

FINANCIAL REGULATIONS AND FINANCIAL RULES

Edition 2005



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**FINANCIAL REGULATIONS
AND FINANCIAL RULES
OF THE INTERNATIONAL
TELECOMMUNICATION UNION**

PREAMBLE

1. The finances of the Union are governed by the relevant provisions of the Constitution and the Convention of the International Telecommunication Union, hereinafter referred to as "the Constitution" and "the Convention", the present Financial Regulations, the decisions and resolutions adopted by the Plenipotentiary Conference and the decisions and resolutions taken by the Council in accordance with such provisions.
2. The provisions of the present Regulations apply to the financial aspects of all activities of the Union. However, in matters relating to projects financed by the United Nations Development Programme (UNDP) and not covered by these Regulations, the relevant provisions of the UNDP financial regulations shall be applicable as far as possible.
3. The Secretary-General shall establish and promulgate Financial Rules for the implementation of these Financial Regulations in order to ensure effective and efficient financial management. The Financial Rules shall be compatible with these Financial Regulations. Should there be any incompatibility or discrepancy between the Financial Rules and these Financial Regulations, the latter shall prevail. The Financial Rules and their amendments shall enter into force when promulgated by the Secretary-General. The ITU Council shall be informed by the Secretary-General of any amendments to the Financial Rules.

SECTION I

General provisions

Article 1

Management and control of the finances of the Union

1. The Secretary-General shall be responsible to the Council for all the financial aspects of the Union's activities. Any delegation of authority shall be based on that principle. The Secretary-General may delegate to other officials of the Union such authority as he considers necessary for the efficient and effective implementation of these Financial Regulations and any rules and instructions issued under these Regulations.
2. In order to permit the Secretary-General to carry out the financial responsibilities incumbent upon him, the financial services shall be centralized in the General Secretariat and shall be so organized as to ensure:
 - a) the keeping of clear and full accounts for all the financial operations of the Union and the setting up of the financial statements in accordance with the applicable United Nations System Accounting Standards;
 - b) the supervision of all budgetary operations and, in particular, commitments to expenditure;
 - c) the application of all the provisions of the present Regulations;
 - d) the administration of the pension funds, in accordance with the regulations and agreements in force.
3. The following committees shall assist the Secretary-General in carrying out his financial responsibilities:
 - a) the Coordination Committee;
 - b) the Contracts Committee.
4. The Coordination Committee shall assist and advise the Secretary-General on all general financial questions, or on those concerning more than one Sector.

5. The Contracts Committee shall assist the Secretary-General in the examination of projects for contracts to be concluded by the Union, the amount of which exceeds a limit to be set by the Secretary-General. It shall make recommendations on how to fulfil the proposed requirements bearing in mind economy, quality and the best interests of the Union. Its membership shall be determined by the Secretary-General, in consultation with the Coordination Committee. Its terms of reference and the procedures to be followed for the conclusion of contracts by the Union shall be established by the Secretary-General, in consultation with the Coordination Committee.

Rule 1.1

Delegation of authority

The Secretary-General may delegate his authority to implement the Financial Regulations, Rules and Instructions, subject to any limitations set forth elsewhere in these Rules. Such delegations of authority shall be made in writing. Staff members to whom the Secretary-General has delegated authority for the implementation of the Financial Regulations, Rules and Instructions are responsible for the correct and proper exercise of such authority. Any staff member who takes any action contrary to the Financial Regulations, Rules and Instructions issued in connection therewith, may be subject to disciplinary measures in accordance with the Staff Regulations and Rules. Delegations of authority to other staff members do not relieve the Secretary-General from his overall responsibility.

SECTION II

Budget of the Union and ITU TELECOM budget

Article 2

Structure and universal nature of the Budget of the Union

1.
 - a) The Budget of the Union shall be based on the decisions taken by the Plenipotentiary Conference, in particular those concerning the Strategic Plan, the Financial Plan and the financial limits adopted. It should be correlated with priorities set out in the Strategic Plan and should include all activities/outputs, and related costs, listed in the operational plans.
 - b) The Budget of the Union shall consolidate the appropriations for the:
 - i) General Secretariat;
 - ii) Radiocommunication Sector;
 - iii) Telecommunication Standardization Sector;
 - iv) Telecommunication Development Sector;

For the purpose of the present Regulations, references to the term "Sector(s)" shall include the General Secretariat.
 - c) Income and expenditure not included in the Budget are governed by the relevant provisions contained in Section IV of these regulations.
2. All expenditure entered in the Budget of the Union shall be covered by income included therein. Details of income and expenditure shall be shown separately. Income shall not be offset against expenditure so as to show only balances. Activities which are subject to cost recovery are segregated in the Budget of the Union as decided by the Council.

3. The Budget of the Union shall comprise:
- a) any expenditure of the Union as defined in the relevant provisions of the instruments enumerated in paragraph 1 of the Preamble to the present Regulations;
 - b) any income of the Union calculated to cover such expenditure derived from the contributions of its Member States, Sector Members and Associates as well as from other sources enumerated in Article 7 of these Regulations.

Article 3

ITU TELECOM world and regional exhibitions

An administrative/core budget for ITU TELECOM world and regional telecommunication exhibitions shall be prepared and submitted to the Council as an appendix to the draft Budget of the Union.

Article 4

Financial limits

The Budget of the Union must not exceed the limits set by the Plenipotentiary Conference.

Article 5

Budgetary period

The Budget of the Union shall cover a budgetary period of two consecutive calendar years beginning on 1 January of an even-numbered year.

