financing

FIA	FVA*	AO
FIN A or FIN V	FIN V, [HoCS], [ED]	HoCS, [HoRI**] [ED]

*For pre-financing payments of grants processed in SyGMa/Compass, the financial circuit is extra-light, thus without FVA step.
** In accordance with the maximum threshold established in the HoRI Delegation Act

Other payments (cost claims)

OIA	FIA	OVA	FVA	AO
PM [SPM]	FIN A or FIN V	SPM [HoRI]	HoCS [FIN V], [ED]	ED [HoRI*], [HoCS]

[ ] Back up actor

Complementary information on back-ups:

SPM ➔ Senior Programme Manager when playing OIA role, shall be different in OVA, or HoRI is acting OVA instead.

PM = Programme Manager   HoRI = Head of Research and Innovation
FIN A = Financial Assistant   FIN C = Financial Coordinator
HoCS = Head of Corporate Services   ED = Executive Director

* in accordance with the maximum threshold established in the HoRI Delegation Act

4.3. Recovery Order

4.3.1. Recovery Orders

Recovery Orders on the administrative activities

FIA = OIA	FVA = OVA	AO
FIN A or FIN V	FIN V [CLO] , [HoCS] , [ED]	HoCS , [ED]

A Recovery Order has to be established to claim the funds to the JU's members contribution to the administrative costs and to the EU contribution.
The JU may also recover to staff members or from other administrative contracts.

Recovery Orders on the operational activities

OIA	FIA	OVA	FVA	AO
PM [SPM]	FIN A or FIN V	SPM [HoRI]	FIN V, HoCS , [ED]	ED [HoCS]

[ ] Back up actor

Complementary information on back-ups:
SPM ➔ Senior Programme Manager when playing OIA role, shall be different in OVA.

4.4. Credit operation

4.4.1. Credit operations

Transfer of appropriations as per EU-Rail FR Art.12.2
It is sometimes necessary to transfer credits from a budget line to another one in accordance with the Financial Rules. This is managed by the HoCS who is also monitoring the budget on a monthly basis.

FIA = OIA	AO
HoCS [FIN V]	ED [HoCS]

[ ] Back up actor

5. PRINCIPLES ON MAIN PROCEDURES

5.1. Grants

Grants are contributions to a project by an external organisation since its activities contribute to the EU-RAIL objectives. The main documents for consultation are:

In accordance with Article 45(1) of the EU-Rail Financial Rules applicable to EU-Rail, as regards grants, Title VIII of Regulation (EU, Euratom) 2018/1046 shall apply shall apply subject to any specific provisions of the constituent instrument or of the basic act of the programme the implementation of which is entrusted to the EU-RAIL.

The H2020 and Horizon Europe Grants rules and concept are applicable:

https://myintracomm.ec.europa.eu/corp/budget/financial-rules/grants/Pages/grant-agreement.aspx

The H2020 Grant manual is available by clicking the following link:

https://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf

5.2. Procurement of Services and Supplies

The procurement procedures allow the acquisition of a product or service needed in return for payment. Background documents are:

- Article 43 of theFinancial Rules applicable to the EU-RAIL, as regards procurement, Title VII of Regulation (EU, Euratom) 2018/1046 shall apply subject to paragraphs 2 to 5 of this Article and any specific provisions of the EU-Rail Regulation or the basic act of the programme the implementation of which is entrusted to theEU-Rail.

- Vade mecum on public procurement in the European Commission.

  https://myintracomm.ec.europa.eu/corp/budget/financial-rules/procurement/Pages/vademecum-public-procurement.aspx