

General Assembly

Nineteenth session

Gyeongju, Republic of Korea, 8-14 October 2011

Provisional agenda item 10(f)

A/19/10(f)

Madrid, June 2011

Original: English

Administrative and statutory matters

(f) Revision of the financial regulations

1. The present document presents amendments to the UNWTO Financial Regulations which are transmitted to the General Assembly (GA) at its nineteenth session for its approval. The document is also be submitted to the Committee of Budget and Finance (CBF) at its fifty-fourth session and the Executive Council (EC) at its ninety-first session for a prior reading and recommendation to the GA for approval. This revision of the Financial Regulations was previously transmitted to Member States for comments at the 53rd Committee on Budget and Finance session (April 2011) and the 90th session of the Executive Council (June 2011) receiving broad endorsement from Members (CE/DEC/5(XC) point 7 and CE/90/5(b) paragraphs 11 and 12.

Compliance with IPSAS (International Public Sector Accounting Standards)

2. As a preparatory activity for IPSAS implementation, the Secretariat has undertaken a review the UNWTO Financial Regulations¹ consisting of amending these, where necessary, when they conflict with IPSAS requirements.
3. All UN system organizations adopting IPSAS in 2010 or prior have reviewed and amended their regulations and rules to bring them into line with IPSAS. Under article 12 (d) of the Statutes of UNWTO approval of the Financial Regulations (and consequently all amendments) are under the authority of the Assembly.
4. Most of the amendments proposed to ensure compliance with IPSAS are not significant in substantive terms but are required prior to implementing IPSAS by UNWTO targeted 2013 or 2014. Therefore, the application of the proposed amended Financial Regulations will not be until the first year of IPSAS implementation.

Other proposed Financial Regulation amendments

5. Although UNWTO was transformed into a UN specialized body in 2003 (UNWTO GA resolution 453(XV) and UN GA resolution A/RES/58/232), its Financial Regulations have not been updated in order to converge with other UN system organizations since then. Therefore, this review of the Financial Regulations for IPSAS purposes also provides the opportunity to make other amendments

¹ The Members of the Executive Council at its eighty-sixth session took note (CE/DEC/3(LXXXVI)) of the latest updating of the UNWTO Financial Regulations (CE/86/2(c)).

to bring the Regulations more in line with other UN system organizations and to update the Regulations in areas such as voluntary contributions, internal control and external audit.

6. Furthermore, this review also updates the Financial Regulations in accordance with prior years GA resolutions and EC decisions and proposed Financial Regulations related to the Voluntary Contributions (VC) Fund approved under resolution A/RES/219(VII). Presently these VC Fund regulations are included in the Detailed Financial Provisions but need to be given a higher level of regulatory authority along with the General Fund, Working Capital Fund and Funds in Trust. The proposed regulations for the Voluntary Contributions Fund are presented in the Annex I under Chapter V 10(4) of the Financial Regulations.
7. Therefore, the other specific proposed amendments which will support the implementation of IPSAS as well as contribute to the improvement of the financial management of the Organization are as follows:
 - *Proposed **amended** Financial Regulation 5(3)*
 - (a) *Transfers between sections of the same part of the budget may be made by the Secretary-General with the concurrence of the **Programme and Budget Committee**. ...*
 - (b) *Transfers from one part of the budget to another shall be authorized by the Council on the recommendation of the **Programme and Budget Committee**.*
 - (c) *With the concurrence of the **Programme and Budget Committee**, the Secretary-General may carry forward appropriations from the first to the second financial year of each financial period. ...*

Explanation:

This amendment follows the decision taken by the Executive Council at its eighty-ninth session of October 2010 (CE/DEC/5(LXXXIX)) of merging of the Programme Committee (PC) and the Committee on Budget and Finance into the Programme and Budget Committee (PBC) and to operate the necessary modifications in the Financial Regulations.

- *Proposed **amended** Annex II (8) of the Financial Regulations*

*Once the weighted data of each Member State are obtained, in accordance with the results of applying the formula described in paragraphs 3 to 7, the total amount of the budget to be apportioned will be distributed among the member States classified in descending order into the **appropriate groups based on a proposal of the Secretary-General taking into account possible suitable modifications in membership**.*

Explanation:

This amendment follows the resolution taken by the General Assembly at its thirteenth session of 1999 (A/RES/404(XIII)) of allowing the Secretary-General (SG) to propose a review of the number of groups in Members' contribution scale, when necessary, taking into account possible suitable modifications in membership.

- *Proposed **amended** Financial Regulation 13(4)*

*The Secretary-General may, **after full investigation**, authorize the writing off of losses of cash, stores, and **other** assets, provided a statement thereof is submitted to the **External** Auditors with the accounts.*

Explanation:

The amendment permits the SG to authorize write-offs without prior approval by the Council and therefore provides the flexibility to present assets at fair value as required under IPSAS. Governing Body oversight is assured through the inclusion of write off information in the accounts submitted to the External Auditors.

- *Proposed **new** Financial Regulation 13(5)*

The Secretary-General may make such ex gratia payments as are deemed to be necessary in the interest of the Organization, provided that a statement of such payments be included in the accounts of the Organization.

Explanation:

This proposed Regulation, which is common in UN system organizations permits to SG to make payments in the interests of the Organization even where there is no clear legal liability for such payments. Examples may include claims by employees or consultants where there may be a perceived moral rather than a legal responsibility. Oversight of the use of this facility is present in that all such payments are reported to the GA with the accounts.

- *Proposed **new** Financial Regulation 13(6)*

The Secretary-General shall establish rules for the procurement of goods and services and other requirements, including procedures and modalities for conducting procurement.

Explanation:

The proposed Regulation strengthens the internal control regulations of the Organization by providing Financial Regulation to support the Detailed Financial Provisions on procurement.

