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### Administrative and statutory matters

#### (b) Financial situation and plan of expenditure for 2012

##### Addendum 1

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

##### **I. Introduction**

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1. The present document updates the Programme and Budget Committee (PBC) and the 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), 2010 (CE/88/5(a)) and 2011 (CE/90/5(a) add.1).
2. In 2005 the United Nations High Level Committee on Management (HLCM) decided that all United Nations (UN) System Organizations would adopt IPSAS for financial reporting (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 utilization 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. The UNWTO, in the 2010 report submitted to the Committee on Budget and Finance (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 (2011, CE/90/5(a) Add.1), outlines the main implementation activities for 2012 and includes the first draft of amendments to the UNWTO Detailed Financial Rules to ensure that these are compliant with IPSAS.



## II. Implementation progress to date - UN/UNWTO

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### A. UNWTO & UN Task Force on Accounting Standards

5. 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. Since 2011, the main activities of the UNTFAS, of which UNWTO is an active member, includes working with the Technical Group of the Panel of External Auditors of the UN, the development of technical issue papers and training materials involvement in the IPSAS Board (IPSASB), the management of accounting policy diversity 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.

6. In 2010, the HLCM (CEB/2009/3) asked organizations to review their IPSAS implementation dates and adjust them if necessary. Consequently, organizations adjusted their original timeline, after evaluation of their readiness to implementation target dates from 2011 to 2014. The present achieved/targeted implementation dates of the organizations as of 31 December 2011 are (CEB/2012/HLCM/6): 2008: one organization; 2010: eight organizations; 2011: two organizations; 2012: nine organizations, 2013: one organization; and, 2014: two organizations.

7. IPSAS implementation requires formidable challenges in introducing required changes to policies, procedures and systems which require a considerable investment of time and resources in all organizations of the system despite their size. Due to UNWTO being the smallest agency of the system in terms of resources (human and financial) and together with the fact that, on the one hand, its implementation process started later in time and, on the other hand, the IPSAS project is not only covering the implementation of the accounting standards but also the review of all administrative processes of the Secretariat and the improvement of internal controls, these requirements even represent a more material challenge for the UNWTO. Therefore, UNWTO's target deadline for IPSAS implementation has been established as 2014.

8. Due to the time and resources needed to make changes to policies, procedures and systems, UNTFAS recommends (CEB/2011/HLCM/9 and CEB/2012/HLCM/6) that organizations complete the following key steps two years before their adoption year: governing body approval gained, approved budget for IPSAS adoption, IPSAS project manager appointed, detailed timetable and project plan, standards reviewed and impacts identified, assessment of systems changes done and communication plan prepared. In the case of UNWTO, all these steps have already been completed with the exception of the assessment of systems changes, which is currently under development.

9. In executing its work plan and moving towards implementation, UNWTO will continue to learn and benefit from the sharing of information, experiences and ideas of implementers and other organizations approaching implementation, bilaterally and through the UNTFAS. In addition, UNWTO continue to benefit from the system-wide co-ordination on IPSAS and the discussion of common issues through the Task Force.

10. Multiple benefits of IPSAS are envisaged to arise in IPSAS implementation and post-implementation. The benefits include enhanced transparency and accountability, higher quality of information, more informed decision-making by stakeholders, improvement in internal control and strengthening of financial management. UNWTO is making considerable efforts to ensure that the full benefits of IPSAS can be realized.

## B. UNWTO strategy

11. The UNWTO strategy for IPSAS implementation is set out in two distinct phases (CE/88/5(a)). The first phase is the preparatory work required to achieve IPSAS compliant financial statements which comprises two pillars: (i) accounting policy and practice, and (ii) management change; this phase's targeted deadline is 2014. 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 and management reporting over the longer term and will start once UNWTO would be IPSAS compliant, that is, from 2014 onwards.

12. The External Auditors (EA) of the UNWTO, in their report on the Organization's administrative accounts for the financial year 2011 (CE/93/5(a) par. 6), gave "special recognition to the work done in the IPSAS implementation project". In addition, the EAs recommended that "adequate augmentation of staff be considered for timely completion of IPSAS".

### 1. Team staffing and project oversight

13. Following the EAs recommendation (CE/93/5(a)), the Secretariat is in the process of evaluating IPSAS team resources and will take appropriate actions, so that sufficient staffing resources are allocated to the project. In addition, in the second semester of 2012, the IPSAS team will be complemented with an IT programmer position. Other positions (mostly of a short-term nature) will be filled throughout the project life as foreseen in the work plan.

14. As the IPSAS implementation project has progressed the structure and decision-making processes have been refined. The responsibility for implementation is with the Director of Administration under the overall responsibility of the Secretary-General. As IPSAS impacts on non-financial activities of the Organization interaction between Administration and other units is an important aspect of the project requiring good communication and cooperation.

### 2. Accounting policy and practice

15. Gap analysis. In 2010 the Secretariat finalized a gap analysis between IPSAS and current UNWTO accounting policies and procedures. Provided to the EAs that same year, it received their positive support (CE/88/5(b)).

16. Policy Guidance Manual. In 2011, the Secretariat completed the first draft of the UNWTO Policy Guidance Manual (PGM). The 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. In 2011, the External Auditors of the Organization were provided with a copy of the draft PGM which received their positive comments and support (CE/90/5(c)). The PGM is being updated as implementation progresses and is expected to be completed in 2013.

17. External entities. "Controlled entities" from the IPSAS point of view (see IPSAS 6 "Consolidated and separate financial statements") could be different from that meaning under the legal or other points of view. According to IPSAS, in order to determine if control and governance exists for financial reporting purposes, a specific set of power and benefit indicators have to be analysed. Based on an initial review carried out by the Secretariat, some of the current satellites are part of UNWTO while others fall under "controlled entities" from the IPSAS perspective. Following the "Report on the progress of the reform of the Organization (White Paper)" (A/19/11) and the GA resolution in this respect (A/RES/602(XIX) par. 13), the Secretariat is in the process of making the necessary changes in the legal framework of these entities in order to ensure their classification as non-controlled, wherever

deemed relevant. Therefore, in this context and until this process of reform would not be finalized, IPSAS 6 on “Consolidated and separate financial statements” will not be considered applicable to the operations of UNWTO.

18. Financial & accounting manual and operational & management procedures. In line with the IPSAS work plan (CE/88/5 (a)), the Secretariat started in 2011 and is still in the process of developing the IPSAS financial and accounting manual as well as operational and management procedures compliant with IPSAS. The manuals will provide a set of basic and detailed procedures to achieve IPSAS compliance in the processing and recording of transactions. To date the following areas have already been analysed: expense recognition, employee benefits, revenue from non-exchange transactions, revenue from exchange transactions, property, plant and equipment, intangible assets, inventories, leases, and related party disclosures. Valuation of the building for purposes of reporting its fair value as an asset shall also be undertaken. These manuals are planned to be finalized during the course of this year and to be submitted to the EAs for their revision and comments.

19. 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 health insurance (ASHI) and other long-term employee benefits in the course of this year through an actuarial study. The only actuarial study on ASHI liabilities, the most significant of UNWTO’s employee benefits, conducted by the UNWTO in 2007 estimated a liability of EUR 2.16 million in 2007, EUR 2.39 million in 2008, EUR 2.61 million in 2009 and EUR 2.84 million in 2010. For the biennia 2010-2011 and 2012-2013, UNWTO made a provision in the annual budget and financial accounts for expected cash outflows for ASHI and other post-employment benefits of EUR 600,000 each biennium. Therefore, UNWTO has not yet recognized the full liability for employee after- service benefits in the financial statements. 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.

20. Chart of Accounts: Following the IPSAS work plan (CE/88/5 (a)), this year, the Secretariat will review the chart of accounts (COA) and the necessary axis of classification to start to develop the structure and define the new COA to serve IPSAS needs and other Organization needs such as the monitoring and reporting by other parameters (programmes, projects, etc.).

