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Report of the Secretary-General

Part II: Administrative and statutory matters

(a) Financial situation of the Organization

Addendum 1: IPSAS progress report and amendments to the Detailed Financial Rules (DFR)

I. Introduction

1. The present document updates the Programme and Budget Committee (PBC) and the Executive Council (EC) on the progress made in the implementation of International Public Sector Accounting Standards (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)), 2011 (CE/90/5(a) add.1) and 2012 (CE/93/5(b) 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. Therefore, IPSAS implementation at UNWTO is targeted to 1 January 2014.
4. The present progress report describes developments in the UN system, the progress made by UNWTO since the last progress report (2012, CE/93/5(b) Add.1), outlines the main implementation activities for 2013 and includes the third set of draft amendments to the UNWTO Detailed Financial Rules (DFR) to ensure that these are compliant with IPSAS.



II. UNWTO IPSAS implementation progress

A. UNWTO and the UN system

1. UNWTO and 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 implementation of UN system organizations. For the biennium 2012-2013, the four strategic orientations and activities for the UNTFAS, of which UNWTO is an active member, are: (a) facilitation and communication; (b) IPSAS Board monitoring and follow-up activities; (c) coordination of accounting diversity; and, (d) guidance and support. 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. The completed or targeted deadlines of IPSAS implementation by UN system organizations as of 31 December 2012 are (CEB/2013/HLCM/FB): (a) eleven organizations implemented IPSAS by 2011; (b) ten organizations with implementation in 2012; and, (c) three organizations (UN, FAO and UNWTO) targeting 2014.

7. IPSAS implementation presents formidable challenges in introducing required changes to policies, procedures and systems and requires a considerable investment of time and resources in all organizations of the UN system despite their size. Having regard to UNWTO being the smallest agency in the UN system in terms of resources (human and financial) together with the factors 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, UNWTO's target deadline for IPSAS implementation was realistically established as 2014.

8. 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 continues to benefit from the system-wide coordination on IPSAS and the discussion of common issues through the UNTFAS.

2. IPSAS dividends and related costs at UNWTO

9. The implementation and post-implementation phases of IPSAS has resulted in demonstrated benefits to those organizations having implemented IPSAS. Within the UNTFAS, the Working Focus Group (UNWFG) on IPSAS dividends classified these benefits into (a) benefits to operations, (b) benefits to financial management, and (c) benefits to other areas. In addition, the UNWFG also identified several costs associated with IPSAS, both one-time implementation costs and recurring costs.

10. UNWTO is making considerable efforts to ensure that the full benefits of IPSAS will flow to the Organization.

Benefits to operations

11. IPSAS leads to a better understanding of the business processes, procedures and administrative practices, improvements in internal control procedures and financial management in the day-to-day operations as well as in the year-end closing procedures. The documentation of procedures also results

in better definition of roles and responsibilities of staff and business owners, thereby enhancing accountability. In addition, there is better alignment of procedures and practices within the organization. The availability of more complete and timely information on resources also leads to improvements in the allocation of resources.

Benefits to financial management

12. Under IPSAS the quality and transparency of information presented in the financial statements is enhanced thereby improving the management and governance of the organization. Assets, liabilities, revenues and expenses are captured more comprehensively and accurately, leading to a better reflection of the overall financial performance and financial position, paving the way for more informed decision-making at the senior level and an improvement in financial management. The frequency of reporting to management will be increased resulting in the early detection of issues and ongoing monitoring of risk areas.

13. The adherence to independent internationally recognized accounting standards increases the credibility of the financial information presented in the financial statements. There is also greater consistency and comparability in the financial statements across the UN system. As more and more organizations become IPSAS compliant, it is anticipated that the level of consistency in reporting financial information will further increase across the UN system. Comparison with other international organizations and governments which are IPSAS compliant will also be facilitated.

Benefits to other areas

14. A range of other benefits include (a) a better understanding of the financial statements by member states, leading them to focus on pressing issues and challenges such as the funding of long-term employee benefits liabilities; (b) a better understanding of financial information by stakeholders such as donors; and (c) enhanced financial skills of non-finance staff through IPSAS training.

IPSAS related costs

15. The implementation of IPSAS is not without costs. At UNWTO, the main initial costs include: (a) staffing costs for the IPSAS project team, although the project has been largely managed internally within existing staff resources; (b) the hiring of external experts for actuarial valuation of long-term employee benefits liabilities and other valuations; (c) costs associated with the IT system upgrade; and, (d) the contribution to the jointly financed activities of the UNTFAS.

16. The recurring costs may include: (a) annual external expert costs (mainly for actuarial valuations); (b) ongoing staff training, including IPSAS updates; and, (c) the biennial contribution to the jointly financed activities of the UNTFAS. Nevertheless, such costs are not expected to have a material impact on the budget and will be outweighed by the expected benefits in financial management and reporting as described above.

B. UNWTO IPSAS project

17. The UNWTO project for IPSAS implementation is set out in two distinct phases (main phase and post-phase) (CE/88/5(a)) preceded by a pre-phase.

The pre-phase of the project (2009-2010) involved the introduction of a new financial model at UNWTO establishing a separation of financial administration roles. The first phase or main phase of the project (2011-2014) is the preparatory work required to achieve IPSAS compliant financial statements which comprises two pillars: (a) accounting policy and practice; and, (b) management change.

18. After the completion of the first IPSAS-compliant financial statements and like all other UN organizations, UNWTO will also have to engage in a range of post-implementation activities, aimed at sustaining IPSAS-compliance and tapping the benefits of IPSAS. The second phase or post-phase (from 2015 onwards) will comprise, among other activities, the introduction of a new and enhanced IT system or ERP (Enterprise Resource Planning), ongoing review of accounting policies, continuous improvement in processes and continuous training and communication. At this stage, it is too early to provide detailed information on the post-IPSAS implementation phase but, the PBC and EC will be consulted, as appropriate, and kept fully informed as a matter of course.

19. The introduction of a new and enhanced IT system or ERP, not only to support IPSAS financial and management reporting over the longer term but also to reduce manual intervention and increase the efficiency of the processes, extends beyond accounting and finance and affects all operations of an organization. Therefore, in order to avoid the risk of delaying the adoption of IPSAS at UNWTO, this activity will form part of the post-phase project not coinciding with the adoption of IPSAS. This is reinforced by the fact that (a) the implementation of two major projects simultaneously is not feasible taking into account UNWTO's resources and capacity; (b) an analysis will have to be undertaken to evaluate the IT needs of the Organization before deciding on the most appropriate and cost-effective system; and, (c) the IPSAS project budget may have to be supplemented to cover the introduction of a new and enhanced IT system or ERP.

1. Progress made in 2012 and key areas of work for 2013

1.1. Accounting policy and practice

20. UNWTO IPSAS Policy Guidance Manual (PGM). The manual provides guidance on the policies and accounting practices established by UNWTO in the application of IPSAS. The PGM is an important tool in assisting UNWTO to successfully implement IPSAS. In 2011, the Secretariat completed the first draft of the PGM which was provided to the External Auditors (EAs) of the Organization (CE/90/5(c)). An updated draft developed during 2012 was submitted to the EAs in March 2013 which received their positive comments and support (CE/95/3(II)). The PGM will be published during 2013.

21. UNWTO Accounting Manual based on IPSAS. This manual serves as a complement to the PGM and has the goal of providing the staff with direction and guidance in how transactions and economic events will be measured, recognized, recorded and reported in the financial statements and other reports. In line with the IPSAS work plan (CE/88/5 (a)), the Secretariat started this manual in 2011 and has provided a first draft of this manual to the EAs in March 2013 (CE/90/5(c)) which received their support.

22. UNWTO IPSAS-Related Operational and Management Procedures. This manual serves as a complement to the PGM and has the goal of providing the staff with a set of basic and detailed procedures and work processes to achieve IPSAS compliance and to achieve sound internal controls based on the "four-eyes" principle. Following the IPSAS work plan (CE/88/5(a)), the Secretariat began development of this manual in 2011 and it is expected to be completed in 2013.

23. Actuarial valuation of after-service employee benefits. In line with IPSAS requirements, in February 2013 the Secretariat has signed a contract with an actuarial company to provide UNWTO with actuarial valuations of its after-service employee benefits liabilities. UNWTO will recognize the full liability for employee after-service benefits in the financial statements the first year of the IPSAS implementation (2014). It is noteworthy that the recognition of liabilities under IPSAS is not dependent on the provision of budgetary resources.

24. The 2007 actuarial study on UNWTO ASHI liabilities, the most significant of UNWTO's employee benefits, estimated a liability of EUR 2.16 million. Since then, UNWTO has made annual budgetary appropriations for after-service employee liabilities which amounted to EUR 600,000 for the biennia 2010-2011 and 2012-2013 plus additional allocation from surplus amounting to some EUR 800,000. This has ensured that part of the liability has been covered. The extent to which the liability remains unfunded will be identified in the actuarial report.

