Financial Regulations and Rules

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Financial Regulations

Chapter I. Drawing up the Budget

Article 1

The financial period of the Organization shall consist of two consecutive calendar years.

Article 2

1. For every financial period, the Director-General shall prepare programme and budget proposals containing estimates of the income and expenditure of the Organization and the proposed budget rate of exchange between the United States (US) dollar and the Swiss franc.

2. The estimates of expenditure shall be expressed in US dollars. The estimates of income shall be expressed in US dollars and in Swiss francs converted at the budget rate of exchange.

Article 3

1. The expenditure estimates shall be divided into separate parts:

(a) for the ordinary activities and expenditures of the Organization;

(b) for unforeseen expenses;

(c) for any payments into the Working Capital Fund;

(d) for such other expenditures as it may be decided to make provision for.

2. The part referred to in paragraph 1(a) shall be divided into items corresponding to the various types of activities or expenditures. The parts referred to in paragraph 1(b), (c) and (d) may be divided into items.

Editor's note:

As adopted by the International Labour Conference at its 29th (1946) Session; the present text includes all amendments adopted up to the 98th (2009) Session.

Article 4

1. The expenditure estimates shall be preceded by a summary of the estimated income and expenditure, setting out the amounts required to cover the parts referred to in article 3, paragraph 1.

2. The expenditure estimates shall consist of:

(a) a complete schedule of the parts and items, showing for each, in addition to the sum asked for, the appropriation for the current financial period;

(b) detailed schedules and explanatory statements for each item, including explanations of important differences in the amounts estimated for the same item during successive financial periods;

(c) such further schedules and explanatory statements and such annexes as may be deemed necessary and useful.

Chapter II. Adoption of the budget

Article 5

The Director-General shall submit the budget estimates to the Governing Body in time for them to be considered at its first session in the year preceding each financial period.

Article 6

1. The Governing Body shall examine the budget estimates and prepare a report thereon in time for both documents to be dispatched to the Members of the Organization two months before the next regular session of the Conference.

2. The Director-General shall submit to the International Labour Conference the budget estimates as approved by the Governing Body.

3. The International Labour Conference shall provide opportunity for a general discussion of the policy and programme of the Organization in its bearing on the budget estimates.

4. The International Labour Conference shall set up a committee consisting of one Government representative of each State Member of the Organization presented at the Conference.

5. The International Labour Conference shall refer the estimates submitted by the Director-General to this committee for examination and report.

6. The Director-General, accompanied by a tripartite delegation from the Governing Body, shall be entitled to attend the committee in order to explain the estimates.

7. The decisions of the committee shall be taken by a two-thirds majority of the votes cast by the members of the committee present at the meeting.

8. The committee shall submit the budget estimates as approved by it to the Conference for adoption.

9. The decision of the Conference adopting the budget shall be taken on a record vote by a two-thirds majority of the votes cast by the delegates present.

Article 7

1. A proposal for expenditure on a purpose for which provision is not made in the budget as communicated to Members of the Organization must be placed in the hands of the Director-General at least one month before the date fixed for the opening of the Conference.

2. If such a proposal is received later than one month before the opening of the session or made during the session, it shall be dealt with as follows:

(a) it shall be submitted directly by the Director-General to the Governing Body for a report upon its general financial consequence;

(b) unless, after considering the report of the Governing Body, the Conference or its Finance Committee, by a special resolution adopted by a two-thirds majority, decides to take it into consideration during the current session, the proposal shall be adjourned until the next session of the Conference.

3. The Director-General shall incorporate the estimates referred to in paragraph 1 above, and estimates for any increase in the budget which he himself considers it necessary to propose, in a single supplementary budget, which shall be circulated to the Members of the Organization, not later than two weeks before the opening of the annual Conference.

Article 8

A session of the Governing Body shall be held each year during the session of the Conference.

Chapter III. Collection of funds

Article 9

1. The expenses of the Organization shall be borne by the Members of the Organization, in the proportions approved by the Conference.