### **3. Management change: regulations change, organizational/process change, training and communication**

21. Amended Financial Regulations. In 2011, the GA (A/RES/598(XIX)) approved the amended Financial Regulations (FR) to ensure compliance with IPSAS. These amended FR will enter into force once IPSAS would be operative targeting 1<sup>st</sup> of January 2014.

22. First draft of amendments to the Detailed Financial Rules. As advanced in 2011 “Progress report on the implementation of IPSAS” (CE/90/5(a) Add.1) and described in detail below, a first draft set of amended Detailed Financial Rules (DFR) in line with IPSAS is presented with this report for information and comments. In March 2012, UNWTO also presented the draft amendments to the DFR to the EA (CE/93/5(a) par. 6). The process and timelines for the approval of amended DFR is set out below.

23. Work processes review and IT changes to current system. In line with the IPSAS work plan (CE/88/5(a)) and in parallel to the development of the “operational & management procedures”, 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 consists on defining and implementing 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.

24. In order to have a smooth transition to IPSAS information requirements, it is the intention of the Secretariat to introduce some of the mentioned work processes and IT changes in a progressive way before 2014. In this sense, and as a pre-phase for the IT improvements, the Secretariat has just finalized the migration of its financial and property register systems from a client-server application to a web application. Other examples carried out in 2011 in this regard are the development of two IT modules to capture data on UNWTO donor and donee agreements and subsequently, all the agreements of the Organization with which UNWTO has a relationship in support of the Organization's mandate were reviewed based on IPSAS terms and codified; or, the establishment of templates of agreements for capturing in-kind goods and services information.

25. 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 internal communication and awareness steps will be taken along 2012 most will be carried out in subsequent years.

#### 4. New Information Technology (IT) system

26. 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 to be implemented from 2014 onwards.

27. 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.

### III. Amendments to the UNWTO Detailed Financial Rules

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#### A. Compliance with IPSAS and timelines

28. 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. All UN system organizations adopting IPSAS in 2012 or prior have reviewed and amended their regulations and rules to bring them into line with IPSAS.

29. In UNWTO the applicable regulatory framework comprises:

- (i) the Statutes of UNWTO and Financing Rules;
- (ii) the Financial Regulations (FR); and,
- (iii) the Detailed Financial Rules (DFR), previously named Detailed Financial Provisions.

30. 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.

31. In 2011, UNWTO presented the timelines for the amendments of the FR and DFR in its "Progress report on the implementation of IPSAS" (CE/90/5(a) add.1).

32. In respect of the FR, the draft amended FR were presented for comments and endorsement to the PBC and to the EC (CE/90/5(a) add.1). and for approval to the GA (A/19/10(f)) in 2011. The nineteenth General Assembly on 13 October 2011 approved the amended Financial Regulations per resolution A/RES/598(XIX).

33. In respect to the DFR, the specific action steps for its draft amendments are planned over this financial year to provide sufficient time for consideration by the PBC and EC as required. The following timelines are proposed:

- (i) First draft amended DFR for External Auditors (EA) and management review (March 2012);
- (ii) First draft amended DFR submitted to the BPC and EC for information and comments (May/June 2012);
- (iii) Second draft amended DFR submitted to the EC for information and comments (October 2012);
- (iv) Approval of the DFR by the SG (November 2012).

34. The first draft amended DFR include amendments to all detailed financial rules except for those concerning procurement and study contracts. The revised rules on procurement will be provided into the second draft amended DFR to be submitted to the EC in October, by when the Secretariat would have developed a UNWTO procurement manual. The amended and new annexes to the DFR of the Organization will also be presented in the second draft amended DFR.

35. Under article 13(1)(a) of the FR of UNWTO approval of the DFR are under the authority of the Secretary-General in consultation with the Council.

36. The first draft amended DFR are presented as Annex I of this document.

## **B. IPSAS amendments and other proposed amendments**

37. The DFR have required a thorough review and a number of substantive amendments to bring them into line with IPSAS requirements. This review has also provided the opportunity to make other amendments in the DFR to be consistent with other UNWTO regulations and rules (with the amended FR and the Staff Rules); to capture EC's decisions and GA's resolutions; to align them with UNWTO/UN current structure and practices; and, to improve their wording.

38. In order to have a wider and more precise framework of rules and to bring them more in line with other UN agencies, it is the intention of the UNWTO to develop annexes to the DFR covering guidelines for publications, cash management and investment, cost recovery, procurement and financial risk management principles. Furthermore, the annex on travel guidelines will also be amended.

39. 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 proposed as follows:

### **1. Special Contingency Reserve (SCR)**

40. The introduction of DFR concerning the SCR (par. 6.25-6.29) reflects the resolution taken by the General Assembly in 2009 (A/RES/572(XVIII)) which authorized the Secretary-General to establish a

contingency mechanism, named “special contingency account”, for special activities or unexpected events that may arise after the approval of the Organization draft programme of work by the General Assembly and that may require intervention of the Organization. It may also be used to advance funds for extra-budgetary activities pending the receipt of pledged contributions.

41. The SCR may be credited from surpluses of the General Fund on the recommendation of the Secretary-General and the approval of the EC and from other funds designated by the General Assembly

42. The utilization of the SCR shall be determined by the Secretary-General with prior authorization from the Chair of the EC, such utilization will be reported to the PBC and to the EC for confirmation.

43. To ensure consistency with the structure of the accounts of the Organization, it is proposed that the “special contingency account” be renamed “special contingency reserve”.

## 2. Replacement Reserve (RR)

44. The “replacement of fixed assets account” was created in 1991 by the Committee on Budget and Finance (CE/40/9 (c)). Throughout the years this reserve account, in addition to its primary purpose of replacement of fixed assets, has also been used, with the authority of the EC, for other internal developments to improve the administrative support services and infrastructure of the Organization. These include the development of the Organization web platform, the change of cables at headquarters building to improve internet connection, the migration of some of the IT systems of the Organization and the IPSAS project.

45. Therefore, the Secretary-General proposes that the purposes for which the reserve was established be expanded to meet the costs of non-expendable fixed asset acquisitions and approved infrastructure and administrative support improvements. Such utilization shall be proposed by the Secretary-General with prior authorization from the Chair of the Executive Council, and subsequently reported to the Programme and Budget Committee and the Executive Council for confirmation.

46. Interest earned on cash balances backing the RR will be credited as miscellaneous revenue in accordance with DFR 5.08.

47. To ensure consistency with the structure of the accounts of the Organization, it is proposed that the said “replacement of fixed assets account” be renamed “replacement reserve”.

48. The amendments proposed in the DFR under DFR 6.22-6.24 are made pending the approval of the EC of the changes proposed on the name, purpose and utilization of the reserve.

## 3. Proposed new DFR 1.07

49. *Officials involved in any action that is contrary to the financial regulations and rules, policies or administrative instructions of the Organization may be held personally responsible for the consequences of such action.*

50. Explanation: this proposed Rule, which is common in UN system organizations and as recommended by the JIU, strengthens accountability with respect to compliance with the rules of the Organization and avoids the financial and reputational risks involved in the financial processes.

