

Policy

It is the policy of Stichting AFNORTH International School that the financial administration and management of the general services shall be governed by the Board of Governors. The financial rules and regulations will be transparent following sound cash based accounting principles.

Procedures

The following are the financial rules and regulations of Stichting AFNORTH International School Brunssum.

Section 1 Preparation and Approval of the Budget

The procedure for the preparation and submission of the school budget estimates is given below:

- 1.1 The Directorate will prepare the initial draft annual budget estimates for next school year in accordance with approved formats. The budget will be expressed in Euro currency.
Time line: January-February.
- 1.2 The Directorate will send the initial draft budget estimates to the Financial Advisors for examination. This will be accompanied by general analyses and detailed information as deemed necessary for explanation and justification of the funds requested.
Time line: three to four weeks before the Financial Advisors meeting in March.
- 1.3 The Financial Advisors will formulate observations on and recommendations for approval of the annual budget estimates by the Board of Governors.
Time line: Financial Advisors meeting in March.
- 1.4 The Directorate will adapt, if necessary, the annual budget estimates according to the recommendations of the Financial Advisors. This revised form is sent to the Financial Advisors for their approval.
Time line: March-April
- 1.5 The Directorate will send the (revised) draft budget estimates to the Board of Governors for examination. This will be accompanied by such general analyses and detailed information as deemed necessary for explanation and justification of the funds requested.
Time line: three to four weeks before the Board of Governors meeting in May.
- 1.6 The (Chairman of the) Financial Advisors will report to the Board of Governors their observations and recommendations.
Time line: Board of Governors meeting in May.
- 1.7 The Board of Governors will review the annual budget estimates. When the Board of Governors has no recommended changes and approves the estimates, the Chairman of the Board of Governors signs the budget document.
Time line: Board of Governors meeting in May.
- 1.8 If the annual budget estimates are not approved by the Board of Governors at the meeting in May, the Directorate will adapt the annual budget estimates according to the

recommendations of the Board of Governors. The revised budget is sent to the Board of Governors for their approval.

Time line: May-July

- 1.9 The Chairman of the Board of Governors will sign, if necessary, the revised budget document.
Time line: before start of new financial year

- 1.10 One or more supplementary budget estimates proposing adjustments of credits in the approved annual budget may be presented to the Board of Governors, approved by the Board of Governors and signed by the Chairman of the Board of Governors.

Time line: during the Financial Year

Section 2 – Budget Execution

2.1 Cash Based Commitment of Credits

Cash Based Commitment of funds is the advanced recording, as accurately as possible, of the funds required to be expended as a result of liabilities incurred during the Financial Year.

It is the responsibility of the Finance Manager to ensure that the commitments entered into are:

- within the funds made available for the purpose in the approved budget;
- for the purposes specifically authorized in the approved budget;
- in accordance with all relevant rules and standards;
- supported by adequate justification;
- authorized by the Director or the Assistant Director.

2.2 Cash Based Commitment Accounting

The procedure of the commitment accounting is given below:

	Action	When	For the Amount of
1.	Fill in commitment form. Attach supporting documentation. Register funding obligations in Exact.	Approval of contract.	Overall contract amount.
		Approval of purchase order.	Purchase order amount.
		For utilities at beginning of year.	Estimated amount for entire year.
		For salaries and allowance at beginning of year.	Estimated amount for entire year.
2.	Register invoice in Exact. Register invoice on commitment form. Correct amount of registered commitment in Exact.	Approved invoice.	Amount of invoice.
		Approved monthly payroll.	Amount of monthly payroll.
3.	Record closure on commitment form. Record explanation in case of under- or over expenditure on commitment form.	After receiving last invoice. After receiving last payroll.	Un-/over-used amount of commitment.

	Correct amount of registered commitment in Exact.		
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2.3 Approval of Payments

2.3.1 The Finance Manager will ensure that received invoices are:

- a. in accordance with all relevant rules and standards;
- b. supported by adequate justification;
- c. consistent with the registered commitment*;
- d. within the funds made available for the purpose in the approved budget;
- e. authorized by the staff involved that the goods/services are received or the work has been inspected and approved as stated on the invoice.

2.3.2 The Finance Manager will prepare bank transfers for payment of the invoices.

2.3.3 The Director or the Assistant Director will approve all invoices and authorize payments before these are communicated to the bank.

- * Over expenditure of commitments – Where the amount of a proposed payment is in excess of the amount previously committed, the Finance Manager will ascertain the reason, will ensure that the discrepancy is not due to the disregard of regulations and that the final amount remains within the budget.

