

INTERNATIONAL LABOUR OFFICE

Financial Rules

2001 Edition



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CONTENTS

	<i>Page</i>
I. Authority and applicability	1
1.10 Reference.....	1
1.20 Definitions	1
1.30 Applicability	1
1.40 Responsibility for implementation	2
1.50 Additional instructions to be issued by the Treasurer.....	2
1.60 Responsibilities of the Financial Services	2
1.70 Approaches outside the ILO.....	3
1.80 Responsibility for funds from external sources	3
II. Preparation of budget estimates	3
2.10 Form of the budget.....	3
2.20 Responsibility for preparation of budget estimates	3
2.30 Furnishing of cost estimates	3
III. Collection of contributions and other income	4
3.10 Responsibility for collection of contributions	4
3.20 Accounting for receipts.....	4
3.30 Miscellaneous income	4
3.31 Payments into Publications Revolving Fund.....	5
3.32 Treatment of income from rentals	5
3.40 Proceeds from the sale of equipment.....	5
3.50 Acceptance of monies by officials	5
3.60 Furnishing of written receipts.....	6

¹ This edition contains the Financial Rules as revised effective March 2001.

	<i>Page</i>
IV. Appropriations and allocations.....	6
4.10 Responsibility of Treasurer for implementation of approved budget.....	6
4.20 Responsibility for allocation of funds.....	6
4.30 Purpose and nature of allocations of funds.....	7
4.40 Periodic review of expenditure position.....	7
4.50 Transfers within the approved regular budget.....	7
V. Control of obligations.....	8
5.10 Obligations to be incurred only by duly authorized officials.....	8
5.20 Proposals or drafts having financial or budgetary implications.....	8
5.30 Control of obligations.....	8
5.40 Obligations to be incurred in conformity with the budget.....	9
5.50 Objection to proposed obligations.....	9
5.60 Downward adjustments of obligations.....	9
VI. Presentation and audit of claims.....	10
6.10 Payments to be made on basis of claims.....	10
6.20 Claims to be supported by copy of order.....	10
6.30 Time limits for presentation of claims.....	10
6.40 Audit of claims.....	10
6.50 Claims by committee members.....	11
6.60 Claims to be accompanied by receiving reports.....	11
6.70 Safeguards.....	12
6.80 Objection to a claim.....	12
VII. Payments.....	12
7.10 Vouchers to support payments.....	12
7.20 Payments to be effected to duly entitled person.....	12
7.30 Officials authorized to make payments.....	13
7.40 Determination of rates of remuneration and reimbursement.....	13
7.50 Advance and progress payments.....	13
7.60 Time limits for payments.....	14
7.70 Currencies of accounting and currency conversion rates.....	14
7.80 Responsibility for payments.....	15
7.90 Ex gratia payments.....	16

	<i>Page</i>
VIII. Management of funds	16
8.05 Treasury management.....	16
8.10 Monies to be deposited in banks.....	16
8.20 Operation of bank accounts.....	16
8.30 Investment of funds.....	16
8.40 Loss of cash or negotiable instruments, cases of fraud.....	17
8.50 Exchange of currencies.....	17
IX. Designation of cashiers and advances of funds	17
9.05 Designation of cashiers.....	17
9.10 Establishment of operating cash advances (including petty cash advances).....	17
9.20 Accounting for operating cash advances.....	18
9.30 Advances of funds for external offices and Chief Technical Advisers' offices.....	18
9.40 Other cash advances.....	18
X. Procurement	19
10.10 Authorized contracting officials.....	19
10.20 Competitive bidding and advertising.....	19
10.30 Exceptions to advertising requirements.....	19
10.40 Awarding of contracts.....	20
10.50 Purchases to be made in writing.....	20
10.60 Written findings.....	20
XI. Property	20
11.10 Property records.....	20
11.20 Physical inventories.....	21
11.30 Use of property or services of the Organization.....	21
11.40 Treatment of cases of loss of assets or unrecovered debt.....	21
11.50 Accounting for donated property.....	21
11.60 Disposal of surplus property.....	22
XII. The accounts	22
12.10 Responsibility for maintaining the accounts.....	22
12.20 Subsidiary accounts.....	22

	<i>Page</i>
XIII. Accountability.....	22
13.10 Cases of fraud, presumption of fraud or attempted fraud.....	22
13.20 Reimbursement of losses.....	23
13.30 Committee on Accountability.....	23
13.40 Writing-off of losses.....	23
XIV. Internal audit.....	24
14.10 Responsibilities of the Chief Internal Auditor.....	24
14.20 Appointment and termination of the Chief Internal Auditor.....	24
14.30 Terms of reference governing internal audit.....	24

I. Authority and applicability

1.10 REFERENCE

These Rules are established pursuant to article 40 of the Financial Regulations of the International Labour Organization.

1.20 DEFINITIONS

For the purposes of the Rules the following definitions shall apply:

Treasurer:	The Treasurer and Financial Comptroller of the ILO.
Financial Services:	The Financial Services Department at headquarters.
Certifying Officer:	An official authorized by the Treasurer to certify the budgetary or financial propriety of proposed obligations or disbursements.
Cashier:	An official authorized in accordance with Rule 9.05 to receive and pay out cash and negotiable instruments.
External offices:	All ILO offices outside Geneva, including the offices of national correspondents but excluding those of Chief Technical Advisers.
Chief Technical Adviser:	An official designated as the Chief Technical Adviser of an ILO technical cooperation project or an expert on an individual assignment to whom similar functions have been entrusted.
Programme:	Activities planned for a specific field or fields over a stated period.
Programme manager:	An official in charge of an organizational unit to whom an allocation of funds is made by the Director of the Financial Services Department, within the framework of the ILO's internal programme planning and control system, for the purpose of carrying out a programme.

