

**FINANCIAL REGULATIONS AND RULES
OF THE PREPARATORY COMMISSION
FOR THE COMPREHENSIVE NUCLEAR-TEST-BAN TREATY
ORGANIZATION**

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This edition of the Financial Regulations and Rules is based on the following documents:

Document	Date of Issue	Date of Entry into Force	Affected Regulation or Rule	Summary	Changes in Numbering
CTBT/PC/II/1/Add.1, Appendix II	16 May 1997	13 May 1997	All Financial Regulations	Initial text	–
CTBT/PC-11/1/Annex X	29 May 2000	5 May 2000	All Financial Rules	Initial text	–
CTBT/PC-11/1/Annex X/Corr.1	20 June 2000	5 May 2000	Annex II	Correction to purchase cycle flowchart	–
CTBT/PC-11/1/Annex X/Corr.2	6 July 2000	5 May 2000	Annex II	Correction to purchase cycle flowchart	–
CTBT/PC-13/1/Annex I, recommendation 11	24 November 2000	24 November 2000	7.2.02	Amendment related to sources and uses of funds for the CIF	–
CTBT/PC-15/1/Annex I, recommendation 4	24 August 2001	24 August 2001	11.2.02	Amendment related to commitments against appropriations of future years	–
CTBT/PC-20/1/Annex I, recommendation 8	1 July 2003	1 July 2003	5.2.01	Amendment related to the lifespan of CIF obligations	–
CTBT/PC-21/1/Annex VI, Appendix VIII	19 November 2003	19 November 2003	5.4.01 5.4.02 7.2.02	Amendment related to application of arrears of assessed contributions to the CIF	–
CTBT/PC-21/1/Annex VI, Appendix IX	19 November 2003	19 November 2003	8.1.03	Amendment related to refunds of expenditures of the CIF	Addition of new paragraph b to Rule 8.1.03 and renumbering of former paragraph b as c

Document	Date of Issue	Date of Entry into Force	Affected Regulation or Rule	Summary	Changes in Numbering
CTBT/PC-21/1/Annex VI, Appendix X	19 November 2003	19 November 2003	5.5.03 7.2.02	Amendment related to the funding of the costs of capital replacement of certified IMS stations	Addition of a new Rule 5.5.03
CTBT/PC-22/1/Annex I, recommendation 8 and Appendix III	28 June 2004	28 June 2004	4.3 4.3.07 5.5.04 6.5 6.6 12.2.03	Amendment related to introduction of a split currency appropriation and assessment system	Introduction of new Rules 4.3.07 and 5.5.04, and introduction of new paragraphs b and d to Rule 12.2.03 and renumbering of former paragraph b as c
CTBT/PC-22/1/Annex I/Corr.1	16 December 2004	16 December 2004	5.5.04	Correction of misnumbering of Rule 5.5.04 as Rule 5.5.03	—
CTBT/PC-23/1/Annex I, recommendation 10 and Appendix I	26 November 2004	26 November 2004	11.5.05 11.5.09 11.5.10 Annex I	Amendment related to procurement processes	—
CTBT/PC-24/3/Annex I, recommendation 8	7 July 2005	7 July 2005	11.5.10	Amendment related to urgent unscheduled maintenance to IMS stations	—
CTBT/PC-26/2/Annex I, recommendations 3 and 8 and Appendix I	28 June 2006	28 June 2006	11.5.06	Amendment related to sole source contracts	—
CTBT/PC-27/2/Annex I, recommendation 7	21 November 2006	21 November 2006	12.2.03	Amendment related to treatment of exchange adjustment	Deletion of paragraph c of Rule 12.2.03 and renumbering of former paragraph d as c

Document	Date of Issue	Date of Entry into Force	Affected Regulation or Rule	Summary	Changes in Numbering
CTBT/PC-28/1/Annex I, recommendation 3	3 July 2007	3 July 2007	11.5.08 Annex I	Amendments related to the Committee on Contracts	–
CTBT/PC-28/1/Annex I, recommendation 6 and Appendix II	3 July 2007	3 July 2007	5.5.03 7.2 7.2.02	Amendment related to establishment of CIF sub-funds	–
CTBT/PC-31/1/Annex X	26 November 2008	26 November 2008	6.6	Amendment related to crediting of assessed contributions	–
CTBT/PC-33/2/Annex I, Appendix IV	25 November 2009	25 November 2009	11.5.10	Amendment related to urgent unscheduled maintenance to IMS stations	–
CTBT/PC-36/2/Annex III	17 June 2011	17 June 2011	10.1.01	Amendment related to investment of cash assets	–
CTBT/PC-37/2/Annex I	4 November 2011	4 November 2011	8.1.03	Amendment related to reimbursement of tax and customs duty	–
CTBT/PC-39/2/Annex V	1 November 2012	1 November 2012	11.1	Amendment related to internal control	–

Document	Date of Issue	Date of Entry into Force	Affected Regulation or Rule		Summary	Changes in Numbering
CTBT/PC-39/2/Annex III	1 November 2012	5 May 2014	1.1	7.4	Amendments to Financial Regulations related to the introduction of an an IPSAS-compliant Enterprise Resource Planning system	Introduction of new paragraph b of Regulation 8.1 and renumbering of former paragraphs b and c as c and d
			3	8.1		
			3.1	8.2		
			4.3	10.1		
			4.5	11.3		
			5.2	11.4		
			5.3	12		
			5.4	12.1		
			5.6	12.2		
			6.2	12.3		
			6.5	13.1		
			6.8	13.3		
			7.1	13.9		
			7.2	13.10		
			7.3	Supplement		

Document	Date of Issue	Date of Entry into Force	Affected Regulation or Rule		Summary	Changes in Numbering
CTBT/PC-39/2/Annex IV	5 November 2012	5 May 2014	3.1.01	11.1.22	Amendments to Financial Rules related to the introduction of an an IPSAS-compliant Enterprise Resource Planning system	–
			4.2.01	11.2.08		
			4.3.03	11.4.01		
			4.5.02	11.5.13		
			5.2.01	11.5.14		
			5.4.01	11.5.16		
			5.4.02	11.5.17		
			5.5.01	11.5.18		
			5.5.03	11.5.19		
			7.1.01	11.5.21		
			7.1.02	11.5.22		
			7.2.02	12.1.01		
			7.2.05	12.1.02		
			8.1.03	12.1.04		
			8.3.02	12.1.05		
			10.1.02	12.1.06		
			11.1.03	12.1.07		
			11.1.04	12.1.09		
			11.1.06	12.2.01		
			11.1.07	12.2.02		
			11.1.08	12.2.03		
			11.1.09			

Document	Date of Issue	Date of Entry into Force	Affected Regulation or Rule	Summary	Changes in Numbering
CTBT/PC-44/2/Annex II	26 June 2015	26 June 2015	1.1 4.1 4.2.01 4.3 4.3.03 4.3.04 4.4.01 4.4.02 4.5 4.5.02 5.2 5.3 5.4 5.4.01 5.4.02 7.2.03	Amendment related to biennial budgeting	Introduction of a new paragraph c of Regulation 1.1 and renumbering of former paragraphs c-p as d-q; introduction of a new paragraph b of Regulation 4.3 and renumbering of former paragraphs b-d as c-e; deletion of paragraph b of Regulation 4.5 and renumbering of former paragraph c as b; introduction of a new Rule 4.4.01 and renumbering of former Rule 4.4.01 as Rule 4.4.02; and renumbering of Regulation 5.2 as paragraph a and introduction of a new paragraph b

Document	Date of Issue	Date of Entry into Force	Affected Regulation or Rule	Summary	Changes in Numbering
CTBT/PC-44/2/Annex III	26 June 2015	26 June 2015	6.3 7.3 7.3.01 7.3.02 7.3.03 7.4 7.4.01 7.5 7.6 7.7 7.8	Amendment related to multiyear funds	Introduction of a new Regulation 7.3 and Rules 7.3.01–7.3.03 and renumbering of former Regulations 7.3–7.7 as 7.4–7.8 and renumbering of former Rule 7.3.01 as 7.4.01
CTBT/PC-47/2, Annex II	14 November 2016	14 November 2016	11.1.21	Amendment related to bank signatories	–

Document	Date of Issue	Date of Entry into Force	Affected Regulation or Rule	Summary	Changes in Numbering
CTBT/PC-48/2, Annex IV	23 June 2017	23 June 2017	11.1 11.5 11.5.00 11.5.01- 11.5.22	Amendments related to procurement	Addition of a new paragraph h to Regulation 11.1; introduction of a new Rule 11.5.00; deletion of paragraph d of Rule 11.5.02; addition of new paragraph a-b to Rule 11.5.04; deletion of paragraphs a-h of Rule 11.5.05 and addition of new paragraphs a-c; addition of new paragraphs g-j to Rule 11.5.06; deletion of Rule 11.5.07; renumbering of Rule 11.5.08 as Rule 11.5.07; deletion of paragraphs b-c of renumbered Rule 11.5.07 and renumbering of paragraphs d-e as b-c; deletion of Rule 11.5.09; renumbering of Rules 11.5.10-11.5.22 as Rules 11.5.08-11.5.20; deletion of paragraphs a-c of renumbered Rule 11.5.08, addition of new paragraphs a-b and renumbering of paragraphs d-e as c-d; deletion of Annex I; and renumbering of Annex II as Annex I

Document	Date of Issue	Date of Entry into Force	Affected Regulation or Rule	Summary	Changes in Numbering
CTBT/PC-50/2, Annex II	4 July 2018	4 July 2018	5.2.01 Supplement to the Financial Regulations	Amendment related to the basis of obligations; amendment related to the additional terms of reference governing the audit	Deletion of subparagraphs a-e of paragraph 5 of the Supplement to the Financial Regulations
CTBT/PC-52/2 Annex I	2 October 2019	2 October 2019	5.5.04 5.5.05	Amendment to Regulation 5.5 of the Financial Regulations and Rules on the transfer of funds to and from the multiyear funds (MYFs)	Amendment to paragraph 5.5.04 Addition of new paragraph 5.5.05
CTBT/PC-55/2 Annex III	8 January 2021	8 January 2021	1.1.01 11.1.15 11.1.16 11.1.17 11.1.18 11.1.20 11.1.21 11.5.20	Amendments to address changes in the operating environment and to update and enhance internal controls	—

ARTICLE 1: DEFINITIONS

Regulation 1.1

For the purposes of these Regulations, the following definitions in respect of specific terms used shall apply. These terms are listed in alphabetical sequence.

- (a) **Appropriations** shall mean the aggregate of the expenditure authorizations approved by the Commission for the Regular Budget of the Commission for a financial period against which expenditures may be incurred for purposes specified by the Commission.
- (b) **Appropriation section** shall mean a subdivision of the appropriation resolution of the Commission showing the purpose for which expenditures may be incurred and the amount authorized to be expended for that purpose. In the Budget document a Major Programme corresponds to an Appropriation Section.
- (c) **Biennium** shall mean two consecutive financial periods starting on 1 January of each even-numbered year.
- (d) **Commitment** shall mean an engagement involving a liability against resources of future years for which expenditure authority has not yet been given.
- (e) **Disbursement** shall mean the actual amount paid.
- (f) **Ex gratia payment** shall mean a payment where there is no legal liability but where payment is justifiable in the light of circumstances.
- (g) **Expenditure** shall mean the sum of disbursements and unliquidated obligations.
- (h) **Fund** shall mean an independent accounting entity established pursuant to these Regulations for a specified purpose.
- (i) **Obligation** shall mean an engagement involving a liability against resources for which expenditure authority has been given.
- (j) **Regular budget estimates** shall mean estimates of expenditures and income for activities to be financed from the Regular Budget.
- (k) **Unliquidated obligation** shall mean an obligation or that portion of an obligation which is not yet paid.
- (l) **Members present and voting** shall mean Members casting an affirmative or negative note. Members who abstain from voting shall be regarded as not voting.
- (m) **Cash Surplus** shall mean the excess of cash receipts over cash disbursements for a given financial period.
- (n) **Contingency Margin** shall mean that portion of the Budget Appropriations for which the Executive Secretary shall not authorize expenditures until it is determined that the

contributions actually received are adequate to meet the full needs of the Appropriations in a given financial period.

- (o) **Short Term Investments** shall mean investments for a period not exceeding 12 months.
- (p) **Transfer** shall mean an increase in a Major Programme, Programme, Subprogramme or Project offset by decrease by the same total amount of Major Programme, Programme, Subprogramme or Project.
- (q) **Special account for voluntary contributions** shall mean those resources, whether in cash or in kind, provided by donors to fund either the special account for voluntary contributions, or activity specified by the donor.

Rules Pertaining to Regulation 1.1

Rule 1.1.01: Glossary of Definitions

The definitions set forth in Financial Regulation 1.1 shall also be applicable to these Rules. Additional definitions relevant to the understanding of the Financial Rules are set out below.

An Allotment Manager shall be an Officer of the Provisional Technical Secretariat (“the Secretariat”) designated by the Executive Secretary as being responsible for planning and initiating the utilization of one or more parts of the Programme Budget.

A Certifying Officer shall be a Secretariat Officer designated by the Executive Secretary in an Administrative Directive as being responsible for:

- (a) Examining all obligations proposed by Allotment Managers to ensure that appropriate funds are available and have been allotted, and that the proposed expenditure is in accordance with the Financial Regulations and Rules and is consistent with the purpose for which the appropriation was intended.
- (b) Certifying that goods have been received or shipped and that the services have been rendered in accordance with the documents establishing the obligation.

