



General Secretariat of the Council

Directorate-General A - Administration

Directorate 4 - Finance

Unit - Accounting

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Athena Mechanism

Accounting of operations financed under the
Athena Mechanism

What is the Athena Mechanism?

- Athena is a mechanism which handles **the financing of common costs relating to EU military operations** under the EU's common security and defence policy (CSDP).
- On **1 March 2004**, the Council of the European Union set up Athena. **27 EU member states** contribute to the financing of EU military operations, with Denmark deciding to opt out of CSDP on military matters.



Scope of Athena financing

Athena can finance the **common costs of EU military operations** as well as **the nation borne costs**, which include lodging, welfare, fuel, and similar costs linked to national contingents.

In all cases, Common Costs costs are:

- HQ implementation and running costs, including travel, IT systems, administration, public information, locally hired staff, Force Headquarters (FHQ) deployment & lodging
- for forces as a whole, infrastructure, medical services (in theatre), medical evacuation, identification, acquisition of information (satellite images)
- reimbursements to/from NATO or other organisations (e.g. the UN)

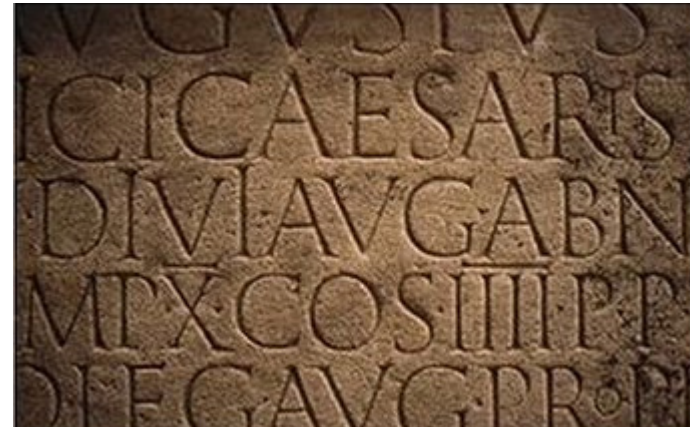
If the Council so decides, Athena can also finance costs relating to the **transport and lodging of forces**, and **multinational headquarters** below FHQ level.



Legal framework

Hierarchy of norms

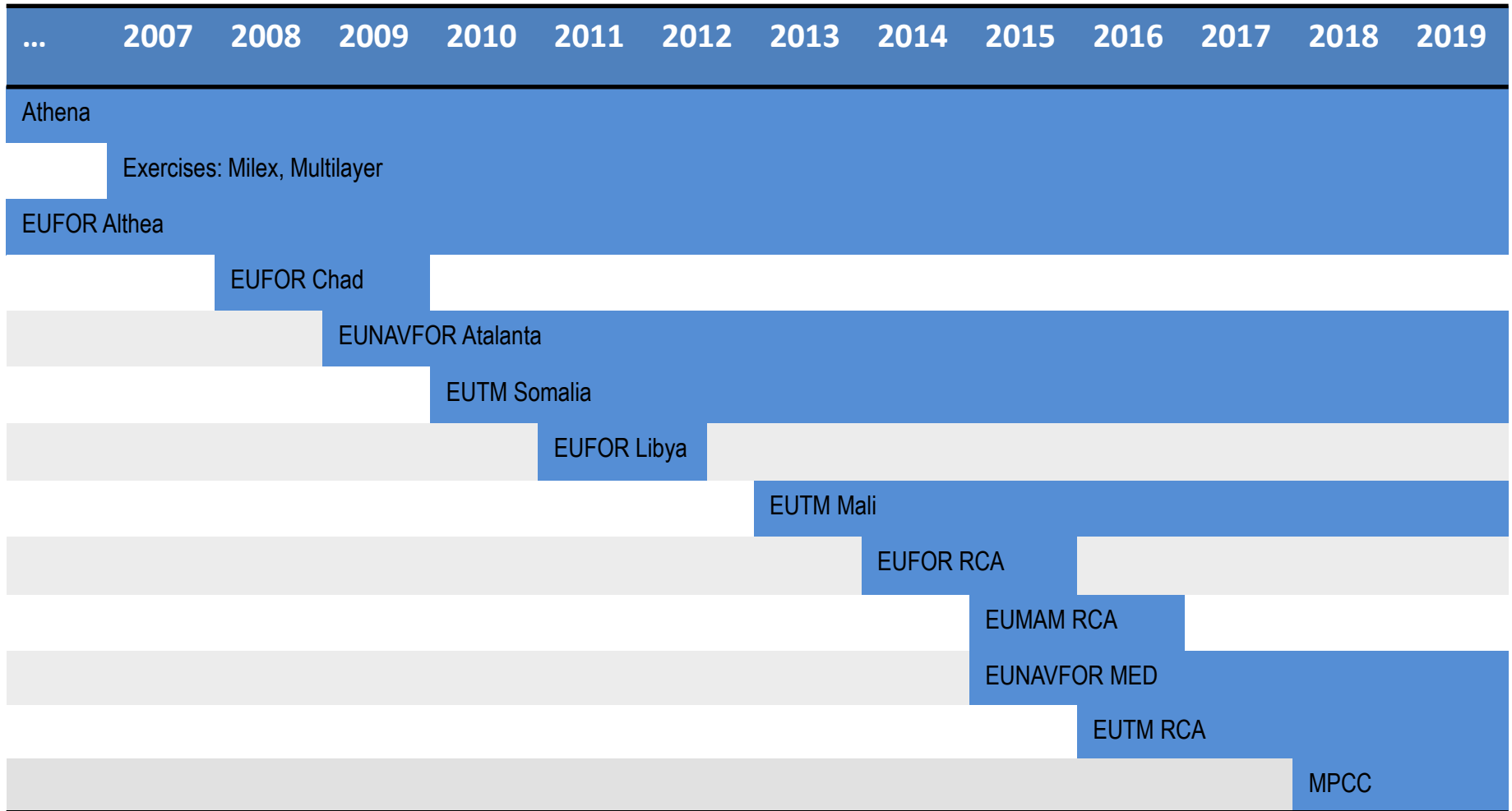
- Council decision (CFSP) 2015/528 of 27 March 2015
- Athena Financial Rules (AFR)
- Accounting Rules of the European Communities
- Acts of the Special Committee
- Acts of the Administrator
- Acts of the Operation Commander
- Applying EU rules in particular the Financial Regulation (EU, Euratom) No 966/2012 by analogy