2. The Governing Body shall consider the rate of contribution to be assessed on each Member of the Organization and shall make proposals thereon for submission to the Conference Committee of Government Representatives referred to in article 6, paragraph 4. The Conference shall take its decision on the basis of a report from that Committee.

3. A statement showing the assessments on the Members as so decided shall be appended to the budget.

4. The assessed contributions shall be payable in Swiss francs.

Article 10

1. The budget of income of the Organization for a given financial period shall be due and payable as to one half of the total on 1 January of the first calendar year of such period, and as to the balance on 1 January of the second calendar year of the same period, the contributions due by individual Members for each calendar year being calculated in conformity with the scale of assessments prescribed for that purpose by the Conference.

2. As soon as possible after the Conference has adopted the budget and the total amount appropriated has been apportioned among the Members of the Organization in the manner prescribed by the Conference, the Director-General shall transmit all relevant documents to the Members of the Organization, indicating that the contributions for the financial period are due and payable in Swiss francs on 1 January of each of the years to which they relate and requesting each Member to remit its contribution on or as soon as possible after the due date. The expenditure budget shall be converted from US dollars into Swiss francs at the budgetary rate of exchange.

3. As soon as possible after the ordinary session of the Conference in the first year of each financial period, the Director-General shall remind the Members of the Organization that the part of their contribution which relates to the second year is due and payable on 1 January of that year, and shall request the Members to remit this part of their contribution on or as soon as possible after 1 January of the same year.

4. The Director-General shall take appropriate action with a view to ensuring that Members pay their annual contributions promptly. He shall report regularly to the Governing Body on the state of payment of contributions.

5. The Director-General shall present to each session of the Governing Body a statement of the assessed contributions made by Member States and budgetary income and expenditure. A similar statement shall be presented annually to the Conference.

6. Any payment in respect of contributions made by a Member of the Organization which has not paid in full its contribution for previous calendar years shall, unless the Conference decides otherwise in particular cases, be credited against the earliest in date of such arrears, including amounts outstanding in relation to payment of contributions during former periods of membership, notwithstanding any expression of intention to the contrary by the debtor Member. Where arrears or such outstanding amounts have been consolidated, a Member of the Organization is required to pay its annual instalment in full before liquidating its current contribution for the year in question.

Article 11

1. Except in so far as the Conference may decide otherwise, all income other than contributions payable by governments, such as income from the sale of publications and other miscellaneous sources and interest, shall be classed as miscellaneous income, and subject to the provisions in paragraphs 2 to 9 below, shall be paid into an Income Adjustment Account.

2. The Director-General may pay up to 100 per cent [1] of the income from the sale of publications, including related royalties and fees, into a

[1] Effective 1 January 1994 (75 per cent to 31 December 1993).

Publications Revolving Fund in accordance with rules to be established for the Fund under article 40 of these Regulations.

3. The Director-General shall pay income from rentals into a Building and Accommodation Fund, which shall be used subject to the authorization of the Governing Body for specific purposes relating to premises belonging to the Organization, in particular to meet costs of construction, alterations, repairs and renewals.

4. The Director-General shall set aside in an Incentive Fund to encourage early payment of Member States' assessed contributions 60 per cent of all interest earned on temporarily surplus regular budget funds in any year for distribution to those Member States which have paid in full their assessed contributions by 31 December of that year. The total incentive amount so established in each year will be distributed to eligible Member States under an incentive points system which takes into account the dates and amounts of payments of current year's contributions by Member States.

5. The Director-General shall distribute any net premium earned on the forward purchasing transactions between US dollars and Swiss francs during a biennium under the Swiss franc assessment system in the following manner: one half to the Incentive Fund referred to in paragraph 4 above in accordance with the provisions of paragraph 6 below and one half to Member States in accordance with the provisions of paragraph 7 below; the net premium earned being arrived at after allowing for any residual gain or loss on exchange in the same biennium arising from the operation of the Swiss franc assessment system.