1.30 APPLICABILITY

These Rules shall apply to the regular budget of the ILO and to all other funds placed at the disposal of the ILO, except in so far as the applicability of

special regulations and rules for such other funds is recognized by the Treasurer.

1.40 RESPONSIBILITY FOR IMPLEMENTATION

The Treasurer is responsible to the Director-General for the application and implementation of these Rules. The Treasurer may delegate any specific authority vested in him pursuant to these Rules. Officials to whom such specific delegations of authority have been made shall be accountable to the Treasurer for the responsibilities delegated to them.

1.50 ADDITIONAL INSTRUCTIONS TO BE ISSUED BY THE TREASURER

- (a) Within the framework of the Financial Regulations and these Rules the Treasurer may issue such additional instructions or establish such procedures as shall be necessary to ensure effective internal financial control, sound administration of funds, and the exercise of economy. No changes in such instructions or procedures shall be made without the approval of the Treasurer.
- (b) The Treasurer may determine the extent to which these Rules shall apply to external offices, to the offices of Chief Technical Advisers and to officials on individual assignments away from headquarters. He may establish separate financial rules, instructions and procedures for such offices and officials taking into consideration their special conditions and requirements. The separate rules, instructions and procedures thus established shall normally be incorporated in comprehensive manuals of financial and administrative practices and procedures drawn up for the use of offices away from headquarters. No changes in such rules, instructions or procedures shall be made without the approval of the Treasurer. The authorities given to officials away from headquarters under the present Financial Rules shall be exercised in conformity with all relevant rules, instructions and procedures approved by the Treasurer. In matters for which no separate rules or instructions have been thus established the present Financial Rules shall apply.

1.60 RESPONSIBILITIES OF THE FINANCIAL SERVICES

The Financial Services are responsible to the Treasurer for the performance and/or supervision of all budgetary, financial and accounting operations. They are responsible for establishing and monitoring the application of policies and procedures relating to all financial operations.

1.70 APPROACHES OUTSIDE THE ILO

No approach shall be made outside the Office or accepted within the Office with a view to obtaining additional funds or resources, or exemptions from existing financial regulations, rules or provisions of the ILO, except with the prior written authorization of the Director-General, the Treasurer or the Director of the Financial Services Department.

1.80 RESPONSIBILITY FOR FUNDS FROM EXTERNAL SOURCES

No official may accept responsibility for the handling or management of funds belonging to a government, or to any other body of an official or quasi-official nature with which the Organization is linked or with which he is associated by reason of his status as an ILO official, unless he has been specifically authorized in advance to do so on the basis of a formal decision by the Director-General.

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II. Preparation of budget estimates

2.10 FORM OF THE BUDGET

The biennial estimates for the regular budget of the ILO shall be drawn up as prescribed in articles 1 to 4 of the Financial Regulations.

2.20 RESPONSIBILITY FOR PREPARATION OF BUDGET ESTIMATES

The Treasurer, with the assistance of the Financial Services, shall be responsible to the Director-General for the provision of advice on budget and financial policy and for the preparation of the estimates of income and expenditure included in draft programme and budget documents for submission to the Programme, Financial and Administrative Committee, the Governing Body and the Conference. For this purpose he shall establish such procedures, criteria and deadlines as may be required to assure the timely presentation of sound and realistic budget estimates conforming to the Financial Regulations.

2.30 FURNISHING OF COST ESTIMATES

The Budget and Finance Branch shall be responsible for the preparation of all cost estimates that may be required in connection with the activities of the Organization including estimates of the cost of all projects, meetings, staff

salaries and missions. No official shall issue cost estimates for use outside the Office without prior written authorization from the Treasurer.

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III. Collection of contributions and other income

3.10 RESPONSIBILITY FOR COLLECTION OF CONTRIBUTIONS

The Director of the Financial Services Department shall be responsible to the Treasurer for collecting and accounting for contributions due from member States, as prescribed in articles 9 and 10 of the Financial Regulations.

3.20 ACCOUNTING FOR RECEIPTS

- (a) All receipts shall be brought to account with the shortest delay possible. Assessed contributions received by the Organization shall be brought to account as of the date of receipt including, where applicable, 31 December.
- (b) Donations shall be kept in a suspense account until their acceptance by the Organization has been authorized in accordance with article 12 of the Financial Regulations.

3.30 MISCELLANEOUS INCOME

Miscellaneous income consists of the following categories of income accruing to the ILO:

- (i) interest income which is not required to be credited to the fund from which it derives;
- (ii) income from the sale of publications, including related royalties and fees;
- (iii) the difference between gains and losses on exchange excluding gains and losses on exchange on valuations of budgetary income and expenditure and on the revaluation of regular budget assets and liabilities held in currencies other than the United States dollar;
- (iv) amounts recovered in respect of payments effected by the Organization if received after the end of the financial period in which the related payment was made;
- (v) cheques remaining uncashed for a period of twelve months after the date drawn where cancellation takes place in a different financial period;

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- (vi) any remaining balances of unliquidated obligations set up in the previous financial period; and
 - (vii) other income.

Subject to Rules 3.31 and 3.32, net miscellaneous income shall be paid into the Income Adjustment Account.

3.31 PAYMENTS INTO PUBLICATIONS REVOLVING FUND

Up to 100 per cent of the income from the sale of publications, including related royalties and fees, may be credited to the Publications Revolving Fund at the discretion of the Director-General, and used in accordance with the separate rules governing the operation of the Fund approved by the Governing Body.