## Annex I. Amended Detailed Financial Rules compared to the amended Financial Regulations and to the current Detailed Financial Provisions

| Amended Financial Regulations <sup>1</sup> (all amendments as per resolution A/RES/598(XIX) shown <i>in block underlined italics</i> )  | Current Detailed Financial Provisions  | Amended Detailed Financial Rules (all amendments shown <i>in block underlined italics</i> )  |
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| <p><b>CHAPTER I</b></p> <p><b>APPLICATION</b></p> <p><b>Regulation 1</b></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><b>CHAPTER I</b></p> <p><b>APPLICATION</b></p> <p><b>Detailed Financial Provision I</b></p> <p><b>Application</b></p> <p>1.01 These Provisions are established in accordance with Financial Regulation 13(1)(a) and pursuant to the provisions of said Regulations<sup>2</sup>.</p> <p>1.02 The Detailed Financial Provisions are applicable to all officials and, irrespective of the source of funds, to all financial transactions of the Organization.</p> <p>1.03 These Provisions shall be effective as from the date of issue. Any amendments that may be made shall take effect on the date</p> | <p><b>CHAPTER I</b></p> <p><b>APPLICATION</b></p> <p><b><u>Detailed Financial Rule 1</u></b></p> <p>1.01 These <b><u>Detailed Financial Rules</u></b> are established in accordance with Financial Regulation 13(1)(a) and pursuant to the provisions of said Regulations<sup>3</sup>.</p> <p>1.02 The <b><u>Detailed Financial Rules</u></b> are applicable to all officials and, irrespective of the source of funds, to all financial transactions of the Organization.</p> <p>1.03 These <b><u>Detailed Financial Rules</u></b> shall be effective as from the date of issue. Any amendments that may be made shall take</p> |

<sup>1</sup> FR: 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)) and the nineteenth General Assembly on 13 October 2011 (resolution A/RES/598(XIX)).

<sup>2</sup> These Provisions were adopted by the Executive Council at its 55th session (decision CE/DEC/5(LV)) (Manila, Philippines, 20-21 May 1997).

<sup>3</sup> DFR: The Detailed Financial Rules were adopted, for the first time, by the Executive Council at its 55th session (decision CE/DEC/5(LV)) (Manila, Philippines, 20-21 May 1997).

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|------|---|------|---|
|      | of their publication.   |      | effect on the date of their publication.  |
| 1.04 | In case of doubt, as to the interpretation of any of these Provisions, the Secretary-General shall make a ruling thereon.   | 1.04 | In case of doubt, as to the interpretation of any of these <b><u>Detailed Financial Rules</u></b> , the Secretary-General shall make a ruling thereon.  |
| 1.05 | The Secretary-General is responsible to the UNWTO General Assembly and Executive Council for the implementation of the Detailed Financial Provisions.                               | 1.05 | The Secretary-General is responsible to the UNWTO General Assembly and Executive Council for the implementation of the <b><u>Detailed Financial Rules</u></b> .   |
| 1.06 | The Secretary-General may delegate, together with authorization for re-delegation, such of his powers as he deems necessary to secure effective administration of these Provisions. | 1.06 | The Secretary-General may delegate, together with authorization for re-delegation, such of his authority, as he deems necessary to secure effective administration of these <b><u>Detailed Financial Rules</u></b> .                        |
|      |   | 1.07 | <b><u>Officials involved in any action that is contrary to the financial regulations and rules, policies or administrative instructions of the Organization may be held personally responsible for the consequences of such action.</u></b> |

**CHAPTER II****FINANCIAL PERIOD****Regulation 2**

The financial period of the Organization shall be two years.

**Regulation 3**

The financial year shall be from 1 January to 31 December.

**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.

**Detailed Financial Provision III****Budget**

- 3.01 The estimates, both for expenditure and income, shall be prepared on a gross basis.
- 3.02 Appropriate officials shall submit annual programmes of work and necessary estimates to the Secretary-General in such

**CHAPTER II****FINANCIAL PERIOD****Detailed Financial Rule 2<sup>4</sup>****CHAPTER III****BUDGET****Detailed Financial Rule 3****Budget**

- 3.01 The **expenditure and revenue estimates**, shall be prepared on a gross basis.
- 3.02 Appropriate officials shall submit annual programmes of work and **budget** estimates to the Secretary-General in such

<sup>4</sup> DFR: No DFR is needed on Chapter II of the FR.

|  |  |  |
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| <p>3. The budget estimates shall relate to <b><u>revenue</u></b> 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 <b><u>revenue</u></b> and expenditure, into headings and into items.</p>   | <p>manner and at such time as may be requested.</p>  | <p>manner and at such time as may be requested.</p>  |
| <p>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.</p> | <p>3.03 The programme of work and necessary estimates shall consolidate into a single presentation, as required by Regulation 4 of the Financial Regulations.</p> <p><b>Plan of Expenditure</b></p>  | <p>3.03 The programme of work and <b><u>budget</u></b> estimates shall consolidate into a single presentation, as required by Regulation 4 of the Financial Regulations.</p> <p><b>Plan of Expenditure</b></p>   |
| <p>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.</p>                     | <p>3.04 In a concern for cautious management, the Plan of Expenditure of each calendar year is prepared by the Secretary-General, in the light of expected receipts, the situation for the year and the experience of previous budgetary periods. The Plan of Expenditure shall be submitted to the first session of the Executive Council of the calendar year in question.</p> | <p>3.04 In <b><u>the interests of careful financial</u></b> management, a Plan of Expenditure for each calendar year is prepared by the Secretary-General <b><u>taking into account</u></b> the expected receipts, the <b><u>financial</u></b> situation and the experience of previous budgetary periods. The Plan of Expenditure shall be submitted to the first session of the Executive Council of <b><u>each</u></b> calendar year.</p> |
| <p>6. Technical cooperation projects shall be financed by means of resources other than the statutory contributions of Members of the Organization.</p>  |  |  |

**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

**Appropriations**

- 3.05 The appropriations voted by the Assembly constitute an authority to incur obligations and make payments for the purposes for which the appropriations were voted, and up to the amounts so voted, but no obligations may be incurred or payments made, until allotments have been issued in writing by the Secretary-General within the limits of the annual Plan of Expenditure prepared by him.
- 3.06 Officials to whom allotments are issued are responsible to the Secretary-General for the correct use of such allotments.

**Appropriations**

- 3.05 The appropriations voted by the Assembly constitute an authority to incur obligations and make payments for the purposes for which the appropriations were voted, and up to the amounts so voted, but no obligations may be incurred or payments made, until allotments have been issued in writing by the Secretary-General within the limits of the annual Plan of Expenditure prepared by him/her.
- 3.06 Officials to whom allotments are issued are responsible to the Secretary-General for the correct use of such allotments.

any other outstanding legal obligations of the financial period. The balance of the appropriations remaining unobligated at the close of a financial period, after deducting 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). Nevertheless, upon recommendation of the Executive Council, the General Assembly may decide to allocate unobligated balances to the Working Capital Fund or the General Fund.

- (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).

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**. 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**.
- (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. All appropriations carried forward shall be used in accordance with the approved

**Transfers of credits between sections of the same part and transfers of credits between parts of the approved budget<sup>5</sup>**

3.07 The Secretary-General is authorized to make such transfers between Sections of the same Part before closing the accounts for the financial year, after obtaining the authorization of the Chairman of the Committee on Budget and Finance. For transfers between various Parts of the budget the authorization of the Chairman of the Executive Council should be sought after consultation with the Chairman of the Committee on Budget and Finance. Any such transfers will be subject to confirmation by the Committee on Budget and Finance and by the Executive Council at their next meeting and session, respectively.

**Transfers of credits between sections (*programmes*) of the same part and transfers of credits between parts (*major programmes*) of the approved budget**

3.07 The Secretary-General is authorized to make such transfers between Sections (**Programmes**) of the same Part (**Major Programmes**) before closing the accounts for the financial year, after obtaining the authorization of the **Chair of the Programme and Budget Committee**. For transfers between various Parts/**Major Programmes** of the budget **a recommendation from the Chair of the Programme and Budget Committee** and the authorization of the Chair of the Executive Council should be sought. Any such transfers will be **reported to the Programme and Budget Committee and to** the Executive Council for confirmation at their next meeting and session, respectively.

<sup>5</sup> Decision CE/DEC/6(LIII) (Madrid, Spain, 20-21 May 1996).

- 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 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.