6. The one half share of any net premium distributed to the Incentive Fund shall be credited to those Member States which have paid their assessed contributions in full at the end of either the first or second year of the financial period during which the net premium was earned and shall be distributed to each eligible Member State in the second year of the next following financial period on the basis of the ratio of the total of the incentive points earned by it during the biennium to the total of the incentive points earned by all eligible Member States during the biennium under the incentive points system mentioned in paragraph 4 above.

7. The one half share of any net premium distributed to Member States shall be apportioned among them on the basis of the proportion of the total of each Member State’s assessed contributions during the biennium in which the net premium was earned to the total of the assessed contributions for the biennium of all member States. The amounts so established shall be used to reduce the contributions of member States in the following way:

(a) Member States which have paid their assessed contributions in full during the biennium in which the net premium was earned shall have their share of the net premium deducted from their contributions assessed for the second year of the succeeding biennium;

(b) other Member States shall not be credited with their share of the net premium until they have paid in full their assessed contributions for the biennium in which the net premium was earned; when they have done so, their share of the net premium shall be deducted from their contributions assessed for the first year of the next biennium for which a budget is adopted after such payment.

8. The Director-General shall maintain an Income Adjustment Account to which shall be credited or charged:

(a) income as defined in paragraph 1 of this article;

(b) interest earned on the Working Capital Fund in accordance with article 20, paragraph 2, of these Regulations;

(c) any net premium payable on the forward purchasing of US dollars for a biennium under the Swiss franc assessment system approved by the Conference at its 76th (1989) Session after allowing for any residual gain or loss on exchange in the same biennium arising from the operation of the Swiss franc assessment system;

(d) transfers to budgetary income approved by the Conference; and

(e) any other items that the Conference may decide.

9. The Director-General shall transfer the surplus referred to in article 18.3 to a Special Programme Account, which shall be used, subject to the authorization of the Governing Body, to finance high-priority activities of limited duration that were not otherwise provided for under the budget adopted by the Conference and that do not create any expectation of additional future funding.

Article 12

1. Gifts which may directly or indirectly involve an immediate or ultimate financial liability for the Members of the Organization may only be accepted after authorization by the Conference.

2. Gifts not involving financial liability for the Members of the Organization may be accepted by the Governing Body.

Chapter IV. Use of funds

Article 13

The adoption of a budget by the Conference shall constitute an authorization to the Director-General to incur expenditure, during the financial period to which the budget relates, for the purpose for which money has been appropriated in the budget up to, but not exceeding, the amounts so appropriated.

Article 14

The Director-General shall not allow any money to be expended for any purpose in excess of the amount appropriated in the budget for such purpose. In order to prevent any such excess of expenditure, he shall cause all payments, as made, to be charged to the proper item of the budget, and shall keep a record of such charges and of obligations incurred showing at all times the amount available under each item.

Article 15

When an appropriation is included in the budget by the Conference without specification of the precise purposes for which it is to be applied, no part of such appropriation shall be expended until a detailed statement as to the nature and object of the expenditure has been considered and approved by the Governing Body, or in cases of particular urgency by the Chairman of the Governing Body.

Article 16

1. Transfers from one item to another in the same part of the expenditure budget may be effected by special resolutions of the Governing Body. Such resolutions shall be communicated to the Conference.

2. No transfers may be made between the parts of the expenditure budget.

Article 17

1. Expenditure charged against the appropriations of a financial period shall consist of payments made during the financial period and obligations covering goods received or services provided remaining unpaid at the last day of the financial period. Once payment has been made against such obligations any remaining balances shall be credited to miscellaneous income.

2. Obligations which could not be charged to the appropriations of the preceding financial period may, if the Director-General shall so decide, be charged to the appropriations of the current financial period. Nevertheless, there shall be included in the budget for each financial period an item entitled "Unpaid liabilities" to which may be charged any payments of a similar character which it would not be appropriate to pay from any other item of the budget. Payment of obligations due in respect of transactions covered by the budget of any financial period preceding the last financial period shall be subject to the prior authorization of the Governing Body.

