

INTERNATIONAL LABOUR OFFICE

# FINANCIAL REGULATIONS

---

**2003 Edition**

---

---

## Contents

	<i>Page</i>
<b>Chapter I. Drawing up the budget</b> .....	1
(Articles 1 to 4)	
<b>Chapter II. Adoption of the budget</b> .....	2
(Articles 5 to 8)	
<b>Chapter III. Collection of funds</b> .....	3
(Articles 9 to 12)	
<b>Chapter IV. Use of funds</b> .....	7
(Articles 13 to 18)	
<b>Chapter V. The Working Capital Fund</b> .....	9
(Articles 19 to 21)	
<b>Chapter VI. Custody and investment of funds</b> .....	10
(Article 22)	
<b>Chapter VII. The accounts</b> .....	11
(Articles 23 to 29)	
<b>Chapter VIII. Internal control</b> .....	12
(Articles 30 to 34)	
<b>Chapter IX. External audit</b> .....	13
(Articles 35 to 38)	
<b>Chapter X. Final provisions</b> .....	14
(Articles 39 to 42)	
<b>Appendix to the Financial Regulations</b>	
Additional terms of reference governing external audit.....	17

---

## Financial Regulations <sup>1</sup>

### CHAPTER I. DRAWING UP THE BUDGET

#### *Article 1*

The financial period of the Organization shall consist of two consecutive calendar years.

#### *Article 2*

1. For every financial period, the Director-General shall prepare programme and budget proposals containing estimates of the income and expenditure of the Organization and the proposed budget rate of exchange between the United States dollar and the Swiss franc.

2. The estimates of expenditure shall be expressed in United States dollars. The estimates of income shall be expressed in United States dollars and in Swiss francs converted at the budget rate of exchange.

#### *Article 3*

1. The expenditure estimates shall be divided into separate parts:

- (a) for the ordinary activities and expenditures of the Organization;
- (b) for unforeseen expenses;
- (c) for any payments into the Working Capital Fund;
- (d) for such other expenditures as it may be decided to make provision for.

2. The part referred to in paragraph 1(a) shall be divided into items corresponding to the various types of activities or expenditures. The parts referred to in paragraph 1(b), (c) and (d) may be divided into items.

#### *Article 4*

1. The expenditure estimates shall be preceded by a summary of the estimated income and expenditure, setting out the amounts required to cover the parts referred to in article 3, paragraph 1.

2. The expenditure estimates shall consist of:

- (a) a complete schedule of the parts and items, showing for each, in addition to the sum asked for, the appropriation for the current financial period;

<sup>1</sup> As adopted by the International Labour Conference at its 29th (1946) Session; the present text includes all amendments adopted up to the 91st (2003) Session.

- 
- (b) detailed schedules and explanatory statements for each item, including explanations of important differences in the amounts estimated for the same item during successive financial periods;
  - (c) such further schedules and explanatory statements and such annexes as may be deemed necessary and useful.

## CHAPTER II. ADOPTION OF THE BUDGET

### *Article 5*

The Director-General shall submit the budget estimates to the Governing Body in time for them to be considered at its first session in the year preceding each financial period.

### *Article 6*

1. The Governing Body shall examine the budget estimates and prepare a report thereon in time for both documents to be dispatched to the Members of the Organization two months before the next regular session of the Conference.
2. The Director-General shall submit to the International Labour Conference the budget estimates as approved by the Governing Body.
3. The International Labour Conference shall provide opportunity for a general discussion of the policy and programme of the Organization in its bearing on the budget estimates.
4. The International Labour Conference shall set up a committee consisting of one Government representative of each State Member of the Organization presented at the Conference.
5. The International Labour Conference shall refer the estimates submitted by the Director-General to this committee for examination and report.
6. The Director-General, accompanied by a tripartite delegation from the Governing Body, shall be entitled to attend the committee in order to explain the estimates.
7. The decisions of the committee shall be taken by a two-thirds majority of the votes cast by the members of the committee present at the meeting.
8. The committee shall submit the budget estimates as approved by it to the Conference for adoption.