- 3.08 The Secretary-General is authorized, on a provisional basis, to use funds from the regular budget to cofinance and help to secure external contributions for technical cooperation projects, in accordance with the terms of reference and priorities of UNWTO's programme of work. The amounts that are used should be limited to a maximum of 20,000 US dollars a project, on the understanding that UNWTO's share in any such cofinancing shall not exceed the amount received from the external source. Any cofinancing project should be reported to the Executive Council through the Programme Committee immediately after the project is signed.<sup>6</sup>

- 3.08 The Secretary-General is authorized, on a provisional basis, to use funds from the regular budget to cofinance and help to secure external contributions for technical cooperation projects, in accordance with the terms of reference and priorities of UNWTO's programme of work. The amounts that are used should be limited to a maximum of 20,000 **Euros** a project, on the understanding that UNWTO's share in any such cofinancing shall not exceed the amount received from the external source. Any cofinancing project should be reported to the Executive Council through the **Programme and Budget Committee** immediately after the project is signed<sup>7</sup>.

## 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.

#### Detailed Financial Rule V

##### New Members

- 5.01 A new Member that has not been included in the assessment of contributions shall be

## CHAPTER IV

### COLLECTION OF CONTRIBUTIONS

#### Detailed Financial Rule 4

##### New Members

- 4.01 A new Member that has not been included in the assessment of contributions shall be

<sup>6</sup> Decision CE/DEC/9(LXI) (Santiago, Chile, 25 September 1999)

<sup>7</sup> DFR: **Resolution 400 (XIII) and** decision CE/DEC/9(LXI) (Santiago, Chile, 25 September 1999)

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

required to make a contribution according to the scale applied to Members in the year in which it becomes a Member. This contribution shall be considered sundry income for the current financial year. The contribution of a new Member for the calendar year in which it becomes a Member shall be based on the number of full months remaining in that year after the date on which the accession has come into force. In the event that the communication of the applicant country does not indicate the date of entry into force of its decision to join the Organization, the Secretary-General may agree with the applicant on the date on which its rights and obligations of membership will take effect. Until entry into force of its accession, the Secretary-General will be authorized to provide services to that Member in anticipation of those it would receive in the first year of membership of the Organization. The new Full Members shall in addition pay an advance to the Working Capital Fund on the basis of a whole year. The contribution of the new Member for the current calendar year shall be due and payable within thirty days of receipt of the notification by the Secretary-General.

required to make a contribution according to the scale applied to Members in the year in which it becomes a Member. This contribution shall be considered **miscellaneous revenue** for the current financial year. The contribution of a new Member for the calendar year in which it becomes a Member shall be based on the number of full months remaining in that year after the date on which the accession has come into force. In the event that the communication of the applicant country does not indicate the date of entry into force of its decision to join the Organization, the Secretary-General may agree with the applicant on the date on which its rights and obligations of membership will take effect. Until entry into force of its accession, the Secretary-General will be authorized to provide services to that Member in anticipation of those it would receive in the first year of membership of the Organization. The new Full Members shall in addition pay an advance to the Working Capital Fund on the basis of a whole year. The contribution of the new Member for the current calendar year shall be due and payable within thirty days of receipt of the notification by the Secretary-General.

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 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

**CHAPTER V****FUNDS****Regulation 10**

## 1. General Fund

- (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

**Detailed Financial Provision V****Income Accounting**

- 5.02 All income shall be entered into the accounts at the earliest possible. Contributions shall be credited on the date of their receipt by the Organization, even if this occurs on 31 December.

**CHAPTER V****FUNDS****Detailed Financial Rule 5****Revenue and Receipt Accounting**

- 5.01 **All receipts** shall be entered into the accounts at the earliest **opportunity**.
- 5.02 **Contributions to the Working Capital Fund shall be credited on the date of the entry into force of a country accession.**
- 5.03 **Assessed contribution revenue shall be credited at the beginning of the apportioned year in the relevant two-year budget**
- 5.04 **Unconditional voluntary contributions are recorded as revenue at the date of receipt of a written confirmation or agreement.**
- 5.05 **Conditional voluntary contributions are recorded at the date receipt of a written confirmation or agreement as receivables/payables until the conditions are met at which time they are recorded as revenue**

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.

### Sundry Income

5.03 Sundry income shall consist of the following categories of income:

- (i) income from interest that does not need to be credited to the fund from which it derives;
- (ii) contributions of new Members not included in the assessment of Members' contributions for the financial year;
- (iii) the difference between gains and losses on exchange;
- (iv) amounts recovered in respect of payments made by the Organization, if these are received after the end of the financial year in which those payments were made;
- (v) cheques not cashed within a period of twelve months of the date of issue when the cancellation takes place in a

5.06 **In-kind contributions which can be reliably measured are recorded at the date of receipt.**

5.07 **Revenue from the sale of publications shall be credited at date of the invoice.**

### Miscellaneous Revenue

5.08 **Miscellaneous revenue shall be credited in the financial period to which it applies. Miscellaneous revenue includes:**

- (i) **revenue** from interest;
- (ii) contributions of new Members not included in the assessment of Members' contributions for the financial year;
- (iii) the **positive** difference between gains and losses on exchange;
- (iv) amounts recovered in respect of payments made by the Organization, if these are received after the end of the financial year in which those payments were made;
- (v) cheques not cashed within a period of twelve months of the date of issue when the cancellation takes place in

- different financial year;
- (vi) income from services rendered by the Organization;
  - (vii) resources obtained from the sale of surplus property, with the exception of that mentioned in Provision 6.17;
  - (viii) other sundry income without a specific objective;

#### Management of funds

- 5.04 The Director<sup>8</sup> of Administration is responsible to the Secretary-General for the management, receipt and disbursement of all funds of the Organization.
- 5.05 Funds of the Organization will be deposited only in banks, designated by the Secretary-General. The banks selected will be those that offer the best possible terms, based on criteria of efficiency and financial returns. All funds must be deposited in accounts in the name of the Organization. In no case may an account of the Organization be opened in the name of a staff member.
- 5.06 Funds shall be maintained in different currencies, taking into account the needs of the Organization and the trends in exchange

- a different financial year;
- (vi) **revenue** from services rendered by the Organization;
  - (vii) **revenue** obtained from sale of surplus property **including gain on sale of property, plant and equipment;**
  - (viii) other **voluntary contributions or miscellaneous revenue** without a specific objective.

<sup>8</sup> According to the actual structure of the Secretariat.

- rates that can reasonably be expected, in a concern for cautious management. The current account, may be immobilized shall be established taking into consideration the anticipated needs for liquid assets and the financial returns expected.
- 5.07 The Director of Administration will administer all banking accounts operated by the Organization including those opened for trust and other special purposes, maintaining a proper cash account in which all receipts and payments shall be recorded in chronological order. A separate ledger account shall be kept for each bank account.
- 5.08 A panel of signatures shall be designated by the Secretary-General and all cheques drawn on the Organization's accounts shall be signed by two officials of the appropriate panel.
- 5.09 No interest will be payable on sums deposited with or retained by the Organization. Should any interest accrue on investments made on behalf of a third party, the amount of such interest will be paid only if so requested in advance, and upon such conditions as may be agreed with the Secretary-General.
- 5.10 A voluntary contributions fund may be

established for diversifying the sources of financing for activities, particularly UNWTO's operational activities, and for augmenting the necessary resources by means of voluntary contributions from States and other public and private entities.

- (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 **revenue and** receipts for which no specific purpose is defined shall be treated as "miscellaneous **revenue**" and accrue to the General Fund. The Assembly shall determine the utilization of such miscellaneous **revenue**.

### Voluntary contributions

- 5.09 **Voluntary contributions may be accepted by the Secretary-General to diversify the sources of financing activities, particularly UNWTO's operational activities, and to augment the necessary resources by means of voluntary contributions from member States and other public and private sources, provided they are consistent with the policies, aims and activities of the Organization. Voluntary contributions shall be credited to the Voluntary Contributions Fund (VCF) unless the contribution is to finance activities not provided for in the budget of the organization and the agreement concluded with the Donor specifically indicates that the contributions are to be treated as Funds in Trust (FIT).**

## 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 **revenue and** 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 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.