Article 18

1. The excess of income over expenditure (surplus) or the shortfall in income compared with expenditure (deficit) in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the end of the financial period.

2. The amount of any surplus resulting from an underspending of the approved or amended budget, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions

assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

3. The amount of any surplus resulting solely from the receipt of contributions in excess of the level of the budget as adopted by the International Labour Conference or as subsequently amended by the Governing Body, net of any reimbursements to the Working Capital Fund or other borrowings, shall be transferred to the Special Programme Account as defined in article 11.9.

Chapter V. The Working Capital Fund

Article 19

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

(a) to finance budgetary expenditure pending receipt of contributions or other income; and

(b) in exceptional circumstances and subject to prior authorization of the Governing Body, to provide advances to meet contingencies and emergencies.

2. The Working Capital Fund shall be denominated in Swiss francs. Its established nominal level shall be fixed by the Conference.

Article 20

1. The Working Capital Fund shall be administered as a separate account. A statement showing the position of the Fund, audited by the External Auditor, shall be submitted to the session of the Conference following the close of each financial period.

2. Interest earned on the Fund shall be credited to the Income Adjustment Account.

Article 21

1. (a) Sums may be withdrawn from the Working Capital Fund to finance budgetary expenditure for any financial period pending receipt of contributions or other income, and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body, and shall be reimbursed to the Fund in the course of the same financial period as soon as income from contributions or other income is available for this purpose.

(b) Should the Working Capital Fund be temporarily inadequate to finance budgetary expenditure pending receipt of contributions and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body, the Director-General may contract loans or advances for such sums as may be necessary pending the receipt of contributions. The amounts borrowed shall be reimbursed as soon as possible from the subsequent receipts of contributions or other income. Such borrowings shall be reported to the Governing Body at the session following the contracting of a loan or advance.

2. If any sums withdrawn from the Working Capital Fund or borrowed to finance expenditure cannot be reimbursed in the course of the same financial period, then:

(a) to the extent that the sums were withdrawn or borrowed to finance budgetary expenditure pending the receipt of contributions or other income, they shall be reimbursed from arrears of contributions received in the following financial period or periods;

(b) to the extent that the sums were withdrawn or borrowed to finance expenditure incurred in respect of contingencies or emergencies under prior authorization of the Governing Body, they shall be reimbursed to the lender or lenders and to the Fund in the second year of the next following financial period by adding to the contributions assessed on Member States for that year an additional assessment in Swiss francs equivalent to the amount so borrowed or withdrawn, provided that temporary surpluses shall be utilized to the extent possible to reduce the amount of outstanding loans or advances.

3. If, before or during the session of the International Labour Conference in the first year of a financial period, contingencies or emergencies arise of such magnitude as would, in the opinion of the Director-General, be likely to lead to the exhaustion of the financial resources

in the Working Capital Fund before the end of the financial period as a whole, the Director-General shall propose to the Governing Body that it recommend to the Conference that the amount estimated to be necessary to finance such contingencies or emergencies in the second year of the financial period shall be made the subject of an additional assessment on Member States for that year. The Conference at its session during the first year of the said financial period shall take such action as it may deem necessary in the light of the related recommendations of the Governing Body.

Chapter VI. Custody and investment of funds

Article 22

1. The Director-General shall designate the bank or banks in which funds in the custody of the Organization shall be kept.

2. The Director-General may invest moneys not needed for immediate requirements. The investment of moneys standing to the credit of any trust fund, reserve or special account shall be subject to any directives of the appropriate authority.

3. At least once a year the Director-General shall include in the financial statements submitted to the Governing Body a statement of the investments currently held.

4. Income from investments shall be credited to the fund or account from which the invested moneys derive unless otherwise provided in the regulations, rules or resolutions relating to that fund or account.