25. The budgetary implications of a change in the financial reporting for employee benefits and proposals for funding any unfunded portion of the liabilities will be discussed with the EC following the result of the actuarial valuation report which is expected to be received by May-June 2013.

26. Chart of Accounts (COA). Following the IPSAS work plan (CE/88/5(a)), in 2012 the Secretariat has identified and developed the structure of the COA suitable for IPSAS and other UNWTO financial management needs including budgetary reporting. This activity has been complemented with the identification and definition of the characteristics of a set of reference data to be used in the updated IT system.

27. Opening balances at 1 January 2014. In line with the IPSAS work plan (CE/88/5(a)), one of the main activities of 2013 will be the calculation, definition and documentation of the restated financial position of the UNWTO including IPSAS adjustments at 1 January 2014. The first year that the Organization will be IPSAS-compliant (2014) its year-end financial position will be compared with the one at the beginning of the year. This opening balance will be subject to external audit.

1.2. Management change: regulations change, IT system update, training and communication

28. Amendments to the Detailed Financial Rules. In 2012, the EC approved the first and second draft sets of amendments to the DFR in line with IPSAS ((CE/93/5(b) Add.1) and CE/94/3(III)(a) Add.1 respectively). As described in detail below, the present document includes the third draft set of amendments to the DFR.

29. IT specifications and implementation. In 2012, in line with the IPSAS work plan (CE/88/5(a)), the Secretariat has determined and defined most of the IT specifications to update the current UNWTO Financial Management Information System (FMIS) to enable it to support IPSAS in the short term. These IT changes will be implemented in the current year. One of the main activities during 2013 will be the monitoring and checking of the implementation of these IT specifications as well as providing the corresponding specialized training to users.

30. Education and training. In line with the IPSAS work plan (CE/88/5(a)), one of the key areas of work for 2013 and future years will be the development of training courses for awareness and/or technical knowledge of staff.

The Secretariat will develop the IPSAS training course material and give the appropriate courses to the staff depending on their needs. The Secretariat will also conduct an IPSAS information workshop for the UNWTO Governing Bodies at an appropriate time.

31. Communication strategy. As shown in the IPSAS work plan (CE/88/5(a)), UNWTO continues to carry out its external communication strategy which comprises issuing regular progress reports on the implementation status of IPSAS to Governing Bodies, reporting to UNTFAS and UN HLCM as well as engaging EAs on IPSAS-related issues as described in more detail below. Although some internal communication and awareness steps have been taken during 2012, it will be in 2013/2014 when most of internal dissemination of information will be undertaken. Post-implementation communication is also

foreseen. Among other outputs, the Secretariat intends to develop an intranet dedicated to spreading information concerning IPSAS internally.

Working with External Auditors

32. During the external audit of the 2012 financial accounts of the Organization carried out in March 2013, the Secretariat made available to the EAs of the UNWTO (Spain and India) all documentation and information on progress made within the IPSAS project. In their report on the “Organization’s administrative accounts for the financial year 2012” (CE/95/3(II)b) paragraph 10), the EAs referred to the major challenge of IPSAS implementation, took note of the intensive and detailed work undertaken and of the information provided to them and noted in particular: “Nevertheless, given the great complexity of the migration to IPSAS, it will be necessary to pay special attention to aspects such as the development of the necessary IT equipment, training plan and other activities to ensure the effective implementation of IPSAS, and therefore it would be advisable to increase the resources allocated to this project if necessary.”

33. In line with the IPSAS work plan (CE/88/5(a)) and in addition to EAs mandate under the UNWTO Financial Regulations (FR) (FR, Annex I), the EAs will be requested to audit the UNWTO restated opening balance compliant with IPSAS as at 1 January 2014 as well as review the UNWTO IPSAS pilot financial statements as at 30 September 2014 during the year 2014.

2. Addressing IPSAS-identified risk issues

34. UNWTO “satellites” from the IPSAS perspective. The degree of control by UNWTO of some “satellite” entities may have an impact on UNWTO financial reporting under IPSAS. Three types of separate entities from an IPSAS standpoint and regardless any other perspective (legal form, political, etc.) require special accounting treatment. These are as follows: on one hand (a) controlled entities subject to IPSAS 6 (“Consolidated and Separate Financial Statements”); and, on the other hand, non-controlled entities which can be classified as: (b) associate entities subject to IPSAS 7 (“Investments in Associates”); and, (c) jointly controlled entities subject to IPSAS 8 (“Jointly Controlled Entities”). In addition to this, it is also possible that “satellites” could be “part of UNWTO itself”; therefore, the definition of a separate entity and the corresponding IPSAS will not be applicable as these will be accounted for as any other UNWTO activity or project.

35. In line with IPSAS requirements, a specific set of power and benefit conditions and indicators have to be analysed in order to determine if control and governance exists for financial reporting purposes or it is limited through varying degrees of influence. In 2012, the Secretariat started to carry out an in-depth analysis of some of the current UNWTO satellites in their current form into the framework of IPSAS (IPSAS 6, 7 and 8) which will be finalized this year.

36. As mandated by the GA in resolution A/RES/602(XIX) para. 13 in respect to the “Report on the progress of the reform of the Organization (White Paper)” ((A/19/11)), 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 (from the legal perspective), wherever deemed relevant. Therefore, in this context and until a final structure and relationship would be established and approved by the UNWTO GA, the Organization may not be in a position to apply IPSAS 6, IPSAS 7 or IPSAS 8 to the operations of UNWTO until such changes were implemented.

37. Programming of IT specifications. After a long competitive procurement process started in 2012, a company has been selected to functionally analyse and program the IT specifications to update the current FMIS as explained above. The implementation work began in 2013 and is expected to be

concluded and tested before the end of this year with some fine-tuning to be implemented in the subsequent year. This is however a very critical task within the IPSAS project in the sense that, for IPSAS to be implemented in 2014 the enhanced IT system will need to be operative by early 2014. The UNWTO Governing Bodies will be kept fully informed on the progress made on this task and of any implications to the planned IPSAS implementation date of 1 January 2014.

III. Amendments to the UNWTO Detailed Financial Rules

38. Prior to the implementation of IPSAS it has been necessary to review the UNWTO DFR to amend these, where necessary, when they were in 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.

39. The UNWTO DFR 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 UNWTO Financial Regulations (FR) and the Staff Rules); to capture the EC's decisions and the GA's resolutions; to align them with UNWTO/UN current structure and practices; and, to improve their wording.

40. Therefore, and in order to provide sufficient time for consideration by the PBC and EC as required, three sets of draft amendments to the DFR have been developed with the following timelines.

41. The first draft amended DFR submitted to the EAs (March 2012), to the 55th meeting of the CBF and to the 93rd session of the EC for comments (May/June 2012) (CE/93/5(b) Add.1) was endorsed by the EC (CE/DEC/7(XCIII)).

42. The second draft amended DFR submitted to the 1st meeting of the PBC and to the 94th session of the EC for comments (October 2012) (CE/94/3(III)(a) Add.1) was approved by the EC (CE/DEC/8(XCIV)).

43. The third draft amended DFR was provided to the EAs (March 2013) and has received their support and is submitted to the 2nd meeting of the PBC and to the 95th session of the EC for comments (May/June 2013) as Annex I of this document. For easy reference, all amendments of the third draft amended DFR are shown in block, double underlined italics.

44. Amendments of the third draft amended DFR include an amendment showing the current practice in relation to the regularization of Affiliate Members in arrears, the introduction of the "intangible asset" concept, amendments concerning procurement and study contracts and some wording amendments including those ones aimed to resolve concerns raised in the 95th session of the EC (DFR 5.15 & 8.01) as well as the following annexes:

- Annex IV – Cash Management and Investment Guidelines (new)
- Annex V – Financial Risk Management Principles (new)

45. Concerning procurement, as requested by the "Report on the progress of the reform of the Organization (White Paper)" ((A/19/11)), the DFR have been amended to comply with UN Procurement standards while adapting the rules to the size and resources of the Organization. The proposed rules cover the general principles of procurement including the authority and responsibility within UNWTO, the requirements of competition and the methods of solicitation, the potential exceptions to competition,

cooperation with other UN organizations in procurement, and the establishment and content of written contracts for the procurement of goods or services. Once the DFR on procurement have been approved by the EC and adopted by the Secretary-General, a procurement manual aligned with UN procurement practices will be developed to implement the new DFR.

46. Under regulation 13(1)(a) of the FR of the Organization, approval of the DFR is under the authority of the Secretary-General in consultation with the Council. Approval of all the draft amendments of the DFR by the Secretary-General is expected to take place during 2013, right after which the UNWTO Governing Bodies will be duly informed.