The authority granted and responsibility assigned to Certifying Officers is a personal one and can be delegated only to alternates as designated by the Executive Secretary under the Administrative Directive.

An Approving Officer shall be a Secretariat Officer of the Financial Services designated by the Executive Secretary. The Approving Officer shall be responsible for examining the payments before these are established in the accounting records and processed to Treasury, to ensure the following: that obligations have been authorized by the appropriate Certifying Officer; that vouchers and other documents passed by Certifying Officers for payment are properly supported by the evidence that goods or services have been received in accordance with the contractual agreement establishing the obligation; that the documents comprise duly certified original vouchers or electronic invoices with adequate internal controls; that payment has not previously been made, and that the supporting documents do not have irregularities

which might indicate that the payment is not properly due. An Approving Officer can never be a Certifying Officer.

The Treasurer shall be a Secretariat Officer of the Financial Services Section designated by the Executive Secretary, as being responsible for the proper management and custody of the Commission's cash assets, including investments.

ARTICLE 2: APPLICABILITY

Regulation 2.1

These Regulations shall govern the financial administration of the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization, hereafter called the Commission.

Rules Pertaining to Regulation 2.1

Rule 2.1.01: Authority and Applicability

These rules are approved by the Commission and issued by the Executive Secretary. These Rules implement, as appropriate, the Financial Regulations. They shall govern, together with the Financial Regulations, Directives and any other instructions as may be issued by or on behalf of the Executive Secretary, the financial administration of the Secretariat, except as may otherwise be provided by the States Signatories.

ARTICLE 3: FINANCIAL PERIOD

Regulation 3.1

The financial period shall be the calendar year starting on 1 January.

Rules Pertaining to Regulation 3.1

Rule 3.1.01: Financial Period

The financial period for all regular activities shall be the calendar year, irrespective of whether these activities encompass an entire calendar year or a portion thereof. In the latter case, i.e. where the financial period is less than 12 months, it shall be defined by indicating precisely the dates on which it commences and on which it ends.

ARTICLE 4: THE BUDGET

Regulation 4.1

The Regular Budget shall be established for a biennium.

Rules Pertaining to Regulation 4.1

None

Regulation 4.2

- (a) The Regular Budget of the Commission shall be prepared as a programme Budget. Estimated expenditures and income shall be grouped according to the programme to which they relate;
- (b) In addition to the Regular Budget, the Executive Secretary shall prepare a complementary Budget which shall specifically relate to those tasks the Commission shall undertake concerning the organization and work of the Provisional Technical Secretariat that will require immediate attention during the 180 days prior to the entry into force of the Treaty (Article XIV/para.1).

Rules Pertaining to Regulation 4.2

Rule 4.2.01: Content of Proposed Budget

The proposed Budget shall be designed as a Programme Budget, divided into appropriation sections, one for each Major Programme, and it shall contain:

- (a) Narratives for each Major Programme, Programme, Subprogramme and Project in conformity with the specific mandates established by the Commission;
- (b) A statement of estimated expenditure by Major Programme, Programme, Subprogramme and Project; for purposes of comparison, the appropriations for the current financial period and the actual expenditure of the financial period prior to the current one shall be indicated alongside the estimates for the ensuing biennium;
- (c) A statement of the estimated income under appropriate headings;
- (d) A breakdown of estimates by objects of expenditure, in total and for each Major Programme and Programme;
- (e) Clear specification of objectives, priorities and implementation deadlines in the Programme and Budget document.

Regulation 4.3

- (a) The Executive Secretary shall prepare and submit to the Commission in the second financial period of each biennium a draft Budget for the next biennium, based on the draft programme of work;

- (b) The Executive Secretary shall prepare and submit to the Commission in the first financial period of each biennium any proposed changes to the Budget document to be carried out in the second financial period of the biennium;
- (c) The Budget shall be presented in United States dollars and in euros, in proportion to the estimated expenditures in these two currencies;
- (d) The Budget shall include a listing of IMS facilities that are to be established, upgraded or maintained;
- (e) Any State(s) intending to perform the work of establishing or upgrading an IMS station, as called for in the draft budget, shall submit, if desired, a request for a reduction in the assessment(s) as provided for in Fin. Reg. 6.2(d) to the Executive Secretary not later than three weeks prior to the beginning of the plenary session that will first consider the draft Budget. The Executive Secretary shall transmit these requests for reduced assessments to all Member States not later than two weeks prior to the beginning of the plenary session that will first consider the draft Budget.

Rules Pertaining to Regulation 4.3

Rule 4.3.01: Budget: Tasks of Allotment Managers

Allotment Managers shall prepare their respective draft Programme Budget proposals for the following financial period at such times and in such detail as the Executive Secretary shall direct and in accordance with the Financial Regulations and Rules and other applicable Regulations and Rules.

Rule 4.3.02: Budget: Content and Resource Allocation

After review of these Programme Budget proposals, the Executive Secretary shall decide on the programme content and resource allocation of the draft Programme Budget to be submitted to the Commission.

Rule 4.3.03: Budget: Preliminary Estimates

The Executive Secretary's preliminary estimates for the subsequent biennium shall be submitted in the first financial period of each biennium within the same time frame as the draft Budget referred to in Rule 4.2.01 above. These preliminary estimates shall include estimated allocations to the extent possible.

Rule 4.3.04: Budget: Listing of International Monitoring System Facilities

The Executive Secretary shall ensure that the listing required by Fin. Reg. 4.3(d) includes cost estimates and a detailed description of the activity to be performed for each IMS facility, estimated as accurately as possible, given available information and experience gained by the Secretariat in costing activities.

Rule 4.3.05: Budget: Reduced Assessment – First Official Notifications

The Secretariat shall ensure that official correspondence requesting reduced assessment, which must be submitted to the Executive Secretary not later than three weeks prior to the beginning of the plenary session of the Commission that will first consider the draft Programme Budget, includes a full description of the activity, cost estimates (as detailed as practical) for the activity, and the estimated dates of beginning and completing the activity.

Rule 4.3.06: Budget: Establishing a Claim for a Reduction in a Future Assessment

On receipt of official correspondence from a State Signatory requesting that it perform work described in the IMS Work Programme in the draft Programme and Budget for reduced assessments as described in Rule 4.3.05 above, the Executive Secretary shall transmit the requests for reduced assessments to all States Signatories not later than two weeks prior to the plenary session of the Commission that will first consider the draft Programme and Budget. The Executive Secretary shall then report to this session in writing that cost estimates have been given an initial review by the Secretariat for consistency with the task to be undertaken, give the result of that review, and state whether the following have been met:

The International Monitoring System activity to establish or upgrade a facility is included in the draft Programme and Budget.

The reduced assessment is for work provided for in paragraph 22 of Article IV of the Comprehensive Nuclear-Test-Ban Treaty.

The State submitted its request for a reduced assessment to the Executive Secretary at least three weeks prior to the beginning of the plenary session that will first consider the draft Programme and Budget.

The information in Rule 4.3.05 has been supplied by the State claiming the assessment.

The Executive Secretary, in his Report to the Preparatory Commission, shall state if the status of assessed contributions payments of the States Signatories concerned is satisfactory.

To meet the budget schedule, a State Signatory that plans to perform work with its own funds and requests a corresponding reduced assessment should, whenever feasible, give notice of its plans at the Working Group B session prior to the plenary session of the Commission that will first consider the draft Programme and Budget.

Rule 4.3.07: Budget: Currency of Presentation

For illustrative purposes, the Budget also shall be consolidated for presentation in United States dollars in the Budget document at an exchange rate to be determined by the Preparatory Commission.

Regulation 4.4

Bearing in mind Fin. Reg. 15.1, the Executive Secretary shall transmit the draft Budget and the preliminary estimates, together with the comments thereon of the Advisory Group to all

Member States not later than four weeks prior to the beginning of the plenary session of the Commission that will first consider the draft Budget. The Executive Secretary shall transmit the final draft Budget to all Member States not later than four weeks prior to the plenary session that is to adopt the Budget.

Rules Pertaining to Regulation 4.4

Rule 4.4.01: Budget: Guidance Provided by Working Group B

Working Group B shall provide guidance to the PTS for the verification related elements of the Programme for the subsequent biennium during its second annual session in the first year of the current biennium. The Executive Secretary shall submit the initial outline of the verification related programme elements of the draft Programme Budget to Working Group B prior to its first annual session of the second year of the current biennium.

Rule 4.4.02: Submission of the Draft Programme Budget to the Advisory Group

The Executive Secretary shall submit advance copies of the draft Programme Budget and the preliminary estimates to the Advisory Group, not later than two weeks prior to the beginning of its session.

Regulation 4.5

The Commission shall consider the draft Budget and, before the beginning of the next financial period, shall:

- (a) Adopt the proposed Budget for the next biennium, or adopt the changes for the second year of a biennium, as appropriate;
- (b) Approve requests for a reduction in assessment as provided for in Fin. Reg. 4.3(e) subject to the procedure outlined in Fin. Reg. 6.2(d).

In the first financial period of each biennium, the Commission shall consider the preliminary estimates for the subsequent biennium and give any necessary guidance to the Executive Secretary.

Rules Pertaining to Regulation 4.5

Rule 4.5.01: Procedures for Review of Reduced Assessment Claims

The procedure for review of reduced assessment claims shall be the following:

- (a) The Secretariat shall ensure that each State Signatory has submitted the necessary confirmation to the Executive Secretary, not later than three weeks prior to the beginning of the plenary session of the Commission that will adopt the draft Programme Budget, that it is claiming reduced assessment and has supplied as much further information on the activity and its costing (especially adjustments in the activity and/or its costings) as possible. Supplemental information should contain, if a State Signatory is claiming reduced assessment for a facility hosted by another State:

- Official notification to the Secretariat from the Hosting State that it concurs in the proposed work for which the reduced assessment is claimed;
- A listing of tasks which the States involved in the facility activity each propose to perform;
- Preliminary itemized cost estimates for each task;
- The corresponding total amount of the reduction in assessment requested by each State involved in the activity on the facility.

If a third State (or more) is involved in the same budget activity at a facility, those States claiming reduced assessment must make clear the proposed division of labour in the activity and confirm that all States involved in the activity have consulted and concur.

- (b) The Executive Secretary shall transmit these confirmations of reduced assessment claims to all States Signatories not later than two weeks prior to the beginning of the plenary session of the Commission that will adopt the draft Programme Budget. Taking the communications from States in subparagraph (a) above fully into account, the Executive Secretary shall then report to this session. The report should include:
- The number of requests in each technology, for which stations and a percentage of the total indicative cost estimates for each technology provided by Working Group B in the International Monitoring System listing;
 - An analysis of any effect from the requests on the implementation of the IMS work programme;
 - A technical and cost evaluation of claims, taking into account value for money and international procurement principles, and any adjustments to the activities since a claim has been submitted;
 - Taking into account in particular this Rule and Rules 4.3.05 and 4.3.06 above, recommendations for approval of reduced assessment claims.
- (c) Once a claim has been approved by the Commission, the Executive Secretary shall arrange for provision to be made for the reduced assessment to be included in the International Monitoring Facility Agreement/Arrangement between the Secretariat and the State that has made the claim.

Rule 4.5.02: Report on the Status of Appropriations as Approved by the Commission

The Executive Secretary shall ensure that the Commission is informed at each session of the status of appropriations and programme implementation including expenditure, the receipt of assessed contributions and miscellaneous income realized or projected to be realized, as appropriate. At the end of each biennium, the Executive Secretary shall issue a detailed report of Programme Budget performance in the same format as the initial Programme Budget.

Regulation 4.6

- (a) The Executive Secretary shall submit proposals for revisions of the Budget whenever requested by the Commission;

- (b) In exceptional cases, the Executive Secretary may, on his/her own initiative, following careful examination of available resources for their possible reallocation and taking into account Fin. Reg. 5.5 concerning the transfer of funds, submit proposals for revisions of the Budget;
- (c) The Executive Secretary shall prepare supplementary Budget proposals, with full justification, consistent with the Budget format and invite the review of the Advisory Group established under Fin. Reg. 15.1 of these Regulations. These proposals along with the comments of the Advisory Group should then be submitted to the Commission for its decision.

Rules Pertaining to Regulation 4.6

None

ARTICLE 5: APPROPRIATIONS

Regulation 5.1

The appropriations approved by the Commission shall constitute an authorization to the Executive Secretary to incur obligations and make payments for the purposes for which the appropriations were approved, and up to the amounts so approved for each appropriation section.

Rules Pertaining to Regulation 5.1

None

Regulation 5.2

- (a) Appropriations shall be available for obligation during the financial period to which they relate in accordance with the appropriation resolution.
- (b) However, any unobligated balance of the appropriations for the first financial period of a biennium shall be carried forward and made available for obligation until the end of the second financial period of the biennium.

Rules Pertaining to Regulation 5.2

Rule 5.2.01: Basis of Obligations

A legal obligation shall be based either on a contract, a purchase order, an agreement or other form of transaction document entered into on behalf of the Commission by the Executive Secretary or a Secretariat officer designated by the Executive Secretary, or on a liability recognized by the Secretariat for which goods and services were delivered, in part or in full. All such obligations shall be supported by appropriate obligating documents. Obligations against the General Fund may be carried as unliquidated obligations during the period of availability set forth in Financial Regulation 5.3. Since Financial Regulation 7.2 establishes the multiyear feature of the Capital Investment Fund through the carry-forward of its surpluses, obligations against the Capital Investment Fund may be carried forward until they are fully liquidated or cancelled.