Chapter VII. The accounts

Article 23

1. The Director-General shall maintain such accounts as are necessary and shall prepare financial statements for each calendar year. He shall also give such other information as may be necessary to indicate the current financial position of the Organization.

2. The financial statements for the second year of the financial period shall include schedules of regular budget income and expenditure for the biennial financial period and the calculation of any surplus or deficit in accordance with article 10, paragraph 2, and article 18 of these Regulations.

Article 24

For all entities for which the Governing Body adopts budgets for the financial period, the Director-General shall submit to the Governing Body, at the end of each financial period, a statement comparing the budget for each entity adjusted to include any transfers or supplementary appropriations authorized by the Governing Body with the actual income and expenditure for that entity.

Article 25

Appropriate separate accounts shall be maintained in respect of all trust funds, reserves and special accounts.

Article 26

The financial statements of the Organization shall be presented in US dollars and prepared in accordance with the accounting standards generally in use throughout the United Nations system. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary. Details of contributions assessed, received and outstanding shall be presented in Swiss francs in supporting schedules.

Article 27

The financial statements shall be submitted to the External Auditor not later than 31 March following the end of the period to which they relate.

Article 28

1. The Director-General shall submit the financial statements for each calendar year and the External Auditor's reports thereon to the Governing Body before 1 May of the year following the close of that year.

2. The Governing Body shall forward them to the Conference, as provided for in article 38, for consideration at its next session.

Article 29

The financial statements shall be adopted by the International Labour Conference.

Chapter VIII. Internal control

Article 30

The Director-General 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 Organization;

(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 Organization, 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 officers who may receive moneys, incur commitments or obligations and make payments on behalf of the Organization;

(d) maintain any 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 Organization;

  (ii) the conformity of commitments or obligations and expenditures with the appropriations or other financial provisions voted by the International Labour Conference or with the purposes, rules and provisions relating to the fund concerned; and

  (iii) the economical use of the resources of the Organization.

Article 31

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

Article 32

The Director-General may make such ex gratia payments as he deems to be necessary in the interests of the Organization. A statement of such payments shall be submitted with the financial statements.

Article 33

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

Article 34

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

Chapter IX. External audit

Article 35

1. An External Auditor, who shall be the Auditor-General (or officer holding the equivalent title) of a Member State or another person of high competence, shall be appointed in the manner and for the period decided by the Governing Body.

2. The External Auditor shall not be removed during his tenure of office except by the Governing Body.

3. The Governing Body may, if necessary, appoint a deputy External Auditor to assist and replace the External Auditor in case of need.

Article 36

1. The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the Governing Body, in accordance with the additional terms of reference set out in the appendix 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 Organization.

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

4. The Governing Body may request the External Auditor to perform certain specific examinations and issue separate reports on the results.

Article 37

1. The Director-General shall provide the External Auditor with the facilities he may require in the performance of the audit.

2. For the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may engage the services of any national Auditor-General (or officer holding the equivalent title) or commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.

Article 38

1. The External Auditor shall issue a report on the audit of the financial statements and relevant schedules reflecting the position of the final accounts for each calendar year, which shall include such information as he deems necessary in regard to matters referred to in article 36, paragraph 2, and in the additional terms of reference.

2. The External Auditor's report shall be submitted to the Governing Body, together with the audited financial statements. The Governing Body shall examine the financial statements and the audit report and shall forward them to the Conference with such comments as it deems advisable.

Chapter X. Final provisions

Article 39

The Director-General may delegate to other officers of the Office such authority as he considers necessary for the effective implementation of these Regulations.

Article 40

Rules made by the Director-General in order to carry out the provisions of these Regulations shall be communicated to the Governing Body for approval.

Article 41

These Regulations shall not be amended except by the Conference acting upon the advice of the Committee referred to in article 6, paragraph 4; but, where it is proved to the Governing Body that some alteration or addition is urgently required, the Governing Body is authorized to approve and put into temporary operation such alteration or addition, but shall report thereon to the Conference as soon as possible for final decision by the latter.