47. The amended DFR will enter into force once IPSAS is operative, targeting 1 January 2014, except paragraphs 11 and 24 of the Annex I (Travel Guidelines) of the amended DFR which will enter into force once approved by the EC.

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

Amended Financial Regulations ¹ (all amendments as per resolution A/RES/598(XIX)) shown <i><u>in block underlined italics</u></i>)	Current Detailed Financial Provisions	Amended Detailed Financial Rules (first draft amendments shown <i><u>in block underlined italics</u></i> ; second draft amendments shown <i><u>in block underlined italics highlighted in grey and third draft amendments shown in block double underlined italics</u></i>)
<p>CHAPTER I</p> <p>APPLICATION</p> <p>Regulation 1</p> <p>The present Regulations shall govern the financial administration of the World Tourism Organization, hereinafter referred to as the Organization. They may be amended only by the General Assembly on the recommendation of the Executive Council. In the event of a conflict between any of these Regulations and the Statutes, the latter shall govern.</p>	<p>CHAPTER I</p> <p>APPLICATION</p> <p>Detailed Financial Provision I</p> <p>Application</p> <p>1.01 These Provisions are established in accordance with Financial Regulation 13(1)(a) and pursuant to the provisions of said Regulations².</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>CHAPTER I</p> <p>APPLICATION</p> <p><u>Detailed Financial Rule 1</u></p> <p>1.01 These <u>Detailed Financial Rules</u> are established in accordance with Financial Regulation 13(1)(a) and pursuant to the provisions of said Regulations³.</p> <p>1.02 The <u>Detailed Financial Rules</u> are applicable to all officials and, irrespective of the source of funds, to all financial transactions of the Organization.</p>

¹ 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)).

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

³ 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).

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 of their publication.	1.03	These <u>Detailed Financial Rules</u> shall be effective as from the date of issue. Any amendments that may be made shall take 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 <u>Detailed Financial Rules</u> , 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 <u>Detailed Financial Rules</u> .
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 <u>Detailed Financial Rules</u> .
		1.07	<u>Officials involved in any action that is contrary to the Financial Regulations, the Detailed Financial Rules, the policies or administrative instructions of the Organization may be held personally responsible for the consequences of such action.</u>

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 manner and at such time as may be

CHAPTER II**FINANCIAL PERIOD****Detailed Financial Rule 2⁴****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 manner and at such time as may be

⁴ DFR: No DFR is needed on Chapter II of the FR.

<p>1. The budget estimates shall relate to <u>revenue</u> 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 <u>revenue</u> and expenditure, into headings and into items.</p>	<p>requested.</p>	<p>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>3.03 The programme of work and <u>budget</u> estimates shall consolidate into a single presentation, as required by Regulation 4 of the Financial Regulations.</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>Plan of Expenditure</p>	<p>Plan of Expenditure</p>
<p>6. Technical cooperation projects shall be financed by means of resources other than the statutory contributions of Members of the Organization.</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 <u>the interests of careful financial</u> management, a Plan of Expenditure for each calendar year is prepared by the Secretary-General <u>taking into account</u> the expected receipts, the <u>financial</u> situation and the experience of previous budgetary periods. The Plan of Expenditure shall be submitted to the first session of the Executive Council of <u>each</u> calendar year.</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 budget⁵

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.

3.08 The Secretary-General is authorized, on a

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.

3.08 The Secretary-General is authorized, on a

⁵ 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.

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.⁶

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 signed⁷.

CHAPTER IV

COLLECTION OF CONTRIBUTIONS

Regulation 6

1. The contributions of Members of the Organization shall be determined according to the scale of assessments adopted by the Assembly.
2. In calculating the assessments for Associate Members, the Assembly shall take into

Detailed Financial Rule V

New Members

- 5.01 A new Member that has not been included in the assessment of contributions shall be required to make a contribution according to the scale applied to Members in the year in which it becomes a Member. This contribution

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 required to make a contribution according to the scale applied to Members in the year in which it becomes a Member. This

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

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

account the special nature of their membership and limited rights they enjoy within the Organization.

3. The contributions payable by Affiliate Members shall be fixed by the Assembly at an amount corresponding to the administrative expenses incurred for the services to be supplied and the execution of their programme of work, established in consultation with the Chairman of the Committee of Affiliate Members.

Regulation 7

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

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.

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.

Regularization of Affiliate Members in arrears

4.02 When an Affiliate Members falls under the provisions of Article 34 of the

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

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.

Organization's Statutes, the Secretary-General shall request the Affiliate Member to settle its arrears or to submit a payment plan within six months of the date of such notification, or to withdraw from the Organization. If such a Member does not comply with this request, the General Assembly, upon a proposal of the Secretary-General, may decide that it has ceased to be an Affiliate Member as from such date as the General Assembly may determine.

Regularization Former Affiliate Members with Bad Debts⁸

4.03 **The debts incurred by former Affiliate Member owing to non-payment of their contributions for five or more years should cease to appear in the Organization's financial statements.**

4.04 **The amounts owed by these former Affiliate Members should be recorded in an additional list of "Former Affiliate Members with Bad Debts". This list will be consulted before new applications are accepted from former Members that may have incurred debts. Such candidates must discharge any**

⁸ **DFR: CE/DEC/8 (LXIII-LXIV), paragraph 3.**

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

outstanding debts before their applications are considered.

4.05

Every year, the former Affiliate Members appearing on this list will be asked to cancel their debts. Any such debts collected will be treated as "miscellaneous revenue".

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;

- 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 or Intangible assets;**
 - (viii) other **voluntary contributions or miscellaneous revenue** without a specific objective.

Management of funds

- 5.04 The Director⁹ 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

⁹ According to the actual structure of the Secretariat.

- the Organization and the trends in exchange 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 General Fund or 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 fund¹⁰
- 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 **specifying or** 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 the use of VCF contributions received.**
- 5.16 **VCF unspent** at the end of a financial year

¹⁰ 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).

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.

5.14. 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.

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

may be carried over **and utilized in** the **following** year.

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.**

5.19 **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.**

5.14.3. 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.

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

Management of cash resources

- 5.20 The Director of Administration is responsible to the Secretary-General for the management, receipt and

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.

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, financial returns **and risk**. 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 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

CHAPTER VI**INTERNAL CONTROL****Regulation 13**

1. The Secretary-General shall:

Detailed Financial Provision VI

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****Detailed Financial Rule 6****General**

- (a) in consultation with the Council establish detailed financial rules in order to ensure efficient financial administration based on principles of economy;
- (b) cause all payments to be made on the basis of supporting vouchers and other documents that ensure that the services or goods have been received and that payment has not previously been made;
- (c) designate the officer or officers who may receive moneys, incur obligations, and make payments on behalf of the Organization;
- (d) maintain an internal financial control which shall provide for an effective current examination or review of financial transactions in order to ensure:
- (i) the regularity of the receipt, custody, and disposition of all financial resources of the Organization;
- (ii) the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the

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 in writing and be fully documented. They must specify the purpose of the proposed expenditure and the allotment to be charged.

Control of expenditure

- 6.04 Except where normal commercial practice so

- 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 made in writing and be fully documented. They must specify the purpose of the proposed expenditure and the allotment to be charged.

Control of expenditure

- 6.06 Except where normal commercial practice

<p>Assembly, or with the purposes specified for Funds in Trust <u>or Voluntary Contributions.</u></p>	<p>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>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>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>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>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>6.06 Payments shall not be made unless supporting documents are certified by the appropriate officials, confirming that:</p>	<p>6.08 Payments shall not be made unless supporting documents are certified by the appropriate officials, confirming that:</p>
<p>4. The Secretary-General may, <u>after full investigation,</u> authorize the writing off of losses of cash, stores, and <u>other</u> assets, provided a statement thereof is submitted to the <u>External</u> Auditors with the accounts.</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>a) services have been rendered or delivery has been completed in accordance with the terms of the purchase order <u>or contract;</u></p> <p>b) the amount is correct and in accordance with the terms of the purchase order <u>or contract.</u></p>
<p><u>5. The Secretary-General may make such ex gratia payments as are deemed to be necessary in the interest of the Organization, provided that a statement of such payments is included in the accounts of the Organization.</u></p>	<p>6.07 Should the Director of Administration feel there is any reason why payment of any claim should be withheld; such claim shall be referred to the Secretary-General.</p>	<p>6.09 Should the Director of Administration feel there is any reason why payment of any claim should be withheld; such claim shall be referred to the Secretary-General.</p>
<p><u>6. The Secretary-General shall establish rules for the procurement of goods and services and other requirements, including</u></p>	<p>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</p>	<p>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</p>

procedures and modalities for conducting procurement.