### 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

### Funds in Trust (FIT)

- 5.10 **The purpose and limits of voluntary contributions as Funds in Trust must be clearly defined.**
- 5.11 **FIT shall be separately identifiable from that of the Organization’s budget and the Secretary-General shall report annually on FIT contributions.**
- 5.12 **FIT unspent at the end of a financial year may be carried over and utilized in the following year.**
- 5.13 **Project support costs on FIT contributions shall be charged at a rate established by the Secretary General in**

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

#### 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 in accordance with financial regulation 10.1(e).
- (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

#### Voluntary contributions fund

- 5.11. Establishment of the special voluntary contributions fund<sup>9</sup>
- 5.11.1. A special voluntary contributions fund is established which, save as otherwise provided in these regulations, shall be administered in accordance with the Financial Regulations of UNWTO.
- 5.12 Purpose
- 5.12.1. Voluntary contributions to the fund may originate from public or private sources. They shall be moneys

accordance with cost recovery guidelines under Annex III to these Rules.

#### Voluntary Contributions Fund (VCF)

- 5.14 Voluntary contributions to the VCF may be directed to the Organization's programme of work without specifying a particular activity (for example: security and protection of tourists; facilitation; education and training; information, including statistics).
- 5.15 The VCF shall be separately identifiable from that of the Organization's budget and the Secretary-General shall report annually on VCF contributions received.
- 5.16 VCF unspent at the end of a financial year may be carried over and utilized in the

<sup>9</sup> Resolution A/RES/219(VII) (Madrid, Spain, 22 September – 1 October 1987).

**accordance with the general destination indicated by the donor.**

whose donors have indicated the general destination within the Organization's programme of work without however specifying a particular activity (for example: security and protection of tourists; facilitation; education and training; information, including statistics).

**following** year.

5.13. Receipts

5.13.1. The fund shall be credited with the voluntary contributions defined in regulation 2(2), together with the financial proceeds therefrom.

5.17

**The VCF**, save as otherwise provided in these rules, shall be administered in accordance with the Financial Regulations of UNWTO

5.18

The Secretary-General shall consult the Executive Council on the use of voluntary contributions to the VCF exceeding 10,000 **Euros when the purpose of such voluntary contributions has not been specified.**

5.14. Expenses

5.14.1. The fund shall be debited with the expenses relating to the activities designated by the Secretary-General with reference to the general programme of work of the Organization and in accordance with the general destination indicated by the donor.

5.19

**Project support costs on VCF contributions shall be charged at a rate established by the Secretary General and in accordance with the cost recovery guidelines under Annex III to these Rules.**

5.14.2. The Secretary-General shall consult the Executive Council on the use of voluntary contributions exceeding 10,000 US dollars.

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

5.14.3. The report of the Secretary-General on the financial situation of the Organization shall include information on the use of the contributions paid into the fund.

## 5.15 Accounting

5.15.1. The financial year shall be the calendar year.

5.15.2. The fund shall be administrated under a separate accounting system from that of the Organization's budget and the Secretary-General shall furnish information on this subject in his report on the financial situation.

5.15.3. Any balance remaining at the end of a financial year shall be carried over to the next year.

5.15.4. The accounts pertaining to the fund shall be submitted each year for audit by the Auditors of UNWTO.

**Management of cash resources**

5.20 The Director of Administration is

responsible to the Secretary-General for the management, receipt and disbursement of all **cash resources** of the Organization.

5.21 **Cash resources** of the Organization will be deposited only in banks, designated by the Secretary-General. The banks selected will be those that offer the best possible terms, based on criteria of efficiency and financial returns. All **cash resources** must be deposited in accounts in the name of the Organization. In no case may an account of the Organization be opened in the name of a staff member.

5.22 **Cash resources** may be maintained in different currencies, taking into account the needs of the Organization and the trends in exchange rates that can reasonably be expected, and **having regard to cautious financial** management. **Having regard to the anticipated needs for liquid assets and the financial returns expected, cash resources may be held in term deposit accounts or other investments in accordance with the investment guidelines per Annex IV.**

5.23 The Director of Administration will administer all banking accounts operated by the Organization including those

opened for trust, **voluntary contributions**, and other special purposes, maintaining a proper cash account in which all receipts and payments shall be recorded in chronological order. A separate ledger account shall be kept for each bank account.

5.24 A panel of signatures shall be designated by the Secretary-General and all **disbursements against** the Organization's banking accounts shall be signed by two officials.

5.25 No interest will be payable on sums deposited with or retained by the Organization. Should any interest accrue on investments made on behalf of a third party, the amount of such interest will be paid only if so requested in advance, and upon such conditions as may be agreed with the Secretary-General.

5.26 **Annex IV to these Rules presents detailed cash management and investment guidelines.**

**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:

**Detailed Financial Provision VI****Obligations**

- 6.01 Only those officials designated in writing by the Secretary-General are authorized to incur obligations against allotments.
- 6.02 Obligations may be incurred only for the purpose indicated on the allotment and may not exceed the amount of the allotment.
- 6.03 Proposals to incur obligations must be made

**CHAPTER VI****INTERNAL CONTROL****Detailed Financial Rule 6****General**

6.01 The Director of Administration is responsible to the Secretary-General for establishing and maintaining effective internal **controls** for the financial transactions and other operations concerning the **revenue** and expenditure of the Organization.

**6.02 The financial risk management principles of the Organization are presented in Annex V to these Rules.**

**Obligations**

- 6.03 Only those officials designated in writing by the Secretary-General are authorized to incur obligations against allotments.
- 6.04 Obligations may be incurred only for the purpose indicated on the allotment and may not exceed the amount of the allotment.
- 6.05 Proposals to incur obligations must be

|  |  |  |
|--|--|--|
| <p>(i) the regularity of the receipt, custody, and disposition of all financial resources of the Organization;</p> <p>(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 <b><u>or Voluntary Contributions.</u></b></p> | <p>in writing and be fully documented. They must specify the purpose of the proposed expenditure and the allotment to be charged.</p>  | <p>made in writing and be fully documented. They must specify the purpose of the proposed expenditure and the allotment to be charged.</p>   |
| <p>2. No obligations shall be incurred until appropriations or other authorizations have been made in writing under the authority of the Secretary-General.</p>  | <p><b>Control of expenditure</b></p> <p>6.04 Except where normal commercial practice so requires, no contract or purchase order shall be made on behalf of the Organization, which requires payment in advance of the delivery of goods or performance of services.</p>  | <p><b>Control of expenditure</b></p> <p>6.06 Except where normal commercial practice so requires, no contract or purchase order shall be made on behalf of the Organization, which requires payment in advance of the delivery of goods or performance of services.</p>  |
| <p>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.</p>  | <p>6.05 The Secretary-General may, when he deems it in the interests of the Organization to do so, authorize progress payments.</p>  | <p>6.07 The Secretary-General may, when he deems it in the interests of the Organization to do so, authorize progress payments.</p>  |
| <p>4. The Secretary-General may, <b><u>after full investigation,</u></b> authorize the writing off of losses of cash, stores, and <b><u>other</u></b> assets, provided a statement thereof is submitted to the <b><u>External</u></b> Auditors with the accounts.</p>  | <p>6.06 Payments shall not be made unless supporting documents are certified by the appropriate officials, confirming that:</p> <p>(a) services have been rendered or delivery has been completed in accordance with the terms of the purchase order;</p> <p>(b) the amount is correct and in accordance with the terms of the purchase order.</p> | <p>6.08 Payments shall not be made unless supporting documents are certified by the appropriate officials, confirming that:</p> <p>(a) services have been rendered or delivery has been completed in accordance with the terms of the purchase order <b><u>or contract,</u></b></p> <p>(b) the amount is correct and in accordance with the terms of the purchase order <b><u>or contract.</u></b></p> |
| <p><b><u>5. The Secretary-General may make such ex gratia payments as are deemed to be</u></b></p>   | <p>6.07 Should the Director of Administration feel</p>   | <p>6.09 Should the Director of Administration feel</p>   |

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.**

there is any reason why payment of any claim should be withheld; such claim shall be referred to the Secretary-General.