Article 42

The present Regulations shall come into force on 28 September 1946.

Appendix to the financial regulations

Additional terms of reference governing external audit

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

(a) that the financial statements are in accord with the books and records of the Organization;

(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 on deposit and on hand have been verified by certificate received direct from the Organization'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.

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

3. The External Auditor and his 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 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.

4. The External Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Director-General for appropriate action any transaction concerning which he 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-General.

5. The External Auditor shall express and sign an opinion on the financial statements of the Organization. The opinion shall include the following basic elements:

(a) the identification of the financial statements audited;

(b) a reference to the responsibility of the entity's 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:

- the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
- the financial statements were prepared in accordance with the stated accounting policies; and
- the accounting policies were applied on a basis consistent with that of the preceding financial period;

(f) an expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;

(g) the date of the opinion;

(h) the External Auditor's name and position; and

(i) should it be necessary, a reference to the report of the External Auditor on the financial statements.

6. The report of the External Auditor to the Governing Body on the financial operations of the period should mention:

(a) the type and scope of his 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) expenditures 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 Governing Body and the Conference, such as:

(i) cases of fraud or presumptive fraud;

(ii) wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);

(iii) expenditure likely to commit the Organization 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 Governing Body or the Conference after making allowance for duly authorized transfers within the budget;

(vi) expenditure in excess of appropriations as amended by duly authorized transfers within the budget;

(vii) 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 Governing Body or the Conference should have early knowledge.

7. The External Auditor may make such observations with respect to his findings resulting from the audit and such comments on the

Director-General’s financial report as he deems appropriate to the Governing Body or to the Director-General.

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

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

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

Financial Rules

I. Authority and applicability

1.10. Reference

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

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 and administrative units with financial and budgetary responsibility in external offices.
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 Treasurer, within the framework of the ILO's internal programme planning and control system, for the purpose of carrying out a programme.

Editor's note:
This edition contains the Financial Rules as revised effective January 2010.

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 or the Treasurer.

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.

1.90. Electronic communications

Any reference within these Rules to written authorizations, findings or other documents shall not be interpreted to restrict the use of any electronic means of data interchange approved for official communication in the Office.

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.

III. Collection of contributions and other income

3.10. Responsibility for collection of contributions

The Treasurer shall be responsible 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 US 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;

(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

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.

(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 Treasurer.

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.

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 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 Treasurer 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 Treasurer 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 Treasurer 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 Treasurer 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.

(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.

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 Treasurer for financial evaluation and clearance before being submitted to the Director-General. Before issuing any such document the Relations, Meetings and Document Services Department 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, grant awards, 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 Treasurer.

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.

VI. Presentation and audit of claims

6.10. Payments to be made on basis of claims

(a) Except for the payment of salaries, wages and regularly established allowances, no payment shall be effected unless claimed by the payee.

(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 expenditure is recorded within the financial period in which the goods have been received, the services have been rendered or any other financial obligation has been incurred.

(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.

(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 Treasurer, 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 Treasurer, his decision shall be reported to the External Auditor.

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 Treasurer 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 Treasurer shall certify on the voucher that a sufficient authority was produced.

7.30. Officials authorized to make payments

All disbursements 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 expenses have been accrued 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 a transaction is recorded in the accounts by the ILO.

(c) For the purpose of calculating the surplus as provided in article 18 of the Financial Regulations, 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.

(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 as provided in the Staff Regulations or other established rules or procedures.

(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 Treasurer 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 to the Treasurer and/or the Director-General in writing before the payment was made, and the 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.

VIII. Management of funds

8.05. Treasury management

The Treasurer shall be responsible 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.

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 Treasurer. 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 Treasurer. 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 Treasurer 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 Treasurer 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.

