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Administrative, financial and statutory matters

(a) financial situation and plan of expenditure for 2011

Addendum 1

Progress report on the implementation of International Public Sector Financial Standards (IPSAS)

Introduction

1. The present document updates the Committee on Budget and Programme (CBP) and Executive Council (EC) on the progress made in the implementation of IPSAS in UNWTO and is a follow up to the reports submitted in 2007 (CBF/48/2), 2009 (CBF/50/1) and 2010 (CE/88/5(a)).
2. In 2005 the United Nations High Level Committee Management (HCLM) decided that all United Nations (UN) System Organizations would adopt IPSAS for financial reporting by 2010 (CEB/2005/HCLM/R.24).
3. The UNWTO EC and General Assembly (GA) approved the adoption of IPSAS in 2006 (CE/81/DEC). In its decision CE/DEC/7 (LXXXV) the EC approved the progressive adoption of the standards in 2010-2011, agreed to the utilisation of the reserve fund for the replacement of fixed assets to finance the implementation and further agreed that the UNWTO should take steps aimed at ensuring that these new accounting standards would be adopted as soon as possible. UNWTO in the 2010 report submitted to the CBF/EC (CE/88/5(a) and supported by the EC in its decision CE/DEC/88 outlined the strategy, the structure, the work plan and the major impact areas and the revised plan to be IPSAS compliant in the biennium 2013-2014.
4. The present progress report describes developments in the UN system, the progress made by UNWTO since the last progress report (2010, CE/88/5(a)), outlines the main implementation activities for 2011 and includes a draft of proposed amendments to the UNWTO Financial Regulations to ensure that these are compliant with IPSAS.

Implementation progress to date - UN/UNWTO

JIU review

5. In 2010, the Joint Inspection Unit (JIU) of the UN issued a report on "Preparedness of United Nations system organizations for International Public Sector Accounting Standards (IPSAS)" (JIU/REP/2010/6: http://www.unjiu.org/data/reports/2010/JIU_REP_2010_6_final.pdf). The purpose of this report was to provide an overview of the transition to and implementation status

of the IPSAS in UN system organizations with a focus on identifying best practices and possible risks. The review demonstrates that the adoption of IPSAS is to have a major impact on UN system organizations, extending well beyond accounting.

6. This JIU report recommends that executive heads of UN system organizations ensure implementation of a set of sixteen best practices in addition to three recommendations made to their respective governing bodies. In the case of the UNWTO, all the recommendations have been actioned and most of the recommended practices are being, or have already been, implemented.
7. One of the main conclusions of the JIU report is that the adoption of IPSAS should be seen as a key reform element in UN system organizations, and must continue to receive support from governing bodies and engagement from the senior management.

UNTFAS

8. The UN Task Force on Accounting Standards (UNTFAS) under the authority of the Finance and Budget Network (UNFBN) of the Chief Executives Board (CEB) is critical to support the IPSAS projects of UN system organizations. The activities of the UNTFAS, of which UNWTO is an active member, includes the development of accounting guidance, training materials, involvement in the IPSAS Board (IPSASB) and experience sharing among members. The objective of the UNTFAS is to ensure that UN system organizations will be IPSAS compliant with a consistent interpretation and application of IPSAS amongst UN system organizations.
9. Due to the formidable challenges in introducing required changes to policies, procedures and systems which require a considerable investment of time and resources, only nine UN system organizations have met the planned implementation date of 2010. Furthermore, in 2010, the HLCM (CEB/2009/3) asked organizations to review their IPSAS implementation dates and adjust them if necessary. 11 organizations are targeting implementation dates of 2011-2013 and 2 in 2014 (CEB/2011/HLCM/9). UNWTO is targeting 2013 or 2014 as its implementation date.
10. Due to the time and resources needed to make changes to policies, procedures and systems, UNTFAS recommends in its report (CEB/2011/HLCM/9) that organizations complete certain key steps two years before their adoption year. In the case of UNWTO, most of these steps have already been completed or are included in the work plan.
11. In implementing its work plan and moving to implementation, UNWTO will continue to work closely with the UNTFAS and draw on the experience of other UN system organizations.