3.32 TREATMENT OF INCOME FROM RENTALS

Income from the rental of premises shall be credited to the Building and Accommodation Fund, which may be drawn upon only with the authorization of the Governing Body for specific purposes relating to ILO premises, in particular to meet costs of construction, alterations, repairs and renewals. The rental income shall be credited to the Fund after deduction of an appropriate amount in respect of heating, lighting and other facilities and services covered by them, provided that expenditure and reimbursement for such facilities and services occur within the same financial period; the amounts deducted shall be credited to the budget provisions under which the expenditure was incurred. Otherwise the full amount of the rental income shall be credited to the Fund.

3.40 PROCEEDS FROM THE SALE OF EQUIPMENT

Proceeds from the sale of equipment may be set off against the purchase of replacements therefor, provided that the sale and purchase occur during the same financial period; otherwise the proceeds shall be treated as miscellaneous income.

3.50 ACCEPTANCE OF MONIES BY OFFICIALS

- (a) Wherever possible, payments to the credit of the ILO shall be directed to an ILO bank account.
- (b) The Treasurer shall designate those officials in addition to the cashiers appointed in accordance with Rule 9.05 who are authorized to accept money on behalf of the Organization and to issue official receipts therefor.

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- (c) Any other official receiving money on behalf of the Organization must immediately remit it in full to a cashier or another official authorized by the Treasurer to accept money or, where this is not possible, deposit it in an ILO bank account. Full details of such deposits shall be sent immediately to the Director of the Financial Services Department.

3.60 FURNISHING OF WRITTEN RECEIPTS

For all amounts received in cash an official receipt shall be given. Receipts shall be drawn up in duplicate, and a copy of the original shall be retained. Receipts for cheques will normally be given only on request.

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IV. Appropriations and allocations

4.10 RESPONSIBILITY OF TREASURER FOR IMPLEMENTATION OF APPROVED BUDGET

The Treasurer is responsible to the Director-General for ensuring that the expenditure of the Organization under the regular budget remains within the appropriations as voted and that such appropriations are used only for the purposes approved by the General Conference. In addition, the Treasurer shall be responsible for the observance of any monetary or other limitations established in connection with funds placed at the disposal of the Organization, except in so far as responsibility for the funds has been vested by the Conference or the Governing Body in an official of a body other than the International Labour Office.

4.20 RESPONSIBILITY FOR ALLOCATION OF FUNDS

On the basis of programme decisions made by the Director-General within the framework of the approved budget of the Organization, as advised by the Chief of the Bureau of Programme Budgeting and Management through the issue of programme decision minutes, or of the conditions applicable to other funds placed at the disposal of the Organization, the Director of the Financial Services Department shall inform programme managers of the amounts allocated to them for their programmes under each source of funds for a given period or periods. He shall ensure that allocations changes are made only in conformity with the Financial Regulations or with other rules governing the use of the funds concerned and within the framework of the internal programme planning and control system. Through the procedures for the control of obligations he shall ensure that allocations are not overspent.

4.30 PURPOSE AND NATURE OF ALLOCATIONS OF FUNDS

- (a) Allocations of funds are made to programme managers on the basis set out in Rule 4.20 in order to express in the necessary detail the financial authorizations required for accounting and financial control.
- (b) Allocations of funds must be made in writing and must be signed by the Director of the Financial Services Department or an official designated by him. They shall list all limitations subject to which the funds made available may be utilized.
- (c) Programme managers at headquarters to whom funds are allocated are thereby authorized to decide on the utilization of these funds in the interest of the programme concerned. However, financial liabilities may be incurred only in conformity with the provisions relating to financial clearance and contracting procedures contained in Chapters V and X of the present Rules; an allocation of funds to a programme manager does not of itself constitute the formal authority to place orders and enter into contracts required under Rules 5.10 and 10.10. A programme manager to whom funds are allocated may delegate all or part of his authority under the present Rule 4.30(c) to an official or officials reporting to him. The Budget and Finance Branch should be informed in writing of such delegations of authority.
- (d) An official away from headquarters to whom funds are allocated by the Budget and Finance Branch is thereby authorized to decide on the utilization of these funds in the interest of the programme concerned and to exercise such other authorities in respect of their management as may be expressly provided for when the allocation is made or in any relevant rules, instructions or procedures established under Rules 1.50 and 1.60 above.

4.40 PERIODIC REVIEW OF EXPENDITURE POSITION

The Director of the Financial Services Department shall ensure that programme managers have ready access to information on the expenditures and unliquidated obligations recorded against their allocations. The Budget and Finance Branch shall monitor the extent to which allocations are used and prepare reports for the Director-General on amounts currently allocated, obligated and expended, and expected future expenditure, under the allocations.

4.50 TRANSFERS WITHIN THE APPROVED REGULAR BUDGET

- (a) Transfers from one item to another in the same part of the expenditure budget require special Governing Body resolutions.

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- (b) Transfers within items of the expenditure budget or from one item to another in the same part of the expenditure budget shall be handled through the internal programme planning and control system and the allocations procedures, subject to approval by the Governing Body of transfers of the kind referred to in paragraph (a) above.

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V. Control of obligations

5.10 OBLIGATIONS TO BE INCURRED ONLY BY DULY AUTHORIZED OFFICIALS

No contract shall be concluded and no order shall be placed on behalf of the Organization except by an official to whom a formal authority to incur such obligations has been delegated in writing by the Treasurer.

5.20 PROPOSALS OR DRAFTS HAVING FINANCIAL OR BUDGETARY IMPLICATIONS

- (a) Any draft paper for the Governing Body or one of its committees which contains a proposal likely to have direct or indirect financial or budgetary implications shall be routed by the originating unit, or the officer to whom it reports, to the Director of the Financial Services Department and the Treasurer for financial evaluation and clearance before being submitted to the Director-General. Before issuing any such document the Official Relations Branch shall satisfy itself that this rule has been complied with.
- (b) Similar advance financial evaluation and clearance must be obtained before seeking final approval of any other document or communication having direct or indirect financial or budgetary implications.

