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**FINANCIAL
REGULATIONS
AND
FINANCIAL RULES**

2018 Edition



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

PREAMBLE

1. The finances of the Union are the resources made available through the contributions of the Member States, Sector Members and other sources, according to approved budgets, and their management including appropriate processes and internal control, to enable the Union to work toward the accomplishment of the objectives set by Member States.
2. 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.
3. The provisions of the present regulations apply to the financial aspects of all activities of the Union. However, in matters related to projects financed by organizations of the United Nations system and not covered by these regulations, the relevant provisions of the financial regulations in force in the organization concerned shall be applicable as far as possible.
4. 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 the Financial Regulations. Should there be any incompatibility or discrepancy between the Financial Rules and the 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 thereunder.
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 accounting standards common to the organizations of the United Nations system;
 - b) the supervision of all budgetary operations and, in particular, commitments to expenses;
 - 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 following principles of procurement:

- a) fairness, integrity and transparency;
- b) effective competition, when appropriate international;
- c) best value for money; and
- d) best interest 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, the Financial 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, the Financial 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 and the Financial 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) Revenue and expenses not included in the budget are governed by the relevant provisions contained in Section IV of these regulations.
2. All expenses entered in the budget of the Union shall be covered by revenue included therein. Details of revenue and expenses shall be shown separately. Revenue shall not be offset against expenses 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 expenses of the Union as defined in the relevant provisions of the instruments enumerated in § 1 of the Preamble to the present regulations;
 - b) any revenue of the Union calculated to cover such expenses 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 secretariat budget

An administrative/core budget for ITU TELECOM secretariat shall be approved by the Secretary-General 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 – Expenses

1. The budget of the Union shall be presented to the Council in a Results-Based Budget format in line with the Strategic Plan of the Union and show the estimated costs of the goals and objectives of the Union.

2. 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

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

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

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

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

6. The budget of the Union shall contain a schedule showing the investment expenses separately for each section and subsection.

7. 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 expenses

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

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 inter-agency fees and miscellaneous

Article 7

Budget of the Union – Revenue

1. The revenue 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 revenue derived from:
 - i) the amounts paid by the organizations of the United Nations system 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 revenue from advertisements placed therein;
 - iii) other revenue from the application of cost recovery as decided by the Council;
- d) revenue from interest;
- e) miscellaneous and unforeseen revenue;
- f) 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 the budget shall be shown, together with the annual amount of the contributory unit.

3. The rates of interest charged:

- a) for the late payment of assessed contributions, including for regional conferences, shall be set according to the relevant provisions of the Convention;
- b) for the late payment of trust funds or voluntary contributions¹ (see exception referred to in paragraph 11 of 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 17 below).

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

¹ ITU does not commence any activity related to a voluntary contribution or trust funds until the contribution is actually paid.

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 revenue. 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 Member States of the Council as soon as possible, and in any case not later than seven 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 expenses in the previous period, appropriations approved for the current budgetary period and the latest available expense 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 of the preparation of the budget.

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 expenses, 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 expenses provided for therein. 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 recording in the accounts as extraordinary expenses of cash, supplies, equipment and other assets, other than arrears of contributions. A statement of all such items recorded in the accounts as extraordinary expenses during the financial period shall be submitted to the External Auditor and included in the financial operating report.

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 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

1. The Secretary-General may:
 - a) transfer appropriations for a given Sector only from one category of expenses to another within the same section or subsection, provided that no transfers are made from non-staff costs to fund expenses 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 expenses;

- b) transfer appropriations for a given Sector from only the operating expenses to the capital expenses within sections.
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) within one Sector, with respect to sections 1 to 8 only, from one section or subsection to another section or subsection, provided that the total transfers do not exceed 10 per cent of the total appropriations for non-staff costs under sections 1 to 8 of the Sector concerned;
 - c) from one Sector to another, provided that the total transfers do not exceed three per cent of the total appropriations for the biennium under sections 1 to 9 of the recipient Sector;
 - d) within one Sector, from section 9 to sections 1 to 8, from the operating expenses to the capital expenses, if applicable and required;
 - e) from the operating expenses of one Sector to the capital expenses of another Sector, if applicable and required.
3. Subject to §§ 1 and 2 above and Article 12, § 4 of the present regulations, no other transfer of appropriations may be effected without the authorization of the Council.

