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| **Council Working Group on  Financial and Human Resources**  **Eleventh meeting – Geneva, 3-4 February 2020** |  |
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|  | **Document CWG-FHR-11/9** |
| **19 December 2019** |
| **English only** |

**Contribution by the Secretariat**

PROPOSED AMENDMENTS TO THE FINANCIAL REGULATIONS  
AND FINANCIAL RULES – EDITION 2018

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| **Summary**  This document presents the proposed amendments to Articles 18 and 21 of the Financial Regulations and Financial Rules in order to be aligned with the International Public Sector Accounting Standards (IPSAS) and meet the recommendations of the External Auditor.  **Action required**  The Council Working Group is invited **to review and note** the proposed amendments to Article 18, Rule 18.6, and paragraph 2 of Article 21 of the Financial Regulations and Financial Rules.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  **References**  Document [CWG-FHR-8/8](https://www.itu.int/md/S18-CLCWGFHRM8-C-0008/en) |

**Proposed amendments to the  
Financial Regulations and Financial Rules - 2018 Edition**

**Introduction**

1 This document proposes amendments to referenced Articles of the Financial Regulations and Financial Rules that need to be aligned with the International Public Sector Accounting Standards (IPSAS) and the recommendations of the External Auditor.

**Article 18, Rule 18.6**

2 Article 18, Rule 18.6 covers inventories and assets of the Union. The title has been adjusted accordingly by inserting the text “and assets”.

**Article 18, Rule 18.6, paragraph 2**

3 Article 18, Rule 18.6, paragraph 2 requires capitalization of assets with a purchase value above CHF 5,000 only. This complicates the application of IPSAS capitalization rules for assets below CHF 5,000. The capitalization rules are very clear and well guided under the IPSAS rules. Therefore, a text to meet IPSAS capitalization criteria is inserted to replace the capitalization threshold of CHF 5,000.

**Article 18, Rule 18.6, paragraph 3**

4 Article 18, Rule 18.6, paragraph 3 does not include a procedure for governing assets. The text “and assets” is inserted to cover procedures for assets.

**Article 21, paragraph 2**

5 Article 21 paragraph 2 refers to capitalization of expenses from the capital budget fund. IPSAS rules are very strict and clear on the capitalization criteria. Therefore, the text “that meet IPSAS capitalization criteria” is added to be aligned with the IPSAS rules.

**Recommendation: Articles 18 and 21**

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| **Current Financial Regulations and Financial Rules 2018** | **Proposal** | **Comments** |
| **Article 18, Rule 18.6 Title**.  Rule 18.6 Inventories | Rule 18.6 Inventories and assets | Adjusting the heading accordingly with the purpose of the rule 18.6 |
| **Article 18, Rule 18.6, paragraph 2**  2. Any assets acquired having a unit value exceeding CHF 5 000 shall be not only inventoried but also entered in the appropriate accounts on the assets side of the financial position. They shall then be amortized over a period corresponding to their expected useful lifetime. | **Article 18, Rule 18.6, paragraph 2**  2. Any assets acquired that meet IPSAS capitalization criteria shall be capitalized and inventoried and shown in the statement of financial position. They shall then be amortized over a period corresponding to their expected useful lifetime. | The capitalization rules are very clear and well guided under IPSAS rules |
| **Article 18, Rule 18.6, paragraph 2**  3. The Secretary-General shall establish the procedures governing the inventories of the Union. | **Article 18, Rule 18.6, paragraph 2**  3. The Secretary-General shall establish the procedures governing the inventories and assets of the Union. | The text includes reference to procedures governing the assets of the Union |
| **Article 21 Capital budget fund, paragraph 2**  2. All the expenses shall be capitalized and entered as assets in the statement of the financial position of the Union. | **Article 21, Capital budget fund, paragraph 2**  2. All the expenses that meet IPSAS capitalization criteria shall be capitalized and entered as assets in the statement of the financial position of the Union. | IPSAS rules are very strict and clear on the capitalization criteria |

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