Norms having the same level in the hierarchy

- *“Lex posterior derogat legi priori”* – the younger law overrides the older law
- *“Lex specialis derogat legi generali”* – the special law overrides the general law

History of Operations (Titles)



Funds managed by Athena

- **Common Costs - budget based;**
- **Nation borne costs (NBC) – on reimbursable basis (costs lie where they fall);**
- **Third party contributions (TPC) – trustee principle;**
- Funds must never be mixed;
- Accounting of each type of funds must be separable, but is also consolidated.

Possible solutions:

- separate chart of accounts;
- separate entities;
- Flagging of accounts



Consolidation Structure of Athena

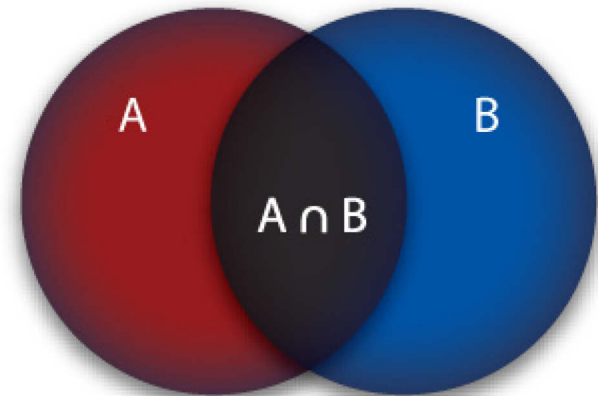
| Athena Mechanism | FULL CONSOLIDATED VIEW (ALL TITLES / ALL LEVELS) | | | Title | Site |
|------------------|--|---|-----------------|-------|------|
| Athena Central | CONSOLIDATED VIEW LEVEL OF CENTRAL ESTABLISHMENTS ONLY | | | ATH | CVL |
| | COMMON LEVEL: | Athena Central (Brussels) Common Level | | 000 | 000 |
| | TITLE 01 | CONSOLIDATED VIEW LEVEL | | 001 | CVL |
| | Titre 01 | Athena (Brussels) Central Level | Common Costs | 001 | 000 |
| | Titre 01 | OHQ, Site Bxl | | 001 | A00 |
| | TITLE 02 | CONSOLIDATED VIEW LEVEL | | 002 | CVL |
| | Titre 02 | Athena (Brussels) Central Level | Exercises | 002 | 000 |
| | Titre 02 | OHQ, OPCenter | | 002 | A00 |
| | TITLE 04 | CONSOLIDATED VIEW LEVEL | | 004 | CVL |
| | Titre 04 | Athena (Brussels) Central Level | Early Financing | 004 | 000 |
| | Titre 04 | OHQ, Site Bxl | | 004 | A00 |
| | TITLE 11 | CONSOLIDATED VIEW LEVEL | | 011 | CVL |
| | Title 11 | Athena (Brussels) Central Level | ATALANTA | 011 | 000 |
| | Title 11 | OHQ Northwood | | 011 | A00 |
| | Title 11 | Djibouti | | 011 | B01 |
| | TITLE 12 | CONSOLIDATED VIEW LEVEL | | 012 | CVL |
| | Title 12 | Athena (Brussels) Central Level | EUTM Somalia | 012 | 000 |
| | Title 12 | EUTM Somalia - phase 3 | | 012 | C00 |
| | TITLE 14 | CONSOLIDATED VIEW LEVEL | | 014 | CVL |
| | Title 14 | Athena (Brussels) Central Level | EUTM Mali | 014 | 000 |
| | Title 14 | EUTM Mali - MHQ | | 014 | A00 |
| | TITLE 15 | CONSOLIDATED VIEW LEVEL | | 015 | CVL |
| | Title 15 | Athena (Brussels) Central Level | EUFOR RCA | 015 | 000 |
| | Title 15 | OHQ Larissa | | 015 | A00 |
| | Title 15 | FHQ Bangui | | 015 | B00 |