Article 12

Supervision of actual expenses

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 actual expenses with respect to the authorized appropriations, so as to show at any time the balance of the appropriations still available for each section or the expenses (see Articles 6 and 7 of the present regulations).

2. No expenses 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 an expense 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 expenses 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 § 4 above, the Secretary-General shall submit a report to the following session of the Council justifying his recourse to this procedure.
6. Actual shortfalls in revenue 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.

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 the department in-charge of

financial resources management shall ensure that certifying officers have ready access to information on the expenses 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 and deferred activities

1. No commitment for a given financial year may be incurred after the annual closure of the accounts for that period.
2. Subject to §§ 3 and 4 below, the appropriations not utilized at the close of the financial year 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. When certain goods supplied or services rendered during a financial year have not been billed before the end of that period, the corresponding expenses shall be noted during that financial year and credited to accounts payable.
4.
 - 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 temporarily credited to the Reserve Account in accordance with § 2 of the present article, remain available for the next financial year.
 - b) In the next financial year, the expenses on such deferred activities shall be covered by necessary budgetary appropriations to be made available, upon the approval of the Secretary-General.

- c) In respect of section 9, unused appropriations at the end of the first year of the approved budget may be carried over to the second year of the budget, if appropriate and duly justified.
5. The Secretary-General shall explain, in the financial operating report, the rationale for all cases of deferred activities.

Article 14

Expenses and revenue from publications

The expenses and revenue resulting from the production and sale of the Union's publications, as well as the revenue 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 15

Liquid assets of the Union

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.

Rule 15.1

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 the department in-charge of financial resources management, or an official designated by him, shall acknowledge all receipts of funds, sign all pertinent documents related thereto and endorse all cheques made out to the Union.

Rule 15.2

Cash advances

Only officials designated for this purpose by the Secretary-General may make cash advances.

Article 16

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 Secretary-General shall ensure, including by establishing appropriate guidelines, that funds are invested in such a way as to place primary emphasis on minimizing the risk to principal funds while ensuring the liquidity necessary to meet the Union's cash-flow requirements. In addition to these criteria, investments shall be selected on the basis of achieving the highest reasonable rate of return and shall accord with the principles of the United Nations.
3. The financial operating report shall contain a statement of the overall yield obtained by the investments made during each budgetary period.

Rule 16.1

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 ITU" and the relevant authority shall be notified that ITU bank accounts are exempt from all taxation.
2. Two signatures by the designated bank signatories 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 16.2

Investments

1. The authority to make and prudently manage investments is delegated by the Secretary-General to the Chief of the department in-charge of financial resources management.
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 revenue earned.

Article 17

**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 18

Keeping of accounts and presentation of financial statements

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 revenue and expenses and for all the other financial operations of the Union.
- b) The financial statements shall be presented according to the accounting standards common to the organizations of the United Nations system.
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 the organizations of the United Nations system;
 - c) the accounts for voluntary contributions and trust funds dealt with in Annex 2 hereto;
 - d) the accounts of exhibitions, forums and similar events organized by or in collaboration with the Union, which shall be kept in accordance with Article 19 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 expenses".
- 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 extrabudgetary 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 provision shall be explained in the financial operating report submitted to the Council.

Rule 18.1

Approving officers

1. The Secretary-General shall designate one or more officials as approving officers for entry into the accounts of obligations and expenses 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 that 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 18.2

Statement of financial performance

1. Accounts shall be drawn up every month. They shall indicate, for each budget item, a statement of revenue and, for expenses, the appropriations authorized for the financial year, the actual total expenses, the total commitments to expenses and the balance of appropriations available.
2. The Secretary-General shall be responsible for the keeping of the statement of financial performance and preparation of the final financial statements for each financial year showing, in addition to the elements required under Rule 18.5:
 - a) revenue 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) actual expenses incurred.

Rule 18.3

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 ten years 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 18.4

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 cheque is issued, the 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 department in-charge of financial resources management.

Rule 18.5

Financial statements

1. In addition to the provisions of Article 28 of the Financial Regulations, annual financial statements for all the accounts of ITU as at 31 December shall be submitted to the External Auditor not later than 31 March of the following year. The annual IPSAS financial statements shall include all funds of the Union. Additional financial statements may be prepared as and when the Secretary-General deems it necessary.
2. Financial statements submitted to the External Auditor shall be presented in accordance with the accounting standards common to the organizations of the United Nations system and shall include:
 - a) a statement of financial performance including information on revenue and expenses;
 - b) a statement of the financial position including information on assets and liabilities;
 - c) a statement of changes in Net Assets, including variations in reserves;
 - d) a statement of cash flows;
 - e) a comparison of budget and actual amounts according to IPSAS financial statements;
 - f) accounting methods and notes relating to the financial statements;
 - g) such other schedules as may be required.