Regulation 5.3

Appropriations shall remain available for 12 months following the end of the financial period to which they relate or, in the case of a carry-forward pursuant to Fin. Reg. 5.2(b), following the end of the financial period to which the appropriations were carried forward, to the extent that they are required to liquidate any outstanding legal obligations of the financial period. The balance of the appropriations remaining unobligated at the close of the 12 month period, or the close of the financial period to which the appropriations were carried forward, after deducting therefrom any contributions from Member States relating to that financial period which remain unpaid, shall form part of any cash surplus of the General Fund and shall be treated in accordance with Fin. Reg. 7.1(b).

Rules Pertaining to Regulation 5.3

None

Regulation 5.4

At the end of the 12 month period or at the end of the financial period to which the appropriations were carried forward provided for in Fin. Reg. 5.3, the then remaining unspent balance of appropriations retained, after deducting therefrom any contributions from Member States relating to the financial period of the appropriation which remain unpaid, shall be treated as a cash surplus as in Fin. Reg. 5.3. Any obligations remaining a valid claim at that time shall be charged against current appropriations.

Rules Pertaining to Regulation 5.4

Rule 5.4.01: Provisional Cash Balance for the Financial Period

At the end of each financial period the provisional cash balance for the financial period shall be determined by establishing the balance, in the General Fund, between credits: i.e. assessed contributions actually received for the financial period from States Signatories and miscellaneous income received during the financial period; and charges: i.e. all disbursements made against the appropriations for that financial period, provisions for unliquidated obligations for that financial period, transfers to reserves or special funds as authorized by the Commission on an exceptional basis and provisions for unobligated balances of appropriations carried forward from the first financial period to the second financial period of a biennium in accordance with Fin. Reg. 5.2(b).

Rule 5.4.02: Cash Surplus for the Financial Period

At the end of the 12 month period referred to in Financial Regulation 5.3 and in Rule 5.2.01 above, the cash surplus for the financial period shall be determined by crediting to the provisional cash balance, referred to in Rule 5.4.01 above, arrears of prior years' assessed contributions from States Signatories received during this period that remain after fully funding the CIF in accordance with Financial Rule 7.2.02, any savings from the provisions made for unliquidated obligations as mentioned under "charges" in Rule 5.4.01 above as well as any savings from the provisions for carried forward unobligated balances of appropriations pursuant to Rule 5.4.01. Any remaining outstanding obligations shall be re-obligated against the appropriations of the current year.

Regulation 5.5

No transfer between appropriation sections may be made without prior authorization by the Commission after examination by the Advisory Group. Transfers within the same appropriation section between Programmes, Subprogrammes and Projects may be effected by the Executive Secretary up to a level of 15 per cent from such Programmes, Subprogrammes and Projects. He or she shall report such transfers to the Commission through the Advisory Group. Transfers in excess of the 15 per cent limit shall be made only with the prior concurrence of the Commission.

Rules Pertaining to Regulation 5.5

Rule 5.5.01: Transfer of Funds Between Major Programmes

In the event that a transfer of funds between Major Programmes becomes necessary, it shall be the responsibility of the Allotment Manager(s) responsible for the affected appropriation section(s) under the programme structure proposing the transfer, to provide the required justification and to submit a proposal, through the Chief, Financial Services, to the Executive Secretary for concurrence. The Executive Secretary after review and comment shall submit the proposal to the Commission for approval after examination by the Advisory Group within the financial period.

Rule 5.5.02: Transfer of Funds Within a Major Programme

Transfers within the same Major Programme may be made between programmes, subprogrammes and projects up to a limit of 15 per cent for each programme, subprogramme and project. The Allotment Manager(s) responsible shall provide the Executive Secretary with the justification for such transfers. The Chief, Financial Services, shall provide the Executive Secretary with a recommendation as to the advisability of such transfers. The Executive Secretary shall report these transfers to the Commission through the Advisory Group. Transfers of funds in excess of the 15 per cent limit shall be made only with the prior concurrence of the Commission.

Rule 5.5.03: Transfer of Funds to and from the Capital Investment Fund – Installation (CIF-I) and the Capital Investment Fund – Sustainment (CIF-S)

Any transfer of funds to and from the Capital Investment Fund – Installation (CIF-I) and the Capital Investment Fund – Sustainment (CIF-S), as well as transfers between these two parts of the Capital Investment Fund, shall be made only with the prior concurrence of the Commission. In case such transfer becomes necessary, the Allotment Manager proposing the transfer shall submit a proposal, supported by a justification, through the Chief, Financial Services, to the Executive Secretary for concurrence. The Executive Secretary, after review and comment, shall submit the proposal to the Commission for approval after examination by the Advisory Group within the financial period.

Rule 5.5.04 Transfer of Funds to and from the Multiyear Funds

Any transfer of funds to and from the multiyear funds (MYFs) that are established in accordance with Regulation 7.3, as well as transfers between these MYFs, shall be made only with the prior concurrence of the Commission. In case such transfer becomes necessary, the Allotment Manager proposing the transfer shall submit a proposal, supported by a justification, through the Chief, Financial Services, to the Executive Secretary for concurrence. The Executive Secretary, after review and comment, shall submit the proposal to the Commission for approval after examination by the Advisory Group within the financial period.

Rule 5.5.05: Transfer of Euro Portion of Appropriations

For the euro portion of appropriations, if any, the 15% level shall be calculated on the basis of the United States dollar equivalent at the time of the approval of the transfer.

Regulation 5.6

The Executive Secretary shall be accountable to the Commission for the proper management of the financial resources in accordance with these Regulations. The Executive Secretary shall prudently manage the appropriations approved for the financial period so as to ensure that expenditures can be met from funds available, keeping in view the actual contributions received, the availability of cash balances, and the application to the approved appropriations of a contingency margin as provided for in the Financial Rules.

Rules Pertaining to Regulation 5.6

Rule 5.6.01: Percentage for the Contingency Margin

The Executive Secretary shall determine the percentage for the contingency margin, having regard to the average collection rate for the assessed contributions over the last three years and to ensure that expenditures do not exceed the available funds in the given financial period.

Rule 5.6.02: Implementation of the Contingency Margin

The Budget Appropriation Resolution for any given financial period shall make reference to the contingency margin with the specific provision that the Executive Secretary may authorize the allotment and obligation of funds up to the level of the approved budget less this contingency margin, and that further authorizations for allotment and obligation shall only be permitted when and to the extent that adequate contributions have been received to ensure that expenditure does not exceed available funds.

Rule 5.6.03: Reporting on the Implementation of the Contingency Margin

The Executive Secretary shall report to the Commission on the implementation of the contingency margin referred to in Rules 5.6.01 and 5.6.02 above.

Rule 5.6.04: Appropriations and Cash Management

The Executive Secretary, in accordance with Financial Regulation 5.6, shall be accountable to the Commission to ensure that properly budgeted expenditures in any Major Programme can be met from available cash balances. When, in the Executive Secretary's opinion, this is not possible within the existing appropriations, the Commission shall be notified without delay. In such a case, in accordance with Financial Regulation 14.3, the proposed expenditure(s) shall not be made until the Commission has been made aware of the reasons for the shortage of cash and the necessary funding arrangements have been made in accordance with Financial Regulation 5.6.

ARTICLE 6: PROVISION OF FUNDS

Regulation 6.1

The appropriations, subject to the adjustment effected in accordance with the provisions of Fin. Reg. 6.2, shall be financed by contributions from Member States according to a scale of assessments determined by the Commission. The scale shall be determined in accordance with the current United Nations scale of assessments adjusted to take into account differences in membership between the United Nations and the Commission. Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.

Rules Pertaining to Regulation 6.1

None

Regulation 6.2

For each financial period the contributions of Member States shall be assessed, taking into account adjustments in respect of:

- (a) Supplementary appropriations for which contributions have not previously been assessed on Member States;
- (b) Estimated miscellaneous income of the financial period in respect of which the assessment of contributions is being made;
- (c) Contributions resulting from the assessment of new Member States under Fin. Reg. 6.8;
- (d) Costs incurred by any Member State pursuant to and in accordance with paragraph 22 of Article IV of the Treaty, subject to the approval by the Commission of a request by a Member State for an appropriate reduction in its assessed contribution. The reduction in a State's assessment, or States' assessments pursuant to an agreement between those States, shall be the agreed cost associated with the activity undertaken by the State(s). The reduction in assessment will not be effected until the assessment cycle directly following PTS certification of that IMS facility. In any event the reduction in assessment shall not exceed 50 per cent of the assessed contribution of the State(s) for that year. Any excess in the approved reduction over the 50 per cent limit may be credited in subsequent years.

Rules Pertaining to Regulation 6.2

Rule 6.2.01: Requirement Prior to Commencement of Work Related to Reduced Assessment

The State Signatory claiming reduced assessment shall provide the Secretariat with a detailed work plan including cost estimates before the work is started. The Secretariat shall evaluate this detailed work plan including cost estimates to check their feasibility and compliance with the programme adopted by the Commission. Any disagreement or dispute over the detailed work plan and cost estimates between the Secretariat and State(s) which cannot be reconciled after intensive discussions should be raised at the next plenary session of the Commission for advice and assistance.

Rule 6.2.02: Requirements During Implementation of Reduced Assessment Activities

The State Signatory claiming reduced assessment shall provide to the Secretariat progress reports at six-month intervals, including a cost accounting and relevant technical details for each activity and to provide an assurance that the activity remains, as best as can be judged, consistent with the initially approved budget and that the activity will be certifiable.

Rule 6.2.03: Status Report of Reduced Assessment Activities

The Secretariat shall include a status report of reduced assessment activities, on the basis of information provided by States Signatories in accordance with Rule 6.2.02 above, in its regular reports to the Commission and Working Groups. This status report shall include comments on the progress of each project in relation to the initially approved Budget as well as in relation to the appropriate certification standards.

Rule 6.2.04: Reduction in a State Signatory's Assessment

The processing of States' reduced assessment claims shall be the following:

- (a) The Secretariat shall determine with the claiming State(s) the final cost breakdown of the activity performed for which the reduced assessment is being claimed, taking into account the cost history of the project as reported on a six-month basis in accordance with Rule 6.2.02 above and the Secretariat's experience with costings throughout the International Monitoring System and ensure that the work done is in accordance with the task as originally undertaken, including any subsequently agreed adjustments. Any disagreement or dispute over the detailed work plan and cost estimates between the Secretariat and State(s) which cannot be reconciled after intensive discussions should be raised at the next plenary session of the Commission for advice and assistance. The Secretariat shall not settle the final cost of a claim at a level exceeding the initial amount approved by the Commission in the Programme Budget unless otherwise authorized by the Commission.
- (b) In accordance with Rule 5.6.04 above and on the basis of information provided to the Commission by the Executive Secretary under that Rule, the Secretariat shall effect a reduced assessment claim in the assessment cycle directly following Secretariat certification of the International Monitoring System facility. The effect of the reduced assessment claim shall be noted by the Secretariat in the invoice for the State Signatory's assessed contribution and shall be liquidated from that State's reduced assessment CIF account, as appropriate, when the State Signatory has paid its assessments up to and including the budget year for which the reduced assessment claim was approved. During the annual budget cycle, the Executive Secretary shall provide to the Commission at the plenary session that will adopt the Budget a report on the station certifications accomplished during the current budget year and the reduced assessment claims affected by their certification for the upcoming budget year.

Rule 6.2.05: Deduction of Estimated Miscellaneous Income

The estimated miscellaneous income in the proposed Programme Budget shall be deducted from the total amount of the Programme Budget to be assessed.

Regulation 6.3

After the Commission has adopted the Programme and Budget and determined the amount of the Working Capital Fund (Fin. Reg. 7.4) as well as the scale of assessments, the Executive Secretary shall:

- (a) Transmit the relevant documents to Member States;
- (b) Inform Member States of their commitments in respect of contributions to the Budget and their advance to the Working Capital Fund;
- (c) Request Member States to remit their contributions and advances.

Rules Pertaining to Regulation 6.3

None

Regulation 6.4

- (a) Contributions and advances relating to the Budget, as provided for in Fin. Reg. 4.2(a), shall be considered due and payable in full not later than 30 days after the receipt of the communication of the Executive Secretary referred to in Fin. Reg. 6.3 above or as of the first day of the year to which they relate, whichever is the later. As of 1 January of the following year the unpaid balance of such contributions and advances shall be considered to be one year in arrears;
- (b) Contributions relating to the complementary Budget, as provided for in Fin. Reg. 4.2(b), shall be considered due and payable in full when so decided by the Commission or not later than 30 days after the receipt of a request by the Executive Secretary, which request shall not be communicated by the Executive Secretary before the deposit of instruments of ratification by all States listed in Annex 2 to the Treaty, but in no case earlier than two years after its opening for signature, for remittance of such contributions and advances, whichever date is the earlier. As of 1 January of the following year or the date of entry into force of the Treaty, whichever is the earlier, the unpaid balance of such contributions shall be considered to be one year in arrears.

Rules Pertaining to Regulation 6.4

Rule 6.4.01: Credit Against Contributions and Advances to the Working Capital Fund

Credit shall be given against assessed contributions and advances due to the Working Capital Fund on the date when the Secretariat receives value for a cheque from the State Signatory concerned or, in the case of transfers, when the Secretariat's bank account receives credit for these funds. Any bank charges shall be borne by the State Signatory concerned.