- *Proposed **deletion** of Financial Regulation 15 (3)*

In addition to the two Auditors, a third Full Member will be entrusted the function of Special Auditor in charge of inspecting the accounts relating to the activities carried out by UNWTO in its capacity as an executing agency of UNDP, with the funds coming from the Programme.

Explanation:

The present Financial Regulation 15.3 is not in line with the “single audit” principle adopted by most UN system organizations which places the responsibility for all external audit functions with the appointed External Auditor (s). UNWTO has two External Auditors appointed under Financial Regulation 15.1 with joint responsibility for the External Audit. Most UN System Specialised Agencies have one External Auditor and, the UN itself together with a number of other UN system organizations has a Board Of Auditors, the members of which have joint responsibility for the External Audit function.

8. The proposed amended Financial Regulations are presented as Annex I of this document with all amendments shown in blocks underline italics.
9. The Secretary-General submitted the “Progress report on the implementation of IPSAS” (CE/90/5(a)Add.1) which included the proposed amended Financial Regulations, except the proposed amended Annex II (8) of the Financial Regulations, to the UNWTO External Auditors,

during the auditing of the administrative accounts of the Organization for the financial year 2010 carried out in March 2011, to the Members of the CBF at its fifty-third session of April 2011 and to the Members of the Executive Council at its ninetieth session of June 2011 for their information and comments.

10. The External Auditors of the Organization gave special recognition on the work done on the implementation of IPSAS and expressed their support to the amendments proposed to the Financial Regulations in the "Auditors' report and administrative accounts of the Organization for the financial year 2010" (CE/90/5(c)). The Members of the CBF agreed that the proposed modifications to the Financial Regulations should be made in the "Joint report of the Committee on Programme and Budget and Finance" (CE/90/5(b)) and, the Members of the EC took note of the modifications to the Financial Regulations necessary for their adaptation proposed by the Secretary-General (CE/DEC/5(XC)).
11. Therefore, the Secretary-General wishes to transmit to the General Assembly at its nineteenth session the annexed document containing the proposed amended Financial Regulations for its approval. This document will also be submitted to the CBF at its fifty-fourth session and the EC at its ninety-first session for a prior reading and recommendation to the GA for approval.

Annex I: Financial Regulations (Amendments)

Present Financial Regulations ²	Proposed Financial Regulations ³ (all amendments shown <i>in block underlined italics</i>)
<p>CHAPTER I</p> <p>APPLICATION</p> <p>Regulation 1</p> <p>The present Regulations shall govern the financial administration of the World Tourism Organization, hereinafter referred to as the Organization. They may be amended only by the General Assembly on the recommendation of the Executive Council. In the event of a conflict between any of these Regulations and the Statutes, the latter shall govern.</p> <p>CHAPTER II</p> <p>FINANCIAL PERIOD</p> <p>Regulation 2</p> <p>The financial period of the Organization shall be two years.</p> <p>Regulation 3</p> <p>The financial year shall be from 1 January to 31 December.</p>	<p>CHAPTER I</p> <p>APPLICATION</p> <p>Regulation 1</p> <p>The present Regulations shall govern the financial administration of the World Tourism Organization, hereinafter referred to as the Organization. They may be amended only by the General Assembly on the recommendation of the Executive Council. In the event of a conflict between any of these Regulations and the Statutes, the latter shall govern.</p> <p>CHAPTER II</p> <p>FINANCIAL PERIOD</p> <p>Regulation 2</p> <p>The financial period of the Organization shall be two years.</p> <p>Regulation 3</p> <p>The financial year shall be from 1 January to 31 December.</p>

² Text adopted by the first General Assembly on 23 May 1975, and amended by the tenth General Assembly on 8 October 1993 (resolution A/RES/320(X)).

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CHAPTER III**BUDGET****Regulation 4**

1. The Secretary-General shall prepare the programme budget estimates and submit them to the Members of the Council at least three months before the corresponding session of the Council, together with an explanatory note.
2. The programme budget shall be expressed in Euros.
3. The budget estimates shall relate to receipts and expenditure for each financial year and shall be divided, according to their nature, into separate parts and into sections; the parts and sections shall be divided, according to the various types of receipts and expenditure, into headings and into items.
4. The budget estimates shall cover the proposed programme of work for each financial year of the following financial period and shall include any information, annexes or explanatory statements requested by or on behalf of the Assembly or Council and any further statements or annexes which the Secretary-General considers appropriate.
5. The financial implications of any decisions taken by the organs of the Organization shall remain within the limits of the approved budget. The Secretary-General shall report to the Assembly on the financial implications of any proposals concerning the Organization's activities before such proposals are adopted.
6. Technical cooperation projects shall be financed by means of resources other than the statutory contributions of Members of the Organization.

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6. Technical cooperation projects shall be financed by means of resources other than the statutory contributions of Members of the Organization.

Regulation 5

1. (a) The appropriations approved by the Assembly for a financial period shall constitute an authorization to the Secretary-General to incur obligations and make payments for the purposes for which the appropriations were voted, and up to the amounts so voted.
- (b) The Secretary-General may also incur, subject to a subsequent budgetary authority, obligations for administrative expenses against a future year before appropriations are voted, when such obligations are necessary for the continued effective functioning of the Organization, provided such obligations do not exceed 50 per cent of the appropriations of the current financial period for the same administrative expenditure. The Secretary-General shall report thereon to the Council and the Assembly.
2. (a) Appropriations shall remain available for twelve months following the end of the financial period to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligations of the financial period. The balance of the appropriations remaining unobligated at the close of a financial period, after deducing therefrom any contributions from member States relating to that financial period which remain unpaid, shall be apportioned among member States in proportion to their assessed contributions, paid in full for that financial period. The amount so apportioned to a member State shall be applied as in regulation 10(1) (c). Nevertheless⁴, upon recommendation of the Executive Council, the General Assembly may decide to allocate unobligated balances to the Working Capital Fund or the General Fund⁵.

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⁴ Resolution A/RES/400(XIII) (Santiago, Chile, 27 September – 1 October 1999).