Rule 18.6

Inventories and assets

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. 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.
3. The Secretary-General shall establish the procedures governing the inventories and assets of the Union.

Rule 18.7

Premises

Union premises shall be entered on the assets side of the statement of the financial position of the Union and shall be amortized over a period corresponding to their expected useful lifetime.

Article 19

**ITU TELECOM exhibitions, forums and similar
events organized by the Union**

1. Separate accounts shall be kept for each exhibition, forum or similar event.
2. Each account must show revenue and expenses, duly broken down.

3. Each account shall be closed no later than six months after the closure of the event concerned, taking into account accounts payable foreseen under Article 13 of the present regulations.

4. At the closure of each of these accounts, any surplus revenue or excess expenses shall be transferred to an Exhibition Working Capital Fund, the balance of which shall be entered in the statement of the financial position of the Union.

5. A statement of operations relating to each exhibition, forum and similar event shall be included in the financial operating report of the Union submitted to the Council.

Article 20

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 18, §§ 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 the currency of the country where the Union has its seat shall be recorded in the accounts at the United Nations operational rate of exchange at the date of the transaction. Any difference between the United Nations operational rate of exchange and the actual rate received from the paying agent or financial institution shall be treated as revenue if a gain, or expenses if a loss.

Article 21

Capital budget fund

1. A capital budget fund shall be set up, the accounts of which shall show as expenses:
 - a) 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;
 - b) 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. 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.

Article 22

Staff welfare fund

1. There shall be a staff welfare fund, the accounts of which shall show:
 - a) as revenue, the amounts paid by the catering service representing the Union's revenue from its contract(s) with the caterer(s);
 - b) as expenses, 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 statement of the financial position of the Union.

Article 23

Reserve for staff repatriation

1. A reserve for staff 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 separation from service;
 - repatriation grants.
2. This fund shall be entered in the statement of the financial position of the Union. At each annual closure of the accounts, the amount of the fund shall be adjusted so as to correspond to the calculated amount of the Union's obligations for staff repatriation.

Article 24

Reserve for debtors' accounts

1. A reserve for debtors' accounts shall be established to reflect a more correct value of the arrears shown on the assets side of the statement of the financial position 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 must reflect the value of all the debtors' accounts to be brought back to what it actually represents for the Union at the end of the financial year.

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 balance of this reserve, which shall be entered in the statement of the financial position of the Union, may 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 25

Accrued liability for overtime and accrued leave

1. An accrued liability for overtime and accrued leave shall be presented in the statement of financial position, the accounts of which shall show:

- a) on the credit side, the amounts necessary to ensure that the balance of this liability corresponds to the calculated amount of the Union's obligations for overtime and accrued leave;
- b) on the debit side, the payments made to cover:
 - overtime paid;
 - accrued leave paid.

2. This accrued liability shall be entered in the statement of the financial position of the Union. At each annual closure of the accounts, its amount shall be adjusted such as to correspond to the calculated amount of the Union's obligations for staff overtime and accrued leave.

Article 26

Accrued liability for other staff benefits

1. Any other accrued liabilities necessary under the accounting standards common to the organizations within the United Nations system shall be presented in the statement of financial position.
2. Benefits granted by the Union to its staff members, whether during or after their period of service, shall be recorded in the accounts in accordance with the accounting standards common to the organizations of the United Nations system.

Article 27

Net Assets including Reserve Account

1. The Net Assets include:
 - the effects of transition to IPSAS;
 - the Reserve Account;
 - the Superannuation, benevolent and investment funds;
 - the ASHI actuarial losses as defined by IPSAS on employee benefits, since ITU elected to recognize the actuarial gains and losses in the period when they occur;
 - the variation of Net Assets of the extra-budgetary funds and the effect of presenting them in the financial statements presentation currency;
 - the surplus or deficit for the period according to IPSAS.

