

## Board of the Centre

73rd Session, Turin, 3-4 November 2011

CC 73/4/2

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FOR DECISION

### FOURTH ITEM ON THE AGENDA

## Review of the Financial Regulations

1. At its 297<sup>th</sup> Session (November 2006), the Governing Body approved the adoption by the ILO of International Public Sector Accounting Standards (IPSAS) for the financial period beginning 1 January 2010. Further to this decision, the Board was informed at its 70th Session (November 2008) that the Centre would transition to the use IPSAS as its basis for financial reporting within the same timeframe as the ILO, and that any changes to the Financial Regulations would be presented to subsequent sessions of the Board.
2. The Centre remains on schedule for implementation of IPSAS and has now completed its review of the Financial Regulations. The proposed amendments to the Financial Regulations are intended to ensure consistency with IPSAS, greater alignment with the provisions of the ILO Financial Regulations as well as introducing gender neutral language and minor edits. In addition, the definitions which were previously contained in Appendix I have been incorporated into the Financial Regulations (now Chapter 1) and additional terms of reference governing external audit which were contained in Appendix II have also been incorporated into the Financial Regulations (now article 25).
3. The proposed amendments to the Financial Regulations have been prepared further to consultations with the ILO and the External Auditor. The proposed amendments are provided in Appendix I.
4. Article 31 of the Financial Regulations provides that the Financial Regulations may be amended by the Board after consultation with the Governing Body.
5. Subject to the adoption of these amendments, proposals for consequent amendments to the Financial Rules will be made to the Board.
6. ***The Board is requested:***
  - a) ***to approve the amendments to the Financial Regulations as set down in Appendix I, and submit them for consultation to the Governing Body of the ILO, and***
  - b) ***to authorize the Officers of the Board to amend the Financial Regulations as set down in Appendix I taking into account any views expressed by the Governing Body.***

Turin, 29 July 2011.

*Point for decision:* Paragraph 6.

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## Appendix I

### Amendments to the Financial Regulations of the International Training Centre of the ILO

(additions are underlined and deletions are strikethrough)

CC/LEG.5/REV.4

## FINANCIAL REGULATIONS

(As adopted by the Board of the Centre on 8 November 1979 and amended on 8 November 1980, 22 May 1981, 4 November 1985, 6 November 1996, 3 November 1999, 6 November 2002 and 3 November 2006)

## CHAPTER I

### DEFINITIONS

For the purpose of these Regulations:

"Accounts" means all formal records of the assets, liabilities, income and expenditure of the Centre.

"Accrual accounting" means the determination and matching of the income for a financial period with expenditure for the same period.

"Board" means the Board of the Centre as defined in Article III of the Statute.

"Centre" means ~~the International Training Centre of the International Labour Organization, for Advanced Technical and Vocational Training in~~ Turin.

~~"Chairman"~~ "Chairperson" means the ~~Chairman~~ Chairperson of the Board as defined in paragraph 5 of Article III of the Statute.

"Earned income" means income generated by all activities of the Centre and by all assets of the Centre.

"Financial ~~P~~period" means the calendar year from 1 January up to and including 31 December.

"Firmly pledged voluntary contributions" means voluntary contributions in respect of which the contributor has stated in writing the amount and the date or dates of payment.

"Net results" means the difference between income and expenditure for a financial period.

"Officers" means the Officers of the Board, as defined in paragraph 5 of Article III of the Statute.

"Staff Regulations" means the Staff Regulations of the Centre as amended from time to time.

"Statute" means the Statute of the Centre as adopted by the Governing Body of the International Labour Office on 31 May 1963, as amended from time to time.

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"Working Capital Fund" means the Fund described in Article 11 of these Regulations".

## **~~CHAPTER I~~**

## **CHAPTER II**

### **FINANCING OF THE CENTRE**

#### **Article 3**

1. The Director is authorized to accept gifts, grants and legacies, provided that:
  - (a) they are made for purposes consistent with the objects and functions of the Centre;
  - (b) they are in such form as to be readily usable for these purposes; and;
  - (c) they do not give rise to financial or other liabilities for the Centre or the International Labour Organization.