Regulation 6.5

- (a) Each assessment for the Regular Budget shall be established in a component in United States dollars and a component in euros. These components shall be in direct proportion to the respective shares of the Resolution on the Regular Budget in the two currencies as approved by the Commission.
- (b) At the end of each financial period, the unpaid euro amount of assessed contributions for the Regular Budget shall be revalued by the Secretariat in United States dollars on the basis of the applicable United Nations rate of exchange and carried forward to the following financial period in United States dollars.
- (c) Advances to the Working Capital Fund shall be assessed and paid in United States dollars.

Rules Pertaining to Regulation 6.5

None

Regulation 6.6

- (a) Assessed contributions shall be paid in United States dollars and euros in the ratio determined pursuant to Regulation 6.5(a) and (c).
- (b) Payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member was assessed.

Rules Pertaining to Regulation 6.6

None

Regulation 6.7

The Executive Secretary shall periodically transmit a report on the collection of contributions and advances to the Working Capital Fund to Member States.

Rules Pertaining to Regulation 6.7

Rule 6.7.01: Report on Collection of Contributions and Advances to the Working Capital Fund

The report called for in Financial Regulation 6.7 shall normally be made to each session of the Commission.

Regulation 6.8

New Members shall be required to make a prorated contribution for the financial period in which they become Members and provide their proportion of the total Working Capital Fund. Such contributions shall begin on the 30th day following the date of their signature.

Rules Pertaining to Regulation 6.8

None

ARTICLE 7: FUNDS

Regulation 7.1

- (a) There shall be established a General Fund to which shall be credited receipts from contributions – whether current or arrears – of Member States, miscellaneous income and transfers made from the Working Capital Fund; and from which shall be made all general expenditures and reimbursements to the Working Capital Fund under Fin. Reg. 7.3.
- (b) Any cash surplus in the General Fund at the close of any financial period shall be apportioned among Member States in proportion to the scale of assessments applicable to that financial period. As of 1 January following the year in which the audit of the financial statements of the financial period is completed, the amount so apportioned to a Member State shall be surrendered to such Member State if its contribution for that financial period has been paid in full and shall be applied to liquidate, in whole or in part, first, any advance due to the Working Capital Fund; secondly, any arrears of assessed contributions; and thirdly, assessed contributions for the financial period following the year in which the audit is completed.

Rules Pertaining to Regulation 7.1

Rule 7.1.01: Apportioning of Cash Surplus

After the final review by the External Auditor of the financial statements for the 12 month period referred to in Financial Regulation 5.3 and in Rule 5.2.01 above has been completed, the cash surplus shall be apportioned among all States Signatories, in accordance with the scale of assessments for the financial period to which the surplus relates. While any cash surplus in the General Fund shall be apportioned among all States Signatories, in accordance with the scale of assessments for the financial period to which the surplus relates, the amount so apportioned shall be surrendered only to those States Signatories which have paid in full their contributions for that financial period.

Amounts apportioned but not surrendered shall be retained by the Secretariat until such time as the contribution for the relevant financial period is paid in full, at which time they shall be applied in the sequence set forth in Financial Regulation 7.1(b).

Rule 7.1.02: Liquidation of Cash Surplus

The individual allocations to those States Signatories entitled to the surrender shall be applied to liquidate in the following order:

- (a) Outstanding advance to the Working Capital Fund;
- (b) Arrears of assessed contribution still outstanding at the time of the surrender;
- (c) Assessed contribution for the current financial period.

Regulation 7.2

A Capital Investment Fund shall be established to which shall be credited each year budgeted items for the installation and upgrade (Capital Investment Fund – Installation), as well as the long term sustainment (Capital Investment Fund – Sustainment), of IMS stations/facilities. Cash surplus remaining in this Fund at the end of a given financial period shall be carried forward to the following period if approved by the Commission.

Rules Pertaining to Regulation 7.2

Rule 7.2.01: Capital Investment Fund

The Capital Investment Fund shall be financed by receipts of assessed contributions. The Executive Secretary shall administer the Capital Investment Fund in accordance with the present Rules.

Rule 7.2.02: Capital Investment Fund: Sources and Uses of Funds

The sources of funds for the CIF shall be derived from all receipts of assessed contributions from States Signatories and miscellaneous income in proportion to the amounts representing budgeted items identified in the approved Programme and Budget, Major Programme 1, International Monitoring System.

These budgeted items are:

For the Capital Investment Fund – Installation (CIF-I), all items up to and including certification:

- Headquarters equipment;
- Site surveys and preparation;
- Capital investment (acquisition and installation of equipment);
- Authentication;
- GCI interface;
- Testing and evaluation;
- Experimental noble gas equipment;
- Certification.

For the Capital Investment Fund – Sustainment (CIF-S), all post-certification items:

- Equipment replacement;
- Station improvement;
- End of life replacement (recapitalization).

Funds allocated to IMS budgeted items not listed above shall not be credited to the CIF. Funds for the CIF shall be deposited at the time of receipt. Expenditures from the CIF shall only be

made for the purposes specified and approved in the Programme and Budget as described above.

At the end of the 12 month period following the end of the financial period, any arrears of prior years' assessed contributions from States Signatories received during this period shall, after offsetting a provisional negative cash balance in the General Fund, if any, with the approval of the Preparatory Commission, be credited to the CIF, up to the unfunded amount of the CIF.

Rule 7.2.03: Capital Investment Fund: Accounting and Reporting

The accounts and any sub-accounts of the CIF shall be administered in accordance with the Financial Regulations and Rules.

Reduced assessment sub-accounts shall be opened for the purpose of identifying each claim approved by the Commission. Cash shall be transferred into sub-accounts from the assessed contributions of those States Signatories with approved reduced assessment claims. Amounts relating to any claims withdrawn shall be credited back from the relevant sub-account to the direct funding share of the CIF.

In its biennial Programme and Budget Performance Report to the Commission, the Secretariat shall specify for each station all relevant items of expenditure.

No commitments, obligations or expenditures against the CIF may be incurred without written authorization of the Allotment Manager. Allotments for specific stations shall constitute the ceiling on obligations to be incurred in connection with that project. Any requests for transfers of funds to and from the CIF shall be made consistent with the Financial Regulations and Rules.

Rule 7.2.04: Capital Investment Fund: Cash Management

When delays in the receipt of assessed contributions impede cash management of the CIF, advances from the Working Capital Fund may be made by the Executive Secretary pending receipt of assessed contributions up to the proportion defined in Rule 7.2.02 above. In addition, the Executive Secretary may, at his/her discretion, prioritize CIF activities, in the implementation of the contingency margin for approved Budget appropriations.

Rule 7.2.05: Capital Investment Fund: Cash Balances

The Executive Secretary shall request approval from the Commission to carry forward any cash balance that remains at the end of a given financial period.

In presenting such a request, the Executive Secretary shall report on the status of implementation of approved investment activities, including noteworthy savings/cost overruns, and on the overall financial situation of the CIF.

Regulation 7.3

Multiyear funds (MYFs) may be established, which shall be credited in accordance with the Programme and Budget proposed by the Executive Secretary and approved by the Commission, for specific projects that require long term funding for the purpose of the development and sustainment of the Treaty verification regime, not covered by the CIF-I and CIF-S. The MYFs shall be proposed by the Executive Secretary and approved by the Commission. The Executive Secretary shall administer the MYFs in accordance with the following Rules.

Rules Pertaining to Regulation 7.3

Rule 7.3.01: Multiyear Funds: Sources and Uses of Funds

The sources of funds for MYFs from the Regular Budget shall be:

- (a) All receipts of assessed contributions from States Signatories;
- (b) Miscellaneous income in proportion to the amounts representing budgeted items identified in the approved Programme and Budget for all MYFs;
- (c) Contributions made by States Signatories on a voluntary basis.

Expenditures from MYFs shall only be made for the purposes specified and approved in the Programme and Budget.

At the end of the 12 month period following the end of the financial period, any arrears of prior years' assessed contributions from States Signatories received during this period shall, after offsetting a provisional negative cash balance in the General Fund, if any, first be credited to the CIF, up to the unfunded amount of the CIF, and then to the MYFs up to the respective unfunded amount.

Rule 7.3.02: Multiyear Funds: Accounting and Reporting

MYFs shall be administered in accordance with the Financial Regulations and Rules.

In the Programme and Budget Performance Report to the Commission, the Executive Secretary shall specify the source of funding for all relevant items of expenditure (i.e. Regular Budget or contributions made by States Signatories on a voluntary basis) for each MYF.

No commitments, obligations or expenditures against MYFs may be incurred without a written authorization from the Allotment Manager. Any requests for transfers of funds to and from the MYFs shall be made consistent with the Financial Regulations and Rules.

Rule 7.3.03: Multiyear Funds: Cash Balances

The Executive Secretary shall request approval from the Commission to carry forward any cash balance that remains at the end of a given financial period.

In presenting such a request, the Executive Secretary shall report on the status of implementation of approved investment activities, including noteworthy savings or cost overruns, and the overall financial situation of the MYFs.

Regulation 7.4

There shall be established a Working Capital Fund to ensure initial capital for the Commission to finance budgetary expenditures pending receipt of assessed contributions and to meet short term liquidity problems during a given financial period. The amount shall be determined from time to time by the Commission. The source of money shall be advances from Member States in accordance with the scale of assessments determined by the Commission for the apportionment of the expenses of the Commission. Each such advance shall be carried to the credit of the Member State which has made the advance. At the conclusion of the work of the Commission, Member States will be reimbursed their credited advances within 30 days of the approval of the Commission's final financial statements.

Rules Pertaining to Regulation 7.4

Rule 7.4.01: Advances from the Working Capital Fund

Advances from the Working Capital Fund, as governed by Fin. Reg. 7.4, shall require a written authorization from the Executive Secretary.

Regulation 7.5

All transfers made from the Working Capital Fund to finance budgetary appropriations shall be reimbursed as soon as feasible, but in any case within the same financial period.

Rules Pertaining to Regulation 7.5

None

Regulation 7.6

Income derived from investments of the Working Capital Fund shall be credited to miscellaneous income.

Rules Pertaining to Regulation 7.6

None

Regulation 7.7

Trust funds and special accounts may be established by the Executive Secretary with the prior approval of the Commission.

Rules Pertaining to Regulation 7.7

None

Regulation 7.8

The purpose and limit of each trust fund and special account shall be clearly defined. They shall be administered in accordance with the Financial Regulations.

Rules Pertaining to Regulation 7.8

None

ARTICLE 8: OTHER INCOME

Regulation 8.1

All other income shall be classified as miscellaneous income, for credit to the General Fund, except:

- (a) Assessed contributions to the Budget;
- (b) Voluntary contributions;
- (c) Direct refunds of expenditures made during the financial period;
- (d) Advances or deposits to funds.

Rules Pertaining to Regulation 8.1

Rule 8.1.01: Miscellaneous Income

The contribution of new States Signatories shall be credited to miscellaneous income.

Rule 8.1.02: Proceeds Income

Proceeds from the sale of property, as well as from reimbursable loans of staff members or other services rendered shall be credited as miscellaneous income (see also Rules 11.5.17 and 11.5.19 below).

Rule 8.1.03: Refunds of Expenditure

- (a) Refunds to the General Fund charged in the same financial period against the budgetary accounts may be credited against expenditures, but refunds of the initial expenditure from prior financial periods shall be credited to miscellaneous income, except for tax and/or customs duty reimbursements. Tax and/or customs duty reimbursements related to the General Fund expenses shall be credited to the Capital Investment Fund – Sustainment (CIF-S), regardless of the financial period to which they relate.
- (b) Refunds to the Capital Investment Fund shall be credited against expenditures, regardless of the financial period to which they relate.
- (c) Adjustments which arise subsequent to the closing of an extra-budgetary account, e.g. a trust fund or a special account, shall be classified as miscellaneous income and credited to miscellaneous income.

Regulation 8.2

Voluntary contributions, gifts, services, bequests and subventions, whether in cash or in kind, may be accepted by the Executive Secretary, provided that the purposes for which the contribution is made are consistent with the policies, aims and activities of the Commission and provided that the acceptance of such voluntary contributions, gifts, services, bequests and subventions which directly or indirectly could involve additional financial liability, either currently or in the future, for the Commission shall require the prior consent of the Commission.

The Executive Secretary shall report to the Commission all the voluntary contributions, gifts, services, bequests and subventions, whether in cash or in kind, he/she has accepted.

Rules Pertaining to Regulation 8.2

Rule 8.2.01: Establishment or Upgrading of IMS Facilities Through National Funding

IMS facilities listed in the appropriate Treaty Annexes may be established or upgraded with national funding, pursuant to Financial Regulation 8.2, without being subject to Commission reimbursement. Such facilities shall meet the specifications for certification.

Rule 8.2.02: Submission of a Detailed Work Plan

A State Signatory wishing to install or upgrade IMS facilities with national funding shall inform the Secretariat of its intention and provide a detailed work plan.

Rule 8.2.03: Review of the Detailed Work Plan

The Secretariat shall review this detailed work plan and its consistency with the Programme and Budget adopted by the Commission. It shall inform the Commission of the intention of the State concerned and of the results of its own review, including a provisional estimate of post-certification costs, for consideration.

Rule 8.2.04: Identification in Programme Budget

Such IMS facilities activities shall be identified in the relevant Programme and Budget of the year concerned.

Rule 8.2.05: Progress Report

The State Signatory shall provide the Secretariat with progress reports at six-month intervals, including relevant technical details for each activity.

Rule 8.2.06: Certification and Post-Certification Costs

Certification and post-certification costs for such facilities shall be included in the Programme and Budget when approved by the Commission.

Regulation 8.3

Monies accepted shall be credited to a Special Account for Voluntary Contributions.