5.30 CONTROL OF OBLIGATIONS

- (a) All contracts, appointments, mission orders, purchase orders, or other documents by which a financial obligation is to be incurred on behalf of the Organization must be submitted in advance to an official authorized by the Treasurer to provide financial clearance under article 30 of the Financial Regulations except as provided in subparagraph (d) below.
- (b) An official who has been authorized to provide financial clearance shall exercise this authority only after ensuring that the proposed expenditure is in conformity with the applicable financial regulations and rules, and the approved budget, and is within the available balances in the respective allocations. He shall also ensure that the principles of sound economy are

maintained. A record of obligations incurred or foreseen shall be kept in a form approved by the Budget and Finance Branch which will serve, for the purpose of article 14 of the Financial Regulations, as a record of obligations incurred.

- (c) No obligating document shall be released outside the Organization without the certification by an authorized official that funds are available.
- (d) An authorized official may issue lump-sum certificates to cover minor routine purchases which involve individual expenditures each of which does not exceed the equivalent of US\$1,000. A lump-sum certificate shall be recorded in the accounts as a valid obligation.
- (e) Major obligations to be incurred shall be coordinated in advance with the competent administrative and financial services at headquarters.

5.40 OBLIGATIONS TO BE INCURRED IN CONFORMITY WITH THE BUDGET

Obligations shall be incurred only in strict conformity with the relevant budget. All obligating documents submitted for financial clearance shall be accompanied by an indication of the appropriate accounting classification. In case of doubt, the correct classification against which any charge is to be made shall be determined by the Director of the Financial Services Department.

5.50 OBJECTION TO PROPOSED OBLIGATIONS

If an authorized official cannot approve an obligating document submitted for certification he shall state his objections in writing. If the requesting official does not agree with the objection, the matter shall be referred to the Treasurer for decision.

5.60 DOWNWARD ADJUSTMENTS OF OBLIGATIONS

If part or all of an amount recorded as an obligation is no longer required for the purpose originally foreseen, the responsible programme manager shall take the necessary action to adjust the amount.

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VI. Presentation and audit of claims

6.10 PAYMENTS TO BE MADE ON BASIS OF CLAIMS

- (a) Except for the payment of salaries, wages, regularly established allowances and amounts due under external collaboration contracts with individuals, no payment shall be effected unless claimed by the payee. Payments due under external collaboration contracts with individuals shall be made on the basis of payment requests submitted by authorized officials: such requests shall be treated in the same way as claims.
- (b) For each claim submitted, the claimant shall certify that the claim is fair and correct and that payment therefor has not yet been received.
- (c) Where special forms for claims exist, claims must be presented on these forms.

6.20 CLAIMS TO BE SUPPORTED BY COPY OF ORDER

Claims submitted for payment must normally be supported by a copy of the relevant order showing, where applicable, the registration number of the corresponding obligation.

6.30 TIME LIMITS FOR PRESENTATION OF CLAIMS

- (a) Officials authorized to incur obligations shall ensure the presentation, within a reasonable period, of all claims payable.
- (b) Particular care shall be exercised to ensure that all unliquidated obligations are recorded within the appropriate financial period.
- (c) Claims in respect of officially authorized travel shall be submitted within eight days after such travel has been completed.
- (d) Claims involving discounts for prompt payment shall be flagged and shall be processed with the minimum delay possible.

6.40 AUDIT OF CLAIMS

- (a) The Certifying Officer shall subject each claim to careful scrutiny before authorizing payment, and shall maintain records of all claims processed for payment.
- (b) No claim shall be authorized for payment unless its validity has been clearly established.

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- (c) Officials authorized to incur obligations shall supply the Certifying Officer with any information required in connection with the audit of claims.

6.50 CLAIMS BY COMMITTEE MEMBERS

- (a) Services responsible for the organization of meetings shall arrange that claims of members of committees and experts are transmitted to the Certifying Officer in sufficient time to permit a careful audit of the claims. At the latest, claims should be submitted one full working day before the time for which payment is requested.
- (b) If the time available does not permit completion of the audit, claimants will be given, prior to their departure, round-sum advances not exceeding 80 per cent of the amount they appear to be entitled to. The balance of their entitlement will normally be forwarded to them at their home address as soon as possible after the meeting.
- (c) Claims by members of a committee shall be certified for correctness by the secretary of the committee, or by an official from the service organizing the meeting.

6.60 CLAIMS TO BE ACCOMPANIED BY RECEIVING REPORTS

- (a) Claims based on the furnishing of goods or services shall be submitted to the Certifying Officer together with a certified receiving report stating whether the goods or services have been furnished in accordance with the specifications of the order, and whether the claim is administratively approved for payment. In addition, the receiving officer shall certify that the goods received have been entered in the register of stocks or inventory.
- (b) The Treasurer may waive the requirement of receiving reports in the case of standard services such as public utilities, etc.
- (c) For goods delivered to a place outside the country where the ordering unit is located, payment may be authorized upon receipt of documents provided that the goods were dispatched appropriately insured to their destination. A duly executed receiving report must be forwarded to the Certifying Officer not later than one month after receipt of goods.
- (d) In the case of Rule 6.60(c) the official forwarding the claim shall certify that the goods were dispatched with appropriate insurance coverage.

6.70 SAFEGUARDS

- (a) Officials authorized to incur obligations and the Certifying Officer shall take all necessary steps to avoid duplicate payment of claims.
- (b) Except where this is unavoidable, no official shall be assigned simultaneously any two of the following functions: purchasing, acceptance of goods or services, auditing or disbursing.