---

9. The decision of the Conference adopting the budget shall be taken on a record vote by a two-thirds majority of the votes cast by the delegates present.

*Article 7*

1. A proposal for expenditure on a purpose for which provision is not made in the budget as communicated to Members of the Organization must be placed in the hands of the Director-General at least one month before the date fixed for the opening of the Conference.

2. If such a proposal is received later than one month before the opening of the session or made during the session, it shall be dealt with as follows:

- (a) it shall be submitted directly by the Director-General to the Governing Body for a report upon its general financial consequence;
- (b) unless, after considering the report of the Governing Body, the Conference or its Finance Committee, by a special resolution adopted by a two-thirds majority, decides to take it into consideration during the current session, the proposal shall be adjourned until the next session of the Conference.

3. The Director-General shall incorporate the estimates referred to in paragraph 1 above, and estimates for any increase in the budget which he himself considers it necessary to propose, in a single supplementary budget, which shall be circulated to the Members of the Organization, not later than two weeks before the opening of the annual Conference.

*Article 8*

A session of the Governing Body shall be held each year during the session of the Conference.

CHAPTER III. COLLECTION OF FUNDS

*Article 9*

1. The expenses of the Organization shall be borne by the Members of the Organization, in the proportions approved by the Conference.

2. The Governing Body shall consider the rate of contribution to be assessed on each Member of the Organization and shall make proposals thereon for submission to the Conference Committee of Government Representatives referred to in article 6, paragraph 4. The Conference shall take its decision on the basis of a report from that Committee.

---

3. A statement showing the assessments on the Members as so decided shall be appended to the budget.

4. The assessed contributions shall be payable in Swiss francs.

*Article 10*

1. The budget of income of the Organization for a given financial period shall be due and payable as to one-half of the total on 1 January of the first calendar year of such period, and as to the balance on 1 January of the second calendar year of the same period, the contributions due by individual Members for each calendar year being calculated in conformity with the scale of assessments prescribed for that purpose by the Conference.

2. As soon as possible after the Conference has adopted the budget and the total amount appropriated has been apportioned among the Members of the Organization in the manner prescribed by the Conference, the Director-General shall transmit all relevant documents to the Members of the Organization, indicating that the contributions for the financial period are due and payable in Swiss francs on 1 January of each of the years to which they relate and requesting each Member to remit its contribution on or as soon as possible after the due date.

3. As soon as possible after the ordinary session of the Conference in the first year of each financial period, the Director-General shall remind the Members of the Organization that the part of their contribution which relates to the second year is due and payable on 1 January of that year, and shall request the Members to remit this part of their contribution on or as soon as possible after 1 January of the same year.

4. The Director-General shall take appropriate action with a view to ensuring that Members pay their annual contributions promptly. He shall report regularly to the Governing Body on the state of payment of contributions.

5. All contributions due in a financial period shall be recorded as income in that financial period and shall be accounted for in United States dollars at the budget rate of exchange for that financial period.

6. The Director-General shall present to each session of the Governing Body a statement of the financial position of the Organization. A similar statement shall be presented annually to the Conference.

7. Any payment in respect of contributions made by a Member of the Organization which has not paid in full its contribution for previous calendar years shall, unless the Conference decides otherwise in particular cases, be credited against the earliest in date of such arrears, including amounts outstanding in relation to payment of contributions during former periods of membership, notwithstanding any expression of intention to the contrary by the debtor Member. Where arrears or such outstanding amounts have been

---

consolidated, a Member of the Organization is required to pay its annual instalment in full before liquidating its current contribution for the year in question.

*Article 11*

1. Except in so far as the Conference may decide otherwise, all income other than contributions payable by governments, such as income from the sale of publications and other miscellaneous sources and interest, shall be classed as miscellaneous income, and subject to the provisions in paragraphs 2 to 9 below, shall be paid into an Income Adjustment Account.

2. The Director-General may pay up to 100 per cent<sup>1</sup> of the income from the sale of publications, including related royalties and fees, into a Publications Revolving Fund in accordance with rules to be established for the Fund under article 40 of these Regulations.