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 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-

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 travel **guidelines established in accordance to Rule 6.39** 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,

<p>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.</p> <p>(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.</p> <p>(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.</p>	<p>subject to the Secretary-General's authorization. The supporting document for the expenditure shall be checked by the Director of Administration.</p> <p>(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.</p> <p>(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.</p>
<p>Property</p> <p>6.12 (a) <u>Property is defined</u> as supplies,</p>	<p>Property</p> <p>6.14 (a) Property is defined as <u>property</u>,</p>

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 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

plant and equipment and intangible assets 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, plant and equipment and intangible assets valued at or above a threshold defined by the Secretary-General per unit, and with an economic life of more than one year. They shall be carried on the permanent general inventory of property.

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. Works 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 the official use of Sections/Units at Headquarters out of the budget (Part III of the Programme Budget: Section 5).
- (e) Equipment (non-expendable property). Office equipment, including furniture and machines, is provided for the official use of units at Headquarters out of the budget

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 below the threshold defined in paragraph 6.14(c)(1) by the Secretary-General per** unit. Expendable property with a value **at or above a threshold defined by the Secretary-General per** unit is carried on the permanent general inventory of property.

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

	(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 <u>expendable property and supplies</u> is immediately charged as an expense.
		6.16	<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>
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 possible returns to the Organization except:	6.19	Surplus property shall be sold for the best possible return to the Organization except:
	(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;		(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;
	(b) when the destruction of the surplus or		(b) when the destruction of the surplus

unserviceable material will be more economical or when the confidential nature of the materials so warrants;

- (c) when the best interests of the Organization will be served by disposal by gift or at nominal prices to a non-profit organization.

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.

**Replacement of fixed assets
Replacement account¹¹**

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

or unserviceable material is more economical or when the confidential nature of the materials so warrants;

- (c) when the best interest of the Organization is served by disposal by gift or at nominal prices to a non-profit organization.

6.20 Funds proceeding from the sale of **property** may be utilized for the acquisition of substitute **property items**, provided that the sale and acquisition take place during the same financial year.

Replacement Reserve (RR)

6.21 For each financial year budgetary appropriations **may** be established **based on** the **depreciation** determined for the **non-expendable** fixed assets **and intangible assets** acquired in previous financial years, so funds are available for:

- (i) replacement of **non-expendable fixed assets and intangible assets**;

¹¹ Document CE/40/9 (c). Report of the Committee on Budget and Finance (May 1991).

<p>depending on the estimated useful life of each asset.</p> <p>The following fixed assets only shall be considered for replacement:</p> <ul style="list-style-type: none"> - Computer hardware - Document reproduction machinery - Vehicles 	<p>(ii) <u>acquisition of new non-expendable fixed assets and intangible 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;</u></p> <p>(iii) <u>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 Executive Council for confirmation.</u></p>
<p>The following will be credited to this account:</p> <p>(a) the replacement quotas obtained in each financial year;</p> <p>(b) the financial yields generated by the cash balances on this account.</p>	<p>6.22 <u>An amount based on the depreciation and amortization recorded in the Financial Statements of the previous year will be credited to the reserve.</u></p>
<p>The following will be debited to this account:</p> <p>(a) the accumulated depreciation of the</p>	<p>6.23 The reserve will be debited with:</p> <p>(a) <u>Non-appropriated amounts for</u></p>

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;

- (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.

- replacement or acquisition cost of non-expendable fixed assets and intangible assets not exceeding the reserve balance;**
(b) Amounts approved for infrastructure and/or administrative support enhancements not exceeding the reserve balance.

Special Contingency Reserve (SCR)¹³

- 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**

¹³ DFR: Resolution A/RES/572(XVIII) (Bamako, Mali, May 2009) and document A/18/15/Annex 4 Draft programme and budget of the Organization for the period 2010-2011 (October 2009)

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.**
- 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

- 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 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

Procurement**General Principles of Procurement**

- 6.29 **Procurement is the acquisition, by purchase or lease, of expendable property and supplies, property, plant and equipment, as well as intangible assets and other requirements. Procurement functions include all actions necessary for such purpose.**
- 6.30 **The following general principles, which are complementary to one another and of equal importance, shall be given due consideration when exercising the procurement functions of the UNWTO, and shall provide guidance in the absence of specific provisions in these Rules or other UNWTO procurement documentation, including invitations to bid or requests for proposals regarding specific procurement actions:**
- (a) **Best value for money;**
 - (b) **Fairness, integrity and transparency;**
 - (c) **Effective international competition;**
 - (d) **The interest of the UNWTO.**
- 6.31 **Except as provided in Rule 6.35, all**

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.

purchases under these Rules shall be carried out by means of competitive tenders, which will be obtained through invitations to bid, requests for proposals, or informal requests for quotations, as provided in Rule 6.33. Competitive tenders will be evaluated by committees established for that purpose.

Authority and responsibility

- 6.32 *Authority and responsibility for procurement functions at UNWTO shall be as follows:*

(a) *The Secretary-General, responsible for the procurement functions of the UNWTO, shall establish all UNWTO procurement systems and shall designate the officials responsible for performing procurement functions, upon recommendation from the Director of Administration.*

(b) *The Director of Administration shall act as Chief Procurement Officer and shall issue solicitation documents, award and sign all procurement contracts whose*

value exceeds EUR 2,500, provided that sufficient funds have been identified and reserved for that purpose. For the purposes of these Regulations and Rules, procurement contracts include agreements or other written instruments such as purchase orders or contracts, and amendments thereto, that involve a benefit to the UNWTO.

(c) The Secretary-General, upon recommendation from the Director of Administration, shall establish a Procurement Review Committee to render written advice to the Director of Administration on procurement actions leading to the award of procurement contracts to the same vendor whose value exceeds EUR 30,000 per calendar year. Amendments to existing contracts shall not require review by the Procurement Review Committee in the following cases:

(i) when the total value of the contract, including the amendment, does not exceed EUR 30,000;

(ii) when the amount of the amendment does not exceed EUR 5,000.

(d) The Secretary-General, upon recommendation from the Director of Administration, shall establish the composition and the terms of reference of such committee, including the maximum time frame in which it should render its recommendation to the Director of Administration.

(e) Where the advice of the Procurement Review Committee is required, no final action leading to the award or amendment of a procurement contract may be taken before such advice is received. In cases where the Director of Administration decides not to accept the advice of the committee, he or she shall record in writing the reasons for that decision.

Competition

6.33 Consistent with the principles set out in Rule 6.30 and except as otherwise

provided in Rule 6.35, procurement contracts shall be awarded on the basis of effective international competition, and to this end the competitive process shall, as necessary, include:

- (a) Procurement planning for developing an overall procurement strategy and procurement methodologies;
- (b) Market research for identifying potential suppliers;
- (c) Consideration of prudent commercial practices;
- (d) Use of solicitation processes as follows:
 - (i) Informal requests for quotations for contracts whose intended value does not exceed EUR 5,000;
 - (ii) Limited competitive bidding through invitations to bid or requests for proposals addressed to at least five potential bidders, for contracts whose intended value does not exceed EUR 30,000;
 - (iii) Open competitive bidding through invitations to bid and requests for proposals

advertised at least on the UNWTO website for a minimum period of fifteen calendar days for contracts whose intended value exceeds EUR 30,000.

Methods of solicitation

6.34 UNWTO shall use the following methods of solicitation:

- (a) Whenever the nature of the goods or services can be sufficiently specified and the goods or services are readily available in the market, procurement actions shall be carried out by means of invitations to bid, and the contract shall be awarded to the qualified offeror whose bid substantially conforms to the technical requirements of the invitation to bid and has been evaluated as the bid with the lowest cost.
- (b) When the goods or services cannot be sufficiently specified to allow for the use of invitations to bid, procurement actions may be carried out by means of request

for proposals. Requests for proposals shall always include a list of all factors, including price, that will be evaluated and the methodology for their evaluation. The procurement contract shall be awarded to the qualified offeror whose proposal is considered to be the most responsive to the requirements set forth in the request for proposals.

(c) Subject to the provisions in Rule 6.33 (d), procurement of readily available off-the-shelf goods, standard specification commodities, or simple services may be carried out by comparing price quotations obtained from at least three different offerors by means of informal requests for quotations, provided that the process assures competitive prices.

(d) The Director of Administration may, in the interest of the UNWTO, reject any or all bids or proposals for a particular procurement action, recording the reasons for the rejection in

writing, including but not limited to unrealistically low bids, and cancellation of the procurement action.

Exceptions to Competition

6.35 Exceptions to competitive bidding shall only be permitted as follows:

- (a) Procurement actions whose value does not exceed EUR 2,500 per calendar year in contracts awarded to the same vendor may be carried out by direct negotiation with a single supplier.