6.80 OBJECTION TO A CLAIM

- (a) When the Director of the Financial Services Department, or an official authorized to make payments, objects to the payment of a claim in full or in part, he shall communicate his objection to the official presenting the claim. If the official does not agree with the objection, he may appeal through proper channels to the Director-General.
- (b) If the Director-General decides that a claim is to be paid notwithstanding an objection by the Director of the Financial Services Department, his decision shall be reported to the External Auditor.

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VII. Payments

7.10 VOUCHERS TO SUPPORT PAYMENTS

- (a) No payments shall be effected without satisfactory supporting vouchers. Except for payments made from cash advances these vouchers must show that the payment has been approved by a duly authorized Certifying Officer.
- (b) Whenever claims are received as a result of a written order by the ILO, a copy of this order shall be included with the supporting vouchers.
- (c) No verbal authority shall be accepted for making any payments.

7.20 PAYMENTS TO BE EFFECTED TO DULY ENTITLED PERSON

- (a) Payments shall be made only to the persons to whom they are due, or to their legal representatives. A payment shall normally be made to a bank account in the name of the person to whom payment is due.
- (b) The Director of the Financial Services Department may refuse to effect payment of any salary, allowance or other payment, to a third party claiming the payment on behalf of the person to whom it is due. However, if payments are made to such a third party, the nature of the authority

under which such payment has been made shall be stated on the voucher. The cession or other authority shall either be attached to the voucher, or the Director of the Financial Services Department shall certify on the voucher that a sufficient authority was produced.

7.30 OFFICIALS AUTHORIZED TO MAKE PAYMENTS

All payments shall be made by authorized officials of the Treasury and Accounts Branch after approval by the Certifying Officer, except for payments made by:

- (a) members of the staff to whom cash is advanced for the purposes of the Organization;
- (b) duly authorized officials in external offices and offices of Chief Technical Advisers;
- (c) representatives of the United Nations Development Programme when acting as agents for the Organization;
- (d) any other person specifically designated by the Treasurer for this purpose.

7.40 DETERMINATION OF RATES OF REMUNERATION AND REIMBURSEMENT

- (a) Salaries and wages shall be paid in accordance with the relevant provisions of the Staff Regulations, or other applicable rules. All amounts deducted from salaries shall be paid as soon as practicable to the accounts to which these amounts are due. Contributions to pension, retirement or provident funds shall normally be transferred before the end of the month for which they are due.
- (b) Reimbursement for travel expenses and payment of travel allowances to members of the staff shall be effected in accordance with the Staff Regulations or other applicable rules.
- (c) Reimbursement for travel expenses and payment of travel allowances to members of the Governing Body and to members of ILO committees entitled to such payment by the ILO, shall be made in accordance with the Rules adopted by the Governing Body.

7.50 ADVANCE AND PROGRESS PAYMENTS

The Treasurer may authorize the inclusion in a contract of provision for such advance payments or partial payments for work in progress as may be required by normal commercial practice and the interests of the Organization. Except for cases where specific provision of this nature has been included in a contract with the approval of the Treasurer and for cases covered by Rules

6.60(c) and 6.60(d), payment may be made only after the services or goods have been received. Claims for advance and progress payments shall be presented in accordance with Rule 6.60.

7.60 TIME LIMITS FOR PAYMENTS

- (a) Once it has been ascertained that a payment is in order, it shall be made with reasonable dispatch.
- (b) Proper attention shall be paid to claims offering a cash discount for prompt payment.
- (c) Payments made under the regular budget after the end of a financial period are not allowed as a charge against that financial period unless unliquidated obligations have been set up in the accounts for the period in accordance with paragraph 1 of article 17 of the Financial Regulations.

7.70 CURRENCIES OF ACCOUNTING AND CURRENCY CONVERSION RATES

- (a) The accounts of the ILO shall be maintained in US dollars, provided however that: (i) the subsidiary accounts for member States' assessed contributions and for the Working Capital Fund shall be maintained in Swiss francs; and (ii) subsidiary accounting records may be maintained in other currencies.
- (b) Except where otherwise provided in the Financial Regulations or the Rules, the conversion rates used for internal accounting purposes shall be the United Nations accounting rates of exchange applicable on the date of receipt or disbursement by the ILO of the amount concerned.
- (c) Income from contributions in a financial period shall be accounted for in US dollars as budgetary income at the budget rate of exchange between the US dollar and the Swiss franc for that financial period. Swiss franc expenditure shall likewise be accounted for in US dollars as budgetary expenditure at the budget rate of exchange. Any differences between the US dollar amounts so calculated and those calculated at the applicable United Nations accounting rate of exchange shall be recorded as gains or losses on exchange in an Exchange Equalization Account.
- (d) Exchange gains and losses resulting from the revaluation of regular budget assets and liabilities held in currencies other than the US dollar shall be accounted for in an Exchange Equalization Account.
- (e) The currencies in which the salaries and allowances of ILO officials may be paid (whatever the currency in terms of which the entitlement is expressed) shall be established by the Treasurer in consultation with the other organizations in the United Nations system.