3. The Director-General shall pay income from rentals into a Building and Accommodation Fund, which shall be used subject to the authorization of the Governing Body for specific purposes relating to premises belonging to the Organization, in particular to meet costs of construction, alterations, repairs and renewals.

4. The Director-General shall set aside in an Incentive Fund to encourage early payment of member States' assessed contributions 60 per cent of all interest earned on temporarily surplus regular budget funds in any year for distribution to those member States which have paid in full their assessed contributions by 31 December of that year. The total incentive amount so established in each year will be distributed to eligible member States under an incentive points system which takes into account the dates and amounts of payments of current year's contributions by member States.

5. The Director-General shall distribute any net premium earned on the forward purchasing transactions between US dollars and Swiss francs during a biennium under the Swiss franc assessment system in the following manner: one-half to the Incentive Fund referred to in paragraph 4 above in accordance with the provisions of paragraph 6 below and one-half to member States in accordance with the provisions of paragraph 7 below; the net premium earned being arrived at after allowing for any residual gain or loss on exchange in the same biennium arising from the operation of the Swiss franc assessment system.

6. The one-half share of any net premium distributed to the Incentive Fund shall be credited to those member States which have paid their assessed contributions in full at the end of either the first or second year of the financial period during which the net premium was earned and shall be distributed to

<sup>1</sup> Effective 1 January 1994 (75 per cent to 31 December 1993).

---

each eligible member State in the second year of the next following financial period on the basis of the ratio of the total of the incentive points earned by it during the biennium to the total of the incentive points earned by all eligible member States during the biennium under the incentive points system mentioned in paragraph 4 above.

7. The one-half share of any net premium distributed to member States shall be apportioned among them on the basis of the proportion of the total of each member State's assessed contributions during the biennium in which the net premium was earned to the total of the assessed contributions for the biennium of all member States. The amounts so established shall be used to reduce the contributions of member States in the following way:

- (a) member States which have paid their assessed contributions in full during the biennium in which the net premium was earned shall have their share of the net premium deducted from their contributions assessed for the second year of the succeeding biennium;
- (b) other member States shall not be credited with their share of the net premium until they have paid in full their assessed contributions for the biennium in which the net premium was earned; when they have done so, their share of the net premium shall be deducted from their contributions assessed for the first year of the next biennium for which a budget is adopted after such payment.

8. The Director-General shall maintain an Income Adjustment Account to which shall be credited or charged:

- (a) income as defined in paragraph 1 of this article;
- (b) interest earned on the Working Capital Fund in accordance with article 20, paragraph 2, of these Regulations;
- (c) any net premium payable on the forward purchasing of US dollars for a biennium under the Swiss franc assessment system approved by the Conference at its 76th (1989) Session after allowing for any residual gain or loss on exchange in the same biennium arising from the operation of the Swiss franc assessment system;
- (d) transfers to budgetary income approved by the Conference; and
- (e) any other items that the Conference may decide.

9. The Director-General shall transfer the surplus referred to in article 18.3 to a Special Programme Account, which shall be used, subject to the authorization of the Governing Body, to finance high-priority activities of limited duration that were not otherwise provided for under the budget adopted by the Conference and that do not create any expectation of additional future funding.

---

*Article 12*

1. Gifts which may directly or indirectly involve an immediate or ultimate financial liability for the Members of the Organization may only be accepted after authorization by the Conference.

2. Gifts not involving financial liability for the Members of the Organization may be accepted by the Governing Body.

CHAPTER IV. USE OF FUNDS

*Article 13*

The adoption of a budget by the Conference shall constitute an authorization to the Director-General to incur expenditure, during the financial period to which the budget relates, for the purpose for which money has been appropriated in the budget up to, but not exceeding, the amounts so appropriated.

*Article 14*

The Director-General shall not allow any money to be expended for any purpose in excess of the amount appropriated in the budget for such purpose. In order to prevent any such excess of expenditure, he shall cause all payments, as made, to be charged to the proper item of the budget, and shall keep a record of such charges and of obligations incurred showing at all times the amount available under each item.

*Article 15*

When an appropriation is included in the budget by the Conference without specification of the precise purposes for which it is to be applied, no part of such appropriation shall be expended until a detailed statement as to the nature and object of the expenditure has been considered and approved by the Governing Body, or in cases of particular urgency by the Chairman of the Governing Body.