Article 6

Budget of the Union – Expenditure

1. The Budget of the Union shall show appropriations by Section, as follows:

Section 1	Plenipotentiary Conference
Section 2	Council
Section 3	World Conferences and Assemblies
Section 4	Regional Conferences
Section 5	Radio Regulations Board and Advisory Groups
Section 6	Study Groups
Section 7	Activities and Programmes
Section 8	Seminars
Section 9	Bureaux
Section 10	Payments into the Reserve Account
Section 11	Retirees

Each conference and assembly shall constitute a separate subsection within the section concerned. Any other meeting may also constitute such a subsection.

2. The above sections may be further subdivided, as necessary, into subsections.

3. Each section and subsection is divided into staff costs and non-staff costs, as outlined in the Financial Rules.

4. Expenditure shall be shown separately for each section and subsection, also indicating staff costs and non-staff costs.

5. The Budget of the Union shall contain such further schedules and information as may be deemed necessary and useful to justify the appropriations.

Rule 6.1

Categories of expenditure

Each section and subsection is divided as necessary into the following categories of expenditure:

Staff costs :

- Category 1 Staff costs (salaries and allowances, etc.)
- Category 2 Other staff costs (pensions, health insurance, human resources development, etc.)

Non Staff costs:

- Category 3 Travel on duty
- Category 4 Contractual services
- Category 5 Rental and maintenance of premises and equipment
- Category 6 Materials and supplies
- Category 7 Acquisition of premises, furniture and equipment
- Category 8 Public and internal service utilities
- Category 9 Audit and interagency fees and miscellaneous

Article 7

Budget of the Union – Income

1. The income of the Budget of the Union shall comprise:
 - a) the contributions from the Member States as well as those from the Sector Members and Associates;
 - b) where appropriate, the contributions from Member States and from entities and organizations required to contribute to defraying the expenses of conferences and meetings in accordance with the relevant provisions of the Constitution and the Convention;

- c) cost-recovery income derived from:
 - i) the amounts paid by UNDP and under trust funds, in order to defray the support costs related to the implementation of technical cooperation programmes and projects;
 - ii) proceeds from the sale of the Union's publications and income from advertisements placed therein;
 - iii) the application of cost recovery as decided by the Council;
- d) income from interest;
- e) savings from the cancellation of appropriations for previous periods transferred to the "Account for unliquidated obligations", but not used and thus cancelled in accordance with Article 14 of the present Regulations;
- f) miscellaneous and unforeseen income;
- g) withdrawals, if any, from the Reserve Account.

2. In the Budget of the Union, the number of contributory units declared at the time the Council approves this Budget shall be shown together with the annual amount of the contributory unit.

3. The rates of interest charged:

- a) for the late payments of assessed contributions including regional conferences shall be set according to the relevant provisions of the Convention;
- b) for the late payment of trust funds (see Annex 2 to the present Regulations), shall be at least six per cent per annum but may be set by the Secretary-General at a higher rate when justified by the conditions of the market or during periods when advances have been received from the Government of the Swiss Confederation upon request (see Article 18 below).

4. The Council shall decide on the application of cost recovery within the activities of the Union and on the related fee schedules.

5. a) Subject to the provisions of paragraph b) below, the contributions mentioned in No. 476 of the Convention shall be based on the free choice of a class of contribution from the scale given in No. 468 of the Convention.
- b) The amount of the contribution per unit payable towards defraying the expenses of a conference or assembly shall be set by dividing the direct budgeted cost of the conference or assembly in question by the total number of units contributed by Member States as their share of Union expenses. The contributions shall be considered as Union income. They shall bear interest from the sixtieth day following the day on which accounts are sent out, at the rates set in No. 474 of the Convention. Non-exempted international organizations and Sector Members shall contribute at a minimum level of one unit.

Article 8

Preparation of the Biennial Budget

1. Based on the Financial Plan established by the Plenipotentiary Conference, the Secretary-General shall prepare in the second year of the budgetary period a draft Budget of the Union for the following budgetary period together with a budget forecast for the two-year period thereafter.
2. When preparing the draft Budget of the Union, the Secretary-General shall consult the Coordination Committee which shall endeavour to coordinate the estimates prepared for the various Sectors by the Directors of their respective Bureaux in consultation with the respective advisory groups, so as to meet the requirements of all the Sectors within the limits set and also to achieve every possible economy.
3. The Secretary-General shall forward the draft Budget of the Union together with a presentation report to the Members of the Council as soon as possible and in any case not later than four weeks before the Council meets.

4. In order to justify the estimates contained in the draft Budget of the Union, comparative tables showing the actual expenditure in the previous period, appropriations approved for the current budgetary period and the latest available expenditure estimates as well as any statistical data, including staffing tables, requested by the Council or considered appropriate by the Secretary-General, shall be provided.

Rule 8.1

Preparation of the Budget of the Union

1. The Secretary-General shall, in consultation with the Coordination Committee, decide on the programme content and resource allocation of the proposed programme budget to be submitted to the Council.

2. Directors of Bureaux and Chiefs of Departments of the General Secretariat shall prepare programme budget proposals for the forthcoming financial period in accordance with the budget guidelines as prescribed by the Secretary-General as well as the Financial Regulations and Rules.

Article 9

Approval of the Biennial Budget

1. In accordance with the relevant provisions of the Convention, the Council shall examine and approve the Budget of the Union, ensuring the strictest possible economy, but mindful of the obligation upon the Union to achieve satisfactory results as expeditiously as possible. In so doing, the Council shall only consider such budget proposals as contained in the draft Budget prepared by the Secretary-General. The budget shall be established at a budgetary rate of exchange between the United States dollar and the Swiss franc equal to the United Nations operational rate of exchange in effect at the time at which the budget is drawn up.