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

X. Procurement

10.10. Procurement principles

The following general principles shall be given due consideration when exercising the procurement functions of the ILO:

- best value for money;
- economy and efficiency to achieve quality and cost effectiveness;

- fair and open competition giving all qualified suppliers an opportunity to participate;
- transparency and accountability in the procurement process; and
- any other interests of the Organization.

10.20. Authority and responsibility

(a) Activities under this chapter directed to procuring, leasing or rental of goods, equipment, works and services on behalf of the ILO may be carried out only by officials duly authorized for the purpose. Such activities include methods of informal competition such as requests for quotations, methods of formal competition using invitations to bid or requests for proposals on the basis of advertisement or direct solicitation of invited vendors, and the negotiation and conclusion of contracts, including situations within the scope of Rule 10.50.

(b) The Treasurer shall establish review committees to provide written advice to officials authorized to approve procurement actions leading to the award or amendment of contracts. The Treasurer shall establish the composition and terms of such committees, which shall include the types and monetary values of proposed procurement actions subject to review. In a case where the Treasurer or other authorized official decides not to accept the advice of such a review committee, he or she shall record in writing the reasons for that decision.

10.30. Competition

(a) Procurement contracts shall be awarded on the basis of effective competition in accordance with requirements established pursuant to Rule 1.50 and any other applicable requirements.

(b) Rule 10.30(a) shall not apply to external collaboration contracts or implementation agreements for the delivery of technical assistance other than those with commercial entities, which are entered into in accordance with applicable requirements.

10.40. Contracts

Contracts, including purchase orders, shall be awarded based on the following requirements:

(a) In the case of requests for quotations and invitations to bid, contracts shall be awarded to the best qualified vendor submitting the most technically acceptable and lowest quotation or bid.

(b) In the case of requests for proposals, contracts shall be awarded to the qualified vendor whose proposal is considered to be the best value (technical and financial) and the most responsive to the needs of the ILO.

(c) If the interests of the ILO so require, any or all quotations or bids submitted in accordance with procedures identified in (a) or (b) above may be rejected. In such a case, the reasons for rejection shall be recorded and a determination made whether to invite new competitive tenders, to enter into a negotiated contract or to cancel the procedure.

10.50. Exceptions

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

   (i) there is no competitive market for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation or where the requirement involves a proprietary product or service;

   (ii) there has been a previous determination or there is a need to standardize the requirement which renders competition impracticable;

   (iii) the proposed contract is the result of cooperation with other organizations of the United Nations system;

   (iv) offers for identical products and services have been obtained competitively within a reasonable period and the prices and conditions offered remain competitive;

   (v) within a reasonable period, a formal solicitation has failed to produce satisfactory results;

   (vi) the proposed contract is for the purchase or lease of real property and market conditions do not allow for effective competition;

   (vii) there is a demonstrated exigency for the purchase requirement;

(viii) the proposed contract relates to obtaining services that cannot be evaluated objectively.

(b) A record shall be maintained of all cases in which the requirement of formal competition has been waived. In each such case, the contract shall be annotated as follows: “Competitive bidding waived in accordance with Financial Rule 10.50(a), subparagraphs (i)–(viii)”, or explanation of reason if not covered by one of these subparagraphs.

(c) When a determination is made pursuant to Rule 10.50(a), the Treasurer or other authorized official may then award a contract, either on the basis of an informal method of solicitation or on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms to the requirement at an acceptable price.

10.60. Purchases and contracts to be made in writing

(a) All purchases and 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.

10.70. Written findings

Each determination or decision required of an authorized purchasing or contracting 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.

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 value of property, plant and equipment purchased, sold, or otherwise acquired or disposed of, beyond a monetary threshold established by the Treasurer and disclosed in the financial statements.

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 for use in carrying out activities financed by the regular budget, 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.

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) An official of the Financial Services, designated by the Treasurer, 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.

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) The Treasurer or the Committee on Accountability, in cases referred to it, may authorize the writing-off of losses. A statement of all losses over US$1,000 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.

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.