*Article 16*

1. Transfers from one item to another in the same part of the expenditure budget may be effected by special resolutions of the Governing Body. Such resolutions shall be communicated to the Conference.

2. No transfers may be made between the parts of the expenditure budget.

*Article 17*

1. Expenditure charged against the appropriations of a financial period shall consist of payments made during the financial period and unliquidated

---

obligations as at the last day of the financial period. Such portion of appropriations as may be required to meet these unliquidated obligations shall remain available for 12 months, at the end of which any remaining balances shall be credited to miscellaneous income.

2. Obligations which could not be charged to the appropriations of the preceding financial period may, if the Director-General shall so decide, be charged to the appropriations of the current financial period. Nevertheless, there shall be included in the budget for each financial period an item entitled "Unpaid liabilities" to which may be charged any payments of a similar character which it would not be appropriate to pay from any other item of the budget. Payment of obligations due in respect of transactions covered by the budget of any financial period preceding the last financial period shall be subject to the prior authorization of the Governing Body.

#### *Article 18*

1. The excess of income over expenditure (surplus) or the shortfall in income compared with expenditure (deficit) in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the end of the financial period.

2. The amount of any surplus resulting from an underspending of the approved or amended budget, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

3. The amount of any surplus resulting solely from the receipt of contributions in excess of the level of the budget as adopted by the International Labour Conference or as subsequently amended by the Governing Body, net of any reimbursements to the Working Capital Fund or other borrowings, shall be transferred to the Special Programme Account as defined in article 11.9.

---

CHAPTER V. THE WORKING CAPITAL FUND

*Article 19*

1. The Working Capital Fund is a Fund established for the following purposes:

- (a) to finance budgetary expenditure pending receipt of contributions or other income; and
- (b) in exceptional circumstances and subject to prior authorization of the Governing Body, to provide advances to meet contingencies and emergencies.

2. The Working Capital Fund shall be denominated in Swiss francs. Its established nominal level shall be fixed by the Conference.

*Article 20*

1. The Working Capital Fund shall be administered as a separate account. A statement showing the position of the Fund, audited by the external auditor, shall be submitted to the session of the Conference following the close of each financial period.

2. Interest earned on the Fund shall be credited to the Income Adjustment Account.

*Article 21*

1. (a) Sums may be withdrawn from the Working Capital Fund to finance budgetary expenditure for any financial period pending receipt of contributions or other income, and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body, and shall be reimbursed to the Fund in the course of the same financial period as soon as income from contributions or other income is available for this purpose.

(b) Should the Working Capital Fund be temporarily inadequate to finance budgetary expenditure pending receipt of contributions and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body, the Director-General may contract loans or advances for such sums as may be necessary pending the receipt of contributions. The amounts borrowed shall be reimbursed as soon as possible from the subsequent receipts of contributions or other income. Such borrowings shall be reported to the Governing Body at the session following the contracting of a loan or advance.

2. If any sums withdrawn from the Working Capital Fund or borrowed to finance expenditure cannot be reimbursed in the course of the same financial period, then:

- 
- (a) to the extent that the sums were withdrawn or borrowed to finance budgetary expenditure pending the receipt of contributions or other income, they shall be reimbursed from arrears of contributions received in the following financial period or periods;
- (b) to the extent that the sums were withdrawn or borrowed to finance expenditure incurred in respect of contingencies or emergencies under prior authorization of the Governing Body, they shall be reimbursed to the lender or lenders and to the Fund in the second year of the next following financial period by adding to the contributions assessed on member States for that year an additional assessment in Swiss francs equivalent to the amount so borrowed or withdrawn, provided that temporary surpluses shall be utilized to the extent possible to reduce the amount of outstanding loans or advances.

3. If, before or during the session of the International Labour Conference in the first year of a financial period, contingencies or emergencies arise of such magnitude as would, in the opinion of the Director-General, be likely to lead to the exhaustion of the financial resources in the Working Capital Fund before the end of the financial period as a whole, the Director-General shall propose to the Governing Body that it recommend to the Conference that the amount estimated to be necessary to finance such contingencies or emergencies in the second year of the financial period shall be made the subject of an additional assessment on member States for that year. The Conference at its session during the first year of the said financial period shall take such action as it may deem necessary in the light of the related recommendations of the Governing Body.