Rules Pertaining to Regulation 8.3

Rule 8.3.01: Special Account for Voluntary Contributions

The purpose of the Special Account for Voluntary Contributions shall be to account for voluntary contributions, gifts, bequests and subventions other than funds held as funds-in-trust that the Executive Secretary may receive in accordance with the consent of the Commission as

set out in Financial Regulation 8.2. The Special Account shall be operated in accordance with the provisions of the Financial Regulations and Rules.

Rule 8.3.02: Voluntary Contributions in Kind

The Executive Secretary shall disclose in a note to the financial statements the value of all voluntary contributions in kind received. The value of voluntary contributions in kind shall include the costs as recognized under International Public Sector Accounting Standards.

ARTICLE 9: CUSTODY OF FUNDS

Regulation 9.1

The Executive Secretary shall designate the bank or banks in which the funds of the Commission shall be kept.

Rules Pertaining to Regulation 9.1

Rule 9.1.01: Designation of Banks

- (a) The Executive Secretary shall establish such official bank accounts as may be required for the transactions of Commission business and shall designate signatories to operate those accounts. The Executive Secretary or an officer so designated by him/her may, with appropriate notification to the bank, be authorized to amend signatory panels.
- (b) In designating the bank or banks in which the funds of the Commission are kept, the Executive Secretary shall have regard to the security of the Commission's cash assets. In particular, the Executive Secretary shall select only those financial institutions with a high reputation in the financial community. The Director of Administration shall advise the Executive Secretary in this selection process, and shall introduce appropriate financial procedures to ensure that the status of such banks as the Executive Secretary may designate is regularly reviewed.

Rule 9.1.02: Custody of Securities

- (a) All securities shall be deposited in the custody either of banks or other financial institutions designated by the Executive Secretary for that purpose.
- (b) The withdrawal of securities from the custody of banks or other financial institutions and access to safe deposit vaults shall require the signature of two officials designated by the Executive Secretary for that purpose.

Rule 9.1.03: Receipt of Funds

- (a) Only officers designated by the Executive Secretary shall be authorized to receive funds and to issue official receipts on behalf of the Commission.
- (b) Each receipt of money shall be officially recorded in the Commission's accounts on the day of receipt.
- (c) On receipt of assessed or voluntary contributions or of advances to the Working Capital Fund an official letter of receipt signed by the Executive Secretary or Director of Administration shall be transmitted to the State Signatory concerned or the contributor.

Rule 9.1.04: Deposit of Monies

All monies received shall be deposited in an official bank account not later than the next business day following the date of receipt. Cash and securities shall be kept in a safe place.

Rule 9.1.05: Responsibility of Holders of Cash Advances

- (a) Officers to whom cash advances are issued under Rule 11.1.17 below shall make use of such advances only for the purpose for which the advances were authorized and shall be held personally responsible and financially liable for proper management and safekeeping of the cash so advanced. They shall render accounts as required by the Executive Secretary, which, unless otherwise provided for, shall be not less frequent than once each month. They shall be in a position at all times to account for the advances. Cash or negotiable instruments shall be kept in safe custody.
- (b) Officers responsible for the operation of Commission bank accounts or for holding Commission cash or negotiable instruments shall not be authorized to exchange one currency for another, except to the minimum extent necessary for the transaction of official business.

Rule 9.1.06: Authorization of Disbursements

Direct payment requests to the bank shall be signed by two authorized signatories designated by the Executive Secretary. In order to provide adequate internal controls, an approving officer shall not normally sign direct payment requests unless a division of duties is impractical.

ARTICLE 10: INVESTMENT OF FUNDS

Regulation 10.1

Subject to tight internal control and audit, the Executive Secretary shall make short term investments of monies not needed for immediate requirements and shall include in the annual financial statements of the Commission information on the investments held at the end of the financial period. At the request of the Commission, the Executive Secretary shall provide it with a statement of investments currently held.

Rules Pertaining to Regulation 10.1

Rule 10.1.01: Investments

- (a) The Executive Secretary or a Secretariat officer so designated by him/her may make short term investments of funds available in the General Fund, Working Capital Fund, Capital Investment Fund and other trust funds and special accounts not needed for immediate requirements. Short term investments shall be considered investments made for less than 12 months. All investments shall be made in accordance with the provisions of appropriate regulations, rules, terms or conditions relating to those funds and accounts. In making any investments, the Executive Secretary shall take all necessary steps to ensure that the Secretariat has sufficient liquid funds for its daily operations; that undue risks, including currency risks, are avoided; and that a reasonable rate of return is earned on investments, without jeopardizing the security of the Commission's assets.
- (b) The Executive Secretary shall ensure that no more than 25 per cent of the Commission's total cash assets are invested in one institution, with the exception of investments in the Bank for International Settlements, in which case the Commission may invest up to 50 per cent of the Commission's total cash assets if, and only if, the number of banks meeting the investment policy standards is reduced to six or less, whereby the Secretariat might exceed the 25 per cent ceiling in one or more of the banks. In the event that the exception is exercised, the Executive Secretary shall report promptly to the Commission. When the number of banks meeting the investment policy standards returns to seven or more, the level of investment in the Bank for International Settlements shall be brought down to below 25 per cent as these short term deposits mature.
- (c) The Executive Secretary shall report periodically on all investments to the Commission.

Rule 10.1.02: Investment Ledger

Investments shall be registered in an investment ledger which shall show the relevant details for each investment, including the face value, cost, date of maturity, place of deposit, proceeds of sale and interest revenue earned.

Regulation 10.2

Income derived from investments shall be credited as provided in the rules relating to each fund or account.

Rules Pertaining to Regulation 10.2

None

ARTICLE 11: INTERNAL CONTROL

Regulation 11.1

The Executive Secretary shall:

- (a) In consultation with the Commission, appoint an internal auditor who shall be independent of the Chief of the Financial Services and who shall report directly to the Executive Secretary, and further consult in the event of termination or summary dismissal of the person so appointed;
- (b) Establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of utmost economy;
- (c) Maintain accounting records;
- (d) Maintain separate accounts for all Trust Funds and Special Accounts;
- (e) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payment has not previously been made;
- (f) Designate a strictly limited number of officers who may receive monies, incur obligations and make payments on behalf of the Commission;
- (g) Maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:
 - (i) The regularity of the receipt, custody and disposal of all funds and other financial resources of the Commission;
 - (ii) The conformity of obligations and expenditures with the appropriations or other financial provision voted by the Commission or with the purposes and rules relating to Trust Funds and Special Accounts;
 - (iii) The economic use of the resources of the Commission;
- (h) Be responsible for the procurement functions of the Secretariat and shall:
 - (i) Establish the procurement system, processes and procedures of the Secretariat;
 - (ii) Establish a Committee on Contracts;
 - (iii) Designate the officials responsible for performing procurement functions.

Rules Pertaining to Regulation 11.1

Rule 11.1.01: Internal Audit

Independent internal audits shall be planned, conducted and reported on in conformity with generally accepted internal auditing standards. The purpose of such audits shall be to review, evaluate and report on the soundness, adequacy and application of systems, procedures and related internal controls. The establishment of the framework of these audits and the processes they involve shall be a collaborative effort with the elements of the Secretariat dealing with evaluation. The audits shall address the following:

- (a) *Compliance*: a review of financial transactions to determine whether they are in compliance with decisions of the Commission, Financial and Staff Regulations and Rules and Administrative Directives;
- (b) *Economy and efficiency*: an appraisal of the operational efficiency and economy with which financial, physical and human resources are utilized;
- (c) *Effectiveness*: a review of programmes and activities to compare programme delivery with the commitments set out in the programme narratives in the approved Programme Budget.

Rule 11.1.02: Administrative Directives

The Director of Administration, acting under delegated authority from the Executive Secretary, may issue, in the form of Administrative Directives, such procedural guidance or instruction as he/she deems necessary for the proper application of the Financial Regulations and Rules, and to ensure efficient, effective and economic financial administration of the Secretariat operations.

Rule 11.1.03: Basis of Accounting

The accounts of the Secretariat shall be maintained and financial statements shall be drawn therefrom in accordance with International Public Sector Accounting Standards.

Rule 11.1.04: Accounting Records

The Chief, Financial Services, shall ensure that appropriate accounting records are maintained showing all payments made and funds received, and that adequate evidence supporting payment or receipt is obtained for all transactions. The annual financial statements shall be prepared by the Financial Services Section as of the end of each financial period. After approval by the Executive Secretary, the annual financial statements shall be submitted to the External Auditor not later than three months following the end of the financial period, together with such statements as may be required.

Rule 11.1.05: Accounting for Proceeds from Sales

The proceeds from the sale of property shall normally be credited as miscellaneous income to the Regular Budget, trust fund or special account respectively concerned. However, an exception shall be permitted where these proceeds are applied directly against the purchase price of replacement equipment or supplies, and provided that any balance shall be credited as miscellaneous income to the Regular Budget Fund.

Rule 11.1.06: Accounting for Property and Equipment

The Director of Administration shall ensure that complete and accurate records are maintained for all property and equipment owned or otherwise controlled by the Secretariat with an acquisition value of US\$1000 or more per unit. Subject to these conditions, property and equipment shall include inspection and laboratory equipment, information systems equipment, furniture, motor vehicles and other tangible assets as may be acquired by the Secretariat. For all acquired property and equipment, the records shall include their costs as recognized under

International Public Sector Accounting Standards. Attractive property or equipment with a value below US\$1000 shall also be subject to similar control when directed by the Director of Administration.

Rule 11.1.07: Responsibility for Property and Equipment Records

The responsibility for property and equipment shall rest with the Director of Administration, who shall designate the following: the staff member(s) responsible for maintaining the appropriate records; the staff member(s) accountable for the records; and the staff member(s) accountable for the property and equipment. Property and equipment shall be assigned to the receiving programme, and the Allotment Manager concerned shall be responsible and accountable for the property and equipment. Where property or equipment is transferred from one programme to another programme, the records shall be adjusted accordingly.

Rule 11.1.08: Inventories

The Director of Administration shall establish appropriate accounting and physical controls to ensure the proper custody and management of each type of inventory, including spares, cables, training materials and other supplies. This responsibility may be delegated to the Chief, General Services.

Rule 11.1.09: Supporting Documentation

All transactions related to property, equipment, inventories or services shall be recorded. These records shall be supported by the appropriate vouchers or evidence of receipt and issue, except for such items where the maintenance of detailed records is deemed uneconomical or impractical by the Director of Administration or his/her designated representative.

Rule 11.1.10: Retention and Destruction of Records

The accounting and other financial and property records and all supporting documents shall be retained for five years or such other period(s) as may be agreed with the External Auditor, after which, on the authority of the Executive Secretary, such records and documents may be destroyed.

Rule 11.1.11: Payment: Basis for Payment of Salaries and Related Entitlements

The basis for payment of salaries and related entitlements to staff members shall be the letters of appointment and the salary scales and other entitlements as set out in the Staff Regulations and Rules. For other persons, such as consultants, lecturers at Secretariat meetings, trainees, etc., the payment of entitlements shall be based on the terms of the contract or other equivalent document setting out the emoluments applicable.

Rule 11.1.12: Payments: Basis for Payments Related to Official Travel

Payments related to official travel by staff members and their dependants, and other individuals shall be based on the Travel Rules. The Travel Rules shall be approved by the Commission.

Rule 11.1.13: Payment: Basis for Payment of Goods and Services

Subject to the provisions of Rules 11.1.17 and 11.1.18 below on advance and progress payments, payment for goods and services shall be made in accordance with the terms of the relevant contract, purchase order or other document containing the financial undertaking.

Rule 11.1.14: Payment: Certifying Officer

A Certifying Officer shall certify that the goods have been received or shipped and that the services have been rendered, in accordance with the documents establishing the obligation.

Rule 11.1.15: Payment: Approving Officer

An Approving Officer shall authorize payment on behalf of the Secretariat. Payments shall only be authorized on the basis of original supporting vouchers or electronic invoices with adequate internal controls and/or other documents which ensure that:

- Payment has not previously been made; and
- Payment is properly due.

Additionally, payment of entitlements related to official travel and payment of goods and services shall only be authorized where:

- The obligation has been approved pursuant to the present Rules;
- The obligation has been incurred by a Procuring Entity as referred to in Rule 11.5.01 below; and
- The relevant Certifying Officer has made the certification required pursuant to Rule 11.1.14 above.

The Executive Secretary may approve exceptions to the last three requirements set forth above.

Rule 11.1.16: Discounts

The Certifying Officer and the Approving Officer shall pay proper attention to invoices offering a discount for early payment.

Rule 11.1.17: Advance External Payments and Internal Advances

Advanced payments are permitted where they are specifically provided for in a purchase order or contract. Other circumstances in which advances may be permitted shall be for payment of the following: entitlements of staff members as set forth in the Staff Regulations and Rules; expenditures related to official travel; expenditures related to meetings, including training courses, held by the Secretariat; and imprest funds. In these other circumstances, advance payments shall be authorized by the Chief, Financial Services, or by other officials designated by him/her, and shall be accompanied by appropriate safeguards. Exceptionally, advance payments may also be made when required by normal commercial practice or in the interests of the Commission. The Director of Administration shall approve the exceptional advances. Whenever an exceptional advance payment is approved by the Director of Administration, the reasons for the advance shall be documented in detail in the accounting records.

Rule 11.1.18: Progress Payments

In addition to payments authorized under Rule 11.1.17 above, where progress payments are specifically provided for in a purchase order or contract, as may be required by normal commercial practice and in the interests of the Commission, the Director of Administration shall approve exceptional progress payments. Such approval and the reasons therefor, shall be recorded in the accounting records.