- (b) The Secretary-General, upon recommendation from the Chief Procurement Officer, may determine for a particular procurement action that using formal methods of solicitation is not in the best interest of the UNWTO:
 - (i) When there is no competitive marketplace for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government

regulation or where the requirement involves a proprietary product or service;

(ii) When there has been a previous determination or there is a need to standardize the requirement;

(iii) When the proposed procurement contract is the result of cooperation with other organizations of the United Nations system, pursuant to Rule 6.36;

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

(v) When, within a reasonable prior period, a formal solicitation has not produced satisfactory results;

- (vi) When the proposed procurement contract is for the purchase or lease of property and plant (real property) and market conditions do not allow for effective competition;
- (vii) When there is an exigency for the requirement;
- (viii) When the Secretary-General otherwise determines that a formal solicitation will not give satisfactory results.
- (c) When a determination is made pursuant to subparagraph (b) above, the Chief Procurement Officer shall record the reasons in writing and may then award a procurement contract, either on the basis of an informal method of solicitation or on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms to the requirement at an acceptable price.

Cooperation

6.36 **The Director of Administration may cooperate with other organizations of the United Nations system to meet the procurement requirements of the UNWTO. The Director of Administration may, as appropriate, enter into agreements for such purposes. Such cooperation may include carrying out common procurement actions together or the UNWTO entering into a contract relying on a procurement decision of another United Nations organization or requesting another United Nations organization to carry out procurement activities on behalf of the UNWTO.**

Written contracts

6.37 **Written procurement contracts shall be used by UNWTO as follows:**

(a) **Written procurement contracts shall be used to formalize every procurement action with a monetary value exceeding EUR 2,500. Such contracts shall, as appropriate, specify in detail:**

(i) **The nature of the products or services being procured;**

- (ii) The quantity being procured;
- (iii) The contract or unit price;
- (iv) The period covered;
- (v) Conditions to be fulfilled, including the UNWTO general conditions of contract and implications for non-delivery;
- (vi) Terms of delivery and disbursement;
- (vii) Name and address of supplier.

(b) For procurement actions whose value does not exceed EUR 2,500, the authorization of funds, together with a quotation from the supplier and the corresponding invoice will suffice in order to document the contract.

(c) The requirement for written procurement contracts shall not be interpreted to restrict the use of any electronic means of data interchange. Before any electronic means of data interchange is used, the Director of Administration shall ensure that the electronic data

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.

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

interchange system is capable of ensuring authentication and confidentiality of the information.

Contracts with individuals

- 6.38 **When the total value of the contract with an individual exceeds EUR 50,000 per calendar year, a selection process will be conducted unless otherwise authorised by the Secretary-General in accordance with article 6.35 (b).**

Travel

- 6.39 **Annex I** to these **Rules** establishes **guidelines** for travel.

Publications

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

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**

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.)¹²

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.

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.

¹² Document CE/55/4(d) Add.1 of the 55th Executive Council (Manila, Philippines, 20-21 May 1997).

(f) <u>Notes, including summary of significant accounting policies.</u>	6.29 Obligations shall be recorded in the accounts of the calendar year in which they are incurred.	7.02 Obligations shall be recorded in the accounts of the financial year in which they are incurred.
2. <u>The Secretary-General shall also submit:</u>	6.30 Receipts shall be credited to the accounts of the calendar year in which the remittance is received.	7.03 Receipts and revenue shall be credited to the accounts of the financial year in accordance with Detailed Financial Rule 5.
(a) the revenue and expenditure of all funds, made in accordance with regulation 4(3);	6.31 Expenditure shall be recorded in the accounts of the calendar year in which it is made.	7.04 Expense shall be recorded in the accounts of the financial year in which it is incurred.
(b) the position of budgetary appropriations, including:	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.
(i) the original budget appropriations;	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.
(ii) the appropriations as modified by transfer;	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,	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
3. <u>The Secretary-General</u> shall also give such other information as may be appropriate to indicate the financial position of the Organization.		
4. The accounts and financial statements of the Organization shall be maintained and presented in Euros. Accounts may, be kept in other currencies when deemed necessary		

by the Secretary-General, provided that this entails no extra cost to the Organization's Members.

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

6. The **financial statements** for each financial year of the financial period shall be submitted by the Secretary-General to the **External Auditors** elected under regulation 15 by 31 March following the end of that financial year.

7. By 30 April each year, the Secretary-General shall submit to the Council the **audited financial statements** of the previous

these records and documents may be destroyed by authorization of the Secretary-General.

General accounts

- 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.

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

have elapsed, these records and documents may be destroyed by authorization of the Secretary-General.

General accounts

- 7.08 The general accounts shall record **revenue and expense**, cash at banks, investments, receivables, **property plant and equipment**, other assets, payables, other liabilities, **reserves including** the Working Capital Fund and **include** trust funds, **voluntary contributions funds**, and 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) **VCF, 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

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.**

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:
 - (i) allotments made;
 - (ii) obligations incurred and liquidated;
 - (iii) expenditure;
 - (iv) unobligated balances;
- (c) periodic statements showing:
 - (i) outstanding contributions;
 - (ii) status of advances to the Working Capital Fund;
 - (iii) the operations and financial position of the Working Capital Fund;
 - (iv) the state of other special funds, if any:

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:
 - (i) allotments made;
 - (ii) obligations incurred and liquidated;
 - (iii) expenditure;
 - (iv) unobligated balances;
- (c) periodic statements showing:
 - (i) outstanding contributions;
 - (ii) status of advances to the Working Capital Fund;
 - (iii) the operations and financial position of the Working Capital Fund;
 - (iv) the state of other special funds, if any

- (d) **periodic statements showing:**
 (i) **status of VCF ; and,**
 (ii) **status of FIT;**

- | | | | |
|-------|--|-------|--|
| (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: | (e) | as early as possible each year detailed <u>statements</u> as at 31 December immediately preceding <u>as follows:</u> |
| (i) | a summary statement of income and expenditure; | (i) | <u>Financial Statements and Notes for each financial period as required under Financial Regulation 14 (1) including comparative information for the previous financial period;</u> |
| (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 <u>outstanding legal</u> obligations as at 31 December for which <u>are charged against budgetary appropriations and</u> 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 | (iv) | a statement of outstanding legal obligations as at 31 December, which shall be charged against the appropriations of the |

- (v) succeeding year;
a statement of trust 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;
- (vii) a statement of both stores and cash losses which have been incurred during the year indicating how these have been dealt with in the accounts;

- (v) succeeding year;
a statement of **FIT, VCF** 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;
- (vii) a statement of cash and **other assets** losses which have been incurred during the year indicating how these have been dealt with in the accounts;

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.

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

CHAPTER VIII

External audit

- 8.01 All funds and accounts of the organization including the GF, VCF and FIT are subject to audit each year by the External Auditors of the organization.**

Regulation 16

1. The audit shall be conducted each year in conformity with generally accepted common audit standards and, subject to any special directions of the Assembly, in accordance with the additional terms of reference set out in the annex to the present Regulations.
2. In addition to auditing, the External Auditors may make any observations they consider necessary with respect to the efficiency of the financial procedures and administration, the accounting system, the internal financial controls and, in general, the financial consequences of administrative practices. They shall carry out their duties in accordance with the provisions of Article 26(2) of the Statutes.
3. The External Auditors shall be independent and solely responsible for the conduct of the audit.
4. The Council may request the External Auditors to perform certain specific examinations and submit separate reports on the results.
5. The Secretary-General shall provide the External Auditors with the facilities they may require in the performance of the audit.

details of the private lives of officials, may be made available to the Auditors only if requested specifically for purposes of their control.

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 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,

ANNEXES TO THE DETAILED FINANCIAL RULES OF THE WORLD TOURISM ORGANIZATION

Annex I – Travel Guidelines

(in accordance with Detailed Financial Rule 6.39)

1. The purpose of these guidelines is to describe the criteria and procedures applicable to official travel outside the area of duty station and to travel of staff members and families under the Staff Rules and Regulations of the Organization (SRR 21).

Categories of travel

2. The official travel categories are as follows:
 - (i) Mission travel: travel on official business
 - (ii) Entitlement travel: travel on appointment, travel on separation, home leave travel and education travel.

Eligibility to travel

3. Mission travel applies to staff, collaborators (including those working away from Headquarters), experts serving in official and technical meetings and, members of governing bodies and subsidiary bodies. Entitlement travel applies to staff and family members, in

surpluses and deficits.

2. The ***External*** Auditors shall be the sole judges as to the acceptance wholly or partly of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as they choose of all financial records, including those relating to supplies and equipment.
3. The ***External*** Auditors shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Auditors, necessary for the performance of the audit. The ***External*** Auditors shall respect the confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit.
4. The ***External*** Auditors shall have no power to disallow items in the accounts and ***financial statements*** but shall draw to the attention of the 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.

accordance with Staff Rules and Regulations.

4. Travellers are responsible for certifying that travel is completed as planned and for keeping the necessary evidence for audit purposes, until the final approval of the Organization's accounts by the General Assembly.

Authorization

5. All official travel shall be authorized by the Secretary-General. No ticket reservation or payment of DSA will be made without such authorization.