2.4 Transfers Within the Budget

The Directorate is authorized to shift budget credits within a chapter of the budget. A written approval from the Director in advance of the transfer is required. All approved budget transfers from one line item to another will be listed in the budget execution statement.

The Directorate must ask approval from the Board of Governors to shift budget credits between the chapters of the budget. A written approval from the Chairman of the BOG in advance of the transfer is required. A prior Board of Governors decision is necessary for the Chair's authorization of the transfer. The Chair will therefore get the Board's approval by e-mail before authorizing the transfer. All approved budget transfers from one line item to another will be listed in the budget execution statement.

2.5 Carry Forward of Cash Based Committed Credits

At the close of the financial year, unexpended balances of committed credits for which there is a liability for payment will be carried forward. Liabilities will be expendable only for the purpose for which they were initially committed. The carry over of liabilities may not exceed two years.

2.6 Contingency Fund

2.6.1 The Director is authorized to maintain a Contingency Fund within the following constraints:

- a. The fund will not exceed level D of the NATO's Established Financial Limits (EFL).
- b. The fund will be replenished from funds remaining uncommitted after the closure of the annual accounts.
- c. Funds remaining uncommitted after the contingency fund has been replenished to its ceiling are to be returned to the contributing nations by reducing the next year's call for funds.

2.6.2 The Contingency Fund may only be used for the following:

- a. To meet the cost of unbudgeted maintenance or equipment replacement requiring immediate action.

- b. To meet cost overruns on budgeted requirements of a non-recurring nature.
 - c. To meet shortfalls of a non-recurring nature.
- 2.6.3 Upon approval from the Director to use (part of) the Contingency Fund, the agreed upon amount will be added to that school year's budget to the appropriate budget line item and its expenditure accounted for in the budget execution statement.
- 2.7 Capital Projects Reserve
- 2.7.1 The BOG is authorized to maintain a Capital Projects Reserve fund within the following constraints:
- a. The reserve will not exceed €750 000
 - b. The reserve will not be replenished from funds remaining uncommitted after the closure of the annual accounts.
- 2.7.2 The Capital Projects Reserve may be used for one-time big projects that can not be built in the on-going annual budget because:
- a. they would increase the annual budget to an unacceptable level or,
 - b. they are not firm enough in terms of actual requirements, timing, and/or cost.
- 2.7.3 The Directorate will prepare an expenditure plan which the BOG will review as part of the budget approval process. Upon approval from the BOG to use (part of) the Capital Projects Reserve, the agreed upon amount will be added to that school year's budget to the appropriate budget line item and its expenditure accounted for in the budget execution statement.
- 2.7.4 The Capital Projects Reserve will be closed when the funds have been depleted.

Section 3 – Provision of Funds

3.1 Collection of Funds

The Finance Manager will be responsible for collecting funds from the four owning nations towards the approved budget of the Stichting AFNORTH International School. These contributions will be called up in Euros, in accordance with the cost-sharing ratios approved by the Board of Governors. Contributions will be called for in two instalments during the financial year.

3.2 Deposit of Funds

- 3.2.1 Separate bank accounts and deposits will be maintained to ensure the utmost transparency. In May 2006, the BOG approved the establishment and the redistribution of funds into the accounts as described below:
- *General Budget account* – used strictly for budget operations
 - *Tuition account* – used strictly for tuition collections and payments to the nations
 - *Petty Cash account* – used for small transactions that are not included in the budget
 - *Early Retirement account* – account for annually budgeted deposit of yearly contribution plus previous annual deposits plus interest. Also early retirement benefits payments to former employees are paid out of this account.
 - *Early Retirement deposit* – savings account for collected early retirement funds which are not needed in the short term. Savings account receives more interest than the account.
 - *Exchange Rate account* – account for the \$ / € exchange income. The US will ensure that an adequate balance is retained in the account to cover a possible turnaround in the strength of the US dollar. US ownership.

- *US Travel Fund account* – for curricular and co-curricular travel funded by the US only. US ownership.
- 3.2.2 Excess funds in the bank accounts may be invested on a short or long term basis upon approval and in accordance with investment decisions taken by the Board of Governors from time-to-time.

Section 4 – Internal Control and External Audit

NATO IBAN (International Board of Auditors for NATO) will audit Stichting AFNORTH International School's finances every year. Should the IBAN be unable to conduct the audit in any year, the Board of Governors shall request audit services from the JFC (Joint Force HQ Command Brunssum) Internal Review Branch or engage an auditor from the private sector.