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- (f) When salaries and allowances are paid in a currency other than that in which they are expressed, the rate of exchange used for the payment shall normally be the United Nations system rate in force on the date of entitlement.
 - (g) Advances relating to salaries, allowances and expenses of officials for which the entitlement is expressed in terms of US dollars, including advances on education grants, shall be recorded in US dollars; repayments will be so calculated as to effect full recovery of the amount recorded.
 - (h) Advances relating to salaries, allowances and expenses of officials for which the entitlement is expressed in terms of a currency other than the US dollar shall be recorded in the former currency when the advance is made in that currency and in US dollars in other cases. The rate of exchange at which the recorded amount in US dollars is calculated shall be the United Nations system rate in force on the date of the advance. The rate of exchange at which the recorded amount of the advance in US dollars is recovered shall be the United Nations system rate in force on the date of the recovery.
 - (i) When expenses incurred by officials or other persons to whom a payment is due from the Organization are reimbursed by the ILO in a currency other than that in which the expenses were incurred, the conversion rate used for the purpose of the reimbursement shall be the United Nations system rate in force on the date on which the expenses were incurred, except that: (i) where the person concerned had to purchase the currency himself at a given date and produces a bank slip showing the rate at which it was obtained the conversion may be made at that rate; (ii) where a related advance has been made in a currency other than that in which the expenses are reimbursed by the ILO the expenses incurred up to the amount of the advance shall be converted at the rate of exchange at which the advance was secured; and (iii) final payments made by the ILO in respect of education grant at the end of a scholastic year, after taking account of any advances made during the course of the year, may be calculated at a special exchange rate.

7.80 RESPONSIBILITY FOR PAYMENTS

- (a) An instruction from a superior official shall not relieve an official authorized to make payments from responsibility for an irregular payment, unless, before payment was made, written notification had been received from the Director of the Financial Services Department that the official's doubts concerning the regularity of that payment were unfounded.
- (b) An instruction from a superior official shall not relieve the Financial Services from responsibility for an irregular payment, unless the irregularity was pointed out by the Director of the Financial Services

Department to the Director-General in writing before the payment was made, and his objection overruled. Any such overruling shall be given in writing and shall be reported to the External Auditor.

7.90 EX GRATIA PAYMENTS

The Director-General may authorize such ex gratia payments as he deems to be necessary in the interests of the Organization. A statement of such payments shall be submitted to the External Auditor with the related accounts.

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VIII. Management of funds

8.05 TREASURY MANAGEMENT

The Director of the Financial Services Department shall be responsible to the Treasurer for the treasury management of all funds in the custody of the Director-General.

8.10 MONIES TO BE DEPOSITED IN BANKS

All monies not immediately required for which the Director-General is responsible shall be placed in such bank or banks of internationally recognized standing as the Treasurer may designate.

8.20 OPERATION OF BANK ACCOUNTS

Banking accounts shall normally be operated jointly by two or more officials to be designated by the Treasurer.

8.30 INVESTMENT OF FUNDS

- (a) Funds available under the regular budget and the Working Capital Fund may be invested in accordance with article 22 of the Financial Regulations.
- (b) Other funds for which the Director-General is responsible shall be invested in accordance with any special regulations in force for such funds, or in the absence thereof, in similar manner to funds available under the regular budget.

8.40 LOSS OF CASH OR NEGOTIABLE INSTRUMENTS, CASES OF FRAUD

Any loss of cash or negotiable instruments and any case of fraud, presumption of fraud or attempted fraud must be reported at once to the Treasurer who will ensure that appropriate follow-up action is taken and that full details are submitted to the External Auditor with the related accounts in conformity with Rule 13.10.

8.50 EXCHANGE OF CURRENCIES

Officials responsible for the operation of ILO bank accounts, or for holding ILO cash or negotiable instruments, are not authorized to exchange one currency for another except to the extent required for the transaction of official business.

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IX. Designation of cashiers and advances of funds

9.05 DESIGNATION OF CASHIERS

Officials who are to perform the function of cashier shall be designated by the Treasurer or, in external offices and the offices of Chief Technical Advisers, by the Director of the office or the Chief Technical Adviser concerned. The exact duties of each cashier shall be notified to him in writing by the designating official; a copy of each notification, including changes in previous notifications, shall be sent to the Director of the Financial Services Department. Advances to cashiers shall not be considered as operating cash advances for the purpose of these Rules.

9.10 ESTABLISHMENT OF OPERATING CASH ADVANCES (INCLUDING PETTY CASH ADVANCES)

Operating cash advances (including petty cash advances) may be made to officials designated by the Treasurer. Such advances may also be made at external offices and the offices of Chief Technical Advisers by the Director of the office or the Chief Technical Adviser concerned. The accounts for operating cash advances shall be maintained, normally on an imprest basis, in a form approved by the Director of the Financial Services Department. The person issuing an advance shall specify in writing the amount of the advance and the purposes for which it may be used. The amount of the advance shall be held to the minimum compatible with working requirements.

9.20 ACCOUNTING FOR OPERATING CASH ADVANCES

- (a) Officials to whom operating cash advances are issued under Rule 9.10 shall make use of such advances only for the purpose for which the advance was authorized and shall be personally responsible therefor.
- (b) They shall render accountings as stipulated when the advance is made; such accountings, unless otherwise specified, shall be made not less frequently than once each month. They shall be in a position at all times to account for the advances. Cash and negotiable instruments shall be kept in safe custody.
- (c) Operating cash advances shall be replenished upon presentation of a claim for replenishment. These claims shall be made in the form prescribed by the Director of the Financial Services Department or the person issuing the advance and shall list each expenditure made in sufficient detail to permit a proper classification and scrutiny of the expenses. Except as may have been specified when the advance was issued, each expenditure listed must be supported by a proper receipt.

9.30 ADVANCES OF FUNDS FOR EXTERNAL OFFICES AND CHIEF TECHNICAL ADVISERS' OFFICES

Directors of external offices and Chief Technical Advisers shall obtain their funds by remittances from headquarters or by any other procedure authorized by the Treasurer. Normally the remittances shall not exceed the amount required to bring the cash balance of the office concerned to the estimated cash requirements for the next two and a half months. The Director of the Financial Services Department shall determine the way in which such funds shall be accounted for. The Director or the Chief Technical Adviser concerned shall designate in writing the official responsible for maintaining the accounts; a copy of the designation shall be sent to the Treasurer.