2. The Reserve Account shall be made up of:
 - a) the positive or negative net balance (surplus/deficit) from the financial year on a budgetary basis;
 - b) transfers from other reserves/funds as decided by the Council.
3. Notwithstanding the provisions of Article 13, § 4 b) of the present regulations, bearing in mind the need to maintain the Reserve Account at a minimum level determined by the Plenipotentiary Conference, 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) transfers to other reserves/funds;
 - d) any amounts to be debited to the Reserve Account as prescribed by the accounting standards common to the organizations of the United Nations system.
4. The Secretary-General shall report annually on the actual position of the Reserve Account, including any variations therein, 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 External Auditor shall be the supreme audit institution of one ITU Member State and shall be appointed by Council in a manner decided by the Plenipotentiary Conference for a four-year term. The term may be renewed without a competitive selection process by the decision of Council for a period of two years and a further period of two years.
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 as at 31 December shall be submitted by the Secretary-General to the External Auditor not later than 31 March of the following year.
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. In case of voluntary contributions and trust funds, the Secretary-General may request the External Auditor to perform 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 § 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 system, 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 expenses 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. After consideration by Council, this report will be published on a publicly accessible page of the Union's web site.

5. Final internal audit reports shall, upon written request to the Secretary-General, be made available to Member States or their designated representatives. Access to reports will be subject to safeguards and procedures to ensure that safety, confidentiality and due processes are properly maintained. The report may be redacted, or withheld in extraordinary circumstances, at the discretion of the Internal Auditor, when access to an internal audit report would:

- a) put the safety and security of an individual, working for or with ITU, at increased risk;
- b) be inappropriate for reasons of individual confidentiality;
- c) risk violating the due process rights of individuals.

The Internal Auditor will provide reasons for this redacting, in writing, to the requesting ITU Member State.

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*: the annual accounts, 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 previous calendar year, and the status of that account at the end of that year (Article 27 of the present regulations);
 - b) revenue and expenses of the account relating to participation by the Union in the United Nations Development Programme and other technical cooperation projects;
 - c) 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;
 - d) revenue, expenses and retained earnings from activities, products and services subject to cost recovery as decided by the Council pursuant to Article 7, § 1 c) iii) of these regulations;
 - e) a summary indicating for each case the origin, proposed use and action taken with respect to each voluntary contribution in accordance with the relevant provisions of the Convention.
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 2009 session.
2. These regulations shall enter into force on 1 January 2010.

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 control system and internal audit function are adequate;
- e) that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits;
- f) that the financial statements are presented in accordance with the accounting standards common to the organizations of the United Nations system.

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 as 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 shall 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) expenses 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 use of the Union's money or other assets (notwithstanding that the accounting for the transaction may be correct);

- iii) expenses 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 revenue and expenses or of supplies and equipment;
 - v) expenses not in accordance with the intention of the Council after making allowance for duly authorized transfers within the budget of the Union;
 - vi) expenses in excess of appropriations as amended by duly authorized transfers within the budget of the Union;
 - vii) expenses not in conformity with the authority which governs them;
- d) the accuracy or otherwise of the supplies and equipment records as determined by stocktaking 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.

10. The External Auditor is not required to mention any matter referred to in the foregoing which, in his opinion, is insignificant in all respects.

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 and trust funds

1. a) The Secretary-General may accept voluntary contributions in cash or in kind provided that the conditions attached to such contributions are consistent with the purposes of the Union and in conformity with these Financial Regulations.
- b) The Secretary-General may also accept trust funds for the execution of specific programmes or projects provided that the conditions attached to such trust funds are consistent with the purposes of the Union and in conformity with these regulations.
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 revenue in the budget of the Union as enumerated in Article 7 of these regulations, with the exception of the revenue 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 § 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 (apart from exceptional and duly documented cases, subject to prior written approval by the Secretary-General) and the funds have been deposited in accordance with the payment schedule laid down in the agreement (see § 9 above).

12. Any agreement as referred to in § 9 above may contain provisions relating to the case of late payment 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 a 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 expenses. 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, § 1 c) of these regulations. Unless otherwise stipulated by the agreement, the interest on the voluntary contribution accrued in the project accounts shall be credited to ITU as cost-recovery revenue.

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 revenue: cash contributions from all sources, as well as miscellaneous revenue such as interest accrued from contributions advanced or the sale of items purchased under such funding;
- b) as expenses: project implementation expenses, 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.

6. Reporting

20. 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.

21. 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.