2. As soon as the Budget of the Union has been approved by the Council, the Secretary-General shall send a copy of the Budget Resolution to all the Member States and Sector Members of the Union, together with the account corresponding to their contribution for each of the two years of the budgetary period.

3. The annual contribution for each of the two years of a budgetary period shall, in principle, be calculated on the basis of one-half of the approved biennial Budget. However, adjustments to the annual contribution may be admitted only when the Council considers them necessary and takes the necessary steps, *inter alia*, for the following reasons:

- i) adjustments to the biennial Budget due to additional appropriations needed;
- ii) modification in the number of contributory units;
- iii) estimated amounts to be allocated to the Reserve Account in order to avoid large fluctuations in the annual amount of the contributory unit during the following budgetary period.

4. In pursuance of the provisions of the Agreement between the United Nations and ITU, the Budget of the Union shall also be transmitted to the United Nations in the form approved by the Council.

Article 10

Implementation of the Budget of the Union: Role of the Secretary-General

1. The implementation of the Budget of the Union shall be the responsibility of the Secretary-General who shall ensure that the most effective and economical use is made of the Union's resources. To this end, the Secretary-General, after consultation with the Coordination Committee, shall take such action as judged appropriate.

2. In all operations relating to the implementation of the Budget, the Secretary-General, and the officials authorized to incur commitments to expenditure, shall ensure that the appropriations approved by the Council are not exceeded and that they are rationally used in a spirit of the strictest economy, taking into account the obligation upon the Union to achieve satisfactory results as expeditiously as possible.

3. By approving the Budget of the Union, the Council authorizes the Secretary-General to commit the necessary expenditure provided for therein. The commitments made under the authority of the Secretary-General shall be in writing. The appropriations shall be available for the budgetary period to which they relate.

4. The Secretary-General may make such *ex gratia* payments as he deems to be necessary in the interest of the Union. A statement of such payments shall be included in the Financial Operating Report.

5. The Secretary-General may, after full investigation, authorize the writing-off of losses of cash, supplies, equipment and other assets, other than arrears of contributions. A statement of all such losses written off during the financial period shall be submitted to the External Auditor and included in the Financial Operating Report.

Rule 10.1

Obligating documents

An obligation must be based on a formal contract, agreement, purchase order or other form of commitment, or on a liability recognized by the Union. All obligations must be supported by an appropriate obligating document.

Article 11

Transfers of appropriations and deferred activities

1. The Secretary-General may transfer appropriations for a given Sector only from one category of expenditure to another within the same section or subsection, provided that no transfers are made from non-staff costs to fund expenditure in staff costs (see Article 6 of the present Regulations). However, the Budget Control Committee set up by each conference or assembly may authorize transfers of appropriations for all costs.

2. The Secretary-General, after consultation with the Coordination Committee, shall, when it is considered to be in the interest of the Union, be authorized to transfer appropriations:

- a) within one Sector, from section 9 to sections 1 to 8, if applicable and required;
 - b) from one Sector to another, provided that the total transfers do not exceed three per cent of the total appropriations under sections 1 to 9 of the recipient Sector.
- 3.
- a) In respect only of sections 1 to 8 of the Budget, unused appropriations for activities not carried out for reasons beyond the Secretary-General's control (deferred activities), which have therefore been credited to the Reserve Account in accordance with Article 13, paragraph 2 of the present Regulations, remain available for the next budget period;
 - b) In the next budgetary period, expenditure on such activities shall be covered by a corresponding withdrawal from the Reserve Account.

4. Subject to paragraphs 1 and 2 above and Article 12, paragraph 4 of the present Regulations, no other transfer of appropriations may be effected without the authorization of the Council.

5. The Secretary-General shall mention, in the Financial Operating Report, all cases of transfers of appropriations and deferred activities.

6. Actual shortfalls in income related to the implementation of cost-recovery activities should be absorbed in principle by the relevant appropriations provided in the Budget of the Sectors and General Secretariat, as appropriate.

Article 12

Supervision of commitments

1. The Secretary-General and the officials authorized by virtue of the relevant provisions of the Convention shall take all necessary action for the supervision of all budget operations and, in particular, of the amount of expenditure for which commitments are incurred with respect to the authorized appropriations, so as to show at any time the balance of the appropriations still available for each section and expenditure (see Articles 6 and 7 of the present Regulations).
2. No expenditure may be committed without written authorization from the Secretary-General or an official duly authorized for this purpose.
3. Subject to the provisions of Articles 10 and 11 of the present Regulations, no such authorization shall be given unless the corresponding appropriations are available.
4. The Secretary-General, after consultation with the Coordination Committee, and subject to the provisions of Articles 10 and 11 of these Regulations, shall be authorized, in exceptional cases, to commit expenditure not provided for in the Budget of the Union when the corresponding furnishing of services or goods must be undertaken in the interest of the Union on the firm understanding that the total expenditure under sections 1 to 9 mentioned in Article 6 of the present Regulations shall in no case exceed the total appropriations authorized by the Council.
5. In the cases mentioned in paragraph 4 above, the Secretary-General shall submit a report to the following session of the Council justifying his recourse to this procedure.
6. The Secretary-General shall report every three months to the Council, in the Finance Circular, on the status of implementation of the budget, together with the results of ITU TELECOM activities. The report will include a statement of the debts owed to the Union.