~~He~~ The Director shall report annually to the Board thereon.

2. The Director is authorized to obtain additional income for the Centre by renting space or providing services (to the extent that they are not required for the implementation of the Centre's activities) for purposes consistent with the standing of the Centre.

3. The Director shall, after consultation with the ~~Chairman~~ Chairperson of the Board, designate the bank or banks in which funds of the Centre shall be kept or, if not needed for immediate requirements, invested. This paragraph does not apply to the Working Capital Fund.

4.(a) The Director is authorized to borrow funds on behalf of the Centre when the Working Capital Fund is insufficient to finance temporarily:

- (i) expenditure to be covered by firmly pledged voluntary contributions due but not yet received; and
  - (ii) expenditure to be incurred under signed agreements when income to be received under such agreements is not yet in hand.
- (b) ~~He~~ The Director is not authorised to borrow for any other purpose unless he or she has obtained prior written authorisation by the ~~Chairman~~ Chairperson, who shall inform the Officers of any such authorisation given.

## **~~CHAPTER II~~**

## **CHAPTER III**

### **PRESENTATION AND ADOPTION OF THE BUDGET**

#### **Article 4**

1. The Director shall prepare programme and budget proposals for each financial period, including estimates of the income and expenditure for the period.

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2. The estimates shall be expressed in euros ~~(as from 01/01/2008)~~.

3. The Director shall provide members of the Board with the budget proposals at least one month before the date of the Board meeting called to consider them. The proposals shall include information on the expected level and content of the programme and on financial matters, including cost data and prospects for voluntary contributions., ~~shall be presented to the first meeting of the Board (or to the Officers if only one meeting in the calendar year is foreseen) in the year preceding the budget period. This information shall be in such form as to enable the Board to give guidance to the Director on programme and financial matters for the development of his budget proposals. The budget proposals shall normally be submitted to the Board for adoption in the second half of the year preceding the budget period.~~

4. The budget presentation shall include a summarised statement of estimated income and expenditure divided into chapters and headings showing the operational and support activities of the Centre and the sources of income.

~~5. Subject to paragraph 7 of this Article, this summarised statement shall, in so far as is practicable, conform to the common accounting standards for the United Nations System.~~

~~6~~ 5. This summarized statement shall be supported by such schedules and explanatory statements and notes as may be necessary or useful for proper study and review of the budget proposals. In particular, there shall be a statement of the staff resources proposed under each chapter and heading, ~~divided according to type of contract, grade and function~~, with comparative data for the currently approved budget and the latest actual position, divided according to grade and function.

~~7. The budget proposals shall be based on the concept of accrual accounting. Furthermore, the proposals shall be prepared using the same generally accepted accounting principles as those applied to the accounts and the Financial Statements of the Centre.~~

~~8. The Director shall provide members of the Board with the budget proposals at least one month before the date of the Board Meeting called to consider them.~~

## **~~CHAPTER IV~~**

## **CHAPTER V**

### **RESERVES**

#### **Article 11**

1. The Working Capital Fund is established for the following purposes:

- (a) ~~To~~ finance temporarily expenditure pending receipt of firmly pledged voluntary contributions and other income to be received under signed agreements;
- (b) ~~In~~ exceptional circumstances, and only with prior written authorisation of the ~~Chairman~~ Chairperson, to provide advances to meet emergencies. The ~~Chairman~~ Chairperson shall inform the Officers of any such authorisation given.

2. The target level of the Working Capital Fund is the equivalent of euro 2.0 million, ~~in euro of \$ 2.7 million converted at the operational rate of exchange of the United Nations system at the date of the introduction of the euro as the accounting currency (01/01/2008)~~. The Board of the

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Centre may adjust the target level subsequently so that it is compatible with the volume of the Centre's budget.

3. The Working Capital Fund shall be built up to its target level by payments into it of:
- (a) voluntary contributions made for this purpose by the member States of the International Labour Organisation;
  - (b) voluntary contributions made for this purpose from any other source;
  - (c) provisions established in expenditure budgets for this purpose;
  - (d) the whole or part of any net surplus for any year, ~~after the establishment of adequate provisions for the Centre's liabilities in accordance with Article 12.1 of these Regulations and~~ after making the provisions required under paragraph 7 below.