- 6.08 Claims submitted by staff members more than one year late shall not normally be considered. This provision does not apply to claims in connection with the settlement of insurance or pension claims.

**Imprest cash**

- 6.09 Imprest cash advances of an amount to be fixed in each case shall be made where necessary to officials.
- 6.10 Officials to whom an imprest cash advance is issued are responsible for these advances and must at all times be in a position to account for them.

**Advances**

- 6.11 (a) Travel advances for extraordinary expenditure not covered by the Daily Subsistence Allowance may be made on request to officials to whom official travel authorizations have been issued. Such advances are to be used in accordance with

there is any reason why payment of any claim should be withheld; such claim shall be referred to the Secretary-General.

- 6.10 Claims submitted by staff members more than one year late shall not normally be considered. This rule does not apply to claims in connection with the settlement of insurance, pension claims or where otherwise provided by the Staff Rules of the Organization.

**Imprest cash system**

- 6.11 Imprest cash amounts to be fixed in each case shall be made where necessary to officials.
- 6.12 Officials to whom an imprest cash amount is issued are responsible for these and must at all times be in a position to account for them.

**Advances**

- 6.13 (a) Travel advances for extraordinary expenditure not covered by the Daily Subsistence Allowance may be made on request to officials to whom official travel authorizations have been issued. Such advances are to be used in accordance with

the provisions of the travel rules and must be accounted for when the travel is completed.

- (b) Advances may be made to officials for the payment of hospitality expenses provided for in the budget, subject to the Secretary-General's authorization. The supporting document for the expenditure shall be checked by the Director of Administration and be produced on demand for the internal control and the external audit of the accounts.
- (c) Officials that have incurred medical expenses reimbursable by the Organization's medical insurance may request the Secretary-General for advances covering up to 90 per cent of these expenses, provided that the amount advanced equals or exceeds 20 per cent of their monthly salary.
- (d) Any official shall be entitled, upon application, to be paid in advance any salary, benefit or allowance falling due during the period in which he will be on annual leave or official mission. The Secretary-General

the travel **guidelines established in accordance with Rule 6.29** and must be accounted for when the travel is completed.

- (b) Advances may be made to officials for the payment of hospitality expenses provided for in the budget, subject to the Secretary-General's authorization. The supporting document for the expenditure shall be checked by the Director of Administration.
- (c) Officials that have incurred medical expenses reimbursable by the Organization's medical insurance may request the Secretary-General for advances covering up to 90 per cent of these expenses, provided that the amount advanced equals or exceeds 20 per cent of their monthly salary.
- (d) Any official shall be entitled, upon application, to be paid in advance any salary, benefit or allowance falling due during the period in which he will be on annual leave or official mission. The Secretary-General

may also, at the request of an official, authorize to pay in advance any salary if he is satisfied that the reasons for the request are well founded.

### Property

- 6.12 (a) Property is defined as supplies equipment, land, buildings and built-in fixtures belonging to UNWTO or for which UNWTO is responsible, whether acquired by purchase, donation or other means. The conservation and use of the property entrusted to them by UNWTO shall be the responsibility of all staff members.
- (b) Inventories: A permanent general inventory of property and specific inventories shall be maintained.
- (c) Categories of property: Property is defined in paragraph (a) above falls into three categories.
1. Expendable property is movable property whose normal cost is less

may also, at the request of an official, authorize to pay in advance any salary if he is satisfied that the reasons for the request are well founded.

### Property

- 6.14 (a) Property is defined as **property, plant and** equipment and supplies belonging to UNWTO or for which UNWTO is responsible, whether acquired by purchase, donation or other means. The conservation and use of the property entrusted to them by UNWTO shall be the responsibility of all staff members.
- (b) **Inventory record is defined as** a permanent general **record** of property and specific inventories shall be maintained **in accordance with the categories of property under 6.14 (c).**
- (c) Categories of property: Property is defined in paragraph (a) above falls into two categories.
- (1) Non-expendable property consists of items of **property,**

than \$250 a unit and which cannot normally be expected to remain in service for five years; it is not carried on the permanent General Inventory of Property.

2. Non-expendable property consists of items of equipment valued at \$250 or more a unit, and with a serviceable life of at least five years. They shall be carried on the permanent general inventory of property and specific inventories shall also be kept in their regard. Worlds of art decorating the headquarters buildings are assimilated to this category. Headquarters equipment is carried on the permanent General Inventory of Property.

3. Real property is non-movable property. It consists of land, buildings and built-in fixture. Real property is carried on an annex to the permanent General Inventory of Property.

(d) Supplies (expendable property): items or supplies consumed in the normal course of activities:

Office supplies and certain maintenance tools are provided for

**plant and** equipment valued at **Euro xxx [TO BE DETERMINED]** or more a unit, and with an **economic life of more than one year.**

They shall be carried on the permanent general inventory of property. **Works** of art (**heritage assets**) decorating the headquarters buildings are assimilated to this category.

(2) Expendable property is movable property **whose acquisition cost or value is less than Euro xxx [TO BE DETERMINED]** a unit. Expendable property with a value of Euro **yyy [TO BE DETERMINED]** or more is carried on the permanent general inventory of property.

(d) Supplies (expendable property): items or supplies consumed in the normal course of activities:

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|      | the official use of Sections/Units at Headquarters out of the budget (Part III of the Programme Budget: Section 5).  |   |
|      | (e) <u>Equipment</u> (non-expendable property). <u>Office equipment</u> , including furniture and machines, is provided for the official use of units at Headquarters out of the budget (Part III of the Programme Budget: Section 5). |   |
| 6.13 | The cost of all property acquired, other than real property will be immediately charged as an expense.   | 6.15 The cost of all <b><u>expendable property and supplies</u></b> is immediately charged as an expense.   |
|      |  | 6.16 <b><u>Non-expendable items under 6.14 (c) 1, except for heritage assets, are to be depreciated over the expected economic life on a straight line basis.</u></b> |
| 6.14 | An annual physical inventory will be taken at 31 December of each year of all assets. A copy of this inventory will be furnished to the External Auditor.  | 6.17 An annual physical inventory is taken at 31 December of each year.   |
| 6.15 | The Secretary-General may declare property to be surplus if it is of no further use to the Organization.   | 6.18 The Secretary-General may declare property to be surplus if it is of no further use to the Organization.   |
| 6.16 | Surplus property shall be sold for the best  | 6.19 Surplus property shall be sold for the best  |

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| <p>possible returns to the Organization except:</p> <ul style="list-style-type: none"> <li>(a) when the exchange of surplus property in partial payment for new articles will be more advantageous to the Organization than the sale of surplus property and separate purchase of new articles;</li> <li>(b) when the destruction of the surplus or unserviceable material will be more economical or when the confidential nature of the materials so warrants;</li> <li>(c) when the best interests of the Organization will be served by disposal by gift or at nominal prices to a non-profit organization.</li> </ul> | <p>possible return to the Organization except:</p> <ul style="list-style-type: none"> <li>(a) when the exchange of surplus property in partial payment for new articles is more advantageous to the Organization than the sale of surplus property and separate purchase of new articles;</li> <li>(b) when the destruction of the surplus or unserviceable material is more economical or when the confidential nature of the materials so warrants;</li> <li>(c) when the best interests of the Organization is served by disposal by gift or at nominal prices to a non-profit organization.</li> </ul> |
| <p>6.17 Funds proceeding from the sale of equipment may be reserved for the acquisition of substitute material, provided that the sale and acquisition take place during the same financial year; otherwise, these benefits shall be considered sundry income.</p>   | <p>6.20 Funds proceeding from the sale of <b><u>property</u></b> may be utilized for the acquisition of substitute <b><u>property items</u></b>, provided that the sale and acquisition take place during the same financial year.</p>   |

**Replacement of fixed assets  
Replacement account<sup>10</sup>**

6.18 For each financial year budgetary appropriations shall be established corresponding to the replacement quotas determined for the fixed assets acquired in previous financial years, so that by the end of the useful life of each asset sufficient funds are available for its replacement.