Rule 12.1

Certifying Officers

1. The Secretary-General shall designate one or more officials as Certifying Officers for the accounts pertaining to a section or subsection of the approved budget. Certifying authority and responsibility is assigned on a personal basis and cannot be delegated.
2. Certifying Officers are responsible for managing the utilization of resources, in accordance with the purposes for which those resources were approved whilst respecting the principles of efficiency, effectiveness and economy and all Regulations, Rules and Instructions of the Union that may apply to the use of these resources. The Chief of Finance Department shall ensure that Certifying Officers have ready access to information on the expenditures and obligations recorded against their budget appropriations. Certifying Officers must be prepared to submit any supporting documents, explanations and justifications requested by the Secretary-General, or any officials designated by him, or by the External Auditor.

Article 13

Closing of budget operations

1. No commitment to expenditure for a given budgetary period may be incurred after the close of that period, namely after 31 December of an odd-numbered year.
2. Subject to the provisions of Article 14 of these Regulations, the appropriations not utilized at the close of the budgetary period concerned shall be cancelled and the result of that budgetary period shall be credited or debited to the Reserve Account as the case may be.
3. The difference between income and expenditure recorded for the biennium at the budgetary rate of exchange between the United States dollar and the Swiss franc, and the difference between income and expenditure recorded at the United Nations operational rate of exchange for these currencies shall be closed to a special currency adjustment account within the Reserve Account.

Article 14

Unliquidated obligations

1. When it has not been possible before the end of a budgetary period to pay for certain goods supplied or services rendered, or ordered, during the biennium, the relevant appropriations shall be transferred to the "Account for unliquidated obligations", to which the corresponding expenditures shall be charged when paid. This Account shall be closed twelve months after the end of the budgetary period.
2. Appropriations transferred into that Account shall be shown in the balance sheet of the Union. In no case may they be used to cover expenditure other than that for which they have been allocated. Should these appropriations be insufficient to cover the corresponding expenditure, the difference shall be charged to the relevant item in the budget of the current biennium.
3. On expiry of the periods mentioned in paragraph 1 above, appropriations thus transferred but not used shall be cancelled and shown as savings on obligations for the previous period in the statement of income of the Union.

Article 15

Expenditure for and income from publications

The expenditure for, and the income to be derived from, the production and sale of the Union's publications, as well as the income from royalties, bookshop articles and any advertisements placed in those publications, shall be included in the Budget of the Union. Detailed rules pertaining to the Union's publications shall be established by the Secretary-General.

SECTION III

Liquid assets, investment and advances of funds

Article 16

Liquid assets of the Union

1. The Secretary-General shall closely follow the strict observance of the relevant provisions of the Constitution and the Convention, in order to ensure that the liquid assets constantly meet the requirements of the Union and that the debts owed to the Union are reduced and kept to a minimum.
2. To that end, the Secretary-General shall publish every three months in the Finance Circular a statement of the debts owed to the Union, to be joined to the status of implementation of the budget and to the results of ITU TELECOM activities.

Rule 16.1

Receipt of funds

Only officials designated by the Secretary-General shall be authorized to issue official receipts. If other officials receive money intended for the Union, they must immediately convey this money to an official authorized to issue official receipts. The Chief of Finance Department, or an official designated by him, shall acknowledge all receipts of funds, sign all pertinent documents thereto related and endorse all checks made out to the Union.

Rule 16.2

Cash advances

Only officials designated for this purpose by the Secretary-General may make petty cash advances and Cashier's Fund advances.

Article 17

Investment of funds

1. The Secretary-General shall choose the banks or other institutions in which the Union's funds are to be deposited.
2. In this respect, the aim shall be to find a solution reconciling a high degree of security with a yield as high as possible, while ensuring the liquidity necessary to meet the Union's cash-flow requirements.
3. The Financial Operating Report shall contain a statement of the overall yield obtained by the investments made during each budgetary period.

Rule 17.1

Custody of funds

The Secretary-General shall designate the banks in which the funds of the Union shall be kept, shall establish all bank accounts required for the Union and shall designate those officials to whom signing authority is delegated for the operation of those accounts. The Secretary-General shall also authorize all bank account closures. The Union's bank accounts are to be opened and operated in accordance with the following guidelines:

1. Bank accounts shall be designated "Official bank accounts of the ITU" and the relevant authority shall be notified that ITU bank accounts are exempt from all taxation;
2. Two signatures by the designated bank signatorie, shall be required on all cheques and other payment instructions as well as on investment transactions;
3. For cash payment instructions of less than CHF 5,000 only one such signature is required.

Rule 17.2

Investments

1. The authority to make and prudently manage investments is delegated by the Secretary-General to the Chief of the Finance Department.
2. Investments shall be recorded in an investment ledger, which shall show all the relevant details for each investment, including, face value, purchase price, date of maturity, place of deposit, proceeds of sale and income earned.

Article 18

Advances of funds accorded by the Government of the Swiss Confederation

In accordance with the arrangement entered into between the Union and the Government of the Swiss Confederation, the latter places at the disposal of the Secretary-General, if necessary and if he so requests, and under conditions to be stipulated, funds to meet the temporary cash requirements of the Union.

SECTION IV

Accounting

Article 19

Keeping and presentation of accounts

1.
 - a) The accounting system shall include in the most practical form all principal and accessory books, files or statements needed for the systematic recording of all receipts and expenditure and for all the other financial operations of the Union.
 - b) The accounts shall be presented according to the structure of the Budget of the Union described in Article 6 of the present Regulations.
2. The following special accounts shall be kept separately:
 - a) the accounts of the Staff Superannuation and Benevolent Funds of the Union, which shall be kept in accordance with the regulations and agreements in force;
 - b) the accounts for the execution of technical cooperation projects financed by UNDP;
 - c) the accounts for voluntary contributions and trust funds dealt with in Annex 2 hereto;
 - d) the accounts of world and regional telecommunication exhibitions and forums, and of similar events organized by or in collaboration with the Union, which shall be kept in accordance with Article 20 of these Regulations.
 - e) other special accounts mentioned in these Regulations as well as those designated by the Council as special accounts.