Standards of travel and accommodation

Mode of transportation

6. The mode of transportation shall be based on an economy and efficiency criteria, using the most cost-effective travel option.
7. The Secretary General may travel first class.
8. The standards of air travel is at economy class in the most direct and economical route as determined by the Director of Administration. In line with UN standards, for travel of nine hours or more, one class above economy may be granted.

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**

9. The standards of rail, bus or sea travel shall be at an equivalent of economy class, except for travel of nine hours or more, when one class above economy may be granted. When conditions warrant it, such as schedule, security, etc., the Secretary-General may grant an upgrade upon recommendation of the Director of Administration.
10. Travel by private motor car may be undertaken at the traveller's request if not exceeding the most cost effective travel option under arrangements made by the Organization for air, rail, bus or sea travel. Reimbursement of travel by private motor car is calculated in accordance with mileage rates established by the Secretary General.

Hotels

11. Travellers will be reimbursed for the expenses incurred in the accommodation of their choice in accordance with the DSA (Daily Subsistence Allowance) rates of the ICSC (International Civil Servant Commission), as stated in article 21 of this Annex. Exceptionally, the Secretary-General, upon recommendation of the Director of Administration, may authorise a higher reimbursement when conditions warrant it and a specific hotel has to be booked.

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;

Deviations from the standards of travel and accommodation in mission travel

12. If a traveller wishes to travel or take accommodation at a class higher than approved standard, the traveller may be permitted to do so by the Secretary-General provided she/he pays the difference in cost.

13. Exceptions to the mode of transportation for mission travel may be approved by the Secretary General when special circumstances warrant it, such as for medical condition of the traveller, non-availability of the applicable standard, eminent persons, persons donating services free of charge and travel journeys considered of an arduous nature.

Travel time and rest periods

Travel time

14. Travel time is calculated on the basis of the most direct and economical route, and any additional time is to be deducted from the traveller's annual leave or, in the case of collaborators, from remuneration

15. If a traveller wishes to take leave during mission travel, she/he should disclose the leave dates when requesting the official travel and have her/his official leave sheet signed

- (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);

before leaving on official travel.

Rest periods

16. For travel by air or mostly by air, travellers shall be entitled to rest periods before commencing duties or a stopover for rest purposes as follows:
- (i) If the scheduled travel time is from ten to twelve hours, in normal circumstances the traveller will not be obliged to take up her/his duties in the twelve hours following his arrival.
 - (ii) If, after a stopover of not more than twelve hours, the duration of a journey is more than ten hours, the traveller will not have to assume her/his duties in the twelve hours following his arrival (half a day on the outward journey and half a day on the return journey). This will be applicable only if the duration of travel before the stopover exceeds ten hours.
 - (iii) If the travel time exceeds twelve hours, in normal circumstances the traveller will not have to assume her/his duties in the twenty-four hours (one day) following her/his arrival at the destination.
 - (iv) There will be no entitlement to a rest period for day-time travel lasting less

- (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.

- than ten hours.
- (v) If the rest period falls on a public holiday, a Saturday or a Sunday, the traveller will not be granted a compensatory working day off.
 - (vi) If a traveller is asked to travel on mission on a non-working day, she/he will not be granted any compensatory time off.
 - (vii) For long journeys by air (ten to twelve hours), per diem for an extra day in lieu of the rest day is not payable.

Changes in official travel

17. Any changes to authorised official travel must be submitted in writing before undertaking the travel. Changes will be made only when approved by the Secretary-General.
18. On conclusion of an official travel, any change occurred in the travel arrangements owing to unforeseen circumstances after commencing the official travel, particularly, any change affecting the calculation of the DSA as established in article 21 below shall be reported within two weeks after the conclusion of such travel for its approval

Travel advances

Daily Subsistence Allowance (Per Diem)

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.***
19. The daily subsistence allowance (DSA) (or per diem) are paid at the rates established by the United Nations through the International Civil Servant Commission (ICSC).
 20. The DSA is calculated on a twenty-four hour basis, account being taken of the nights spent away from the duty station. If outward and return travel is undertaken on the same day, without an overnight stay and with a travel duration of no less than ten hours, half the DSA will be paid. If outward and return travel is undertaken on different days, with at least an overnight stay and with a difference between the departure time and the arrival time of no less than ten hours, half the DSA will be paid.
 21. The DSA is broken down as follows:
 - (i) 50 per cent for accommodation. If the government or host body provides free accommodation, the subsistence allowance will be reduced by the same percentage;
 - (ii) 30 per cent for meals (12% lunch, 12% dinner and 6% breakfast). The allowance will also be reduced if meals are provided free of charge in the same conditions as accommodation (see paragraph (i) above);
 - (iii) 20 per cent for miscellaneous

expenses at the mission destination:
taxi, bus, train and underground
(subway) fares, telephone calls (local)
and other incidental expenses;

Terminal expenses

22. Terminal expenses cover the costs of travel to and from the port of entry and the hotel and are additional to the DSA.
23. If transfer were provided to the traveller through UNWTO's or a host organization's own transportation means terminal expenses are not claimable.
24. DSA and terminal expenses may be paid in advance, in order to simplify processing and reduce transaction costs.

In-kind travel

25. The Secretary-General may accept in-kind travel from donors for purposes in line with the mission of the Organization. This includes travel by eligible travellers to meetings when they have been authorized by the Secretary-General to attend in an official capacity.
26. Most common forms of in-kind travel are tickets, accommodation, meals or other miscellaneous travel costs at the country of

destination.

27. Prior to the acceptance of in-kind travel by the Secretary-General, the following requirements shall be determined:

- (i) that the travel is for travel related to the traveller's official duties;
- (ii) that the travel is for attendance at a meeting or similar function in line with the mission of the Organization;
- (iii) the donor of the travel,
- (iv) the nature/form of the travel,
- (v) that the in-kind travel offered is in conformity with UNWTO travel standards as established in these Guidelines and with UNWTO rules, regulations and policies,
- (vi) the cost of travel or the best possible estimate equivalent to fair value of such travel.

Entitlement travel

Travel on Home Leave

28. Staff entitled to home leave under the provisions of Staff Rule 18(1) will be entitled to payment of the travel expenses defined in Staff Rule 18(1).

29. Travel in connection with home leave will normally take place in the company of the

family members of the staff in respect of whom she/he is entitled to family allowances (Staff Rule 21(2)). Exceptionally, the Secretary-General may authorize one of the staff's family members to travel separately.

30. The travel time allowed is one day for each outward and return journey of less than ten hours and two days for each outward and return journey of more than ten hours. If, for the convenience of an official, the Secretary-General authorizes travel by private motor car or by sea, the travel rest period will be calculated on the basis of the most direct route by air or rail.
31. For journeys on home leave, staff members are not permitted to travel in a class above economy.

Education Travel

32. Staff entitled for education travel under paragraph (d) of Staff Rule 13(6) for attendance at an educational institution outside the area of the duty station, will be paid, once every school year, for the child's return travel expenses between the educational institution and the duty station in accordance with paragraph (1) of Staff Rule 13(6) and provided that the period between two official journeys chargeable to the

Organization is not less than six months.

Travel on appointment and on separation

33. Staff entitled to travel on appointment and on separation, will be paid for travel expenses defined in Staff Rule 21(1).
34. Travel in connection with appointment and separation will normally take place in the company of the family members of the official in respect of whom she/he is entitled to family allowances (Staff Rule 21(2)). Exceptionally, the Secretary-General may authorize one of the official's family members to travel separately.
35. No DSA will be payable for travel undertaken for entitlement travel (travel on appointment, travel on separation, home leave travel and education travel).

Travel under the lump-sum option

36. For mission travel, external collaborators working away from Headquarters, experts serving in official and technical meetings and, members of governing bodies and subsidiary bodies may be provided with a lump-sum payment in lieu of all entitlements related to the particular travel.

37. The lump sum option for travel consists of a payment made to the traveller to make her/his own travel arrangements. This amount is deemed to cover all travel expenses including all other related entitlements such as surface transportation within the destination, DSA for stopovers, terminal expenses, accompanied excess baggage and unaccompanied shipment, insurance, visas, etc.. No additional payment will be made once the option has been exercised.
38. The lump-sum payment not exceed 100 per cent of the most cost-effective ticket fare plus 100 per cent of the DSA and terminal expenses which would correspond to the particular travel under the arrangements made by the Organization. The lump-sum option shall not be available on a partial basis.
39. Under the lump-sum option, the Organization may request the traveller to submit an evidence of the completion of the travel.

Travel Claims for official travel other than the lump-sum option

40. Exceptional expenses not covered by the DSA, such as airport taxes, passport and visa fees, vaccination costs, taxi fares for the transport of heavy documents and material necessary for the official mission,

communication costs, etc. may be claimed. Any purchase made for work purposes during an official mission and for which reimbursement is requested are considered property of the Organization.