## CHAPTER VI. CUSTODY AND INVESTMENT OF FUNDS

### *Article 22*

1. The Director-General shall designate the bank or banks in which funds in the custody of the Organization shall be kept.

2. The Director-General may invest moneys not needed for immediate requirements. The investment of moneys standing to the credit of any trust fund, reserve or special account shall be subject to any directives of the appropriate authority.

3. At least once a year the Director-General shall include in the financial statements submitted to the Governing Body a statement of the investments currently held.

4. Income from investments shall be credited to the fund or account from which the invested moneys derive unless otherwise provided in the regulations, rules or resolutions relating to that fund or account.

---

CHAPTER VII. THE ACCOUNTS

*Article 23*

The Director-General shall maintain such accounts as are necessary and shall prepare final accounts for each financial period showing:

- (a) the income and expenditure of all funds;
- (b) the status of appropriations, including —
  - (i) the original budget appropriations;
  - (ii) any supplementary appropriations;
  - (iii) the appropriations as modified by any transfers;
  - (iv) credits, if any, other than the appropriations voted by the International Labour Conference; and
  - (v) the amounts charged against the appropriations and against any other credits;
- (c) statements of assets and liabilities at the close of the financial period.

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

*Article 24*

Besides the final accounts for the financial period, the Director-General shall inform the Governing Body of the position of the accounts at the end of each intervening year.

*Article 25*

Appropriate separate accounts shall be maintained in respect of all trust funds, reserves and special accounts.

*Article 26*

The final accounts of the Organization shall be presented in United States dollars. The accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary. Details of contributions assessed, received and outstanding shall be presented in Swiss francs in supporting schedules.

*Article 27*

The final accounts shall be submitted to the external auditor not later than 31 March following the end of the financial period to which they relate.

---

*Article 28*

1. The Director-General shall submit the final accounts for each financial period and the external auditor's reports thereon to the Governing Body before 1 May of the year following the close of that period.

2. The Governing Body shall forward them to the Conference, as provided for in article 38, for consideration at its next session.

*Article 29*

The final accounts shall be adopted by the International Labour Conference.

CHAPTER VIII. INTERNAL CONTROL

*Article 30*

The Director-General shall:

- (a) establish detailed financial rules and procedures in order to ensure —
  - (i) effective financial administration and the exercise of economy; and
  - (ii) effective custody of the physical assets of the Organization;
- (b) except where advance or progress payments are specifically provided for in the contract, as may be required by normal commercial practice and the interests of the Organization, ensure that all payments are made on the basis of supporting vouchers and other documents which show that services or goods have been received and have not previously been paid for;
- (c) designate the officers who may receive moneys, incur commitments or obligations and make payments on behalf of the Organization;
- (d) maintain any internal financial control and internal audit which shall provide an effective current examination and/or review of financial transactions in order to ensure —
  - (i) the regularity of the receipt, custody and disbursement of all funds and other resources of the Organization;
  - (ii) the conformity of commitments or obligations and expenditures with the appropriations or other financial provisions voted by the International Labour Conference or with the purposes, rules and provisions relating to the fund concerned; and
  - (iii) the economical use of the resources of the Organization.

---

*Article 31*

Commitments or obligations shall not be incurred and payments shall not be made unless an appropriate authorization has been made in writing under the authority of the Director-General.

*Article 32*

The Director-General may make such ex gratia payments as he deems to be necessary in the interests of the Organization. A statement of such payments shall be submitted with the final accounts.

*Article 33*

The Director-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 with the final accounts.

*Article 34*

The Director-General shall establish rules for the procurement of equipment, supplies and other requirements, including rules governing the invitation of tenders.

CHAPTER IX. EXTERNAL AUDIT

*Article 35*

1. An external auditor, who shall be the Auditor-General (or officer holding the equivalent title) of a member State or another person of high competence, shall be appointed in the manner and for the period decided by the Governing Body.