Rule 11.1.19: Imprest Accounts

On behalf of the Executive Secretary, the Chief, Financial Services, may establish imprest accounts when, in the opinion of the Chief, Financial Services, it would improve the efficiency of the Secretariat's operations; for example, when the Secretariat cannot make timely payment by following standard procedures. Such accounts may be used only for the purposes specified, and payment made from them shall not exceed the limits authorized. The levels of the imprest accounts shall be established in line with operational requirements. Imprest funds shall be replenished on the basis of fully documented receipts for payments made from such funds. Imprest funds may also be replenished pending submission of such receipts. The procedures for the operation of imprest accounts and the limits shall be set out in an Administrative Directive.

Rule 11.1.20: Payment: Treasury

The Treasurer and other officers as designated by the Executive Secretary shall be authorized to make payments that have been approved by an Approving Officer. Payments shall normally be made by electronic or written bank instructions, except for cash payments made from imprest funds. A payment shall be recorded on the accounts as of the date when the payment is processed. For the purpose of this rule, electronic and written bank instructions shall normally include the following: transfer orders, letters of credit, payment orders, and other authenticated electronic instructions. Payment by cheque shall be made on an exceptional basis.

Rule 11.1.21: Bank Signatories

- (a) Electronic payments shall normally be made through authenticated electronic instructions by staff members of the Division of Administration authorized by the Executive Secretary.
- (b) Written bank instructions shall be signed by two staff members of the Division of Administration designated by the Executive Secretary pursuant to Rule 11.1.20 above.
- (c) To provide adequate internal control, Approving Officers shall not be authorized to issue bank instructions.

Rule 11.1.22: Receipt of Property, Equipment, Inventory or Services

All property, equipment, inventory or services received by the Secretariat shall be inspected to ensure that their condition is satisfactory and in accordance with the terms of the related purchase order or contract. A report on quality and service shall be issued by the Chief,

Procurement Services, or by the Chief, General Services, as appropriate, for all items received and shall be entered into the appropriate records.

Regulation 11.2

No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Executive Secretary.

Rules Pertaining to Regulation 11.2

Rule 11.2.01: Appropriations Made Available by Authorization from the Director of Administration

- (a) The Director of Administration shall be responsible to the Executive Secretary for ensuring that the expenditures of the Secretariat remain within the appropriations approved by the Commission.
- (b) The authorization of the Director of Administration may take the form of:
 - (i) An allotment of funds or other authorization to commit funds covering a specific period and/or a specific purpose; and/or
 - (ii) An authorization for the employment of staff or of consultants and such other persons referred to in Rule 11.1.11 above.

Rule 11.2.02: Commitments Against Appropriations of Future Years

- (a) The Executive Secretary may approve commitments against appropriations of future years, when they are necessary and in the interests of the Commission. Such commitments against appropriations of future years shall, unless otherwise decided by the Commission, be restricted to maintenance and leasing contracts of a continuing nature and to Capital Investment Fund contracts. Commitments of Capital Investment Fund contracts against the future years' appropriations may be authorized by the Executive Secretary only once the Commission has approved such appropriations.
- (b) The Chief, Financial Services, shall maintain a record of all contractual commitments against appropriations of future years. Yearly tranches of such commitments shall be obligated against relevant appropriations for the respective year as these are approved by the Commission.

Rule 11.2.03: Issuance of Allotments

Under the authority of the Executive Secretary, the Chief, Financial Services, shall issue allotments to Allotment Managers in accordance with the appropriate Budget Appropriation Resolution and other relevant resolutions or decisions of the Commission. An allotment constitutes the authority for the Allotment Manager to request the incurring of obligations up to the amount and for the purpose stated in the allotment advice and in accordance with the applicable directives and procedures. When issuing allotments, the Chief, Financial Services, shall comply with Rule 5.6.02 above relating to the contingency margin.

Rule 11.2.04: Responsibility for Allotments

The Allotment Managers to whom allotments are issued shall be personally responsible to the Executive Secretary for the correct use of such allotments.

Rule 11.2.05: Requests to Incur Obligations

Allotment Managers shall ensure that requests to incur obligations against allotments under their personal responsibility are fully documented. Each request shall indicate the specific amount involved in the allotment to be charged and shall include a statement by the Allotment Manager that the proposed obligation is reasonable and in accord with the purposes for which the funds were allotted to the Allotment Manager.

Rule 11.2.06: Obligations: Certifying Officers

Certifying Officers shall be responsible for examining the proposed obligations to ensure that they:

- Are in accordance with the Financial Regulations and Rules and any instruction issued by or on behalf of the Executive Secretary;
- Can be met from the available balance of the respective allotment; and
- Are reasonable and in accordance with the purposes of the allotment.

Certifying Officers shall coordinate with Financial Services when necessary to ensure that funds are available in the allotment account. Certification by a Certifying Officer shall not relieve the Allotment Manager of the responsibility for ensuring that the proposed obligation is in accord with the proposed programme.

Rule 11.2.07: Increase and Decrease in Obligations

Increase in obligations incurred or proposed shall be subject to the same procedures that apply to the incurring of original obligations. The Executive Secretary may establish financial limits for increases above which new authorization is required. When an obligation is increased, decreased (other than by payment) or cancelled, the Allotment Manager and the Chief, Financial Services, shall be immediately informed by the Procuring Entity.

Rule 11.2.08: Review of Outstanding Obligations

Unliquidated obligations shall be reviewed periodically by the Allotment Managers concerned, who shall make recommendations to the Chief, Financial Services, whether an obligation shall be cancelled or retained. The Chief, Financial Services, in coordination with Certifying Officers, shall be responsible for reviewing periodically the outstanding obligations retained against appropriations of the previous financial period in accordance with Financial Regulation 5.3. Obligations that are no longer valid shall be cancelled forthwith, and the resulting credit surrendered. If the obligation is determined to be valid, it shall be reobligated against the appropriations of the next financial period.

The Executive Secretary may make such ex gratia payments as he/she deems to be necessary in the interest of the Commission up to such limits that might be set by the Commission, provided that a statement of such payments shall be submitted to the Commission with the final financial statements.

Rules Pertaining to Regulation 11.3

Rule 11.3.01: Ex Gratia Payments

The Executive Secretary may make ex gratia payments in cases when, although in the opinion of the Legal Services Section there is no legal liability on the Secretariat, the moral obligation is such as to make a payment desirable in the interest of the Commission. Such payments shall be in the interest of the Commission and subject to the financial limits set by the Commission under Financial Regulation 11.3.

Regulation 11.4

The Executive Secretary may, after full investigation, authorize the writing off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the External Auditor with the final financial statements, and report to the Commission thereon.

Rules Pertaining to Regulation 11.4

Rule 11.4.01: Writing Off of Losses of Cash, Property, Equipment and Inventory

Any loss of cash, negotiable instruments, and/or other assets shall be reported by the Chief, Financial Services, through the Director of Administration to the Executive Secretary and, subsequently, to the External Auditor. No amount due to the Secretariat may be waived without the prior written authorization of the Executive Secretary. The Executive Secretary may, after a full investigation, authorize the writing off of losses of cash, property, equipment and inventory and the book value of other assets. The investigation shall, in each case, fix the responsibility, if any, attaching to any staff member of the Secretariat for the loss. Such staff member may be required by the Executive Secretary to reimburse the loss, either partially or in full.

Regulation 11.5

International tenders for equipment, supplies and other requirements shall be invited by advertisement, except when departure from that rule is authorized by the Commission or, exceptionally, in the case of de minimis purchases, or where there is a sole supplier.

Where applicable and beneficial to the Commission, the Secretariat shall cooperate with other organizations affiliated to the United Nations.

Rules Pertaining to Regulation 11.5

Rule 11.5.00: General Procurement Principles

Procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works. The following general principles shall be given due consideration when exercising the procurement functions of the Secretariat:

- (a) Best value for money;
- (b) Fairness, integrity and transparency;
- (c) Effective international competition;
- (d) The interest of the Commission.

Rule 11.5.01: Contracts and Purchases: Authorized Officers

- (a) Only staff members and personnel duly authorized and designated as a Procuring Entity by the Executive Secretary shall, on behalf of the Secretariat, enter into contracts for the purchase, rental or sale of goods, constructions and/or services, including professional services in the form of consultants, but excluding fixed-term and temporary staff services.
- (b) The Director of Administration, acting under delegated authority from the Executive Secretary, shall establish an Administrative Directive outlining the internal procurement procedures to be followed to ensure adherence to these Financial Rules.

Rule 11.5.02: Definitions of Solicitation Documents

- (a) *Invitation to Bid (ITB)*: A formal Solicitation Document which shall be used for the procurement of goods with standard and clear specifications and a total estimated value in excess of US\$70 000. In these cases, the contract shall be awarded under Financial Rule 11.5.07(a)(i) to the qualified bidder whose bid substantially conforms to the requirements set forth in the Solicitation Documents and is evaluated to be the one with the lowest cost to the Commission.
- (b) *Request for Proposals (RFP)*: A Solicitation Document issued by a Procuring Entity in order to obtain proposals to satisfy a requirement which cannot be described in a complete or definitive manner. An RFP shall lead to the selection under Financial Rule 11.5.07(a)(ii) of the proposal that offers the best value in accordance with the evaluation criteria. Where appropriate, the RFP shall indicate that negotiation may be undertaken in respect of one or more proposals.
- (c) *Request for Quotation (RFQ)*: An informal Solicitation Document, normally used for low value procurement requirements, in which Procuring Entities request prices and commercial terms from suppliers for goods, works or services that meet standard specifications and are readily available on the market.

The methods of solicitation referred to in (a)-(c) above may be used for the procurement of goods, works and/or services, in accordance with procedures established by the Director of Administration.

Rule 11.5.03: Requests for Procurement

Requests for procurement shall be made in standardized form and shall include full particulars and detailed specifications relating to the request. Such requests shall be authorized by the Allotment Managers concerned and submitted to the Procuring Entity authorized pursuant to Rule 11.5.01 above, subject to the availability of funds in accordance with Rule 11.2.06 above.

Rule 11.5.04: Committee on Contracts

- (a) The Committee on Contracts reviews and recommends to the Executive Secretary to approve, defer or reject proposals for contract awards or for exceptions to competitive procedures, to ensure compliance with these Financial Regulations and Rules and the Administrative Directive on procurement.
- (b) The Executive Secretary shall define the terms of reference for the Committee, including the type and monetary values of proposed procurement actions subject to review.

Rule 11.5.05: Calling for Bids, Proposals or Quotations

- (a) Consistent with the principles set out in Regulations 11.1 and 11.5 and except as otherwise provided in Rule 11.5.06 below, procurement contracts shall be awarded on the basis of effective competition. To this end the competitive process shall, as necessary, include:
 - (i) Acquisition planning to develop an overall procurement strategy and procurement methodologies;
 - (ii) Market research to identify potential suppliers;
 - (iii) Consideration of prudent commercial practices;
 - (iv) Formal methods of solicitation, utilizing Invitations to Bid or Requests for Proposals on the basis of advertisement or direct solicitation of invited suppliers, or informal methods of solicitation, such as requests for quotations.
- (b) A solicitation may be conducted by means of secure electronic data interchange.
- (c) In accordance with Rule 11.1.02, an Administrative Directive shall be issued concerning procedural guidance and instructions for procurement, including the types of procurement activity and the monetary values for which each method of solicitation is to be used.

Rule 11.5.06: Exceptions to Competitive Procedures

Contracts may be awarded without calling for competitive procedures when:

- (a) There is no competitive marketplace for the requirement, such as where a monopoly exists, where suppliers or prices are fixed by legislation or government designation or regulation, or where the requirement can only be practicably met by a proprietary product or service;
- (b) The prices or rates are fixed, or other restrictions, such as location of sites within an environmentally protected area, in a national defence protected compound or reserve or in an area to which access is otherwise controlled or regulated, exist pursuant to national legislation or laid down by regulatory bodies. In such cases, evidence to that effect shall be provided by the State Signatory concerned;
- (c) The goods and services are available only from a particular supplier for reasons of standardization and because of the need for compatibility with existing goods or services;
- (d) The proposed contract involves an IMS station located on the premises of an existing site which has been under the supervision and operating control of a local institution;
- (e) In special circumstances, when, as determined by the Director of Administration, the exigencies of the Commission do not permit the delay attendant upon calling for tenders or proposals;
- (f) The Director of Administration, in consultation with technical experts on the Secretariat staff, determines that competitive bidding or calling for proposals will not give satisfactory technical results, in which case appropriate reasons shall be recorded in writing;
- (g) The proposed procurement contract is the result of cooperation with other organizations of the United Nations System (including piggy-backing on another organization's contract or using the results of another organization's procurement process to establish a contract for the Secretariat);
- (h) When offers for identical products and services have been obtained competitively within a reasonable period, usually one year, and the prices and conditions offered remain competitive;
- (i) When a formal solicitation has not produced satisfactory results within a reasonable period;
- (j) When the proposed procurement contract is for the purchase or lease of real property and market conditions do not allow for effective competition.

All exceptions above US\$150 000 shall be fully justified and shall be examined by the Committee on Contracts for the purpose of making recommendations to the Executive Secretary, except for cases referred to in subparagraphs (b) and (d) above. In cases which fall under subparagraphs (b) and (d) above, evidence to that effect shall be provided by the State Signatory concerned. In these cases, the requesting officer shall record the reasons for invoking subparagraph (b) or (d) and attach the text submitted by the State Signatory concerned, and shall convey this information to the Committee on Contracts, which shall register it for the record.