Section 5 – Contracting and Procurement

5.1 The procurement of goods, services and works will be carried out in such a manner as to ensure that the best value for money is obtained while maximizing competition amongst eligible sources. As required, advice and/or assistance will be obtained from JFC HQ Brunssum, or other organizations, concerning legal affairs, engineering issues, security or other matters.

5.2 Procurement procedures and approval levels depend on the nature, value, and urgency of the requirement. The following summarizes the standard procurement procedures:

Procedure	Requirements	Maximum Contract Value	Approval level	Deviation Authority
Simplified Procurement (sole source)	Solicitation of a single quote from a qualified supplier	€5,000	Finance Manager or Facility Manager	N/A
Restricted Bidding	Solicitation of at least three quotes from qualified suppliers	€50,000	Director or Assistant Director	Chair of the Board of Governors
Formal Bidding	Requests for Proposals	€150,000 > €150,000	Director Board of Governors	Board of Governors or Chair of the Board of Governors + 1 other member in emergencies.

5.3 Simplified Procurement Procedure

The simplified procurement procedure shall normally be used for the acquisition of low value (€5,000 maximum) goods, services, and works such as basic supplies, minor emergency repairs, etc and may be approved by the Finance Manager or the Facility Manager.

5.4 Restricted Bidding Procedure

The restricted bidding procedure shall be used for all acquisitions between €5,000 and €50,000. It requires the purchaser to obtain a minimum of three quotes from qualified suppliers and all contracts must be approved by the Director or Assistant Director.

The restricted bidding procedure is also recommended for purchases between €500 and €5,000 when the acquisition is not of a recurring or urgent nature. In such cases, the acquisition can be approved by the Finance Manager or the Facility Manager.

5.5 Formal Bidding Procedure

A formal bidding procedure requires the issuance of a Request for Proposals. This procedure shall normally be used for all acquisitions of €50,000 or more. When a formal bidding procedure is used, the Director may approve contracts up to €150,000 and those above €150,000 must be approved by the Board of Governors.

Under formal bidding procedures, it is recommended that at least five qualified suppliers will be invited to submit sealed bids and the process may be carried out with the assistance of contracting staff from JFC Brunssum.

5.6 Deviations from Normal Procurement Procedures

Cases may occur where the application of the normal procurement procedures are not in the best interest of the school, its staff, or its students. Deviations may be considered in the interest of security, operational urgency, standardization, and other practical considerations.

Departures from standard procurement procedures will be assessed and approved on a case-by-case basis by the Deviation Authority. Each case must be fully justified and clearly demonstrate the inability to reasonably comply with standard procurement procedures.

In the event that standard procurement procedures call for a formal bidding process and such a process is not feasible, every attempt should be made to pursue a restricted bidding process before resorting to sole source procurement.

Where the Deviation Authority is identified as the Board of Governors and it is impractical to convene the members, agreement may be obtained from each member via electronic means (email, fax, etc) and once approval has been received from all members, the authority shall be considered granted.

In emergency situations where it is impossible to request approval from all members, Deviation Authority may be granted when the Chair and at least one other member is in agreement with the deviation from standard procurement procedures.

Section 6 – Accounting

The Finance Manager will maintain separate records of budgetary funds.

6.1 Accounts shall be kept to show:

- a. authorizations, commitments, expenditures and available balances of credits for each item of the budget;
- b. contributions requested from the owning nations, contributions received from the owning nations;
- c. miscellaneous income;
- d. tuition fee requested from sponsors, tuition fee received from sponsors and tuition fee reimbursed to the owning nations;
- e. cash and bank balances;
- f. other assets and liabilities of Stichting AFNORTH International School

- 6.2 The Finance Manager will prepare within the first week of every month financial documents for the Financial Advisors incorporating:
- a. budget execution statement
 - b. student enrolment statistics
 - c. analysis of budget funding by nation
 - d. balance sheet
 - e. update on Call for Funds
 - f. update on tuition payment to nations
- 6.3 The Finance Manager will prepare in August the annual financial year-end statements incorporating:
- a. analysis of budget funding by nation
 - b. budget execution statement
 - c. balance sheet
 - d. update on Call for Funds
 - e. update on tuition payment to nations
 - f. cash flow statement
 - g. letter of representation
 - h. statement on internal control
- 6.4 The Board of Governors will be informed at each meeting about the budget execution of the current school year by the Chairman of the Financial Advisors. In the November meeting they will also be informed about the year end statements of the previous school year by the Chairman of the Financial Advisors. The BOG will also formally receive for the November meeting the year-end-statements as presented to the IBAN, which they should formally note.

Review

This procedure shall be reviewed in accordance with Policy Development and Review Policy 1020.