⁵ The amendments to items (a) and (b) of Regulation 5(2) were adopted by the tenth session of the General Assembly (Resolution A/RES/320(X)) (Bali, Indonesia, 4 - 8 October 1993).

⁷ Resolution A/RES/400(XIII) (Santiago, Chile, 27 September – 1 October 1999).

- (b) Unless the General Assembly decides to allocate unobligated balances to the General Fund or the Working Capital Fund, at the end of the twelve-month period provided for in regulation 5(2) (a), the then remaining unspent balance of appropriations retained after deducting therefrom any contributions from member States relating to the financial period of the appropriations which remain unpaid, shall be apportioned among member States in proportion to their assessed contributions, paid in full, for that financial period. The amount so apportioned to a member State shall be applied in regulation 10(1) (c)⁶.
3. (a) Transfers between sections of the same part of the budget may be made by the Secretary-General with the concurrence of the Committee on Budget and Finance. That concurrence shall not be necessary for transfers between headings or between items of the same section. The Secretary-General shall report to the Council on all such transfers at its next ordinary session.
- (b) Transfers from one part of the budget to another shall be authorized by the Council on the recommendation of the Committee on Budget and Finance.
- (c) With the concurrence of the Committee on Budget and Finance, the Secretary-General may carry forward appropriations from the first to the second financial year of each financial period. All appropriations carried forward shall be used in accordance with the approved programme for that financial period.
4. The Secretary-General shall so manage appropriations made for the financial period as to ensure that adequate funds will be available to meet
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3. (a) Transfers between sections of the same part of the budget may be made by the Secretary-General with the concurrence of the **Programme and Budget Committee**¹⁰. That concurrence shall not be necessary for transfers between headings or between items of the same section. The Secretary-General shall report to the Council on all such transfers at its next ordinary session.
- (b) Transfers from one part of the budget to another shall be authorized by the Council on the recommendation of the **Programme and Budget Committee**.
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¹⁰ The amendments to items (a), (b) and (c) of Regulation 5(3) were adopted by the eighty-ninth session of the Executive Council ((CE/DEC/5(LXXXIX)) (Kish Island, Iran, 24-26 October 2010).

expenditures during that period and that the obligations and expenditures correspond to the programme budget approved by the Assembly, subject to subparagraphs 3(a) and (b) above.

CHAPTER IV

COLLECTION OF CONTRIBUTIONS

Regulation 6

1. The contributions of Members of the Organization shall be determined according to the scale of assessments adopted by the Assembly.
2. In calculating the assessments for Associate Members, the Assembly shall take into account the special nature of their membership and limited rights they enjoy within the Organization.
3. The contributions payable by Affiliate Members shall be fixed by the Assembly at an amount corresponding to the administrative expenses incurred for the services to be supplied and the execution of their programme of work, established in consultation with the Chairman of the Committee of Affiliate Members.

Regulation 7

1. The amount of Members' contributions and advances to the Working Capital Fund, as decided by the Assembly pursuant to regulations 6 and 10(2)(c), shall be communicated to Members six months before the beginning of the financial year for which they are due.
2. Contributions and advances shall be due and payable in full within the first month of the financial year to which they relate. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears.

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2. Contributions and advances shall be due and payable in full within the first month of the financial year to which they relate. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears.

3. The Secretary-General shall inform the Council of cases of justified arrears resulting from the budgetary systems existing in the various countries and dates of different financial years.

4. The Council may accept cases of justified arrears resulting from the budgetary systems existing in the various countries and the dates of different financial years.

Regulation 8

1. If a Full, Associate or Affiliate Member is one or more years in arrears in the payment of its contributions, the Secretary-General shall send it a communication reminding it of the provisions of paragraph 2 of this regulation.

2. When the amount of the arrears due by a Full, Associate or Affiliate Member equals or exceeds the contributions due by it for two financial years, the Secretary-General shall, at the end of those two years, inform the Member accordingly and notify it that in accordance with paragraph 13 of the Financing Rules attached to the Organization's Statutes, it is deprived of the privileges enjoyed by Members in form of services and, in the case of a Full Member, of the right to vote.

3. This notification shall be brought by the Secretary-General to the attention of all organs of the Organization in which the Members concerned would normally be entitled to vote.

4. In each case provided for in paragraphs 1, 2 and 3 above, due account shall be taken of the acceptance by the Council of justified arrears as provided for in regulation 7(4) of these Regulations.

5. On the recommendation of the Council, the Assembly may nevertheless permit a Member to which the provisions of paragraph 2 of this regulation apply to continue to enjoy the services of the Organization and, in the case of a Full Member, to participate in the voting of the organs of the Organization, provided it

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is found that the failure to pay is due to circumstances beyond the Member's control.

6. Pending a decision on the proposal by the Assembly, the Full Member shall not be entitled to continue to enjoy the services of the Organization or to vote and the Associate or Affiliate Member shall not be entitled to enjoy the services of the Organization.

7. If the Council finds that the failure to pay is due to circumstances beyond the control of the Member, it shall in its report:

- (a) explain the nature of those circumstances; and
- (b) indicate the measures which should be taken in order to settle the arrears.

8. Any decision by the Assembly permitting a Full Member which is in arrears in the payment of its contributions to vote shall be valid for the session of the Assembly at which the decision is taken. Any such decision shall be operative in regard to the Council and any subsidiary organs until the opening of the session of the Assembly next following that at which it was taken.

9. Any decision to permit a Full, Associate or Affiliate Member which is in arrears in the payment of its contributions to continue to enjoy the services of the Organization shall be valid until the opening of the next session following that at which it was taken.

Regulation 9

A Member withdrawing from the Organization shall be liable for assessments on a *pro rata* basis up to the time when the withdrawal becomes effective.