3.
 - a) Accounts relating to prefinancing operations authorized by the Council shall be mentioned in the draft Budget under "commitments to expenditure".
 - b) The Secretary-General is authorized to open other temporary accounts, until the next ordinary session of the Council, if the related activities can be financed from extra-budgetary resources; the Council shall at that session decide on the further treatment of any such account.
 - c) Any account which is open for more than two years shall be subject to a decision by the Council at its following ordinary session with regard to its further treatment.
 - d) The position of special accounts referred to in the present paragraph shall be mentioned in the Financial Operating Report submitted to the Council.

Rule 19.1

Approving Officers

1. The Secretary-General shall designate one or more officials as Approving Officers for entry into the accounts of obligations and expenditures relating to contracts, agreements, purchase orders and other forms of commitment. Approving authority and responsibility is assigned on a personal basis and cannot be delegated.

2. Approving Officers are also responsible for approving payments once they have ensured that they are properly due, confirming that the necessary services, supplies or equipment have been received in accordance with the contract, agreement, purchase order or other form of commitment by which they were ordered and the payment is in accordance with the purpose for which the relevant obligation was established. Approving officers must be prepared to submit any supporting documents, explanations and justifications requested by the Secretary-General, or any officials designated by him, or by the External Auditor.

Rule 19.2

Accounting for income and expenditure

1. Accounts shall be drawn up every month. They shall indicate, for each budget item, a statement of income and, for expenditure, the appropriations authorized for the budgetary period, the actual total expenditure, the total commitments to expenditure and the balance of appropriations available.
2. The Secretary-General shall administer the accounting system and shall prepare final accounts for each budgetary period showing:
 - a) income received in accordance with the provisions of Article 6 of the Financial Regulations;
 - b) the utilization of the various appropriations:
 - i) appropriations granted,
 - ii) appropriations transferred,
 - iii) expenditure actually incurred, including sums transferred to the Account for unliquidated obligations (see Article 13 of the Financial Regulations);
 - c) the operating account for the budgetary period;
 - d) the balance sheet, as at the end of the relevant budgetary period, showing the assets and liabilities of the Union.

Rule 19.3

Accounting records

1. All accounting operations must be supported by numbered vouchers.
2. Accounting records, financial and property records and other supporting documents shall be retained for at least five full budgetary periods or any duration as may be agreed with the External Auditor, after which, on the authority of the Secretary-General, they may be destroyed

Rule 19.4

Accounting of bank transactions

1. Disbursements shall be recorded in the accounts as at the date on which they are made, that is, when the check is issued, transfer is executed or cash is paid out.

2. At least every month, or more frequently if necessary, all financial transactions including bank charges and commissions must be reconciled with the information submitted in the bank statements, unless a waiver is granted in writing by the Chief of the Finance Department.

Rule 19.5

Financial statements

1. In addition to the provision of Article 31 of the Financial Regulations, interim financial statements as at 31 December for all accounts of the ITU covering the first year of the budgetary period, shall be submitted to the External Auditor not later than 31 March of the following year. Additional financial statements may be prepared as and when the Secretary-General deems it necessary.

2. Financial statements submitted to the External Auditor for all accounts shall include:

- a) A statement of income, expenditure and changes in reserves and funds balances;
- b) A statement of assets, liabilities and changes in reserves and fund balances;
- c) A statement of cash flows;
- d) Notes to the financial statements;
- e) Such other schedules as may be required.

Rule 19.6

Inventories

1. The accounts of the Union shall be supplemented by inventories of, in particular:
 - furniture and equipment,
 - stores, reprography and technical services,
 - printing paper,
 - publications
2. The Secretary-General shall establish the procedures governing the inventories of the Union.

Rule 19.7

Premises

1. Union premises shall be entered in the assets side of the balance sheet of the Union, at the purchase or construction price, taking annual redemption payments into account. These payments shall correspond to the amounts charged to the Budget for reimbursement of funds advanced.
2. There shall also be kept, for information, a record of the initial cost and the insured value for fire insurance purposes.

Article 20

ITU TELECOM world and regional telecommunication exhibitions, forums and similar events organized by the Union

1. Separate accounts shall be kept for each world and regional telecommunication exhibition, forum or similar event.
2. Each account must show income and expenditure duly broken down.

3. Each account shall be closed no later than six months after the closure of the event concerned, taking into account unliquidated obligations foreseen under Article 14 of the present Regulations.
4. The accounts for unliquidated obligations shall be closed twelve months after the closure of the separate account concerned.
5. At the closure of each of these accounts, any surplus income or excess expenditure shall be transferred to an Exhibition Working Capital Fund, the balance of which shall be entered in the balance sheet of the Union.
6. An annual statement of operations relating to exhibitions, forums and similar events shall be included in the Financial Operating Report of the Union submitted to the Council.