The replacement quotas will be obtained by applying a straight-line depreciation system, with uniform annual depreciation rates depending on the estimated useful life of each asset.

The following fixed assets only shall be considered for replacement:

- Computer hardware
- Document reproduction machinery
- Vehicles

**Replacement Reserve (RR)**

6.21 For each financial year budgetary appropriations shall be established corresponding to the **depreciation** determined for the **non-expendable** fixed assets acquired in previous financial years, so funds are available for:

- (i) replacement of **non-expendable fixed assets;**
- (ii) **acquisition of new non-expendable fixed assets as proposed by the Secretary General with prior authorization from the Chair of the Executive Council, and subsequently reported to the Programme and Budget Committee and the Executive Council for confirmation;**
- (iii) **improving infrastructure and/or administrative support as proposed by the Secretary General with prior authorization from the Chair of the Executive Council, and subsequently reported to the Programme and Budget Committee and the**

<sup>10</sup> Document CE/40/9 (c). Report of the Committee on Budget and Finance (May 1991).

|   |      | <u>Executive Council for confirmation.</u>   |
|---|------|--|
| <p>The following will be credited to this account:</p> <ul style="list-style-type: none"> <li>(a) the replacement quotas obtained in each financial year;</li> <li>(b) the financial yields generated by the cash balances on this account.</li> </ul>  | 6.22 | <p><b><u>An amount based on the depreciation recorded in the Financial Statements of the previous year will be credited to the reserve.</u></b></p>  |
| <p>The following will be debited to this account:</p> <ul style="list-style-type: none"> <li>(a) the accumulated depreciation of the asset withdrawn from use and replaced by a new one. This amount will serve to decrease the cost of renewal in the financial year in which it takes place, producing a credit entry in the account of the corresponding budgetary expenditure;</li> <li>(b) the accumulated financial returns of the cash balances on the account once the assets that generated them have been totally written off. The amount will serve to decrease the corresponding budgetary expenditure in the financial year in which this circumstances arises.</li> </ul> | 6.23 | <p>The reserve will be debited with:</p> <ul style="list-style-type: none"> <li>(a) <b><u>Non-appropriated amounts for replacement or acquisition cost of non-expendable fixed assets not exceeding the reserve balance;</u></b></li> <li>(b) <b><u>Amounts approved for infrastructure and/or administrative support enhancements.</u></b></li> </ul> |

**Special Contingency Reserve (SCR)<sup>12</sup>**

- 6.24 **The Special Contingency Reserve (SCR) is established for special activities or unexpected events that may arise after the approval of the Organization draft programme of work by the General Assembly and that may require intervention of the Organization. The SCR may be utilized for activities or operations of an extraordinary nature not provided for in the budget of the Organization.**
- 6.25 **The use of the SCR shall be determined by the Secretary-General with prior authorization from the Chair of the Executive Council, and subsequently reported to the Programme and Budget Committee and the Executive Council for confirmation.**
- 6.26 **The SCR may be used to advance sums for extra-budgetary activities pending the receipt of pledged contributions. Advances from the SCR for extra-budgetary activities shall be approved by the Secretary-General.**

<sup>12</sup> DFR: Resolution A/RES/572(XVIII) (Astana, Kazakhstan, October 2009) and document A/18/15/Annex 4 Draft programme and Budget of the Organization for the period 2010-2011 (October 2009)

**Procurement**

- 6.19 All purchases and contracts amounting to or exceeding 5,000 US dollars shall be made by a call for tenders, except when otherwise authorized by the Secretary-General.
- 6.20 Contracts shall be awarded to the lowest tender except where conditions attaching to the lowest tender make its acceptance undesirable, the Secretary-General may authorize the acceptance of a tender other than the lowest. Where the interests of the Organization so require, the Secretary-General may authorize the rejection of all tenders and declare the call for tenders unsuccessful.
- 6.21 The Secretary-General shall ensure that the

6.27 The SCR may be credited from surpluses of the General Fund on the recommendation of the Secretary-General and with the approval of the EC or from other funds designated by the General Assembly

6.28 The SCR will have the nature of a permanent reserve of the General Fund and shall be administered in accordance with the Financial Regulations of the Organization.

**Procurement [UNDER DEVELOPMENT]**

number and quality of enterprises or consultants invited to tender are sufficiently wide-ranging and representative to allow for effective competition in the Organization's interest.

6.22 In a call for tenders, the Secretary-General may decide to choose an enterprise or consultant that did not submit the lowest tender, provided that he feels this to be warranted beyond doubt by the quality of the services anticipated.

6.23 The Secretary-General's explicit and written approval shall be required on purchase contracts or orders for the acquisition of services, supplies, equipment or other goods amounting to or exceeding 5,000 US dollars.

#### **Study Contracts**

6.24 A Selection Committee shall be set up by the Secretary-General to examine any study contract amounting to more than 50,000 US dollars. The Selection Committee shall advise the Secretary-General in drawing up the list of enterprises or consultants required to compete and in selecting the winner of the contract.

#### **Study Contracts [UNDER DEVELOPMENT]**

**Travel**

6.25 An Annex to these Provisions establishes the procedures for travel disbursements. The Secretary-General may, if necessary, add new provisions to this annex or amend or delete established provisions. The Executive Council shall be informed of all changes made to this annex.

**Publications**

6.26 The procedures for publication disbursements shall be the subject of an annex to these Provisions, drawn up by the Secretary-General. The Secretary-General may, if necessary, add new provisions to this annex or amend or delete established provisions. The Executive Council shall be informed of all changes made in this annex.

(NOTE: Provision 6.26 concerning publications will remain without effect until such time as the provisions governing this matter are finalized and submitted to the Council for adoption.)<sup>11</sup>

**Travel**

6.29 *Annex I* to these *Rules* establishes *guidelines* for travel.

**Publications**

6.30 *Annex II* to these *Rules* establishes *guidelines for publication sales, inventories and other related publications processes.*

<sup>11</sup> Document CE/55/4(d) Add.1 of the 55<sup>th</sup> Executive Council (Manila, Philippines, 20-21 May 1997).

**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:**

- (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 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:

**Internal Control**

6.27 The Director of Administration is responsible to the Secretary-General for establishing and maintaining effective internal control of the financial transactions and such other operations concerning the income and expenditure of the Organization.

**Accounts**

6.28 The Director of Administration is responsible to the Secretary-General for establishing and maintaining all official accounts of the Organization.

6.29 Obligations shall be recorded in the accounts of the calendar year in which they are incurred.

6.30 Receipts shall be credited to the accounts of the calendar year in which the remittance is received.

6.31 Expenditure shall be recorded in the accounts of the calendar year in which it is

**CHAPTER VII****ACCOUNTS AND FINANCIAL STATEMENTS****Detailed Financial Rule 7****Accounts**

7.01 The Director of Administration is responsible to the Secretary-General for establishing and maintaining all official accounts of the Organization.