4. The Working Capital Fund shall be administered as a separate account and corresponding ~~moneys~~ monies shall be kept in separate bank accounts or invested in accordance with Article VI, paragraph 4, of the Statute. A statement showing the position of the Fund, audited by the External Auditor, shall be submitted to the Board of the Centre as part of the annual ~~F~~financial ~~S~~statements. Interest earned on the Fund shall be credited to the Fund until the target level is attained. Once the target level is attained, interest earned on the Fund shall be transferred to the General Fund and recorded as interest earned.

5. ~~Should the Centre be dissolved, t~~The voluntary contributions to the Working Capital Fund ~~by ILO member States may be refunded to~~ carried to the credit of the contributing member States concerned if they so request and ~~may be refunded to them if the Centre ceases to function to the extent~~ that funds remain available in the Working Capital Fund after settlement of the liabilities of the Centre.

6. Withdrawals made from the Working Capital Fund to finance expenditure for any financial period pending receipt of income shall be reimbursed to the Fund as soon as that income is received.

7. Where sums have been advanced from the Fund to finance expenditure pending the receipt of income which subsequently proves to be uncollectable or to meet expenditure in emergency situations, the sums so advanced shall be reimbursed to the Fund as early as possible by providing for their reimbursement in the next budget proposals or in revised budget proposals, depending on the size of the reimbursements involved.

#### **Article 12**

~~At least once a year the Board of the Centre shall examine the cash position of the Working Capital Fund and shall decide on any measures that may be necessary.~~

#### **Article 13 12**

The Director shall include in budget proposals for each financial period adequate provisions for payroll charges to be paid to the ILO Terminal Benefits Fund to cover terminal payments accruing to the Centre's staff under its Staff ~~R~~regulations. Charges for such payments into the ILO Terminal Benefits Fund and the obligations to be met from it shall be defined in a specific agreement between the International Labour Office and the ~~Turin~~ Centre.

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## **~~CHAPTER V~~**

## **CHAPTER VI**

### **THE ACCOUNTS**

#### **Article ~~14~~ 13**

1. The Director shall ~~ensure that accounts are kept in such form and manner as maintain~~ such accounts as are necessary to give effect to the provisions of these Regulations. These accounts shall provide up-to-date and accurate information with regard to the Centre's income, expenditure, assets and liabilities.

2. The accounts shall be kept in accordance with generally accepted accounting principles and procedures and shall be based on the concept of accrual accounting.

~~3. The accounts shall be kept in euros; transactions in other currencies shall be converted and recorded in the accounts at the current operational exchange rates of the United Nations system; gains and losses on exchange shall be recorded in the accounts.~~

~~4. Adequate provisions shall be made for depreciation of fixed assets.~~

~~3.~~ Separate accounts shall be kept for the Working Capital Fund and in respect of all trust funds, reserves and special accounts.

## **~~CHAPTER VI~~**

## **CHAPTER VII**

### **FINANCIAL STATEMENTS**

#### **Article ~~15~~ 14**

Financial ~~S~~statements expressed in euros shall be prepared at the end of each financial period.

#### **Article ~~16~~ 15**

The ~~F~~financial ~~S~~statements shall be prepared in accordance with ~~generally accepted financial reporting principles and procedures and shall, in so far as is practicable, conform to the common~~ the accounting standards generally in use throughout the United Nations System.

#### **Article ~~17~~ 16**

The ~~F~~financial ~~S~~statements shall be submitted to the External Auditor in accordance with a schedule agreed with the International Labour Office. ~~in so far as is practicable, conform to the common accounting standards for the United Nations system. Without prejudice to the preceding sentence, the Financial Statements shall include:~~

- ~~• A statement of income and expenditure,~~
- ~~• A statement of assets and liabilities,~~
- ~~• A statement of cash flow,~~
- ~~• A statement of appropriations, and~~

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- ~~Separate statements showing the movements and balances for the completed and previous financial period for the Working Capital Fund and all other funds established by the Director.~~

#### **Article ~~18~~ 17**

1. The Director shall ensure that for each financial period audited ~~F~~financial ~~S~~statements, together with the External Auditor's report thereon, are submitted to the Board for consideration at a meeting to be held during the year following.