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CHAPTER V

FUNDS

Regulation 10

1. General Fund

(a) There shall be established a General Fund to which shall be credited receipts from contributions of Members, whether current or arrears, miscellaneous income and advances made from the Working Capital Fund; and from which shall be made general expenditures and reimbursements to the Working Capital Fund pursuant to regulation 10(2)(c).

(b) Accounts in the General Fund shall be maintained in a way consistent with the provisions of regulation 4(3).

(c) Subject to the provisions of regulation 5(2)(a) and paragraph 2(e) of this regulation, at the close of any financial period, any surplus balances shall be apportioned among Full and Associate Members in accordance with the scale of contributions applicable to that period, and the amount applicable to each Member shall be released and applied to liquidate, wholly or partly, first, any advance due by that Member to the Working Capital Fund; secondly, any arrears of contributions of that Member; and, thirdly, assessed contributions of that Member for the financial year following the year in which the audit is completed.

(d) The contributions of Full Members, as defined in Article 4(a) and Article 5(2) of the Statutes of the Organization, that accede to the Organization between sessions of the Assembly shall be determined in accordance with the formula for the assessment of contributions adopted by the Assembly. These contributions shall be paid into to the General Fund.

(e) Voluntary contributions may be accepted by the Secretary-General

CHAPTER V

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Regulation 10

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(a) There shall be established a General Fund to which shall be credited revenue and receipts from contributions of Members, whether current or arrears, miscellaneous revenue and advances made from the Working Capital Fund; and from which shall be made general expenditure and reimbursements to the Working Capital Fund pursuant to regulation 10(2)(c).

(b) Accounts in the General Fund shall be maintained in a way consistent with the provisions of regulation 4(3).

(c) Subject to the provisions of regulation 5(2)(a) and paragraph 2(e) of this regulation, at the close of any financial period, any surplus balances shall be apportioned among Full and Associate Members in accordance with the scale of contributions applicable to that period, and the amount applicable to each Member shall be released and applied to liquidate, wholly or partly, first, any advance due by that Member to the Working Capital Fund; secondly, any arrears of contributions of that Member; and, thirdly, assessed contributions of that Member for the financial year following the year in which the audit is completed.

(d) The contributions of Full Members, as defined in Article 4(a) and Article 5(2) of the Statutes of the Organization, that accede to the Organization between sessions of the Assembly shall be determined in accordance with the formula for the assessment of contributions adopted by the Assembly. These contributions shall be credited to the General Fund.

(e) Voluntary contributions may be accepted by the Secretary-General

provided that the purposes of such contributions and moneys are consistent with the policies, aims and activities of the Organization. The acceptance of any such contributions and moneys which directly or indirectly involves additional financial obligations for Members shall require the consent of the Assembly.

(f) Voluntary contributions, gifts, legacies and other extraordinary receipts for which no specific purpose is defined shall be treated as “miscellaneous income” and accrue to the General Fund. The Assembly shall determine the utilization of such miscellaneous income.

2. Working Capital Fund

(a) A Working Capital Fund shall be established, the amount of which is to be fixed by the Assembly. Advance contributions of Members and any other receipts which the Assembly decides may be so used, shall be paid into the Working Capital Fund. When required, amounts therefrom shall be transferred to the General Fund.

(b) The purpose of the Working Capital Fund shall be to advance moneys to the General Fund to finance budgetary expenditure pending receipt of contributions and, with prior authorization of the Executive Council for each particular case, to meet unforeseen needs and exceptional circumstances.

(c) In addition to its first membership contribution made pursuant to regulation 6, in an amount to be determined by the Assembly, each Member shall make an advance contribution to be transferred to the Working Capital Fund. The moneys so derived from new Members shall, unless the Assembly decides otherwise, be considered as an increase to the level of the Working Capital Fund. Advance contributions made by a Member to the Fund shall be carried to the credit of that Member in the Fund.

(d) When the amount of the Working Capital Fund, as determined by the Assembly, exceeds, in the opinion of the Assembly, the amount required for the purposes stated in paragraph 2(b) of this regulation, any excess of credits

provided that the purposes of such contributions and moneys are consistent with the policies, aims and activities of the Organization. The acceptance of any such contributions and moneys which directly or indirectly involves additional financial obligations for Members shall require the consent of the Assembly.

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(d) When the amount of the Working Capital Fund, as determined by the Assembly, exceeds, in the opinion of the Assembly, the amount required for the purposes stated in paragraph 2(b) of this regulation, any excess of credits

due to Members shall be released immediately from the Working Capital Fund and applied, first, to contributions in arrears; secondly, to current contributions; thirdly, refunded or applied against future contributions, at the option of the Member concerned.

(e) Advances made from the Working Capital Fund to finance budgetary expenditure under the present regulation 10(2)(b) shall be reimbursed from the General Fund as soon as and to the extent that income is available for that purpose, but in any case within the next financial period.

(f) If a Member withdraws its membership in the Organization, any credit it may have in the Working Capital Fund shall be used towards liquidation of any financial obligation such a Member may have to the Organization. Any residual balance shall be refunded to the withdrawing Member.

(g) Income derived from the investment, as defined in regulation 12(1), of funds held in the Working Capital Fund shall be regarded as "miscellaneous income of the Organization and shall accrue to the General Fund.

3. Funds in Trust

(a) Funds in Trust may, upon acceptance by the Council, be established to finance activities not provided for in the budget of the Organization which are of interest to some member countries or groups of countries. Such Funds shall be financed by voluntary contributions. A fee shall be charged by the Organization for administering these Funds.

(b) Funds in Trust shall be used only for the purposes specified by the donors, provided the purposes of such contributions are consistent with the policies, aims and activities of the Organization. The purposes and limits of any Funds shall be clearly defined.

(c) All costs relating to any Fund in Trust shall be a charge against the

due to Members shall be released immediately from the Working Capital Fund and applied, first, to contributions in arrears; secondly, to current contributions; thirdly, refunded or applied against future contributions, at the option of the Member concerned.