41. All reimbursement requests other than those normally covered by the DSA, should be accompanied by the corresponding invoices, receipts, vouchers and, if applicable, by travel tickets. Claims in respect of official travel shall be submitted within two weeks after such travel has been completed.
42. If, on review of the claim, it is determined that the travel advance exceeded the amount of reimbursable travel expenses, the traveller shall be informed of the amount of overpayment, which shall be recovered through payroll or deducted from other payments due.

Official travel inside the area of the duty station

43. Attendance to official activities inside the area of the duty station is not considered mission travel.
44. When a duty station is considered safe and secure according to UN standards, the mode of transportation will be the use of suitable public transport modalities (metro, bus) if

available. In exceptional cases approved by the Secretary General or when a duty station is not considered safe and secure based on UN standards, taxi, private car or other mode of transport may also be considered.

Annex II – Publications Guidelines

(in accordance with Detailed Financial Rule 6.40)

1. Dissemination and sharing of knowledge and information generated within the Organization is part of the Organization's mandate. One of the means to achieve this goal is through the distribution of publications.
2. The purpose of these guidelines is to provide the criteria and procedures applicable to financial events and transactions related to publications.

Definitions

3. Throughout these guidelines the following terms are used:
 - (i) **Publications:** refers to books, periodicals and other publications in print or electronic form;
 - (ii) **Inventories:** refers to unsold printed publications;
 - (iii) **Copyright:** refers to the rights on UNWTO

publications and works, including the right to use or authorize others to use them on agreed terms; ;

- (iv) **Publishing activity:** refers to the management of the publication function within the General Fund.

General Guidelines

4. The Secretary General shall authorize contents for publication
5. The Secretary-General may enter into contracts with external parties for the reproduction, distribution, consignment of the Organization's publications and other similar contracts.
6. Pricing of the different forms of publications shall take into consideration cost recovery, market trends and profit maximization.

Revenues from the publishing activity

7. Revenues from the publishing activity shall be accounted for in a separate account.
8. The main sources of revenue are as follows:
 - (i) **Virtual sales:** sales of e-books and fees for access to the e-library are invoiced and recognized as revenues within the financial period when the access to the virtual

- publications is made;
- (ii) **Sale of printed copies:** sales of printed publications are invoiced and recognized as revenues upon shipment/dispatch except for sale of publications on consignment, revenue for which is recognized upon sale to the end-user ;
 - (iii) **Royalties:** revenues from copyright are invoiced and recognized upon access to use the publications;
 - (iv) **Subscriptions:** payments from subscriptions are invoiced upon receipt and recognized as revenues as earned.

9. The Secretary General may consider allocating revenues from other sources to the publishing activity.

Sales returns and sales discounts

- 10. Contracts with distributors may include a clause regarding return of unsold copies within a defined period. Sales returns shall be accounted for separately from sales.
- 11. A provision for sales returns may be recognized in the Financial Statements.
- 12. Discounts may be granted to selected clients and shall be accounted for separately from sales.

Inventories*Type of Inventories and Valuation*

13. Unsold publications shall be reported as inventory and valued in accordance with UNWTO accounting policies which are IPSAS compliant.
14. Members of the Organization are provided with free copies of publications. As most free publications are immediately distributed and expensed after production, any residual inventories considered as free publications are immaterial for inventory valuation purposes.
15. Raw materials are expensed on delivery and are not considered sufficiently material to be included as inventory.

Physical Inventory

16. At the end of each financial year, a physical count of publications held for sale shall be conducted. Material discrepancies between actual count and recorded balances shall be verified and explained.

Cost of inventories

17. The carrying cost of unsold publications held for sale including publications on consignment, shall be computed in accordance with UNWTO

accounting policies and recognized as an expense in the financial period in which the related revenue is recognized.

18. An inventory list, certified by the distributor, may serve as basis for computing the carrying cost of books on consignment.

Write-down of inventories

19. At the end of each financial year, inventory of unsold publications shall be evaluated to determine any impairment in respect of their salability and/or obsolescence. Publications considered obsolete and/or no longer in demand may be removed from the publications catalogue of the Organization and written off.

Expenses and costs of the publishing activity

20. The generation and production of the content is considered part of the Organization's mandate as defined in paragraph 1, therefore expenses on generation and production of content shall not be part of production expenses.
21. Main type of expenses are as follows:
- (i) **Production expenses:** expenses incurred in the publication process which include all

direct materials, direct labour, and allocated overhead expenses, when determinable;

- (ii) **Selling expenses:** expenses incurred to market and sell publications;
- (iii) **Administrative expenses:** expenses of the publishing activity other than production or selling expenses.

Receipts, disbursements and accounting

- 22. The Organization may maintain a separate bank account, to which sales remittances are to be deposited.
- 23. All financial transactions for the publication activity are to be made in accordance with UNWTO Financial Regulations and Detailed Financial Rules.

Annex III – Cost Recovery Guidelines **(in accordance with Detailed Financial Rules 5.13 and 5.19)**

Introduction

- 1. This annex to the Detailed Financial Rules (DFR) sets out the guidelines to ensure that all costs incurred in the utilization of FIT and VCF are charged against the contribution received and sets the Project Support Costs (PSC) rate.

Legal Framework

2. The recovery of costs related to FIT and VCF, including PSC is established in the Financial Regulations (FR) and Detailed Financial Rules:
 1. Financial Regulation 10.3 (FIT)
 1. A fee shall be charged by the Organization for administering these funds.
 1. All costs relating to any Funds in Trust shall be a charge against the voluntary contributions concerned. ...
 2. Financial Regulation 10.4 (VCF)
 1. The fund shall be charged with the expenditures related to the activities ...
 2. Detailed Financial Rule 5.13 (FIT)

Project support costs on FIT shall be charged at a rate authorized by the Secretary General and in accordance with the cost recovery guidelines under Annex III to the rules.
 3. Detailed Financial Rule 5.19 (VCF)

Project support costs on VCF shall be charged at a rate authorized by the Secretary General and in accordance with

the cost recovery guidelines under Annex III to the rules.

Cost Recovery Principles¹⁴

4. UNWTO has adopted the principles for cost recovery set out by UN system organizations, whereby “all direct costs involved in extra budgetary projects should be charged directly to projects and all related variable indirect costs (programme support costs) should be recovered”. In the context of UNWTO, “extra budgetary projects” are those funded through voluntary contributions.

Cost Categories¹⁵

5. UNWTO has adopted the cost classification definitions agreed by UN system organizations, which are deemed to fall into three categories as follows:
 - (i) **Direct Costs:** *All costs that are incurred for and can be traced in full to organisation’s activities, projects and programmes in fulfilment of its mandate. This cost category includes costs of project personnel, equipment, project*

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premises, travel and any other input necessary to achieve the results and objectives set out in programmes and projects. All these costs are recoverable and should be charged directly to the projects.

- (ii) **Variable Indirect Costs (referred to as Project Support Costs in these Guidelines):** All costs that are incurred by the organisation as a function and in support of activities, projects and programmes, and which cannot be traced unequivocally to specific activities, project or programmes. These costs typically include service and administrative units, as well as their related system and operation. Usually referred to as Programme Support Costs (PSC), these costs should be recovered in one way or another (as a percentage rate, or as a cost component of the project direct costs).
- (iii) **Fixed Indirect Costs:** All costs that are incurred by the organisation regardless of the scope and level of its activities, and which cannot be traced unequivocally to specific activities, projects or programmes. These costs typically include the top management of an organisation, its corporate costs and

statutory bodies not related to service provision. These costs should be financed by regular/core resources.

Acceptance of Voluntary Contributions

6. Voluntary contributions accepted by UNWTO must meet the requirements of the FR and DFR in respect of cost recovery and shall cover all direct costs and project support costs as defined above.
7. Fixed indirect costs are financed by regular resources and are not subject to these cost recovery Guidelines.

PSC Rate

8. The Secretary –General has determined that a project support costs rate of at least 7% shall be applied to all voluntary contributions received¹⁶.

Waiver or reduction of PSC

9. The Secretary-General may, in exceptional cases, decide to reduce or waive the PSC. All requests for reduction or waiver must be made in writing, include an appropriate justification

16 This means that if the direct costs of a project are estimated at Euro 10,000 the PSC is determined at Euro 700 and the contribution is Euro 10,700. Alternatively if the voluntary contribution is Euro 10,000 then the PSC is Euro 655 and the direct costs limited to Euro 9,345.

and be submitted to the Director of Administration who will provide his recommendation on it to the Secretary-General for his/her decision.