Article 21

Currency of account

1. All accounts shall be kept in the currency of the country where the Union has its seat. However, special accounts kept in accordance with Article 19 paragraphs 2 b) and c) of the present Regulations may be kept in a currency other than that referred to above.
2. As a general rule, payments to the Union must be made in the currency of account. However, they may be made in other currencies, provided these are convertible into the currency of account.
3. Financial transactions in currencies other than Swiss francs related to the Budget shall be recorded in the accounts at the budgetary rate of exchange established for the biennium. Any difference between the value of transactions at the United Nations operational rate of exchange and at the budgetary rate of exchange shall be recorded in the accounts as an exchange adjustment. Any difference between the United Nations operational rate of exchange and the actual rate received from the paying agent shall be treated as income if a gain, or expenditure if a loss.

Article 22

Buildings Maintenance Fund

1. A Buildings Maintenance Fund shall be set up, the accounts of which shall show:
 - a) as income:
 - i) appropriations foreseen in the Budget of the Union;
 - ii) the amounts paid by the caterer(s) to help amortize the cost of the installations, furniture and equipment provided by the Union;
 - iii) income derived from the rental of ITU premises;
 - iv) transfers from the Reserve Account as decided by the Council;
 - v) other income related to buildings maintenance.
 - b) as expenditure, the costs of major repair or maintenance works on the buildings, and the costs of maintaining and renewing the equipment of the restaurant, cafeterias and bars of the Union.
2. The balance of the Fund shall be entered in the balance sheet of the Union.

Article 23

Information and Communication Technologies Capital Fund

1. An Information and Communication Technologies (ICT) Capital Fund shall be set up, the accounts of which shall show:
 - a) as income
 - i) the appropriations foreseen in the Budget of the Union;
 - ii) transfers from the Reserve Account as decided by the Council.

- b) as expenditure, the cost of the procurement and development of major IT systems (hardware, software, consulting), covering both new systems and the replacement and upgrading of existing systems.
2. The balance of the ICT Capital Fund shall be entered in the balance sheet of the Union.

Article 24

Staff Welfare Fund

1. There shall be a Staff Welfare Fund, the accounts of which shall show:
- a) as income, the amounts paid by the catering service representing the Union's revenue from its contract(s) with the caterer(s);
 - b) as expenditure, sums used for the welfare of the staff.
2. This Fund shall be administered by the Secretary-General in concert with the ITU Staff Council.
3. The balance of this fund shall be entered in the balance sheet of the Union.

Article 25

Reserve for staff installation and repatriation

1. A reserve for staff installation, change of duty station and repatriation shall be set up, the accounts of which shall show:
- a) on the credit side, the amounts corresponding to a percentage, set by the Council, of the remuneration of staff other than those engaged for conferences and other short-term service;

- b) on the debit side, the payments actually made to cover:
- removal and travel costs on appointment, on change of duty station or on separation from service;
 - installation grants;
 - repatriation grants;
 - grants on death;
 - termination indemnities;
 - accrued paid annual leave.

2. The assets of this Fund shall be entered in the balance sheet of the Union.

Article 26

Reserve for debtors' accounts

1. A reserve for debtors' accounts shall be established to reflect a more correct value of the arrears shown as assets in the balance sheet of the Union. The interest on arrears charged to the accounts of the Union's debtors shall be credited to this Reserve.

2. The level of the Reserve for debtors' accounts to provide appropriate coverage shall be determined by the Council. By a decision of the Council, the amount needed to achieve that level may be transferred to or from the Reserve Account.

3. Accounts for debtors, excluding contributions to the Budget of the Union under No. 474 of the Convention which are not settled by the end of the year following that during which the bills are sent out, shall bear interest at six per cent as from 1 January of the following year and such interest shall be credited to the Reserve for debtors' accounts. However, in the case of non-payment of accounts related to cost-recovery activities, the Council may decide to apply different modalities.

4. The assets of this Reserve, which shall be entered in the balance sheet of the Union, shall be used to write off non-recoverable debts to the Union. Any such write-off may be made by a decision of the Council. However, all decisions concerning write-offs of debts of Member States shall remain within the exclusive purview of the Plenipotentiary Conference which may delegate such power to write off debts to the Council or to the Secretary-General.

Article 27

Reserve Account

1. A Reserve Account shall be kept into which shall be credited:
 - a) the balance of the operating account at the end of each budgetary period;
 - b) amounts allocated in the Budget by the Council in accordance with Article 9, paragraph 3 iii) of the present Regulations;
 - c) transfers from other reserves/funds as decided by the Council.

2. Notwithstanding the provisions of Article 11, paragraph 3 b) of the present Regulations, withdrawals may be made from the Reserve Account by special decision of the Council, *inter alia*, for:
 - a) reducing the amount of the contributory unit;
 - b) balancing the Budget of the Union;
 - c) placing a limit on the Reserve Account;
 - d) making transfers to other reserves/funds as decided by the Council.

3. The Secretary-General shall report on the operations and the position of the Reserve Account in the Financial Operating Report.

SECTION V

Control of the finances of the Union

Article 28

External audit

1. The Council shall arrange for the audit of the accounts of the Union prepared by the Secretary-General and approve them, if appropriate, for submission to the next Plenipotentiary Conference.
2. The Government of the Swiss Confederation shall appoint an External Auditor for the accounts of the Union, as agreed with that Government. Subject to the provisions of the present Article 28, a separate agreement to further define the terms and conditions of the External Auditor's mandate shall be drawn up between that Government and the Secretary-General.
3. The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the Council, in accordance with the Additional Terms of Reference Governing External Audit set out in Annex 1 to the present Regulations.
4. The accounts of the Union for the budgetary period shall be submitted by the Secretary-General to the External Auditor not later than 31 March following the end of that period.
5. The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Union.
6. The External Auditor shall be completely independent and solely responsible for the conduct of the audit.
7. The Council may request the External Auditor to perform certain specific examinations and issue separate reports on the results.
8. The Secretary-General shall provide the External Auditor with the facilities he may require in the performance of the audit.