(e) Advances made from the Working Capital Fund to finance budgetary expenditure under the present regulation 10(2)(b) shall be reimbursed from the General Fund as soon as and to the extent that **revenue** is available for that purpose, but in any case within the next financial period.

(f) If a Member withdraws its membership in the Organization, any credit it may have in the Working Capital Fund shall be used towards liquidation of any financial obligation such a Member may have to the Organization. Any residual balance shall be refunded to the withdrawing Member.

(g) **Revenue** derived from the investment, as defined in regulation 12(1), of funds held in the Working Capital Fund shall be regarded as "miscellaneous **revenue** of the Organization and shall accrue to the General Fund.

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(c) All costs relating to any Fund in Trust shall be a charge against the

voluntary contributions concerned. Such Funds shall be administered in accordance with these Financial Regulations. Reports shall be made to the Council and, where necessary, to the Assembly on the management of the Funds in Trust

Regulation 11

1. Subject to the provision of regulation 12(1), the Secretary-General shall designate the deposit institution(s) in which the funds of the Organization shall be kept.
2. The interest received shall accrue to the General Fund, in accordance with the provisions of regulation 10(1).

Regulation 12

1. The Secretary-General may make short-term investments of moneys not needed for immediate requirements and shall report to the Council periodically on any such investments which he has made.

voluntary contributions concerned. Such Funds shall be administered in accordance with these Financial Regulations. Reports shall be made to the Council and, where necessary, to the Assembly on the management of the Funds in Trust

4. Voluntary Contributions Fund

(a) A voluntary contributions fund shall be established to account for voluntary contributions to the Organization's programme of work.

(b) The fund shall be credited with voluntary contributions received.

(c) The fund shall be charged with the expenditures related to the activities designated by the Secretary-General with reference to the general programme of work and in accordance with the general destination indicated by the donor.

Regulation 11

1. Subject to the provision of regulation 12(1), the Secretary-General shall designate the deposit institution(s) in which the funds of the Organization shall be kept.
2. The interest **earned** shall accrue to the General Fund, in accordance with the provisions of regulation 10(1).

Regulation 12

1. The Secretary-General may make short-term investments of moneys not needed for immediate requirements and shall report to the Council periodically on any such investments which he has made.

2. Subject to the provisions of regulation 10(2)(g), income derived from such investments shall accrue to the General Fund.

CHAPTER VI

INTERNAL CONTROL

Regulation 13

1. The Secretary-General shall:

(a) in consultation with the Council establish detailed financial rules in order to ensure efficient financial administration based on principles of economy;

(b) cause all payments to be made on the basis of supporting vouchers and other documents that ensure that the services or goods have been received and that payment has not previously been made;

(c) designate the officer or officers who may receive moneys, incur obligations, and make payments on behalf of the Organization;

(d) maintain an internal financial control which shall provide for an effective current examination or review of financial transactions in order to ensure:

(i) the regularity of the receipt, custody, and disposition of all financial resources of the Organization;

(ii) the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the Assembly, or with the purposes specified for Funds in Trust.

2. No obligations shall be incurred until appropriations or other

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(d) maintain an internal financial control which shall provide for an effective current examination or review of financial transactions in order to ensure:

(i) the regularity of the receipt, custody, and disposition of all financial resources of the Organization;

(ii) the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the Assembly, or with the purposes specified for Funds in Trust or Voluntary Contributions.

2. No obligations shall be incurred until appropriations or other

authorizations have been made in writing under the authority of the Secretary-General.

3. The Secretary-General shall make suitable arrangements under which the Organization will be protected against loss on account of the conduct of officials who are entrusted by him with the custody or disbursement of funds.

4. The Secretary-General may with the approval of the Council, authorize the writing off of losses of cash, stores, and assets, provided a statement thereof is submitted to the Auditors with the accounts.

Regulation 14

1. The Secretary-General shall maintain such accounts as are necessary and shall prepare statements of these accounts at the end of each financial year. These statements shall show:

- (a) the receipts and expenditure of all funds, made in accordance with

authorizations have been made in writing under the authority of the Secretary-General.

3. The Secretary-General shall make suitable arrangements under which the Organization will be protected against loss on account of the conduct of officials who are entrusted by him with the custody or disbursement of funds.

4. The Secretary-General may, **after full investigation**, authorize the writing off of losses of cash, stores, and **other** assets, provided a statement thereof is submitted to the **External** Auditors with the accounts.

5. The Secretary-General may make such ex gratia payments as are deemed to be necessary in the interest of the Organization, provided that a statement of such payments is included in the accounts of the Organization.

6. The Secretary-General shall establish rules for the procurement of goods and services and other requirements, including procedures and modalities for conducting procurement.

CHAPTER VII

ACCOUNTS AND FINANCIAL STATEMENTS

Regulation 14

1. The Secretary-General shall maintain such accounts as are necessary and shall prepare **financial statements at the end of each financial year. These statements shall be presented in accordance with International Public Sector Accounting Standards (IPSAS) and include explanatory notes and a summary of significant accounting policies.**

2. The Secretary-General shall also submit:

- (a) the **revenue** and expenditure of all funds, made in accordance

regulation 4(3);

- (b) the position of budgetary appropriations, including:
 - (i) the original budget appropriations;
 - (ii) the appropriations as modified by transfer;
 - (iii) credits, if any, other than the appropriations voted by the Assembly;
 - (iv) the amounts charged against those appropriations or any other credits;
- (c) the assets and liabilities of the Organization.

2. He shall also give such other information as may be appropriate to indicate the financial position of the Organization.

3. The accounts of the Organization shall be drawn up in Euros. The composition of the liquid assets shall be indicated by the currencies in which they are held. The account books shall show liquid assets held in currencies other than the euro. The Secretary-General shall include in the statements of accounts information on currency collection and utilization and the parity of currencies with the euro. Accounts may, however, be kept in other currencies when deemed necessary by the Secretary-General, provided that this entails no extra cost to the Organization's Members¹¹.