PSC Revenue recognition

10. Unconditional voluntary contributions are recorded as VCF or FIT revenue, including the PSC component, at the date the voluntary contribution is confirmed in writing or the agreement is signed. The PSC component of the VCF or FIT revenue is separately accounted for on receipt of the cash proportionate to the amount received.
11. Conditional voluntary contributions are recorded as VCF or FIT revenue, including the PSC component, when the conditions are met. The PSC component of the VCF or FIT revenue is separately accounted for once conditions are met.
12. On completion of the project (substantive and financial implementation) any excess of PSC recovered based on actual direct costs is accounted for in accordance with the donor agreement or retained and utilized within the VCF.

Utilization of PSC

13. As described in paragraph 5(ii) of the annex on Cost Recovery Guidelines to the DFR, the PSC is charged for the purpose of covering variable indirect costs for administration, managerial, systems and financial services, including reporting.
14. PSC earned and any excess of PSC recovered are managed for budgetary purposes through a project account under the VCF. The Secretary General may authorise its transfer, partly or in full to the General Fund for another use.
15. PSC is made available for expenditure in the following financial period.
16. The Secretary-General will approve budget proposals for the utilization of PSC under the VCF on the recommendation of the Director of Administration.
17. PSC expenditures are classified by nature as for all other expenditures in UNWTO.

Annex IV – Detailed Cash Management and Investment Guidelines – NEW TEXT
(in accordance with Detailed Financial Rule 5.26)

Introduction

1. This annex to the DFR sets out the guidelines for the management of cash resources to ensure that policies and procedures are set out to ensure that cash holdings are secure, liquid and provide a reasonable return. The guidelines also cover currency management and exchange, and the management of financial risk.

Legal Framework

2. The FR and DFR establish the responsibilities and authority in respect of cash management and investment as follows:
 1. Financial 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. Financial 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.
 3. Detailed Financial Rule 5.20
(Management of cash resources)

The Director of Administration is responsible to the Secretary-General for the management, receipt and disbursement of all cash resources of the Organization.

4. Detailed Financial Rule 5.21
(Management of cash resources)

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, financial returns and risk. 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. Detailed Financial Rule 5.22
(Management of cash resources)

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 Annex IV.

6. Detailed Financial Rule 5.23
(Management of cash resources)

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.

7. Detailed Financial Rule 5.24
(Management of cash resources)

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.

8. Detailed Financial Rule 5.25
(Management of cash resources)

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.

9. Detailed Financial Rule 5.26
(Management of cash resources)

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

10. Detailed Financial Rule 6.11 (Imprest cash)

Imprest cash amounts to be fixed in each case shall be made where necessary to officials.

Elements of Cash Management and Investment

3. The three main elements are the following:

- (i) Cash management to ensure effective control over cash resources and the maintenance of sufficient cash resources to meet short-term financial obligations and unforeseen outgoings,
- (ii) Foreign exchange management to ensure that currency risk is minimized through the maintenance of cash resources in the functional currency of Euro and other currency holdings are limited to foreseeable disbursement requirements in that currency and,
- (iii) Investment management to preserve the principal, ensure liquidity and achieve a reasonable rate of return.

Cash Management*Selection of Banks and Financial Institutions*

4. The selection of banks and financial institutions for cash and investment accounts will be made after a competitive procurement process comparing the quality of services offered, the cost of services, the international rating of the banks and return on funds. The selection process may be undertaken every seven years or earlier should there be a deterioration in the operating conditions or of the bank/financial institution's international rating.
5. The number of bank accounts at the headquarters location will be limited to the extent possible while ensuring appropriate monitoring of the cash balances.

Cash Flow and Monitoring

6. Cash flow forecasts (Euro and US\$) will be made on a monthly basis and be signed off by the Director of Administration.
7. Bank balances will be monitored on a daily basis and excess of cash not required for short-term requirements may be transferred to higher interest earning or investment accounts.

Receipts

8. All cash received must be secured and banked at the earliest opportunity.
9. Cheques will be endorsed "For deposit only to the account of UNWTO" and deposited at the earliest opportunity.
10. All receipts including those received directly into a UNWTO bank account will be recorded on a regular basis and at least once each week.
11. Numbered receipts will be issued for all cash and cheque receipts

Disbursement

12. Designated disbursement signatories will be informed in writing of their responsibilities and a register of signatories should be held.
13. The disbursement signatory ensures that the payment request (i) has been financially verified as certified and approved (ii) is supported by documentary evidence and (iii) the payee and transfer information is correct.
14. Disbursements may be made by cheque, letter or electronic bank transfer, which will require joint signatures in all cases.. Officials

designated as signatories are also authorised to effect electronic transfers.

Bank Reconciliation

15. Reconciliations of bank statements with the UNWTO accounting records prepared will be completed within 5 days of the month end.
16. A complete bank reconciliation statement will be signed off by the Director of Administration.
17. Any unpresented cheques will be transferred to accounts payable when appropriate. In the event that a debt becomes unpayable due to lack of action by the creditor the amount may be credited as miscellaneous revenue.

Imprest and Petty Cash Accounts

18. Imprest accounts may be opened in non-Headquarters locations.
19. The opening of an imprest account must be authorized by the Director of Administration.
20. Imprest accounts will be operated as joint signature accounts unless, for practical reason a single signatory is approved by the Director of Administration.
21. Imprest accounts will be sourced by fund

transfers from Headquarters (HQ) accounts.

22. Petty cash authorised by the Director of Administration and held for minor disbursements will be kept in a locked secure environment and records of all transactions properly maintained. The Director of Administration will ensure that cash counts are performed periodically of petty cash accounts.

UNDP/other UN system organisation services

23. UNWTO offices outside of Headquarters, in locations where the organization does not maintain bank or imprest accounts, may use the treasury services of UNDP or other UN system organisations. Transfers will be made from UNWTO to UNDP/other UN system organisation Headquarters or directly to their country offices. This account will be reconciled each month similarly to bank reconciliations.

Foreign Exchange

24. Currencies other than Euro will be held only to the extent that such currencies are expected to be utilised within an appropriate period of time.
25. Currencies not required as above will be converted to Euro at the earliest opportunity.
26. The sale or purchase of material amounts of

currencies will be made on a competitive basis.

Investments

27. Investments will be normally limited to bank deposits with a limited investment periods. Investments held in respect of employee liabilities may include long term financial instruments such as fixed-income securities.
28. Short-term investments will be made on the basis of a comparison of interest rates from two approved banks. Each short-term investment is backed by documentation setting out:
- (i) Date of the transaction
 - (ii) Amount
 - (iii) Term of the deposit
 - (iv) Banks and interest rates compared
 - (v) Bank and interest rate selected
 - (vi) Sign off by the Director of Administration
29. Investments of more than one year will be made in accordance with the investment policies approved by the Secretary-General.
30. The Director of Administration will be responsible for implementing the investment policies and periodically reports to the Secretary General on investment, cash and

foreign exchange management issues.

Annex V – Financial Risk Management Principles – NEW TEXT
(in accordance with Detailed Financial Rule 6.02)

Introduction

1. This annex to the DFR sets out the policies for the management of financial risk.

Mandate

2. The disclosure of financial risk management policies is required under International Public Sector Accounting Standards.

Financial Risk

3. The financial risks faced by UNWTO are classified as follows:
 - (i) Exchange rate risk
 - (ii) Interest rate risk
 - (iii) Credit risk
 - (iv) Counterpart risk

Management of Financial Risk

4. Being exposed to financial risks related to exchange rate variations, interest rates

variations, credit risk for banks/financial institutions and debtors and counterpart risk, UNWTO shall keep under constant review the extent of the financial risk exposure.

5. Current financial risk management policies will be reported to the Council together with the Organization's Financial Statements.

Exchange risk

6. UNWTO will minimise its exchange rate risk by limiting its holdings in currencies other than the Euro to expected disbursement levels. Receivables and payables in non-euro currencies will be settled promptly to minimize exchange rate risk.
7. UNWTO will use the United Nations Rate of Exchange (UNORE) to account for transactions in currencies other than the Euro to limit the exchange rate risk.
8. Year-end revaluations of non-Euro assets and liabilities will be made using the UNORE at the 31 December.

Interest rate risk

9. Interest rate risk will be managed by limiting investments to limited periods. Investments for long term employee liabilities may be based on

asset/liability analysis and subsequent invest decisions. Risk management procedures for long-term investments are set out in the investment policies.

Credit risk

10. Credit risk with Banks and Financial Institutions will be managed through a competitive procurement process including risk mitigation criteria and through a regular review of the bank/financial institution profiles and performance.
11. Credit risk on receivables being mostly related to the payment of member State contributions, will be managed by using the Working Capital Fund and by restricting expenditures to available cash resources and through the regular reporting to the Council of the Organisation's financial situation and status of unpaid member state contributions. Other risks on receivables will be managed in accordance to their nature and materiality.

Counterpart risk

12. The counterpart risks for longer-term investment instruments are set out in the investment policies approved by the Secretary-General.

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 %
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.