The Executive Secretary shall report to the Commission all contracts over US\$150 000 which were awarded after one of the exceptions in (a)-(j) listed above had been invoked.

Designations of a company or an institution for sole sourcing by a State Signatory shall be submitted in writing in order to be considered by the PTS. The PTS shall report on such designations and the sole source contracts in the Programme and Budget Performance Report.

Rule 11.5.07: Awarding of Contracts

- (a) Following receipt and opening, bids, proposals or quotations shall be evaluated.
 - (i) When informal quotations and formal invitations to bid have been issued, the procurement contract shall be awarded to the qualified bidder whose bid substantially conforms to the requirements set forth in the Solicitation Documents and is evaluated to be the one with the lowest cost to the Commission.
 - (ii) When a Request for Proposals has been issued, the procurement contract shall generally be awarded to the qualified bidder whose proposal, all factors considered, is the most responsive to the requirements set forth in the Solicitation Documents.

The evaluation shall take into account technical and operational considerations and price and life cycle costs as well as the supplier's financial soundness and the capacity of the supplier to deliver the goods or to perform the services within the time required. A comparative analysis of the evaluation shall be kept on record.

- (b) In the interest of the Commission, all bids or proposals for a particular procurement action may be rejected, with the reasons for rejection being recorded in writing. The Chief of Procurement shall then determine whether to undertake a new solicitation, to directly negotiate a procurement contract pursuant to Rule 11.5.06 or to terminate or suspend the procurement action.
- (c) Written justification explaining the basis for the award of the contract shall be prepared by the Procurement Section.

Rule 11.5.08: Form and Contents of Contracts

- (a) Written procurement contracts shall be used to formalize every procurement action with a monetary value exceeding specific thresholds established by the Executive Secretary. Such arrangements shall, as appropriate, specify in detail:
 - (i) The nature of the products or services being procured;
 - (ii) The quantity being procured;
 - (iii) The contract or unit price;
 - (iv) The period covered;
 - (v) Conditions to be fulfilled, including the Commission's General Conditions of Contract and implications of non-delivery;
 - (vi) Terms of delivery and payment;
 - (vii) Name and address of supplier.

- (b) The requirement for written procurement contracts shall not be interpreted to restrict the use of any electronic means of data interchange. All thresholds shall be detailed in the Administrative Directive on procurement and shall be periodically notified to the Commission.
- (c) Information on contract awards shall be made available to States Signatories upon request.
- (d) If the contract involves commitments against appropriations for future years pursuant to Rule 11.2.02 above, it shall contain a clause permitting the Commission to terminate the contract if the necessary funds are not available. Exceptions shall be subject to approval by the Executive Secretary and be kept on record.

Rule 11.5.09: Written Findings

Each determination or decision required of an authorized Procuring Entity by the provisions of these Rules shall be supported by the written findings of such an officer. These written findings shall be placed in the appropriate case file maintained by the responsible office and shall accompany the related obligating documents submitted for approval and recording in the accounts. The information to be kept on record documenting each bid or proposal and its outcome shall be established in an Administrative Directive or other procedural guidance or instructions of the Secretariat.

Rule 11.5.10: Interested Parties

An Administrative Directive shall include details on the information to be provided to interested parties upon request after the award of a contract.

Rule 11.5.11: Property, Equipment and Inventory Records

- (a) Complete and accurate records shall be maintained for property, equipment and inventory purchased, received, issued, sold or otherwise disposed of, and remaining on hand. Such records shall show separately property, equipment and inventory belonging to the Secretariat and/or entrusted to the charge of the Secretariat.
- (b) The Director of Administration shall determine the articles for which the records shall be maintained and shall establish the nature and extent of the records in compliance with the purpose of these Rules. Where property is of a kind used and/or administered by only one Division, the responsibility for the maintenance of such records may be delegated to the Allotment Manager of that Division.
- (c) Responsibility for the maintenance of property records shall rest with the Director of Administration, who shall arrange to designate the officer(s) responsible for the maintenance of property records, the officer(s) accountable for the property records and the officer(s) accountable for the property.

Rule 11.5.12: Physical Verification

Physical verification shall be undertaken for property, equipment and inventories owned or otherwise controlled by the Secretariat and for which records are maintained at such intervals as deemed necessary to ensure adequate control, but at least once a year. The responsibility for ensuring conduct of such physical verification and selection of items to be verified shall be that of the Director of Administration and such other officers authorized under Rule 11.5.01.

Where property, equipment and inventories are of a kind used and/or administered by only one Division, responsibility for making arrangements for the conduct of physical verification may be delegated to the Allotment Manager of that Division.

Rule 11.5.13: Property Issued to Individuals

The issue to individuals of equipment or other property for their use (e.g., dictating equipment, laptop computers, personal computers, etc.) shall be recorded in the property records as “issued on loan”. The records shall be supported by a receipt from the individual concerned and, for other than occasional issues of short duration, such receipts shall be renewed every three months. In case the individual is separated from service, the property shall be returned to stock and the loan record cancelled.

Rule 11.5.14: Requisitions

Central property, equipment and inventory shall be issued, and central services provided, only against requisitions or orders signed by officers designated for that purpose.

Rule 11.5.15: Property, Equipment and Inventory Survey Panel

- (a) There shall be established a Property, Equipment and Inventory Survey Panel to render written advice to the Executive Secretary and the Director of Administration on the management of the Commission’s property, equipment and inventories. The composition of the Panel and its terms of reference shall be determined by the Executive Secretary and announced in an Administrative Directive.
- (b) Shortages and overages of and damages to property, equipment or inventory which come to light as the result of physical verification or other means shall be notified immediately by the responsible officer to the Director of Administration through the Secretary of the Panel.
- (c) Property which becomes surplus to operating requirements or unserviceable through obsolescence or normal wear and tear shall be reported by the responsible officer to the Secretary of the Panel.
- (d) The Panel shall investigate and report to the Executive Secretary on:
 - (i) The causes of any shortages and overages of and damages to property, equipment or inventory and the action to be taken thereon;

- (ii) The disposal of property, equipment or inventory which has become surplus to the operating requirements of the Commission or unserviceable through obsolescence or normal wear and tear.
- (e) The recommendations of the Panel shall, in each instance, indicate the degree of responsibility, if any, attaching to any officer of the Secretariat for shortages, overages or damages.
- (f) The recommendations of the Panel shall be submitted for approval to the Director of Administration who, if not in agreement, shall record his/her views in writing and may request the Panel to reconsider its recommendations.

Rule 11.5.16: Sale or Disposal of Property, Equipment and Inventory

Any item of property, equipment or inventory which has reached its assigned lifespan or which has been written off and which, in accordance with procedures established by the Director of Administration, is determined to be surplus to the Secretariat's requirement may be sold.

The Chief, General Services, shall establish procedures for and may arrange for the sale of property, equipment or inventory declared surplus. These sales shall be done normally by a competitive bidding process. However, competitive bidding shall not be necessary when:

- (a) The estimated sales value is, in the opinion of the Property, Equipment and Inventory Survey Panel, less than US\$1000;
- (b) The best interest of the Secretariat will be served by sale at fixed unit prices recommended by the Property, Equipment and Inventory Survey Panel and approved by the Executive Secretary;
- (c) The exchange of property in partial or full payment for replacement equipment will, in the opinion of the Executive Secretary, be in the interest of the Secretariat;
- (d) The destruction of the surplus or of unserviceable items will be more economical or is required by law or by the nature of the property; such sale or disposal shall be recorded, with the relevant reasons therefor.

The Chief, General Services, shall recommend to the Property, Equipment and Inventory Survey Panel the method of disposal after obtaining the appropriate technical advice.

Rule 11.5.17: Removal of Assets from the Property, Equipment and Inventory Records

Assets on the property, equipment and inventory records which have been sold, disposed of or lost shall be removed from the relevant records. Removal of such items from the records shall require the prior authorization of the Chief, Financial Services, and a notation of the fact shall be made in the records.

Rule 11.5.18: Sales on a Cash Basis

- (a) Sales of Commission property shall be on the basis of cash payments on or before delivery, except as provided for in Rule 11.5.16(c) and (d) above.
- (b) Exceptions to this Rule may be authorized by the Director of Administration when this is in the interest of the Commission. A record shall be maintained of such exceptions.

Rule 11.5.19: Accounting for Proceeds from Sales

The proceeds from the sale of property shall be credited as miscellaneous income to the Regular Budget, trust fund or special account except where:

- (a) The Property, Equipment and Inventory Survey Panel has, under Rule 11.5.16(c) above, recommended the application of these proceeds directly against the purchase price of replacement equipment or supplies; any balance shall be credited as miscellaneous income to the Regular Budget, trust fund or special account;
- (b) The trade-in of property is not considered to be a sale, and the allowance shall be applied against the cost of replacement property; or
- (c) Standard practice is to secure and use certain material or equipment in connection with a contract and to salvage and sell such material or equipment at a later stage; the Director of Administration may authorize the crediting of the proceeds to the account or accounts from which they are procured.

Rule 11.5.20: Losses of Property, Equipment and Inventory

- (a) Property, equipment and inventory which have been lost shall be removed from the records. Removal of such property, equipment and inventory from the records shall require consideration by the Property, Equipment and Inventory Survey Panel and approval by the Director of Administration. The Allotment Manager shall make a proposal to that effect to the Panel after a full investigation has been carried out.
- (b) The Director of Administration shall determine whether a staff member or other person is responsible for the loss. If the Director of Administration determines that the staff member or other person shall be required to compensate the Secretariat for the loss, the matter shall be referred to the Executive Secretary for decision.
- (c) A statement of all such losses shall be prepared by the Chief, Financial Services, for submission to the External Auditor with the financial statements.

ARTICLE 12: FINANCIAL STATEMENTS

Regulation 12.1

The Executive Secretary shall submit annual financial statements prepared in accordance with International Public Sector Accounting Standards, showing for the financial period to which they relate, as a minimum:

- (a) The income and expenditure of all Funds;
- (b) The status of appropriations, including:
 - (i) The original Budget appropriations;
 - (ii) The appropriations as modified by any transfers;
 - (iii) Credits, if any, other than the appropriations voted by the Commission;
 - (iv) The amounts charged against those appropriations and/or other credits;
 - (v) The amount of any overspending or surplus for each appropriation;
- (c) The assets and liabilities of the Commission.

The financial statements shall provide sufficient information, if necessary by way of notes to the financial statements, to present fairly the financial position and results of operations of the Commission. The Executive Secretary shall also give such other information as may be appropriate to indicate the current financial position of the Commission.

Rules Pertaining to Regulation 12.1

Rule 12.1.01: Responsibility for Maintaining the Financial Statements

The Chief, Financial Services, in discharging his/her responsibilities for the implementation of the policies with respect to the financial operations of the Commission, shall:

- (a) Prescribe and maintain the financial records;
- (b) Review for the Executive Secretary's approval all financial systems and the major financial procedures of the Commission;
- (c) Ensure that these systems and procedures are properly implemented and carried out.

Rule 12.1.02: Principal Financial Statements

The principal financial statements shall consist of, inter alia:

- (a) Programme and Budget statement showing:
 - (i) Original appropriations;
 - (ii) Appropriations after modification by any transfers between sections;
 - (iii) Credits, if any, other than appropriations made available by the Commission;
 - (iv) Original allotments;
 - (v) Allotments after modification by any transfer;

- (vi) Obligations outstanding;
- (vii) Expenditures (including disbursements and unliquidated obligations);
- (viii) Unencumbered balances of allotments and appropriations;
- (b) General ledger statement, showing for the General Fund all cash at banks, investments, receivables and other assets, payables and other liabilities;
- (c) Separate statement for the Working Capital Fund and its sub-accounts, if any, for the Capital Investment Fund and its sub-accounts, and for any special accounts which may be established;
- (d) Such records as will provide for a statement of assets and liabilities for the General Fund, the Working Capital Fund, the Capital Investment Fund and any other trust fund or special account at 31 December of each calendar year, and in the case of special periods, at such dates as the Commission may prescribe.

Rule 12.1.03: Subsidiary Accounts

The Director of Administration may require the maintenance of subsidiary accounting records, including property accountability records, subject to such controlling accounts as deemed necessary.

Rule 12.1.04: Preparation of Financial Statements

The financial statements for the financial period shall be prepared under the authority of the Chief, Financial Services, as at 31 December of the year and shall be submitted by the Executive Secretary to the External Auditor not later than 31 March following the end of that calendar year. The financial statements shall be prepared in accordance with International Public Sector Accounting Standards. The financial statements shall be accompanied by such additional information required by the Commission. The audited financial statements shall be submitted to the Advisory Group upon completion of the external audit. The final statements shall include for each Fund or group of Funds:

- (a) A statement of income and expenditure;
- (b) A statement of assets and liabilities; and
- (c) Notes to (a) and (b) above.

The annual financial statements shall be accompanied by such additional information in the form of schedules or tables which the Commission may request or which may be required to present the financial position of each fund and the income and expenditure of each fund. Contributions in kind and their value shall be disclosed together with the financial statements. The method of valuation shall also be shown.

Rule 12.1.05: Regular Budget Statement

With respect to the General Fund, the annual financial statements shall include in addition a statement of appropriations showing:

- (a) The original appropriations and supplementary appropriations, if any;
- (b) The appropriations after modification by any transfers;

- (c) Credits, if any, other than appropriations approved by the Commission;
- (d) The expenditures charged against those appropriations and/or other credits; and
- (e) The unused balances of appropriations and of other credits.