4. A separate account shall be maintained for each Fund in Trust.

5. The accounts for each financial year of the financial period shall be submitted by the Secretary-General to the external Auditors elected under

with regulation 4(3);

- (b) the position of budgetary appropriations, including:
 - (i) the original budget appropriations;
 - (ii) the appropriations as modified by transfer;
 - (iii) credits, if any, other than the appropriations voted by the Assembly;
 - (iv) the amounts charged against those appropriations or any other credits;

3. *The Secretary-General* shall also give such other information as may be appropriate to indicate the financial position of the Organization.

4. The accounts *and financial statements* of the Organization shall be *maintained and presented* in Euros. Accounts may, however, be kept in other currencies when deemed necessary by the Secretary-General, provided that this entails no extra cost to the Organization's Members¹².

5. A separate account shall be maintained for each Fund in Trust.

6. The *financial statements* for each financial year of the financial period shall be submitted by the Secretary-General to the *External Auditors* elected

¹¹ Amendment approved by the 65th session of the Executive Council (decision CE/DEC/17(LXV)) (Natal, Brazil, 5-6 June 2001).

¹² Amendment approved by the 65th session of the Executive Council (decision CE/DEC/17(LXV)) (Natal, Brazil, 5-6 June 2001).

regulation 15 by 31 March following the end of that financial year.

6. By 30 April each year, the Secretary-General shall submit to the Council the definitive audited statement of the accounts of the previous financial year. The Secretary-General shall also submit twice a year to the Council an interim financial statement.

7. To make allowances for changes in exchange rates, gains and losses on this accounts shall be credited and debited to the General Fund

CHAPTER VII

External audit

Regulation 15

1. The Assembly shall elect from among its Full Members, on the recommendation of the Council, two External Auditors to audit the accounts of the Organization.

2. The External Auditors shall be elected for a two-year term of office. Their term of office shall be renewable.

3. In addition to the two Auditors, a third Full Member will be entrusted the function of Special Auditor in charge of inspecting the accounts relating to the activities carried out by UNWTO in its capacity as an executing agency of UNDP, with the funds coming from the Programme¹³.

Regulation 16

1. The audit shall be conducted each year in conformity with generally accepted common audit standards and, subject to any special directions of the Assembly, in accordance with the additional terms of reference set out in the

under regulation 15 by 31 March following the end of that financial year.

7. By 30 April each year, the Secretary-General shall submit to the Council the ***audited financial statements*** of the previous financial year. The Secretary-General shall also submit twice a year to the Council an interim financial statement.

8. *Gains and losses on currency exchange shall be credited or debited to the General Fund.*

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1. The Assembly shall elect from among its Full Members, on the recommendation of the Council, two External Auditors to audit the accounts of the Organization.

2. The External Auditors shall be elected for a two-year term of office. Their term of office shall be renewable.

Regulation 16

1. The audit shall be conducted each year in conformity with generally accepted common audit standards and, subject to any special directions of the Assembly, in accordance with the additional terms of reference set out in the

¹³ Resolution adopted at the 17th session of the General Assembly of the General Assembly (A/RES/527(XVII)) (Cartagena de Indias, Colombia, 23-29 November 2007).

annex to the present Regulations.

2. In addition to auditing, the External Auditors may make any observations they consider necessary with respect to the efficiency of the financial procedures and administration, the accounting system, the internal financial controls and, in general, the financial consequences of administrative practices. They shall carry out their duties in accordance with the provisions of Article 26(2) of the Statutes.

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

4. The Council may request the External Auditors to perform certain specific examinations and submit separate reports on the results.

5. The Secretary-General shall provide the External Auditors with the facilities they may require in the performance of the audit.

Regulation 17

1. The External Auditors shall submit a report on the audit of the financial statements and relevant schedules, which shall include such information as they deem necessary.

2. The report of the External Auditors shall be transmitted to the Council, together with the audited financial statements, in accordance with any directions given by the Assembly. The Council shall examine the financial statements and the audit reports and shall forward them to the Assembly with such comments as it deems appropriate.

3. The audit shall be carried out in accordance with the provisions of the annex to these Regulations.

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3. The audit shall be carried out in accordance with the provisions of the annex to these Regulations.

Regulation 18

The present Regulations shall enter into force on the date of their approval by the General Assembly.¹⁴

**ANNEXES TO THE FINANCIAL REGULATIONS
OF THE WORLD TOURISM ORGANIZATION**

ANNEX I¹⁶

1. The Auditors shall perform jointly and severally the audit of the accounts of the Organization, including all Funds in Trust, in order to satisfy themselves

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

(b) that the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;

(c) that the securities and moneys on deposit and on hand have been verified by certificates received direct from the Organization's depositaries or by actual count;

(d) that the internal controls, including the internal audit, are adequate;

(e) that the procedures satisfactory to the Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits.

Regulation 18

The present Regulations shall enter into force on the date of their approval by the General Assembly.¹⁵

**ANNEXES TO THE FINANCIAL REGULATIONS
OF THE WORLD TOURISM ORGANIZATION**

ANNEX I¹⁷

1. The ***External*** Auditors shall perform jointly and severally the audit of the accounts of the Organization, including all Funds in Trust, in order to satisfy themselves:

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

(b) that the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;

(c) that the securities and moneys on deposit and on hand have been verified by certificates received direct from the Organization's depositaries or by actual count;

(d) that the internal controls, including the internal audit, are adequate;

(e) that the procedures satisfactory to the ***External*** Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits.

¹⁴ Text adopted by the first General Assembly on 23 May 1975, and amended by the tenth General Assembly on 8 October 1993 (resolution A/RES/320(X)).

¹⁵ Text adopted by the first General Assembly on 23 May 1975, and amended by the tenth General Assembly on 8 October 1993 (resolution A/RES/320(X)).

¹⁶ Document CE/55/4(c) (Manila, Philippines, 20-21 May 1997).