2. The Board shall consider the ~~F~~financial ~~S~~statements in the light of the External Auditor's Report and shall adopt them if it is satisfied with their content.

### **~~CHAPTER VII~~**

### **CHAPTER VIII**

#### **INTERNAL CONTROL**

#### **Article ~~19~~ 18**

The Director shall:

- (a) establish detailed financial rules and procedures in order to ensure:
  - (i) effective financial administration and the exercise of economy; and
  - (ii) effective custody of the physical assets of the Centre;
- (b) except where advance or progress payments are specifically provided for in the contract, as may be required by normal commercial practice and the interests of the Centre, ensure that all payments are made on the basis of supporting vouchers and other documents which show that services or goods have been received and have not previously been paid for;
- (c) designate the officials who may receive ~~moneys~~ monies, incur commitments or obligations and make payments on behalf of the Centre;
- (d) maintain an internal financial control and internal audit which shall provide an effective current examination and/or review of financial transactions in order to ensure:
  - (i) the regularity of the receipt, custody and disbursement of all funds and other resources of the Centre;
  - (ii) the economical use of the resources of the Centre.

#### **Article ~~20~~ 19**

Commitments or obligations shall not be incurred and payments shall not be made unless an appropriate authorisation has been made in writing under the authority of the Director.



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#### **Article ~~21~~ 20**

The Director may make such ex gratia payments as he or she deems to be necessary in the interest of the Centre. A list of such payments shall be submitted with the ~~F~~financial ~~S~~statements.

#### **Article ~~22~~ 21**

The Director may, after full investigation, authorise the writing-off of losses of cash, supplies, equipment and other assets. A statement of all such losses written off during the financial period shall be submitted to the External Auditor with the ~~F~~financial ~~S~~statements.

#### **Article ~~23~~ 22**

The Director shall establish rules for the procurement of equipment, supplies and other requirements, including rules governing the invitation of tenders.

#### **Article ~~24~~ 23**

The property or the services of the Centre shall not be used for private purposes except where specifically authorised by the Director in the interest of the Centre. The Director shall determine the amounts due to the Centre for the use of its property and services.

### **~~CHAPTER VIII~~**

### **CHAPTER IX**

### **EXTERNAL AUDIT**

#### **Article ~~25~~ 24**

The External Auditor of the International Labour Organization is the External Auditor of the Centre.

#### **Article ~~26~~ 25**

1. The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the Board. ~~in accordance with the Additional Terms of Reference set out in Appendix II to these Regulations.~~

2. The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Centre.

3. The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

4. The Board or the Director may request the External Auditor to perform specific examinations and issue separate reports on the results.

5. The External Auditor shall perform such audit of the accounts of the Centre, including all trust funds and special accounts, as he or she deems necessary in order to satisfy himself or herself:

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- (a) that the ~~F~~financial ~~S~~statements are in accord with the books and records of the Centre;
  - (b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
  - (c) that the securities and ~~moneys~~ monies on deposit and on hand have been verified by certificate received direct from the Centre's depositories or by actual count;
  - (d) that the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon;
  - (e) that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.

6. The External Auditor shall be the sole judge as to acceptance in whole or in part of certifications and representations by the Director and may proceed to such detailed examination and verification as he or she chooses of all financial records, including those relating to supplies and equipment.

7. The External Auditor and his or her staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as confidential shall be made available on application. The External Auditor and his or her staff shall respect the confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit.

8. The External Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Director for appropriate action any transaction concerning which he or she entertains doubts as to legality or propriety. Audit objections, to these or any other transactions, arising during the examination of the accounts shall be immediately communicated to the Director.