7.02 Obligations shall be recorded in the accounts of the **financial** year in which they are incurred.

7.03 Receipts **and revenue** shall be credited to the accounts of the **financial** year **in accordance with Detailed Financial Rule 5.**

7.04 **Expense** shall be recorded in the accounts of the **financial** year in which it is

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| <ul style="list-style-type: none"> <li>(i) the original budget appropriations;</li> <li>(ii) the appropriations as modified by transfer;</li> <li>(iii) credits, if any, other than the appropriations voted by the Assembly;</li> <li>(iv) the amounts charged against those appropriations or any other credits;</li> </ul> | made.  | <b><u>incurred.</u></b>   |
| <p><b>3.</b> <b><u>The Secretary-General</u></b> shall also give such other information as may be appropriate to indicate the financial position of the Organization.</p>   | 6.32 The accounts shall comprise the general accounts, budget accounts, and treasury accounts from which the periodic financial statements shall be prepared.  | 7.05 The accounts shall comprise the general accounts, budget accounts, and treasury accounts from which the periodic financial statements shall be prepared.   |
| <p><b>4.</b> The accounts <b><u>and financial statements</u></b> of the Organization shall be <b><u>maintained and presented</u></b> in Euros. Accounts may, be kept in other currencies when deemed necessary by the Secretary-General, provided that this entails no extra cost to the Organization's Members.</p>          | 6.33 All accounts shall be supported by documentation to be retained as an integral part of the official accounts of the Organization.   | 7.06 All accounts shall be supported by documentation to be retained as an integral part of the official accounts of the Organization.  |
| <p><b>5.</b> A separate account shall be maintained for each Fund in Trust.</p>   | 6.34 The accounting records shall be kept for a period of at least ten years. The supporting documents for income and expenditure shall be maintained until the final approval of the Organization's accounts by the General Assembly and for a minimum period of five years. Once these time-limits have elapsed, these records and documents may be destroyed by authorization of the Secretary-General. | 7.07 The accounting records shall be kept for a period of at least ten years. The supporting documents for revenue and expenditure shall be maintained until the final approval of the Organization's accounts by the General Assembly and for a minimum period of five years. Once these time-limits have elapsed, these records and documents may be destroyed by authorization of the Secretary-General. |
| <b>General accounts</b>   | <b>General accounts</b>  |   |
| <p><b>5.</b> A separate account shall be maintained for each Fund in Trust.</p>   | 6.35 The general accounts shall record classified income and expenditure, cash at banks, investments, receivables and other assets, payable and other liabilities, the Working Capital Fund, and trust funds or special accounts as may be established.  | 7.08 The general accounts shall record <b><u>revenue and expense</u></b> , cash at banks, investments, receivables, <b><u>property plant and equipment</u></b> , other assets, payables, other liabilities, <b><u>reserves including</u></b> the Working Capital Fund, and <b><u>include</u></b> trust funds, <b><u>voluntary contributions funds</u></b> , and   |

- 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.**

#### Treasury accounts

- 6.36 Treasury accounts shall comprise:
- (a) cash accounts showing all receipts and disbursements of the Organization;
  - (b) trust and other special cash accounts, the management of which is subject to specific rules;
  - (c) Members' contribution records showing the amounts assessed, received and uncollected;
  - (d) Members' advances to the Working Capital Fund, showing the amounts assessed, received and uncollected;
  - (e) Investment ledger, giving full details of all investments made by the Organization.

#### Financial statements

- 6.37 The Director of Administration shall furnish to the Secretary-General:
- (a) periodic statements of cash on hand;
  - (b) periodic statements of budgetary status showing:

special accounts as may be established.

#### Treasury accounts

- 7.09 Treasury accounts shall comprise:
- (a) cash accounts **and other cash items** showing all receipts and disbursements of the Organization;
  - (b) **VCR, FIT** and other special cash accounts,
  - (c) Members' contribution records showing the amounts assessed, received and uncollected;
  - (d) Members' advances to the Working Capital Fund, showing the amounts assessed, received and uncollected;
  - (e) Investment ledger, giving full details of all investments made by the Organization.

#### Financial statements

- 7.10 The Director of Administration shall furnish to the Secretary-General:
- (a) periodic statements of cash on hand;
  - (b) periodic statements of budgetary status showing:

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| <ul style="list-style-type: none"> <li>(i) allotments made;</li> <li>(ii) obligations incurred and liquidated;</li> <li>(iii) expenditure;</li> <li>(iv) unobligated balances;</li> </ul> <p>(c) periodic statements showing:</p> <ul style="list-style-type: none"> <li>(i) outstanding contributions;</li> <li>(ii) status of advances to the Working Capital Fund;</li> <li>(iii) the operations and financial position of the Working Capital Fund;</li> <li>(iv) the state of other special funds, if any:</li> </ul> <p>(d) as early as possible each year a detailed balance sheet as at 31 December immediately preceding. In addition to this balance sheet there shall be produced:</p> <ul style="list-style-type: none"> <li>(i) a summary statement of income and expenditure;</li> </ul> | <ul style="list-style-type: none"> <li>(i) allotments made;</li> <li>(ii) obligations incurred and liquidated;</li> <li>(iii) expenditure;</li> <li>(iv) unobligated balances;</li> </ul> <p>(c) periodic statements showing:</p> <ul style="list-style-type: none"> <li>(i) outstanding contributions;</li> <li>(ii) status of advances to the Working Capital Fund;</li> <li>(iii) the operations and financial position of the Working Capital Fund;</li> <li>(iv) the state of other special funds, if any</li> </ul> <p>(d) <b><u>periodic statements showing:</u></b></p> <ul style="list-style-type: none"> <li>(i) <b><u>status of VCR funds; and,</u></b></li> <li>(ii) <b><u>status of FIT;</u></b></li> </ul> <p>(e) as early as possible each year detailed <b><u>statements</u></b> as at 31 December immediately preceding <b><u>as follows:</u></b></p> <ul style="list-style-type: none"> <li>(i) <b><u>Financial Statements and Notes for each financial period as required under Financial Regulation 14 (1) including comparative information for the</u></b></li> </ul> |
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| (ii) a budget statement showing appropriations voted, allotments approved and expenditure made;  | (ii) a budget statement showing appropriations voted, allotments approved and expenditure made;   |
| (iii) a statement of obligations as at 31 December for which reserves will be established, such reserves to remain available for a further twelve months; these obligations shall include orders for goods or services, which have been accepted in writing for delivery by 31 December; | (iii) a statement of <b><u>outstanding legal</u></b> obligations as at 31 December, for which <b><u>are charged against budgetary appropriations and</u></b> which will remain available for a further twelve months; |
| (iv) a statement of outstanding legal obligations as at 31 December, which shall be charged against the appropriations of the succeeding year;   | (iv) a statement of outstanding legal obligations as at 31 December, which shall be charged against the appropriations of the succeeding year;  |
| (v) a statement of trust and other special funds;  | (v) a statement of <b><u>FIT ,VCF</u></b> and other special funds;  |
| (vi) a statement of the Working Capital Fund showing the establishment and composition thereof, advances made therefrom and the cash available;  | (vi) a statement of the Working Capital Fund showing the establishment and composition thereof, advances made therefrom and the cash available;   |
| (vii) a statement of both stores and cash losses which have  | (vii) a statement of cash and <b><u>other assets</u></b> losses which   |

**CHAPTER VIII****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.

**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

been incurred during the year indicating how these have been dealt with in the accounts;

**Detailed Financial Provision VII****Auditing of Accounts**

- 7.01 According to the established procedure, the Assembly shall appoint two Auditors, who are nationals of member States and who perform the function of controlling public accounts in their home countries.

**Scope of audit**

- 7.02 Information regarded by the Secretary-General as privileged or classified as confidential, particularly the medical files or details of the private lives of officials, may be made available to the Auditors only if requested specifically for purposes of their control.

have been incurred during the year indicating how these have been dealt with in the accounts;

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.

### Regulation 18

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

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

### ANNEX I

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

## ANNEXES TO THE DETAILED FINANCIAL RULES OF THE WORLD TOURISM ORGANIZATION

**Annex I – Travel Guidelines**

**[TO BE DEVELOPPED]**

**Annex II – Publications Guidelines**

**[TO BE DEVELOPPED]**

**Annex III – Cost Recovery Guidelines**

**[TO BE DEVELOPPED]**

**Annex IV – Detailed Cash Management and Investment Guidelines**

**[TO BE DEVELOPPED]**

**Annex V – Financial Risk Management Principles**

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.

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**

**[TO BE DEVELOPPED]**  
**Annex VI – Procurement Guidelines**  
**[TO BE DEVELOPPED]**

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 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 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 be ***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 II

### 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 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 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 **appropriate groups based on a proposal of the Secretary-General taking into account possible modifications in membership.**
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.