¹⁷ Document CE/55/4(c) (Manila, Philippines, 20-21 May 1997).

2. The Auditors shall be the sole judges as to the acceptance wholly or partly of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as they choose of all financial records, including those relating to supplies and equipment.

3. The Auditors shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Auditors, necessary for the performance of the audit. The Auditors shall respect the confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit.

4. The Auditors shall have no power to disallow items in the accounts but shall draw to the attention of the Secretary-General for appropriate action any transaction concerning which they entertain doubt as to legality or propriety. Audit objections to these or any other transactions, arising during the examination of the accounts, shall be communicated immediately to the Secretary-General.

5. The Auditors shall express and sign an opinion in the following terms:

2. The **External** Auditors shall be the sole judges as to the acceptance wholly or partly of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as they choose of all financial records, including those relating to supplies and equipment.

3. The **External** Auditors shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Auditors, necessary for the performance of the audit. The **External** Auditors shall respect the confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit.

4. The **External** Auditors shall have no power to disallow items in the accounts and **financial statements** but shall draw to the attention of the Secretary-General for appropriate action any transaction concerning which they entertain doubt as to legality or propriety. Audit objections to these or any other transactions, arising during the examination of the accounts, shall be communicated immediately to the Secretary-General.

5. The **External** Auditors shall express and sign an opinion **on the financial statements. The opinion shall include the following basic elements:**

(a) The identification of the financial statements audited;

(b) A reference to the responsibility of the Secretary-General

and the responsibility of the External Auditors;

(c) A reference to the audit standards followed;

(d) A description of the work performed;

(e) An expression of opinion on the financial statements as to

whether:

(i) The financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;

(ii) The financial statements were prepared in accordance

“We have examined the following appended financial statements, numbered ... to ..., properly identified, and relevant schedules of the World Tourism Organization for the year ended 31 December Our examination included a careful review of the accounting procedures and such test of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial transactions for the year, which transactions were in accordance with the Financial Regulations, the budgetary provisions and other applicable directives, and present fairly the financial position as at”,

adding, should it be necessary:

“subject to the observations in our foregoing report”.

6. The report of the Auditors on the financial statements should mention:
- (a) the type and scope of their examination;
 - (b) matters affecting the completeness or accuracy of the accounts including where appropriate:
 - (i) information necessary to the correct interpretation or the accounts;

- with the stated accounting policies;
- (iii) The accounting policies were applied on a basis consistent with that of the preceding financial year;
 - (f) An expression of opinion on the compliance of transactions with the financial regulations and legislative authority;
 - (g) The date of the opinion;
 - (h) The name and position of the External Auditors;
 - (i) Should it be necessary, a reference to the report of the External Auditors on the financial statements.

6. The report of the **External** Auditors on the financial statements should mention:
- (a) the type and scope of their examination;
 - (b) matters affecting the completeness or accuracy of the accounts including where appropriate:
 - (i) information necessary to the correct interpretation or the accounts;

- (ii) any amounts which ought to have been received but which have not been brought to account;
- (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
- (iv) expenditures not properly substantiated;
- (v) whether proper books of accounts have been kept; where in the presentation of statements there are deviations of a material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;

(c) other matters which should be brought to the notice of the General Assembly, such as:

- (i) cases of fraud or presumptive fraud;
- (ii) wasteful or improper expenditure of the Organization's money or others assets (notwithstanding that the accounting for the transaction may be correct);
- (iii) expenditure likely to commit the Organization to further outlay on a large scale;
- (iv) any defect in the general system 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 General Assembly after making allowance for duly authorized transfers within the budget;

- (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;
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- (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 General Assembly 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 relevant authorizations;

(d) the accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records;

(e) if appropriate, transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the General Assembly should have early knowledge.

7. The Auditors may make such observations with respect to their findings resulting from the audit and such comments on the Secretary-General's financial report as they deem appropriate to the General Assembly or to the Secretary-General.

8. Whenever the scope of audit of the Auditors is restricted, or whenever the Auditors are unable to obtain sufficient evidence, they shall refer to the matter in their report, making clear the reasons for their comments and the effects on the financial position and the financial transactions as recorded.

9. In no case shall the Auditors include criticism in their report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.

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

(vii) expenditure not in conformity with the relevant authorizations;

(d) the accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records;

(e) if appropriate, transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the General Assembly should have early knowledge.

7. The **External** Auditors may make such observations with respect to their findings resulting from the audit and such comments on the Secretary-General's financial report as they deem appropriate to the General Assembly or to the Secretary-General.

8. Whenever the scope of audit of the **External** Auditors is restricted, or whenever the **External** Auditors are unable to obtain sufficient evidence, they shall refer to the matter in their report, making clear the reasons for their comments and the effects on the financial position and the financial transactions as recorded.

9. In no case shall the **External** Auditors include criticism in their report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.

10. The External Auditors are not required to mention any matter referred to in the foregoing which, in their opinion, is insignificant in all respects.

ANNEX II¹⁸**FORMULA FOR FIXING THE CONTRIBUTIONS OF MEMBER STATES****GENERAL PRINCIPLES**

1. The principle that the budget shall be financed by Member's contributions and the method of calculating these contributions are set forth in paragraph 3 of the Financing Rules attached to the Statutes, which reads as follows:

"The budget shall be financed by the contributions of the Members according to a method of apportionment to be determined by the Assembly, based on the level of economic development of and the importance of international tourism in each country, and by other receipts of the Organization".

2. The General Assembly adopts the formula for apportioning among the member States the amount of the expenditure financed by their contributions. The formula is based on the following principles:

(a) Capacity to pay

A member State's capacity to pay is evaluated on the basis of two economic factors, gross national product (GNP) adjusted according to the country's foreign debt and per capita gross national product (per capita GNP) and one technical factor, international tourism receipts (TR). These three factors are weighted according to the formula explained in paragraph 3 and thereafter.