UNWTO progress to date

12. The UNWTO strategy for IPSAS implementation is set out in two distinct phases (CE/88/5(a)). The first is the preparatory work required to achieve IPSAS compliance which comprises two pillars: i) accounting policy and practice, and ii) management change. The second phase which constitutes the third pillar of the IPSAS project is to introduce a new and enhanced IT system to support IPSAS financial reporting and management reporting over the longer term.
13. The External Auditors of the UNWTO, in their 2010 report on the organization's 2009 accounts (CE/88/5(b)), commented positively on the main steps taken concerning the IPSAS implementation project. The EAs recommended that sufficient staffing resources be allocated urgently to support the early implementation of IPSAS.

- *Team staffing*

14. The Secretariat has invested significant time and effort in building the IPSAS team. After an exhaustive process, two positions of accounting specialist-assistant were filled and staff were in place at the beginning of 2011. Other positions (mostly of a short term nature) will be filled throughout the project life as foreseen in the work plan.

- *Accounting policy and practice*

15. Policy Guidance Manual (PGM). Following the IPSAS gap analysis undertaken by the Secretariat during 2009-2010, the first draft edition of the UNWTO Policy Guidance Manual was recently finalised. The policy manual is designed to assist management and staff in understanding IPSAS and to establish and develop policy, practice and guidance on the application of IPSAS in UNWTO. The PGM is an important tool in assisting UNWTO to successfully implement IPSAS. The Secretariat will provide the first draft of the UNWTO Policy Guidance to its External Auditors for their comments and advice.

16. Financial & accounting manual and operational & management procedures. In line with the IPSAS work plan (CE/88/5 (a)), UNWTO is in the process of developing an IPSAS financial and accounting manual as well as operational and management procedures compliant with IPSAS. The manual will provide a set of basic and detailed procedures to achieve IPSAS compliance in the processing and recording of transactions.

17. Actuarial valuation of accrued employee benefits. As part of the operational procedures and in line with IPSAS requirements, it is the intention of the Secretariat to determine the employee benefits liability for after service medical insurance (ASHI) and other employee benefits in 2011 through an actuarial study. The most recent actuarial study on ASHI liabilities, the most significant of UNWTO's employee benefits, conducted by the UNWTO in 2007 estimated a liability of EUR 2.2 million. For the biennium 2010-2011, UNWTO made a provision in the annual budget and financial accounts for expected cash outgoings for ASHI and other post employment benefits. However UNWTO has not yet recognised the full liability for employee after service benefits in the financial statements. UNWTO will also propose a provision of this kind for the biannual budget of 2012-2013. It is worth mentioning that the recognition of liabilities under IPSAS is not dependent on the provision of budgetary resources. The budgetary implications of a change in the financial reporting for employee benefits will be discussed with the EC following the determination of the employee benefit liabilities.

- *Management change: regulations change, organizational/process change, training and communication*

18. Draft amendments to the Financial Regulations. As described in detail below, a draft set of amended Financial Regulations to ensure compliance with IPSAS is presented with this report for information and comments. UNWTO will also present the draft amendments to the Financial Regulations to the External Auditors. The process and timelines for the approval of amended Financial Regulations is set out below.

19. Work processes review. In line with the IPSAS work plan (CE/88/5 (a)), the Secretariat is in the process of determining new work processes or adapting of the current ones to be compliant with IPSAS. Part of this review is to define and implement the IT changes required in the current

software to enable it to support IPSAS in the short-term. This definition and implementation of IT changes will continue in subsequent years.