9. Any case of fraud or suspected fraud shall be submitted by the Secretary-General to the External Auditor without delay.

10. For the purpose of making a local or special examination or of saving on auditing costs, the External Auditor may engage the services of any national Auditor-General (or equivalent title) or commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.

11. The External Auditor shall issue reports on the audit of the financial statements and associated tables which shall include such information as he deems necessary in regard to matters referred to in paragraph 5 above and in the Additional Terms of Reference Governing External Audit (Annex 1 to the present Regulations).

12. The accounts shall be submitted to the Council for approval, together with the Report by the External Auditor who shall be invited to present his report at the respective meeting of the Council.

Article 29

Internal control and internal audit

1. The Secretary-General shall maintain an effective internal control structure, in order to ensure:

- a) the regularity of the receipt, custody and disbursement of all funds and other resources of the Union;
- b) the conformity of commitments or obligations and expenditures with the appropriations or other financial provisions approved by the Council or with the purposes, rules and provisions relating to the funds concerned;
- c) the timeliness, completeness and accuracy of financial and other administrative data;
- d) the effective, efficient and economical use of the resources of the Union.

2. The Secretary-General shall maintain an Internal Audit function that is responsible for reviewing and evaluating the adequacy and effectiveness of the Union's overall systems of internal control. For this purpose, all systems, processes, operations, functions and activities within the Union shall be subject to such review.

3. The Internal Auditor shall report the results of his work to the Secretary-General.

4. The Internal Auditor shall submit to the Secretary-General a succinct annual report on internal audit activities which will be submitted to the Council.

Article 30

Financial Operating Report

1. In accordance with the relevant provisions of the Convention, the Secretary-General shall each year prepare for submission to the Council a Financial Operating Report, which shall contain all requisite information on financial management of the Union. The Financial Operating Report shall include *inter alia*: interim accounts for the first calendar year of the financial period and final accounts for the entire budgetary period, the annual operating report of the Union's Staff Superannuation and Benevolent Funds, and the annual report of the United Nations Joint Staff Pension Board.

2. The Financial Operating Report shall also show:

- a) payments into and any withdrawals from the Reserve Account during the year, and the status of that account at the end of the financial period (Article 27 of the present Regulations);
- b) income and expenditure of the account relating to participation by the Union in the United Nations Development Programme and other Technical Cooperation projects;
- c) the appropriations entered in the Account for unliquidated obligations and the use made of the appropriations brought forward from the previous biennium (see Article 14 of the present Regulations);

- d) annual contributions in arrears (i.e. amounts owing for more than one year) and other debts to the Union outstanding at 31 December of the current year;
 - e) income, expenditure and retained earnings from activities, products and services subject to cost recovery as decided by the Council pursuant to Article 7, paragraph 1 c) iii) of these Regulations.
3. The Report shall, after examination and approval by the Council, be communicated to the Member States and Sector Members of the Union.

Article 31

Final approval of accounts

It is incumbent upon the Plenipotentiary Conference to examine the accounts of the Union and finally approve them, if appropriate, on the basis of the Financial Operating Report and the recapitulatory report prepared immediately before each Plenipotentiary Conference, in accordance with the relevant provisions of the Constitution.

SECTION VI

Final provision

Article 32

Effective date

1. The Council adopted the present Financial Regulations at its 2005 session.
2. These Regulations shall enter into force on 1 August 2005.

Annexes: 2

ANNEX 1

Additional terms of reference governing external audit

1. The External Auditor shall perform such audit of the accounts of the Union, including all trust funds and special accounts, as he deems necessary in order to satisfy himself:

- a) that the financial statements are consistent with the books and records of the Union;
- b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, budgetary provisions and other applicable directives;
- c) that the securities and monies on deposit and on hand have been verified by certificate received direct from the Union's depositories or by actual count;
- d) that the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon;
- e) that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.

2. The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as he chooses of all financial records including those relating to supplies and equipment.

3. The External Auditor and his staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Secretary-General (or his designated senior official) agrees is required by the External Auditor for the purposes of the audit and information classified confidential shall be made available on application. The External Auditor and his staff shall respect the privileged and 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. The External Auditor may draw the attention of the Council to any refusal to disclose information classified as privileged which in his opinion was required for the purpose of the audit.

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

5. The External Auditor shall issue and sign an Opinion on the financial statements. The Opinion shall include the following 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 Auditor;
- 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 its operations for the period;
 - ii) the financial statements were prepared in accordance with the stated accounting principles;
 - iii) the accounting principles were applied on a basis consistent with that of the preceding financial period;
- 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 External Auditor's name and position;
- i) should it be necessary, a reference to the report of the External Auditor on the financial statements.

6. The Report of the External Auditor on the financial operations of the period should mention:

- a) the type and scope of his examination;
- b) matters affecting the completeness or accuracy of the accounts, including where appropriate:
 - i) information necessary for correct interpretation of the accounts;
 - ii) any amounts which ought to have been received but which have not been entered in the accounts;
 - 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 Council such as:
 - i) cases of fraud or presumptive fraud;
 - ii) wasteful or improper expenditure of the Union's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - iii) expenditure likely to commit the Union 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 Council after making allowance for duly authorized transfers within the Budget of the Union;
 - vi) expenditure in excess of appropriations as amended by duly authorized transfers within the Budget of the Union;
 - vii) expenditure not in conformity with the authority which governs it;

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

In addition, the Report may contain reference to:

- e) transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period of which it seems desirable that the Council should have early knowledge.