9.40 OTHER CASH ADVANCES

- (a) In addition to the operating cash advances referred to in Rules 9.10 and 9.20, the Financial Services may make such other cash advances as may be permitted by the Staff Regulations or administrative instructions approved by the Treasurer. The Directors of external offices and Chief Technical Advisers may make such advances of salary and allowances falling due during a period of annual leave and advances against travel expenses as may be permitted by the Staff Regulations in so far as they would normally be responsible for paying the salary and allowances or the transport expenses concerned. They may make such other advances as may be authorized by the Treasurer.

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- (b) Travel advances shall normally be accounted for within eight days after the official's return from travel.

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X. Procurement

10.10 AUTHORIZED CONTRACTING OFFICIALS

Contracts for the purchase of goods and services shall be entered into on behalf of the ILO only by officials duly authorized in writing by the Treasurer for the purpose.

10.20 COMPETITIVE BIDDING AND ADVERTISING

- (a) Except as provided in Rules 10.20(c) and 10.30, whenever a single purchase of goods or services is likely to exceed US\$20,000 or the equivalent, tenders from at least three suppliers shall be sought by invitations to bid or by newspaper advertisement.
- (b) If a single purchase of goods or services is not likely to exceed US\$20,000 or the equivalent, such tenders may be sought; alternatively, an assessment of competitive prices shall be made whenever possible.
- (c) Rule 10.20(a) shall not apply to employment contracts or to external collaboration contracts with individuals or for the supply of the services of a particular individual. The financial criteria and procedures applicable to such contracts shall be approved by the Treasurer.

10.30 EXCEPTIONS TO ADVERTISING REQUIREMENTS

The Treasurer may, on behalf of the Director-General, waive the application of the Rule 10.20(a) in cases where he decides in the interest of the Organization to do so, and in particular:

- (a) when the prices or rates are fixed pursuant to legislation or by public regulatory bodies or when for other reasons there is no competitive market for the goods or services required;
- (b) when the purchases fall within an approved plan of standardization of goods or supplies which renders competition impracticable;
- (c) when the exigencies of the service do not permit the delay attendant upon the issue of invitations to bid;
- (d) when the mandatory use of specific currencies renders this impracticable;
- (e) when competitive bidding has failed to give satisfactory results;

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- (f) when the contract covers research work to be carried out by a non-profit-making institution;
 - (g) when the contract relates to professional services provided by a corporate body.

A record shall be maintained of all cases in which the application of Rule 10.20(a) has been waived. In each such case the contract shall be annotated as follows: "Competitive bidding waived in accordance with Financial Rule 10.30 ... ((a)-(g), or explanation of reason if not covered by one of these subparagraphs)."

10.40 AWARDING OF CONTRACTS

Wherever tenders have been sought or an assessment of competitive prices has been made, contracts shall normally be awarded to the supplier quoting the lowest price for an acceptable offer. However, when the interests of the Organization so require, any or all of the tenders may be rejected. Where a tender is rejected, under the provisions of this rule, the reasons for such rejection shall be recorded.

10.50 PURCHASES TO BE MADE IN WRITING

- (a) All purchases or contracts shall be made in writing, except for direct cash purchases made in accordance with Rules 9.10 and 9.20 above.
- (b) Where for any reason immediate cash payment cannot be made for goods or services ordered verbally, the order must be confirmed in writing without delay.

10.60 WRITTEN FINDINGS

Each determination or decision required of an authorized purchasing official by the provisions of these rules shall be supported by the written findings of such official. The written findings shall be placed in the appropriate case files.

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XI. Property

11.10 PROPERTY RECORDS

- (a) Adequate records shall be maintained of real property; non-expendable and expendable equipment; supplies and materials received, issued, sold or otherwise disposed of, and remaining on hand. Such records shall be

maintained for headquarters, for external offices and for technical cooperation projects. The Treasurer shall establish the nature and extent of the records to be maintained for the purposes of this rule.

- (b) The records maintained in respect of stores and property accounts shall in all cases indicate the official accountable for each item.
- (c) Control accounts shall be maintained recording the total value of capital assets purchased and sold, or otherwise acquired and disposed of.

11.20 PHYSICAL INVENTORIES

Physical inventories shall be taken of all supplies, equipment or other property of the ILO, or entrusted to the charge of the ILO, at such intervals as may be deemed necessary by the Treasurer to ensure adequate control over such property.

11.30 USE OF PROPERTY OR SERVICES OF THE ORGANIZATION

- (a) The property or the services of the Organization shall not be used for private purposes except where specifically authorized by the Treasurer in the interest of the Organization.
- (b) The Treasurer shall determine the amounts due to the Organization for the use of its property or services.
- (c) Goods or services of the ILO may be provided to member States, the United Nations, other specialized agencies, or other organizations on such terms and conditions as may be appropriate in each case.

11.40 TREATMENT OF CASES OF LOSS OF ASSETS OR UNRECOVERED DEBT

Any loss of assets or unrecovered debt must be reported at once to the Treasurer who shall ensure that appropriate follow-up action is taken. The Treasurer shall inform the External Auditor and the Chief Internal Auditor of all such losses.

11.50 ACCOUNTING FOR DONATED PROPERTY

Goods received and accepted by the ILO as gifts, or entrusted to the charge of the ILO, shall be accounted for in the same manner as other goods acquired by the ILO.

11.60 DISPOSAL OF SURPLUS PROPERTY

Surplus property having residual commercial value shall be disposed of by sale after competitive bidding unless the Treasurer in the interest of the Organization authorizes a different method of disposal.

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XII. The accounts

12.10 RESPONSIBILITY FOR MAINTAINING THE ACCOUNTS

- (a) The accounts shall be maintained by the Financial Services as prescribed in Chapter VII of the Financial Regulations.
- (b) The Director of the Financial Services Department shall direct, supervise and audit the accounts of the external offices and of the Chief Technical Advisers as required within the scope of the pertinent financial regulations and rules.