9. The External Auditor shall express and sign an opinion ~~in the following terms: "I have examined the appended financial statements ... to ... properly identified, for the year ended ... My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances."~~ The External Auditor's opinion shall state, as appropriate, whether: on the financial statements of the Centre. The opinion shall include the following basic elements:

- (a) the indication of the financial statements audited;
- (b) a reference to the responsibility of management and the responsibility of the Auditor;
- (c) a reference to the audit standards followed;
- (d) a description of the work performed;
- (e) an expression of opinion on the financial statements as to whether:

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- (a) - the financial statements present fairly, in all material respects, the financial position as at the end of the period and the ~~results of the operations~~ financial performance for the period;
  - (b) - the financial statements were prepared in accordance with ~~the stated accounting principles~~ the Centre's reporting framework; and
  - (c) - the accounting ~~principles~~ policies were applied on a basis consistent with that of the preceding financial period;
  - (d) (f) and expression of opinion on the compliance of transactions ~~were in accordance~~ with the Financial Regulations and legislative authority;
  - (g) the date of the opinion;
  - (h) the External Auditor's name and position, and
  - (i) a reference to the report of the External Auditor on the financial statements.

10. The report of the External Auditor to the Board on the financial operations for the period should mention:

- (a) the type and scope of his or her examination;
- (b) matters affecting the completeness or accuracy of the accounts, including where appropriate:
  - (i) information necessary to the correct interpretation of the accounts;
  - (ii) any amounts which ought to have been received but which have not been brought to account;
  - (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
  - (iv) expenditure not properly substantiated;
  - (v) whether proper books of accounts have been kept;
  - (vi) any deviations of a material nature in the presentation of financial statements from generally accepted accounting principles applied on a consistent basis;
- (c) other matters which should be brought to the notice of the Board, such as:
  - (i) cases of fraud or presumptive fraud;
  - (ii) wasteful or improper expenditure of the Centre's money or other assets (notwithstanding that the accounting for the transaction may be correct);
  - (iii) expenditure likely to commit the Centre to further outlay on a large scale;
  - (iv) any defect in the general system of detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
  - (v) expenditure not in accordance with the intention of the Board;

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- (vi) expenditure not in conformity with the authority which governs it.
  - (d) the accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records;
  - (e) where appropriate, transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the Board should have early knowledge.

11. The External Auditor may make such observations with respect to his or her findings resulting from the audit and such comments on the Director's financial report as he or she deems appropriate to the Board.

12. Whenever the External Auditor's scope of audit is restricted, or he or she is unable to obtain sufficient evidence, the External Auditor shall refer to the matter in his or her opinion and report, making clear in ~~his~~ the report the reason for his or her comments and the effect on the financial position and the financial transactions as recorded.

13. In no case shall the External Auditor include criticism in his or her report without first affording the Director an adequate opportunity of explanation on the matter under observation.

14. The External Auditor is not required to mention any matter referred to in the foregoing which, in his or her opinion, is not material.

#### **Article 27**

The Director shall provide the External Auditor with the facilities he or she may require in the performance of the audit.

#### **Article 28**

1. The External Auditor shall issue a report on the audit of the ~~F~~financial ~~S~~statements, and relevant documents, which shall include such information as he or she deems necessary in regard to matters referred to in Article ~~25, 26, paragraph 2, and in the Additional Terms of Reference.~~

2. The External Auditor's reports shall be submitted to the Board, together with the audited ~~F~~financial ~~S~~statements. The Board shall examine the ~~F~~financial ~~S~~statements and the audit reports.

### **CHAPTER IX**

### **CHAPTER X**

### **FINANCIAL PROVISIONS**

#### **Article 29**

The Director may delegate to other officials of the Centre such authority as he or she considers necessary for the effective implementation of these Regulations.

#### **Article 30**

Rules made by the Director in order to give effect to the provisions of these Regulations shall be communicated to the Board for approval.

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### **Article 31**

These Regulations may be amended by the Board after consultation with the Governing Body of the International Labour Office.

### **Article 32**

~~The present Regulations and the Appendices shall be deemed to be in force since 1 August 1979.~~

### **Article 33**

~~Exceptionally, the period from 1 August 1979 to 31 December 1980 shall be considered to constitute a single financial period for the purposes of these Regulations, which shall apply to it mutatis mutandis.~~