(b) Maximum and minimum shares

The scale of shares is fixed from 5 per cent for member States that exceed 20

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The scale of shares is fixed from 5 per cent for member States that exceed 20

¹⁸ Text adopted by the thirteenth General Assembly (A/RES/404(XIII)) (Santiago, Chile, 24- September – 1 October 1999).

²⁰ Text adopted by the thirteenth General Assembly (A/RES/404(XIII)) (Santiago, Chile, 24- September – 1 October 1999).

per cent of world GNP and from 3.20 per cent in decreasing order for the other member States that do not exceed the aforementioned limit.

The minimum share applicable to member States is 0.25 per cent of the budget.

CLASSIFICATION OF COUNTRIES ACCORDING TO THEIR CAPACITY TO PAY

Reference Statistics

3. The statistical data used to calculate the three factors mentioned in paragraph 2(a) above are as follows:

- for the economic factors: the data used by the United Nations to calculate the contributions of its member States;
- for the tourism factor: the data provided by the States Members of UNWTO or, failing that, obtained from the International Monetary Fund.

All three factors are based on the average data used by the United Nations to determine the economic factors. Any modification by the UN will be applied by UNWTO.

Deductions – Corrections

4. These factors are then corrected, if necessary, by the following deductions:

- (a) Per capita gross national product:

A deduction is made from the gross national product of each member State whose per capita gross national product is less than 4,318 US dollars. The difference between the per capita gross national product and 4,318 US dollars is expressed as a percentage of 4,318 US dollars, and 80 per cent of this

per cent of world GNP and from 3.20 per cent in decreasing order for the other member States that do not exceed the aforementioned limit.

The minimum share applicable to member States is 0.25 per cent of the budget.

CLASSIFICATION OF COUNTRIES ACCORDING TO THEIR CAPACITY TO PAY

Reference Statistics

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All three factors are based on the average data used by the United Nations to determine the economic factors. Any modification by the UN will be applied by UNWTO.

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A deduction is made from the gross national product of each member State whose per capita gross national product is less than 4,318 US dollars. The difference between the per capita gross national product and 4,318 US dollars is expressed as a percentage of 4,318 US dollars, and 80 per cent of this

percentage is deducted from the gross national product of the State in question for the purposes of calculating its aliquot share.

The reference threshold for per capita gross national product as well as the deduction percentage are those applied by the UN in calculating the contributions of its Members, and any modification decided by the UN will be applied by UNWTO.

(b) An additional deduction is applied to the economic factors and the technical factor of 50, 75 and 87.5 per cent in estimating the capacity to pay of States with small populations equal to or less than 1,000,000, equal to or less than 500,000 and equal to or less than 100,000, respectively; and

(c) A supplementary schedule of direct deductions is also applied to the contribution of the last group in the scale of contributions of 10, 20 and 25 per cent for countries with populations equal to or less than 1,000,000, 500,000 and 100,000, respectively and which are situated in the last group before introducing the schedule of deductions mentioned above.

5. For each of the three factors thus determined, the data of all the member States are multiplied by a corrective coefficient so as to bring their value proportionately in line with one million.

Weighting coefficients

6. After applying the above deductions and corrections, the following weighting coefficients are applied to each of the factors:

GNP	70 %	80 %	100 %
per capita GNP	10 %		
TR	20 %	20 %	

percentage is deducted from the gross national product of the State in question for the purposes of calculating its aliquot share.

The reference threshold for per capita gross national product as well as the deduction percentage are those applied by the UN in calculating the contributions of its Members, and any modification decided by the UN will be applied by UNWTO.

(b) An additional deduction is applied to the economic factors and the technical factor of 50, 75 and 87.5 per cent in estimating the capacity to pay of States with small populations equal to or less than 1,000,000, equal to or less than 500,000 and equal to or less than 100,000, respectively; and

(c) A supplementary schedule of direct deductions is also applied to the contribution of the last group in the scale of contributions of 10, 20 and 25 per cent for countries with populations equal to or less than 1,000,000, 500,000 and 100,000, respectively and which are situated in the last group before introducing the schedule of deductions mentioned above.

5. For each of the three factors thus determined, the data of all the member States are multiplied by a corrective coefficient so as to bring their value proportionately in line with one million.

Weighting coefficients

6. After applying the above deductions and corrections, the following weighting coefficients are applied to each of the factors:

GNP	70 %	80 %	100 %
per capita GNP	10 %		
TR	20 %	20 %	

7. A member State's capacity to pay is determined by the weighted sum total of the factors.

Calculation of contributions

8. Once the weighted data of each Member State are obtained, in accordance with the results of applying the formula described in paragraphs 3 to 7, the total amount of the budget to be apportioned will be distributed among the member States classified in descending order into twelve groups.

9. The contributions of the Associate Members should be divided into two separate categories each being 10% lower than the contribution of the Full Members in groups 13 and 9 respectively.¹⁹

7. A member State's capacity to pay is determined by the weighted sum total of the factors.

Calculation of contributions

8. Once the weighted data of each Member State are obtained, in accordance with the results of applying the formula described in paragraphs 3 to 7, the total amount of the budget to be apportioned will be distributed among the member States classified in descending order into the **appropriate groups based on a proposal of the Secretary-General taking into account possible suitable modifications in membership**²¹.

9. The contributions of the Associate Members should be divided into two separate categories each being 10% lower than the contribution of the Full Members in groups 13 and 9 respectively.²²

¹⁹ Resolution adopted at the seventeenth General Assembly (A/RES/526(XVII)) (Cartagena de Indias, Colombia, 23 - 29 November 2007).

²¹ Resolution adopted by the thirteenth session of the General Assembly (A/RES/404(XIII)) (Santiago, Chile, 27 September – 1 October 1999).

²² Resolution adopted at the seventeenth General Assembly (A/RES/526(XVII)) (Cartagena de Indias, Colombia, 23 - 29 November 2007).