20. Communication strategy. UNWTO continues carrying out its external communication strategy which comprises issuing regular progress reports on the implementation status of IPSAS to governing bodies, reporting to UNTFAS and HLCM as well as engaging External Auditors on IPSAS related issues. The Secretariat will also conduct an IPSAS information workshop for the governing bodies at an appropriate time. Although some in-house communication strategy and awareness steps will be taken along 2011 most will be carried out in subsequent years.

▪ *New Information Technology (IT) system*

21. As described above, the procurement and implementation of an ERP (Enterprise Resource Planning) or any other IT system to support IPSAS over the long-term will constitute the second phase of the IPSAS project.
22. The Secretariat intends to undertake an analysis of the IT needs of the Organization before deciding on the most appropriate and cost effective system. Therefore, at this stage, it is too early to prepare detailed financial estimates or budgets for the second phase of the project.

Amendments to the UNWTO Financial Regulations and Detailed Financial Provisions

Compliance with IPSAS and timelines

23. Prior to the implementation of IPSAS it is necessary to review the financial aspects of the regulatory framework of an organization and to amend these, where necessary, when they conflict with IPSAS requirements. In UNWTO the applicable regulatory framework comprises:
- (i) the Statutes of UNWTO and Financing Rules;
 - (ii) the Financial Regulations; and,
 - (iii) the Detailed Financial Provisions.
24. As a preparatory activity for IPSAS implementation a review of the above listed regulatory documents was undertaken. The review concluded that the Statutes in their present form support the financial reporting standards of IPSAS and do not require amendment. In respect of the Financial Regulations a number of amendments, most of which are not significant in substantive terms, are required prior to UNWTO implementing IPSAS. The Detailed Financial Provisions, however, will require a thorough review and a number of substantive amendments may be expected to these Provisions to bring them into line with IPSAS requirements.
25. 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. The Detailed Financial Provisions are under the authority of the Secretary General in consultation with the Council as provided for under Financial Regulation 13(1)(a).
26. The action steps for the draft amendments of the Financial Regulations and Detailed Financial Provisions are planned over the next two financial years to provide sufficient time for consideration by the BPC, EC and Assembly as required. The following timelines are proposed.

- *Financial Regulations*

- (i) Draft amended Financial Regulations (Annex I) submitted to the BPC (April 2011) and EC (June 2011) for information and comments;
- (ii) Amended Financial Regulations submitted to the BPC and EC (October 2011) for endorsement;
- (iii) Amended Financial Regulations submitted to the GA for approval (October 2011);
- (iv) Application of amended Financial Regulations (First year of IPSAS implementation-targeted 2013 or 2014).

- *Detailed Financial Provisions*

- (i) Draft amended Detailed Financial Provisions for management review (February 2012);
- (ii) Amended Detailed Financial Provisions submitted to the BPC and EC for information and comments (April/June 2012);
- (iii) Approval of the Detailed Financial Provisions by the SG (October 2012).

Other proposed Financial Regulation amendments

27. 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 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.
28. Furthermore, this review also updates the Financial Regulations in accordance with prior years 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.
29. 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, for information and comments, 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 in 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 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 equipment, supplies and other requirements, including rules governing the invitation of tenders.

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 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. Most Specialised Agencies have one External Auditor. The UN itself together with a number of other UN system organizations has a Board Of Auditors who are jointly responsible for the External Audit function. In the case of UNWTO two External Auditors are appointed and have joint responsibility.

30. The draft proposed amended Financial Regulations are presented as Annex I of this document.

Annex I: Financial Regulations (Draft Amendments)

Present Financial Regulations ¹	Proposed Financial Regulations ² (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>

¹ 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)).

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)).

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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Regulation 5

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| <p>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.</p> <p>(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.</p> <p>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). Nevertheless³, upon recommendation of the Executive Council, the General Assembly may decide to allocate unobligated balances to the Working Capital Fund or the General Fund⁴.</p> | <p>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.</p> <p>(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.</p> <p>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). Nevertheless⁶, upon recommendation of the Executive Council, the General Assembly may decide to allocate unobligated balances to the Working Capital Fund or the General Fund⁷.</p> |
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³ Resolution A/RES/400(XIII) (Santiago, Chile, 27 September – 1 October 1999)

⁴ 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).