2. The external auditor shall not be removed during his tenure of office except by the Governing Body.

3. The Governing Body may, if necessary, appoint a deputy external auditor to assist and replace the external auditor in case of need.

*Article 36*

1. The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the Governing Body, in accordance with the Additional terms of reference set out in the appendix to these Regulations.

2. 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 Organization.

3. The external auditor shall be completely independent and solely responsible for the conduct of the audit.

4. The Governing Body may request the external auditor to perform certain specific examinations and issue separate reports on the results.

*Article 37*

1. The Director-General shall provide the external auditor with the facilities he may require in the performance of the audit.

2. For the purpose of making a local or special examination or of effecting economies of audit cost, the external auditor may engage the services of any national Auditor-General (or officer holding the 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.

*Article 38*

1. The external auditor shall issue a report on the audit of the financial statements and relevant schedules reflecting the position of the final accounts for each financial period, which shall include such information as he deems necessary in regard to matters referred to in article 36, paragraph 2, and in the Additional terms of reference.

2. The external auditor's report shall be submitted to the Governing Body, together with the audited financial statements. The Governing Body shall examine the financial statements and the audit report and shall forward them to the Conference with such comments as it deems advisable.

CHAPTER X. FINAL PROVISIONS

*Article 39*

The Director-General may delegate to other officers of the Office such authority as he considers necessary for the effective implementation of these Regulations.

*Article 40*

Rules made by the Director-General in order to carry out the provisions of these Regulations shall be communicated to the Governing Body for approval.

---

*Article 41*

These Regulations shall not be amended except by the Conference acting upon the advice of the Committee referred to in article 6, paragraph 4; but, where it is proved to the Governing Body that some alteration or addition is urgently required, the Governing Body is authorized to approve and put into temporary operation such alteration or addition, but shall report thereon to the Conference as soon as possible for final decision by the latter.

*Article 42*

The present Regulations shall come into force on 28 September 1946.

---

APPENDIX TO THE FINANCIAL REGULATIONS

*Additional terms of reference governing external audit*

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

- (a) that the financial statements are in accord 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 certificate received direct from the Organization'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 acceptance in whole or in part of certifications and representations by the Director-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 confidential shall be made available on application. The external auditor and his staff 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 auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Director-General for appropriate action any transaction concerning which he entertains doubts 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 Director-General.

5. The external auditor shall express and sign an opinion on the financial statements of the Organization. The opinion shall include the following basic elements:

- 
- (a) the identification of the financial statements audited;
  - (b) a reference to the responsibility of the entity's management and the responsibility of the 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:
    - the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
    - the financial statements were prepared in accordance with the stated accounting policies; and
    - the accounting policies 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; and
  - (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 to the Governing Body 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 to the correct interpretation of the accounts;
  - (ii) any amounts which ought to have been received but which have not been brought to account;
  - (iii) any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
  - (iv) expenditures not properly substantiated;
  - (v) whether proper books of accounts have been kept;
  - (vi) any deviations of a material nature in the presentation of financial statements from generally accepted accounting principles applied on a consistent basis;

- 
- (c) other matters which should be brought to the notice of the Governing Body and the Conference, such as —
- (i) cases of fraud or presumptive fraud;
  - (ii) wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
  - (iii) expenditure likely to commit the Organization to further outlay on a large scale;
  - (iv) any defect in the general system of detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
  - (v) expenditure not in accordance with the intention of the Governing Body or the Conference 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 authority which governs it;
- (d) the accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records;
- (e) where appropriate, transactions accounted for in a previous financial period concerning which further information has been obtained or transactions in a later financial period concerning which it seems desirable that the Governing Body or the Conference 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 Director-General's financial report as he deems appropriate to the Governing Body or to the Director-General.

8. Whenever the external auditor's scope of audit is restricted, or he is unable to obtain sufficient evidence, the external auditor shall refer to the matter in his opinion and report, making clear in his report 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 Director-General an adequate opportunity of explanation on the matter under observation.

10. The external auditor is not required to mention any matter referred to in the foregoing which, in his opinion, is not material.