7. The External Auditor may make such observations with respect to his findings resulting from the audit and such comments on the Secretary-General's Financial Operating Report as he deems appropriate to the Council

8. Whenever the scope of audit of the External Auditor is restricted, or whenever the External Auditor is unable to obtain sufficient evidence, he shall refer to the matter in his certificate and report, making clear the reasons for his comments and the effect on the financial position and the financial transactions as recorded.

9. In no case shall the External Auditor include criticism in his Report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.

ANNEX 2

Rules, procedures and financial arrangements for voluntary contributions and trust funds

1. Applicability

These rules, procedures and financial arrangements shall apply to all voluntary contributions as referred to in the relevant provisions of the Convention. They also apply to any funds entrusted to the Union for the execution of specific programmes and projects.

2. Voluntary contributions

1.
 - a) The Secretary-General may accept voluntary contributions in cash or kind provided that the conditions attached to such contributions are consistent with the purposes of the Union and in conformity with these Regulations.
 - b) The Secretary-General may equally accept trust funds for the execution of specific programmes or projects.
2. Subject to their acceptance by the Union and, if applicable, the recipient country, contributions in cash or in kind may include funding of conferences, meetings and seminars, as well as expert services, training services, fellowships, equipment or any other related services or requirements.
3. Voluntary contributions must not be used in place of the income in the Budget of the Union as enumerated in Article 7 of these Regulations, with the exception of the income foreseen to cover wholly or partly the support costs related to the implementation of technical cooperation programmes and projects.

4. Voluntary contributions shall be classified as follows:
 - a) Contributions intended for extrabudgetary activities for the:
 - i) General Secretariat;
 - ii) Radiocommunication Sector;
 - iii) Telecommunication Standardization Sector;
 - iv) Telecommunication Development Sector.
 - b) Contributions intended to supplement any activity already covered by the Budget of the Union, by providing a complementary source of funds for enlarging the scope of the activities concerned.
5. Funds entrusted to the Union may be used for the execution of specific programmes or projects and shall be used in accordance with the respective agreements or arrangements.
6. Voluntary contributions and trust funds shall be paid in currencies readily usable by the Union or in currencies readily convertible into currencies used by the Union. They shall be shown in the relevant accounts.

3. Relations between the interested parties

7. Potential providers of funds shall inform the Secretary-General of their intention to do so. The Secretary-General is authorized to seek their assistance in order to be able to respond to requests from potential recipient countries for the execution of programmes or projects.
8. The precise terms and conditions governing voluntary contributions or trust funds shall be agreed upon between the interested parties.
9. Any such agreement may take the form of a formal agreement, contract or an exchange of letters, and shall be signed by the parties concerned.

4. Execution of programmes and projects

10. Programmes and projects as well as supplementary activities (see paragraph 4 b) above) which are to be executed within the framework of the present annex, shall be funded entirely by voluntary contributions or trust funds.

11. The Union shall not assume any commitments for, or continue the execution of, any programme, project or supplementary activity, unless its full financing has been secured and the funds have been deposited in accordance with the payment schedule laid down in the agreement (see paragraph 9 above).

12. Any agreement as referred to in paragraph 9 above shall contain provisions relating to interest becoming due in case of late or non-payment of a contribution or trust fund or part thereof. In such a case, the Secretary-General is also authorized to stop immediately any further execution of the programme, project or supplementary activity, with any damages to the Union to be borne by the party in default.

13. The decision on implementing any programme, project or supplementary activity under voluntary contribution or trust funds rests with the Secretary-General, after consultation with the Director of the Bureau of the Sector concerned. The responsibility for the related administration, coordination and execution lies with the Director of the Bureau of the Sector concerned, under the policy guidance and the control of the Secretary-General.

14. When an activity falling within the framework of the present Annex requires administrative and operational services to be provided by the Union, the cost of these necessary support services shall, as provided in the agreement, form part of the project expenditure. The agreement shall specify that part, if any, of the contribution which the parties agree shall be used to defray support costs. This amount shall be credited to the accounts of the Union in accordance with Article 6, paragraph 1 c) of these Regulations.

5. Accounts for Voluntary Contributions and Trust Funds

15. A separate account for each voluntary contribution or trust fund shall be opened in a special account of the Union, showing:

- a) as income: cash contributions from all sources, as well as miscellaneous income such as interest accrued from contributions advanced or the sale of items purchased under such funding;
- b) as expenditure: project implementation costs, costs for support services foreseen in the respective agreement as well as any interest charged for payments overdue.

16. Any separate accounts may be kept in the currency of the country in which the Union has its seat or in another currency as determined by the Union. In the latter case, payments and receipts shall be converted and recorded at the United Nations rate of exchange applicable at the time of each transaction.

17. Any funds remaining unused when a programme, project or supplementary activity is terminated may be used by decision of the Secretary-General himself for other purposes unless otherwise stipulated in the respective agreement.

18. Accounts kept in conformity with the present annex shall be audited in accordance with the relevant provisions in Section V and in Annex 1 of the Financial Regulations.

19. If so stipulated in the respective agreement, the Union shall provide a statement of accounts certified by its External Auditor.

20. The Secretary-General shall mention in the Financial Operating Report any contributions received in kind.

6. Reporting

21. Each agreement governing a programme, project or supplementary activity shall contain a clause defining project follow-up and appraisal reporting, as well as its source of funding.

22. Depending on the nature and size of the project, as well as on the specific requirements of the interested parties, guidelines on project follow-up and appraisal shall be established by the Secretary-General in consultation with the Coordination Committee.