12.20 SUBSIDIARY ACCOUNTS

The Treasurer may arrange for subsidiary accounts to be maintained in other services as required by day-to-day operations.

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XIII. Accountability

13.10 CASES OF FRAUD, PRESUMPTION OF FRAUD OR ATTEMPTED FRAUD

Any case of fraud, presumption of fraud or attempted fraud must be reported to the Director-General through the Treasurer and the Chief Internal Auditor. Confidentiality shall be respected at all times. No staff member who provides such information shall be adversely affected unless this information was wilfully provided with the knowledge that it was false or with intent to misinform. In all instances, the Treasurer, the External Auditor and the Chief Internal Auditor shall promptly be made aware of the full details of such cases with the related documents.

13.20 REIMBURSEMENT OF LOSSES

Officials who, as a result of fraud or other misconduct or serious negligence, cause any kind of financial or other loss to the ILO may, without prejudice to the application of the Staff Regulations, be required to reimburse such loss, either partially or in full, irrespective of whether the loss is covered by insurance or not.

13.30 COMMITTEE ON ACCOUNTABILITY

- (a) The Director-General shall appoint a Committee on Accountability, which will report to him through the Treasurer and Financial Comptroller. The Treasurer shall refer to the Committee on Accountability appropriate cases of fraud, presumption of fraud and attempted fraud, as well as of dishonesty, negligence or disregard of established Office procedures or directives which resulted or could have resulted in financial or other loss to the Office or damage to its property. The Committee's function shall include establishing the facts; fixing the responsibility for the loss, if any; making, where applicable, recommendations relating to reimbursement; referral to the unit responsible for disciplinary matters; and authorizing the writing-off of the loss concerned.
- (b) The Committee on Accountability shall also examine cases of persistent failure on the part of an official to respect the Office's financial rules and procedures or the recommendations of either the External or Internal Auditor, which have been accepted by the Office, establish the facts, where necessary, as under Rule 13.30(a) above, and refer such cases to the unit responsible for disciplinary matters.

13.40 WRITING-OFF OF LOSSES

- (a) Where a loss is estimated as US\$400 or less, the writing-off may be authorized by the Director of the Financial Services Department. The Treasurer or the Committee on Accountability, in cases referred to it, may authorize the writing-off of losses exceeding the equivalent of US\$400. A statement of all losses over US\$400 which are written off shall be submitted to the External Auditor and the Chief Internal Auditor with the related documents.
- (b) A loss may be written off if, in the judgement of the authorizing official or the Committee on Accountability, the cost of recuperating the loss would exceed the amount to be written off, or if it is very unlikely that action to recuperate the loss would be successful.
- (c) Amounts written off and subsequently recovered after the close of the financial period in which the writing-off occurred shall be treated as miscellaneous income.

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XIV. Internal audit

14.10 RESPONSIBILITIES OF THE CHIEF INTERNAL AUDITOR

- (a) Without derogating from the control and audit responsibilities of the Treasurer and the Financial Services, the Chief Internal Auditor shall carry out such independent examinations and make such reports to the Director-General or persons designated by the Director-General as he may consider necessary, or as the Director-General or the persons designated by him may specifically require, in order to ensure an effective internal audit in accordance with paragraph (d) of article 30 of the Financial Regulations.
- (b) The Chief Internal Auditor is responsible for internal audit, inspection, monitoring and evaluation of the adequacy and effectiveness of the Organization's system of internal control, financial management and use of assets as well as investigation of financial or administrative misconduct and other irregular activities. All systems, processes, operations, functions, programmes and activities within the Organization are subject to the Chief Internal Auditor's independent review, evaluation and oversight.

14.20 APPOINTMENT AND TERMINATION OF THE CHIEF INTERNAL AUDITOR

The Director-General shall appoint a technically and professionally qualified Chief Internal Auditor in accordance with the provisions of article 4.2(d) of the Staff Regulations. The Director-General may terminate the appointment of the Chief Internal Auditor in accordance with the provisions of article 11.1 of the Staff Regulations.

14.30 TERMS OF REFERENCE GOVERNING INTERNAL AUDIT

Internal audit shall function in accordance with the following provisions:

- (i) The Chief Internal Auditor shall report directly to the Director-General.
- (ii) Internal audit shall have full, free and prompt access to all records, property, personnel, operations, functions and any other material within the Organization which, in internal audit's opinion, are relevant to the subject matter under review.
- (iii) In addition to receiving reports of fraud, presumption of fraud or attempted fraud as required under article 13.10 of the Financial Rules, internal audit shall also be available to receive directly from individual staff members complaints or information concerning the possible existence of waste, abuse of authority or other irregular

activities. Confidentiality shall be respected at all times. No staff member who provides such information shall be adversely affected, unless this information was wilfully provided with the knowledge that it was false or with intent to misinform. The Chief Internal Auditor shall immediately inform the Treasurer of any substantiated complaints or information involving loss of property or resources.

- (iv) Internal audit shall report the results of its work and make recommendations to the Director-General, with a copy to the External Auditor, and other persons designated by the Director-General. At the request of the Chief Internal Auditor, any such report shall be submitted to the Governing Body, together with any comments thereon by the Director-General as he deems appropriate.
- (v) The Chief Internal Auditor shall additionally submit a summary report annually to the Director-General, with a copy to the External Auditor, on internal audit activities of the previous year, including the orientation and scope of such activities, as well as the implementation status of recommendations. This report shall be submitted to the Governing Body together with any comments thereon by the Director-General as he deems appropriate.
- (vi) The Director-General shall ensure that all internal audit recommendations are responded to and implemented as appropriate.