Accounting Framework

- Accrual based accounting
- Budgetary cash based accounting

... applied concurrently.



Accounting Standards

- EU Accounting rules
- IPSAS (International Public Sector Accounting Standards)

<https://www.ifac.org/public-sector>



Structure of the financial statements of Athena

- Art. 43 AFR – IPSAS (International Public Sector Accounting Standards)
- Art. 44 AFR
 - Budgetary outturn account (Budget execution report)
 - IPSAS structure of financial statements
 - Statement of financial position
 - Statement of financial performance
 - Cash flow statement
 - Statement of changes in Net Assets / Equity
 - Statement of comparison of budget and actual amounts
 - Significant accounting policies
 - Notes



Budgetary structure

- Differentiated appropriations
 - Commitment appropriations
 - Payment appropriations
- Transfers of appropriations
- Amendments of budget
- Multiannual commitments
- Carryovers of commitments
- Carryovers of payments

| Budget n°5/2014 | |
|---------------------|---------------------|
| Commitments (2) | Payments (3) |
| <i>7 578 573,33</i> | <i>7 982 139,00</i> |
| <i>1 641 455,00</i> | <i>3 129 455,00</i> |
| 724 680,00 | 724 680,00 |
| 43 800,00 | 43 800,00 |
| 834 575,00 | 2 322 575,00 |
| 38 400,00 | 38 400,00 |
| 0,00 | 0,00 |



Commitment vs. Payment Appropriations

- Commitment appropriations shall cover the total cost of the legal commitments entered into during the financial year...
- Payment appropriations shall cover payments made to honour the legal commitments entered into in the financial year or preceding financial years.



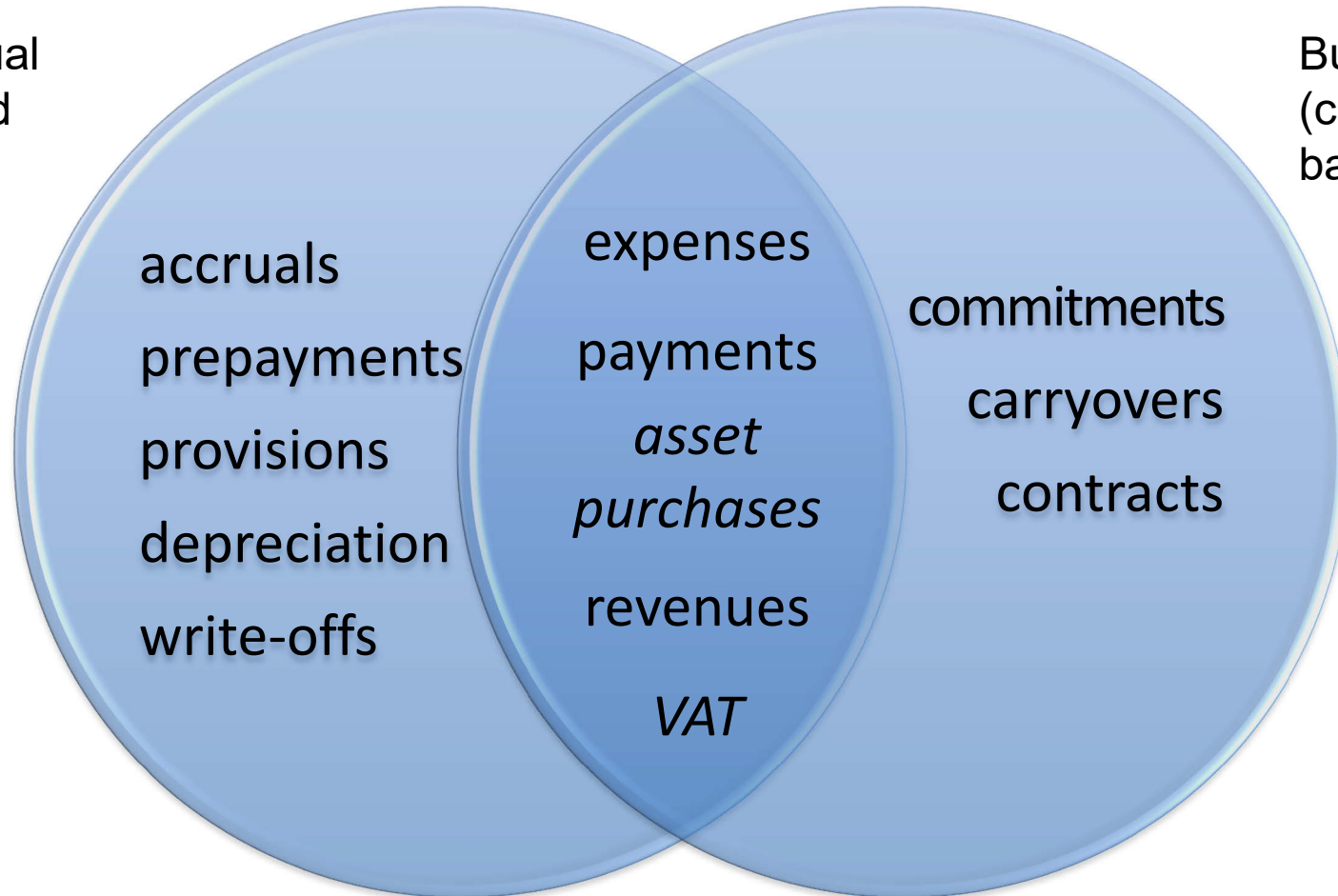
General organisation. Roles. Actors.