⁶ Resolution A/RES/400(XIII) (Santiago, Chile, 27 September – 1 October 1999)

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| <p>(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)⁵.</p> <p>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.</p> <p>(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.</p> <p>(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.</p> <p>4. The Secretary-General shall so manage appropriations made for the</p> | <p>(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)⁸.</p> <p>3. (a) Transfers between sections of the same part of the budget may be made by the Secretary-General with the concurrence of the <u><i>Programme and Budget Committee</i></u>. 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.</p> <p>(b) Transfers from one part of the budget to another shall be authorized by the Council on the recommendation of the <u><i>Programme and Budget Committee</i></u>.</p> <p>(c) With the concurrence of the <u><i>Programme and Budget Committee</i></u>, 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.</p> <p>4. The Secretary-General shall so manage appropriations made for the</p> |
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financial period as to ensure that adequate funds will be available to meet 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

financial period as to ensure that adequate funds will be available to meet 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.

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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.

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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 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

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 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.

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.

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.

CHAPTER V

FUNDS

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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).

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(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

(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.

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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

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.

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(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 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

Funds shall be clearly defined.

(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

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 in accordance with the provisions of regulation 10.4(a).

(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;

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), revenue derived from such investments shall accrue to the General Fund.

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(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 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

(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, 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 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 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.

and shall prepare financial statements at the end of each financial year. These statements shall be presented in accordance with IPSAS and include :

- (a) Statement of financial position;
- (b) Statement of financial performance;
- (c) Statement of changes in net assets/equity;
- (d) Cash flow statement ;
- (e) Statement of comparison of budgetary and actual accounts
- (f) Notes, including a summary of significant accounting policies.

2. The Secretary-General shall also submit:

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

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 Members⁹.

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 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 these 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

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 Members¹⁰.

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 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.*

CHAPTER VIII

External audit

Regulation 15

1. The Assembly shall elect from among its Full Members, on the

⁹ Amendment approved by the 65th session of the Executive Council (decision CE/DEC/17(LXV)) (Natal, Brazil, 5-6 June 2001).

¹⁰ Amendment approved by the 65th session of the Executive Council (decision CE/DEC/17(LXV)) (Natal, Brazil, 5-6 June 2001).

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 Programme¹¹.

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 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

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.

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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

¹¹ 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).

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.

Regulation 18

The present Regulations shall enter into force on the date of their approval by the General Assembly.¹²

ANNEXES TO THE FINANCIAL REGULATIONS OF THE WORLD TOURISM ORGANIZATION

ANNEX I¹⁴

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

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.

Regulation 18

The present Regulations shall enter into force on the date of their approval by the General Assembly.¹³

ANNEXES TO THE FINANCIAL REGULATIONS OF THE WORLD TOURISM ORGANIZATION

ANNEX I¹⁵

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

¹² 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)).

¹³ 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)).

¹⁴ Document CE/55/4(c) (Manila, Philippines, 20-21 May 1997).

¹⁵ Document CE/55/4(c) (Manila, Philippines, 20-21 May 1997).

(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 depositories 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.

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

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 depositories 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.

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

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:

“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”.

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 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;

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;
 - (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

- (ii) *The financial statements were prepared in accordance 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;
- (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

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;
- (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.

ANNEX II¹⁶

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

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

¹⁶ Text adopted by the thirteenth General Assembly (A/RES/404(XIII)) (Santiago, Chile, 24- September – 1 October 1999).

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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 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**

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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 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.

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(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

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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.¹⁷

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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

¹⁷ Resolution adopted at the seventeenth General Assembly (A/RES/526(XVII)) (Cartagena de Indias, Colombia, 23 - 29 November 2007)

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