Financial statements shall also be prepared at such other intervals as may be prescribed by the Executive Secretary or requested by the Commission. Copies of all such financial statements shall be transmitted to the Advisory Group. Financial statements for special periods or parts of the Budget shall be prepared and submitted consistent with the stipulations of these Rules, and particularly in a manner consistent with Rule 12.1.02(a) above and at such dates as referred to in Rule 12.1.02(d) above.

Rule 12.1.06: Budgetary Charges

- (a) A budget allotment account shall be charged with actual disbursements and obligations entered into against contracts for supplies or services. Obligations shall be liquidated and converted to actual disbursements on fulfilment of the contract for supplies and services.
- (b) At the end of the financial period, the current unliquidated obligations, as well as those required to be reviewed periodically by Certifying Officers under Rule 11.2.08 above for the previous financial period, shall be reviewed by the appropriate Certifying Officer, in consultation with the Chief, Financial Services, and either cancelled or reobligated in the ensuing financial period.

Rule 12.1.07: Accrual Basis Accounting

Financial transactions shall be recorded in the financial statements on an accrual basis, except as may be otherwise required by the terms of any trust fund or special account or as authorized by the Director of Administration.

Rule 12.1.08: Reconciliation of Bank Accounts

All bank accounts shall be reconciled monthly with the statements submitted by the banks to the extent possible by officials having no actual part in the receipt or disbursement of funds.

Rule 12.1.09: Other Statements

There shall be provided to the External Auditor:

- (a) A summary statement of property, equipment and inventories for which records are kept;
- (b) Details of losses of cash, stores and other assets written off;
- (c) Such other statements as the External Auditor may require.

Regulation 12.2

The annual financial statements of the Commission shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Executive Secretary may deem necessary.

Rules Pertaining to Regulation 12.2

Rule 12.2.01: Currency of Financial Statements

The financial statements of the Commission shall be maintained in United States dollars. Unless otherwise authorized, where actual cash is held in a currency other than the currency in which the financial statements are kept, the amount shall be recorded both in local currency and the equivalent United States dollar amount converted at the rate of exchange established under Rule 12.2.02(b) below.

Rule 12.2.02: Exchange of Currencies

- (a) Except in case of investment transactions or for other purposes authorized by the Executive Secretary or another designated officer, staff members responsible for the operation of the Secretariat's bank accounts or for holding the Secretariat's cash or negotiable instruments shall not be authorized to exchange one currency for another, except to the minimum extent necessary for the transaction of official business.
- (b) The Chief, Financial Services, shall maintain a record of the operational rates of exchange between the United States dollar and other currencies as issued by the United Nations which shall be used for the recording of all Commission transactions.
- (c) Where there is a conversion of currencies, the actual amounts obtained shall be taken into account; any difference between that amount and the amount which would have been obtained at the official rate of exchange will be accounted for as a loss or gain on exchange.
- (d) On the closing of the accounts for the financial year, the balance in the account for "loss or gain on exchange" shall be debited or credited to miscellaneous income.
- (e) Financial statements for special periods or parts of the Programme and Budget shall be prepared and submitted consistent with these Rules, and particularly in a manner consistent with subparagraph (b) above and at the closing date of the financial statements for the financial period.

Rule 12.2.03: Treatment of Exchange Adjustments

- (a) Exchange gains and losses pertaining to the liquidation of current financial period obligations shall be recognized by adjusting expenditure for the obligations in question.
- (b) Exchange gains and losses pertaining to the receipt of assessed contributions shall be recognized by adjusting contributions income.

- (c) All other gains and losses on currency exchange shall be recorded as additions to or deductions from miscellaneous income.

Regulation 12.3

- (a) The financial statements shall be submitted by the Executive Secretary to the External Auditor not later than 31 March following the end of the financial period to which they relate;
- (b) The Commission shall consider the financial statements and the External Auditor's report thereon. These documents shall be transmitted to all Member States at least six weeks before the opening of the regular session of the Commission at which they are to be considered.

Rules Pertaining to Regulation 12.3

Rule 12.3.01: Acceptance of Audited Financial Statements

The Executive Secretary shall request that the Commission formally accept the audited financial statements.

ARTICLE 13: EXTERNAL AUDIT

Regulation 13.1

An external auditor, who shall be Auditor-General (or an officer holding the equivalent post) of a Member State, shall be appointed in the manner decided by the Commission, for the purpose of auditing the financial statements of the financial period following his/her appointment, except that the first appointment shall also cover the period commencing with the initial (first) year of the activities of the Commission. Unless the Commission decides to the contrary, his/her appointment shall be renewed until the conclusion of the first session of the Conference of States Parties, at which time he or she shall submit a concluding audit.

Rules Pertaining to Regulation 13.1

None

Regulation 13.2

If the External Auditor ceases to hold office as Auditor-General in his/her own country, his/her tenure of office as External Auditor shall thereupon be terminated and he/she shall be succeeded as External Auditor by his/her successor as Auditor-General. The External Auditor may not otherwise be removed during his/her tenure of office except by the Commission.

Rules Pertaining to Regulation 13.2

None

Regulation 13.3

The audit shall be conducted in conformity with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency and in accordance with the Additional Terms of Reference set out in the Supplement to these Regulations.

Rules Pertaining to Regulation 13.3

None

Regulation 13.4

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

Rules Pertaining to Regulation 13.4

None

Regulation 13.5

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

Rules Pertaining to Regulation 13.5

None

Regulation 13.6

The Commission may request the External Auditor to perform certain specific examinations and to issue separate reports on the results. Acting under the authority of the Commission, Working Group A may do likewise.

Rules Pertaining to Regulation 13.6

None

Regulation 13.7

The Executive Secretary shall provide the External Auditor with the facilities he/she may require in the performance of the audit.

Rules Pertaining to Regulation 13.7

None

Regulation 13.8

For the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may, at no extra cost to the Commission, engage the services of any national Auditor-General (or officer holding the equivalent post) or commercial public auditors of known repute or any other person who, in the opinion of the External Auditor, is technically qualified.

Rules Pertaining to Regulation 13.8

None

Regulation 13.9

The External Auditor shall issue a Report on the audit of the financial statements and relevant schedules, which shall include such information as he/she deems necessary in regard to matters referred to in Fin. Reg. 11.4 and 13.4 and in the Additional Terms of Reference.

Rules Pertaining to Regulation 13.9

None

Regulation 13.10

The External Auditor's reports together with the audited financial statements shall be transmitted through the Advisory Group and Working Group A of the Commission in accordance with directions given by the Commission. The Advisory Group shall examine the audited financial statements and reports of the External Auditor and shall forward them to the Commission with such comments as it deems appropriate.

Rules Pertaining to Regulation 13.10

None

Regulation 13.11

The External Auditor or his/her representative shall be present at any meetings where his/her report is under formal consideration by the Commission.

Rules Pertaining to Regulation 13.11

None

ARTICLE 14: DECISIONS INVOLVING EXPENDITURES

Regulation 14.1

No draft decision involving financial implications shall be presented to the Commission unless it is accompanied by an estimate of expenditure and a report on the administrative and financial implications, prepared by the Executive Secretary, and a statement from the Advisory Group.

Rules Pertaining to Regulation 14.1

None

Regulation 14.2

No subsidiary body of the Commission shall make a decision involving a new commitment of funds unless it has before it a report from the Executive Secretary on the administrative and financial implications of the proposal; no expenditure shall be made without a decision by the Commission.

Rules Pertaining to Regulation 14.2

None

Regulation 14.3

Where, in the opinion of the Executive Secretary, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the Commission has made the necessary funding decisions.

Rules Pertaining to Regulation 14.3

None

ARTICLE 15: GENERAL PROVISIONS

Regulation 15.1

The Commission shall establish an Advisory Group which shall consist of experts of recognized standing and experience in financial matters at the international level from Member States.

This Group shall advise the Commission and its subsidiary bodies on financial, budgetary and associated administrative issues. Inter alia, the Advisory Group shall:

- (a) Examine and report to the Commission on the draft Budget submitted by the Executive Secretary and other budget related issues;
- (b) Consider and report to the Commission on the report of the External Auditor;
- (c) Advise the Commission concerning any budgetary matter referred to it, including those tasks spelled out in Fin. Reg. 4.4, 4.6, 5.5, 15.3, 16.1.

Members of the Groups shall be nominated by Member States and appointed by the Commission for a three year renewable term of office. They shall serve in their personal capacity.

The Chairperson of the Advisory Group shall be appointed by the Commission.

The Advisory Group shall establish its own rules of Procedure which shall be consistent with the Rules of Procedure of the Commission.

The Executive Secretary shall provide to the Advisory Group all the information and administrative support it will need for the effective implementation of its mandate.

Rules Pertaining to Regulation 15.1

Rule 15.1.01: Advisory Group

The Executive Secretary shall furnish the Advisory Group with appropriate information in sufficient time for the Group to provide its comments and recommendations to the Commission on the draft Programme Budget and on any other matters that fall within the purview of the Group. The Advisory Group shall undertake its review of the draft Programme Budget in advance of the review by Working Group A, if at all possible. The Executive Secretary shall also seek to provide to the Advisory Group all the information and administrative support that it may require for the effective implementation of its mandate.

Regulation 15.2

These Regulations shall be effective as of the date of their approval by the Commission, and may be amended only by the Commission.

Rules Pertaining to Regulation 15.2

Rule 15.2.01: Effective Date

These Rules shall be effective as of and from 5 May 2000 and shall supersede all other provisions in force before that date and contrary to these Rules.

Regulation 15.3

In case of doubt as to the interpretation and application of any of the foregoing Financial Regulations, the Executive Secretary, after consulting with the Advisory Group, is authorized to rule thereon. Such rulings shall be reported by the Executive Secretary to the Commission.

Rules Pertaining to Regulation 15.3

None

Regulation 15.4

No Financial Regulation of the present Regulations may be suspended except by the decision of the Commission, taken by a two thirds majority of the members present and voting. The duration of such a suspension shall be specified by the Commission.

Rules Pertaining to Regulation 15.4

None

ARTICLE 16: SPECIAL PROVISIONS

Regulation 16.1

Any Financial Rules and amendments thereto promulgated by the Executive Secretary to carry out the provisions of these Regulations shall be communicated through the Advisory Group to the Commission for approval.

Rules Pertaining to Regulation 16.1

None

**SUPPLEMENT TO THE FINANCIAL REGULATIONS:
ADDITIONAL TERMS OF REFERENCE GOVERNING THE AUDIT**

1. The External Auditor shall perform such tests and checks of the financial statements of the Commission, including all trust funds and special accounts, as he/she deems necessary in order to enable him/her to report whether:
 - (a) The financial statements are in accord with the books and records of the Commission;
 - (b) The financial transactions reflected in the statements have been in accordance with the rules and regulations, the Budgetary provisions and other applicable directives;
 - (c) The securities and monies on deposit and on hand have been verified by certificate received direct from the Commission's depositories or by actual count;
 - (d) The internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon;
 - (e) 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 the acceptance, in whole or in part, of certifications and representations by the Executive Secretary and may proceed to such detailed examination and verification as he/she chooses of all financial records including those relating to supplies and equipment.
3. The External Auditor and his/her staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. The External Auditor and his/her staff shall respect the privileged and confidential nature of any information so classified and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the Commission to any denial of information classified as privileged which in his/her opinion was required for the purpose of the audit.
4. The External Auditor shall have no power to disallow items in the financial statements but shall draw to the attention of the Executive Secretary for appropriate action any transaction concerning which he/she entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the financial statements shall be immediately communicated to the Executive Secretary.
5. The External Auditor shall express and sign an opinion in accordance with the International Standards on Auditing.
6. The External Auditor shall report in writing to the Commission on the financial operations of the period. The report should mention:
 - (a) The type and scope of his/her examination, and any restrictions on it;
 - (b) Any matters affecting the completeness or accuracy of the financial statements, including where appropriate:
 - (i) Information necessary to the correct interpretation of the financial statements;

- (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) Where in the presentation of statements, there are deviations of material nature from International Public Sector Accounting Standards applied on a consistent basis;
- (c) Other matters to be brought to the notice of the Commission including:
- (i) Cases of fraud or suspected fraud;
 - (ii) Wasteful or improper expenditure of the Commission's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - (iii) Expenditure likely to commit the Commission to further outlay on a large scale;
 - (iv) Any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
 - (v) Expenditure not in accordance with the intention of the Commission 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) In addition, appropriate reference to 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 Commission should have early knowledge.
7. The External Auditor may make such observations with respect to his/her findings resulting from the audit and such comments on the Executive Secretary's financial report as he/she deems appropriate to the Commission or to the Advisory Group or to the Executive Secretary.
8. The External Auditor may also make observations with respect to the regularity, economy, efficiency and effectiveness of the financial procedures, the accounting system, the internal financial controls and, in general, with respect to the administration and management of the Commission.
9. Whenever the External Auditor's scope of audit is restricted, or whenever he/she is unable to obtain sufficient evidence, he/she shall refer to the matter in his/her opinion and report, making clear in the report the reasons for his/her comments and the effect on the financial position and the financial transactions as recorded.

10. In no case shall the External Auditor include criticism in his/her Report without first affording the Executive Secretary adequate opportunity of explanation on the matter under observation.
11. The External Auditor is not required to mention any matter referred to in the foregoing which, in his/her opinion, is neither material to the view given by the annual financial statements nor significant to the financial affairs of the Commission.

ANNEX I TO THE FINANCIAL RULES
PURCHASE CYCLE: INTERNAL CONTROL

LEGEND