- Principle of Segregation of duties
- Authorising officer
- Accounting officer
- Other actors
- Art. 4 AFR *“The duties of authorising officer and accounting officer shall be segregated and mutually incompatible. The accounting officer shall refuse any order which he deems incompatible with the applicable legislation or with the proper discharge of his duties. Such refusal shall be notified in writing to the authorising officer and to the administrator.”*



Accrual based vs. Budget Accounting

Accrual
based



Budget
(cash
based)



Relation between budget and accrual based accounts

- Linking of budgetary and accrual based accounts is not required in order to produce accurate accounts;
- It is however very practical;
- Budget articles are linked with G/L accounts under the principle “one to many”.

| Bud. art | Name of bud. art. | Bud. subart. | Name of bud. subarticle | G/L account | Name of G/A Account |
|----------|-------------------|--------------|--|---------------|--|
| 0220 | CIS | 02201000 | Communications and IT equipment | 2402022010001 | Purchase of communications & IT equipment - 02201000 |
| 0220 | CIS | 02201000 | Communications and IT equipment | 6002022010001 | Communications & IT equipment (NOT fixed asset) |
| 0220 | CIS | 02202000 | CIS Services / Rental, maintenance and licences fees | 6005022020001 | CIS Services / Rental, maintenance and licences fees |
| 0220 | CIS | 02203000 | Fixed asset: software licences | 2110022030001 | Purchase of Licenses (Software) |
| 0220 | CIS | 02209900 | CIS - Not specific | 6005022099001 | CIS - Not specific |
| 0220 | CIS | 02209999 | VAT to be claimed on CIS | 4111000000000 | VAT to be claimed CC |



Accounting Lifecycle - purchases

| | Legal or factual event | Accrual Based Accounting | Budget implementation | | | |
|---|---|--|-------------------------------|---|---------------------------------|---------------------|
| | | | Budgetary Commitment | Legal Commitment | Payments Ordered | Payments registered |
| 1 | Intention to purchase | no effect | Register budgetary commitment | no effect | no effect | no effect |
| 2 | Firm commitment, order of goods/services | no effect or disclosure | linked with legal commitment | register legal commitment e.g. PO, contract | no effect | no effect |
| 3 | Goods/services delivered | Accrual (if invoice not expected before end of reporting period) | no effect | no effect | no effect | no effect |
| 4 | Invoice received and introduced | Payable and expense booked to accrual accounts | no effect | partial/full liquidation | no effect | no effect |
| 5 | Invoice approved by AUT. Payment order printed. | Book payable / recognise expense | no effect | no effect | registered as "payment ordered" | no effect |
| 6 | Payment made and matched | Payable closed, cash reduced | no effect | no effect | no effect | payment registered |



Reconciling Accounting with Budget

What are your views on the following?

- “Cash is fact, everything else is an opinion”;
- Is it possible to reconcile the BER with the P&L? How should that reconciliation look?
- What are the adjustments needed?
- Is it possible to reconcile the BER with the cash?
- Other questions?

